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SALES

MANAGEMENT

With Personal Selling and Salesmanship

S.A. Chunawalla

Himalaya Publishing House

Sales Management

(With Personal Selling and Salesmanship)

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Preface to the Sixth Revised Edition

In this new millennium, most of the employment opportunities will be in the sales function. Salespeople are no longer considered the poor cousins of the glamorous branding boys. So far, sales was a neglected component of the marketing function. *Woe betide* those who, rejoice ‘The Death of a Salesman’. Business schools will have to restore the sales syllabus to its rightful position to avoid ‘What they don’t teach you at IIM-type’ criticism.

This revised edition of the book treats the selling process, commonly known as salesmanship, in detail. In addition, the managerial aspects of the job such as planning, organising, staffing, directing and controlling of the selling functions are also treated in detail. A salesperson is developing relationship with the customers, and as such partnership, strategic and relationship aspects of his job are considered. Most of the chapters have been revised and recast. Additional materials on Sales Planning, Closing the Sales and subliminal selling been added.

This book recognises selling as the cutting edge of business. There is emphasis on proactive selling, need-oriented selling and solution-oriented selling. From Dhirubhai Ambani to Karsanbhai Patel, some of the greatest tycoons of our time built their empires on their ability to sell.

Advertising, marketing and brand building — all these came later on.

A few case studies have been appended at the end of the book to enhance its overall utility.

The book has already completed ten years of its existence in the markets. All these years it has proved its usefulness for the readers. It has been constantly revised to keep pace with the changing times.

The author will feel amply rewarded if the book satisfies the readers. Suggestions, if any, should be sent either to the publisher or author to improve the text further.

— Author

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Chapter



Nature and Scope of Sales Management

Gone are the days when selling was considered as down-the-line function, and was just taken for granted. Selling is becoming increasingly professionalised. Organisations recognise the need for sales planning and control. Sales objectives are set, and sales strategies are designed to achieve them. To realise the sales objectives, it is necessary to create a suitable organisational mechanism. Sales management is a respectable function today, and its professional status is as high as any other business function.

Sales executives have to achieve a particular *level or volume of sales* so as to contribute to *profits* to ensure planned *business growth*. These executives have responsibilities to their organisation and to their customers. But beyond these, they also owe a responsibility to the society as a whole. Who are the customers? They are the intermediaries like the wholesalers and the retailers. In industrial marketing, they are the industrial users. These customers need the *right* products supported by the *right* services like credit extension, training to trade's sales representatives, assistance in retail advertising. Society expects these executives to be socially responsible and expects to receive the *right* products at the *right* prices. Sales executives have to balance the interests of the organisation and those of the society.

EVOLUTION OF SALES FUNCTION

Prior to the Industrial Revolution, organisations were small, and the production was limited, and meant for local market. Selling was thus not a complex activity. It was the owner who sold off what he produced. He was more concerned with manufacturing rather than selling.

During the Post-Industrial Revolution, when factory system developed, we got products made on a massive scale, which could not be sold just in the neighbouring markets. Though initially the problems of mass production engaged business people, they soon realised that this also meant mass distribution, and selling. To achieve the organisational objectives, it was felt necessary to divorce ownership from management, giving birth to corporate form of organisation. Authority was delegated to others, and specialised functional departments emerged. The first to emerge were the separate manufacturing and finance departments, followed by selling. Though selling as a separate department did help in mass selling in expanded markets, it still remained a problem as to how to communicate with these huge markets.

Distribution channels of wholesalers and retailers appeared on the scene. Export and import also gave a boost to the emergence of wholesalers. The manufacturer's sales department was thus far removed from the actual consumers. This made the scene complicated.

In the meantime, manufacturer's sales function added several other important activities such as promotion, marketing research, transportation, sales administration in the form of credit and collections.

Sales function became an income-generating department for the organisation.

Salespeople are the only ones in the company that bring in money. Everyone else spends it.

SALES MANAGEMENT

Many believed that marketing would make sales superfluous ultimately. But this belief proved wrong. The sunrise sectors like insurance, financial products, information technology – are all sales-driven. In this age of commodity brands and mass retailing even traditionally marketing-driven industries like FMCG and white goods have rediscovered sales.

Initially, sales management was equated with salesforce management. As time rolled on, sales management became broader. Apart from the management of personal selling, it encompassed other marketing activities like advertising, sales promotion, marketing research, physical distribution, pricing, merchandising and so on. However, the comprehensive broad function later got labelled as marketing management. Sales management came to be defined by AMA (American Marketing Association) as:

‘The planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks, apply to the personal salesforce.’

Sales management, according to the above definition, is the management of the salesforce. This is a personnel-type function.

Sales management also organises the selling effort. To do so, it creates a suitable organisational structure, with appropriate communication system.

Sales management interfaces with the distribution channels, and external publics.

Sales management provide critical inputs for the key marketing decisions like budgeting, quotas and territory management.

Sales management interfaces with other marketing functions while policies of these functions are being formulated.

According to Zoltners, Sinha and Lorimer (*Building a Winning Salesforce*), the sales process is the most dynamic corporate undertaking. Market conditions constantly change, as do customers' wants, needs and expectations. A company's salesforce must be equally dynamic to stay competitive. Therefore, business now invest enormous sums to develop their sales departments.

Sales manager according to the above definition, has four major functions:

(1) Selection of the salesforce; (2) Training the salesforce; (3) Motivating the salesforce, and (4) Controlling the salesforce.

Different organisations have different type of needs for selling. Thus, a service organisation like an insurance company needs sales management as much as a manufacturing organisation does. However, both of them handle selling in different contexts. Similarly, a retailer also needs selling. Even organisations not employing salesforce of their own and depending on 'outside salespeople' have sales problems unique to themselves.

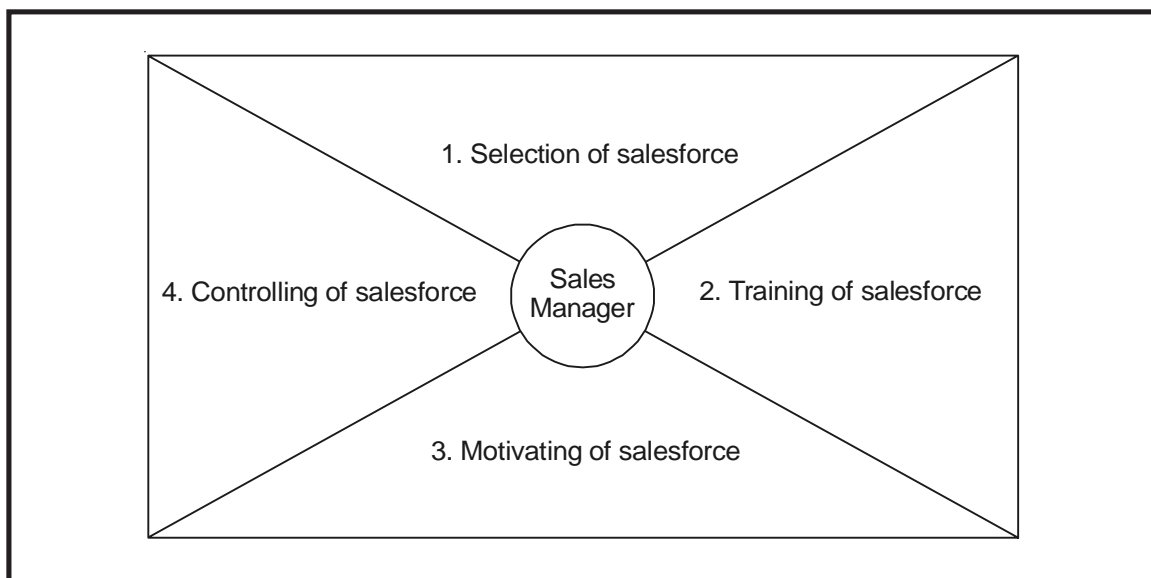


Fig. 1.1 Sales Management Functions

OBJECTIVES OF SALES MANAGEMENT

Sales volume, contribution to profits and growth are the three major objectives the sales function is expected to achieve. Though these are broad corporate functions to be achieved by the top management, sales contribute a great deal in achieving them. Corporate objectives are communicated to the marketing department who in turn passes on the responsibility to the sales department.

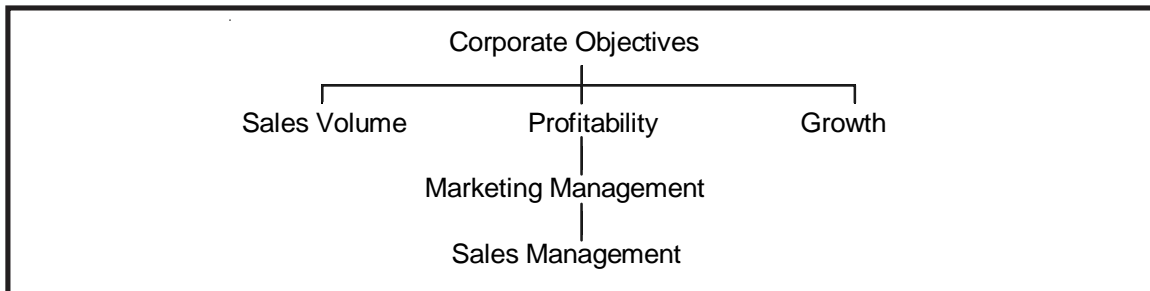


Fig. 1.2 Hierarchy of Objectives

Sales provides invaluable feedback to the higher management while achieving these objectives.

SALES MANAGEMENT AND FINANCIAL RESULTS

The trading account records the sales and cost of goods sold to arrive at gross profit.

Trading Account

To Purchases	-	By Sales	-
To Carriage Inwards	-		
To Gross Profit	-		
Transferred to P&L Account	-		-

Profit and Loss Account

To All Expenses	-	By Gross Profit	-
To Net Profit Transferred to Capital Account	-	By Other Income	-

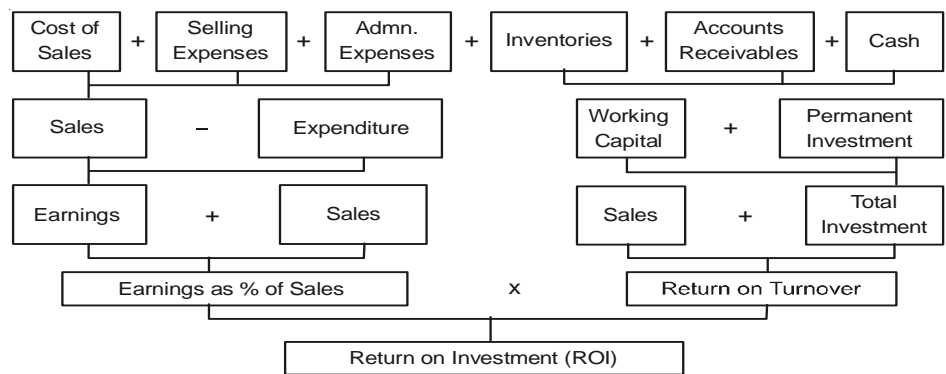
Gross profit minus expenses gives the net income.

Sales provides thus critical figures in overall financial performance of the organisation. Sales management by being effective is in a position to affect sales, gross margin and expenses; and thereby net income. Sales must exceed cost of goods sold to keep manufacturing and distribution in a healthy state. The finalized accounts are used by the board and outsiders to judge a business. Sales growth while profits decline is no good.

RETURN ON INVESTMENT

Return on investment is a ratio that examines the relationship between the size of earnings (gross profit) and the capital employed. It gives a fair indication of the profitability of the organisation. The ratio is the product of the earnings as percentage of sales and the turnover of capital employed that produce these sales. The following Du-Pont chart illustrates this:

Du Pont Control Chart



As an equation, ROI = Return on Sales × Turnover of Capital

$$= \frac{GP \times 100}{Sales} \times \frac{Sales}{Capital Employed}$$

$$= \frac{GP \times 100}{Capital Employed}$$

It is necessary to control costs. Even lower sales volume can achieve higher gross margins, with proper expense control. It is also necessary not to over-emphasize the gross margins only with inadequate sales and net profits. Net margins are healthy if there is optimum relationship among the four factors. Sales contribute a great deal to achieve optimum relationship amongst three factors — sales, gross profit and expenses. Sales have to work in collaboration with production and promotion to cover cost of goods, which is the fourth factor.

CO-ORDINATION OF SALES WITH OTHER DEPARTMENTS

Sales has to co-ordinate with the marketing department. Particularly promotional activities and sales do need harmonisation. Sales has to co-ordinate with market planning. Sales co-ordinate with distribution channels on introduction of products and later on the buyers must be made aware where the products are available. Sales has to balance the interests of the trade and those of the manufacturer. Sales has to motivate the trade for joint promotional efforts. It is necessary to have the co-ordination of sales and overall marketing strategy. New product introduction rightly calls for a high degree of co-ordination between sales and marketing. It is necessary to be careful about inventory levels, sales plans, branch management, sales training and sales operations while a new product is being introduced. It is also necessary to co-ordinate with publicity, sales promotion and advertising of a new product.

SALES MANAGEMENT AND CONTROL

Planning and control go hand-in-hand. Sales objectives are reviewed to examine where we stand today, how we travelled up to this point, where we are headed to, and how to reach there. Sales plans are examined along with the policies and procedures.

The control process starts by setting up performance standards. The actual performance is then measured. The results are compared with the standards set. Variations are deeply examined. Lastly, corrective action is taken to set the matter right. Sales objectives may have to be revised in the light of the feedback received.

In smaller organisations, the informal control works. As organisations grow in size, formal control is exercised. The sales policies are put in black and white. Policies provide permanent solution to recurrent problems. Sales policies are subject to review in the light of the situation. Sales volume is controlled by specifying how much we can sell in future. It serves as a standard. Sales budgets extend control over sales volume to exercise control over margins and expenses. It takes the individual territories as units for this exercise.

Sales control can be centralised or decentralised in an organisation. In a decentralised organisation, control is exercised by executive down the line. Higher executives are concerned with the overall policy; or control just by exception.

SCOPE OF SALES MANAGEMENT

Sales strategy is the key to drive the salesforce. It identifies the best prospects, details the basic value proposition and defines the selling process. The salesforce's task is to transform the strategy into a workable reality. Proper implementation of the sales strategy allows the company to achieve the sales volume and customer satisfaction.

Sales management directs the salesforce. It, therefore, must know the art and science of personal selling. Personal selling is accomplished through salesmanship. The sales executive must know the activities of salespersons including salesmanship and the problems of salespersons including those in salesmanship and must be able to provide the right solutions.

Credibility Crisis

Salesmanship has to live with a notorious reputation. In the cock-tail circuitry the world over, we can hear many jokes about the salesmen.

A salesman pushes too hard. He has lost his credibility. It seems he inveigles us into buying. A tailor is comparable to a salesman as far as the credibility crisis is concerned. He fails to deliver on the promised date in spite of all the glib talk. Even brand managers come closer to salesmen in respect of credibility. A brand manager sits in an ivory tower, far removed from reality. When someone chatters at a party, he is asked to shut up his salesmanship. A salesman is considered to lack honesty, though he may be a hard worker. Brand communication is hyped, and does suffer from credibility crisis. Sales

promotion offers many things *ex gratia* so difficult to understand. Selling is too short term. It has become pagan with no care to what happens to the reputations of firms. Consumers suffer from post-purchase dissatisfaction.

Glib tongued salesmen are on their way out. We have had enough of their glib talk. We now welcome sober gentlemen — a different breed of salespeople. He just assists the sale. He helps us to take the buying decision.

SERVICE EXPERIENCE

Harish Bijoor narrates his service experience on three different airlines. When he finds the cabin dirty on Indian Airlines, the hostess just asks him to fill up a complaint form. She gives the feeling that it is not her responsibility to keep it clean. On a Jet Air Flight, a non-veg. meal runs out, when his turn comes. The lady apologises profusely and persuades him to accept a veg. meal. A cabin-in-charge comes and apologises once again. When the airline staff owns up the problem, it helps a great deal. In a Singapore Airline flight, a girl drops soup on his clothes but he is taken towards the front end to clean up the clothes with hot towels. Apologies follow. The entire crew apologise. A fresh pair of trousers and shirt are handed over to him at Singapore airport after landing. The colours match more or less. The fitting is OK. That's service.

A Specialised Area

Sales management together with personal selling constitute an important element of the marketing mix. Though it is a part of the overall marketing task, it contributes significantly to the achievement of the overall marketing objectives. Sales function, therefore, must be professionalised. It calls for not only persuasive communication, relationship management but also proper co-ordination. This is a broad view of the sales resource; which plays an appropriate part in whatever overall marketing mix an organisation decide to use.

Personnel in any area must be managed well for their better performance. Sales is a special area on account of a number of factors.

Geography: Salespeople are away from the headquarters or their base. It is not easy to control them from a distance. It is more time-consuming also.

Isolation: Salespeople are on their own in the field. Without supervision, they are likely to be dissociated with the marketing plan.

Task: Selling skills are operative in a social setting. These must be fine tuned time and again. It is all the more necessary in a dynamic marketplace.

Selling Skill as a Differentiator

The markets of the 21st century are dynamic. The competition is increasing. Salespeople have a three-dimensional job — communicating, persuading and differentiating. By differentiating, salespeople make the product more desirable than similar products. Here, the quality of selling itself can be made a differentiating factor, giving a competitive advantage to the organisation.

Patrick Forsyth defines 'sales management as the function responsible for creating and maintaining a suitable sales activity through management and supervision of the sales team, and hence achieving through them, the required sales results'.

Making Sales Management Effective

Some key areas do merit special attention of the sales manager.

Vision: Selling over a period of time becomes routinised. There are sales calls. Some lessons are learnt. They are helpful in individualising the presentation. Salespersons have to keep an eye on the company they serve and the portfolio they handle. They also should be sensitive to the market in which they operate. Standardised presentations become uninteresting. All promotion is to be seen in the larger context. The organisation must have a clear vision, a strategic view of the business. The sales manager must know where we stand today and where we are headed to, say five or ten years hence. This should be shared with the sales team. This becomes a direction to the whole team. Selling then becomes exciting, a smaller but significant part that contributes to the larger picture. That makes the routine less taxing.

Market Focus: Though it sounds obvious, it is a common tendency to be aloof from the market. There should be contact with the customers and their demand pattern. There should be contact with the environment — product development, technological change and competitive organisations. Such interface with the customer contributes a great deal to success.

Clear Guidelines: All salespeople must have clear idea about what they have to achieve, or else their performance would not be maximized. There should be clarity about job descriptions, targets, goals, standards and procedures. Goals should be realistic, yet sufficiently challenging. These should be supported by organisational processes, *for e.g.*, quality control, sales aids, **POP** material. It is the job of a sales manager to be clear about the overall sales objectives.

A Good Team: Selection is the key to success in the sales function. A good team is selected by observing good selection process right from advertising, testing, interviewing and selecting. A good team so selected must be motivated and rewarded adequately.

Spending Time with the Team: Amongst the several tasks set for the sales manager, the most crucial is the devotion of time to the sales team so as to develop the team in such a way that it becomes self-directed. Another task that is equally important is that of communications.

Motivation: A motivated team is a great asset. Just monetary compensation is not enough. Compliments are equally important. Motivation has taken care for consideration for the human element and having variety in the job. Motivation must be fine tuned to the kind of sales team involved. It is an ongoing process, motivated people put in more work. They are at their creative best.

Good Communications: Communication must be clear, understandable, and persuasive. Sales meetings are important and must be paid attention they deserve. In motivation, communication plays a great role. Appraisal and counselling after appraisal are also communication exercises. One of the biggest mistakes salespeople make is to talk too much. They should exercise restraint and talk to the point.

Sales Excellence: Sales excellence is a result of field training, sales meetings, formal training and appraisals. Salespeople are provided newsletters. A good salesman believes in the product and believes in himself. He interacts with people, and has a good sense of timing. He has a good sense of humour. He visits existing customers, while tapping the new opportunities. He is particular about post-sale service. His approach is commonsensical. Self-development is natural. Competence is desirable.

Innovations: Sales is dynamic. We should recognize change and have an open mind. Sales managers must not be indecisive. It is necessary to introduce changes.

Leadership: Leadership influences people and their activities. Managers, as Drucker said, do things right, leadership does the right things. A good sales manager must lead.

KEY THINKERS — SALES MANAGEMENT

<i>Book</i>	<i>Author</i>	<i>Publisher</i>	<i>Remark</i>
Sales Management	Frederick Herzberg	–	Father of motivation theory. Old Book
How to Motivate People	Patrick Forsyth	Kogan Page	Theories and ideas on motivating successfully.
Dartnell Sales Manager's Handbook	–	–	Their surveys are enlightening.
Winning Sales	Heinz Goldman	–	–
Selling to Win	Richard Denny	Kogan Page	–
Making Major Sales	Neil Rackham	Huthwaite Research	–
Account Strategy for Major Sales	Neil Rackham	Huthwaite Research	–
Management of Major Sales	Neil Rackham	Huthwaite Research	–
Getting Partnering Right	Neil Rackham	Huthwaite Research	–
Salesforce Management	Churchill, Ford, Walker, Johnson and Tanner	Irwin McGraw-Hill	Best major work on the subject.
Managing a Salesforce	Michael T. Wilson	Gower Publishing	Practical workbook.
Successful Sales Management	Grant Stewart	Prentice-Hall	–
Sales Management Theory and Practice	B. Donaldson	McMillan Publishers	–

EVOLUTION OF SALES MANAGEMENT

<i>Year</i>	<i>Circumstances/ Events</i>	<i>Remarks</i>
1945	The end of the Second World War. Period of recovery. Production-orientation.	Making things was more important than selling them.
1955-1965	Marketing-orientation. Evangelical period for marketing.	Whatever is being made would appeal to customers and that it could be sold.
1963	The Hidden Persuaders by Vance Packard was published. Ralph Nader, the consumer champion started movement initially against auto industry by raising safety issues.	It told consumers that they were exploited through advertising. Selling has to deal with well-informed customers.
1965-1975	Marketing became professionalised. Sales management developed as a part of marketing management. Focus on psychology of selling. Research by David Mayer and Herbert Greenberg — What makes a good salesman? (HBR, July/August 1964).	Empathy and ego drive into considerations of selling.
1970	Managing a Salesforce (Gower) by Mike Wilson was published. Welcome departure from Sales Manager's Handbook (Dartnell Publishing).	Practical format. Still a prime reference book.
Mid-70s	SPIN (a trademark) was started. It is pioneered by Huthwaite International.	Research-based approach to sales training. Selling is taken more seriously. It started focusing on customer needs.
Late 70s and beyond	Recognition that different customer groups needed different selling approaches. Customers formed buying groups.	
Last 10 years	<p>Telephone selling.</p> <p>Electronic revolution. Electronic data collection system. Professional buyers. Customer Relationship Management (CRM).</p> <p>Sales Management is now customer focused. Staff expectations of management have changed.</p> <p>Instead of salesman a politically correct term, salesperson has come into use. It is applicable to all types of salespersons including shop assistants.</p>	<p>Developed as an answer to increased costs of field selling. This also led to the development of call centres later.</p> <p>E-commerce started.</p> <p>What was practised informally has been formalised. It is systematic, comprehensive and in electronic form.</p> <p>Formerly only selling was customer-focused.</p>



Chapter

2

Personal Selling and Salesmanship

Sales management, as we understand it now, is the direction of the personal selling effort. Mostly, this is accomplished through salesmanship. A salesperson's job has many activities, including salesmanship. A sales manager has to understand these. A salesperson faces many problems, some of which are related to salesmanship. A sales manager must understand them and provide the right solutions.

Personal selling is a part of the total promotional activity of a firm, which along with product, price, and place management, goes a long way in meeting the overall marketing objectives of the organisation.

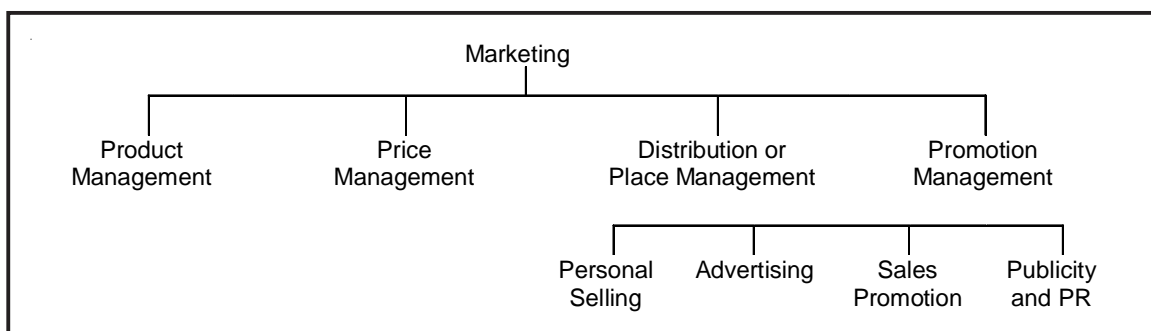


Fig. 2.1 Place of Personal Selling

Personal selling, thus, contributes to the total promotional effort of the organisation, and along with other elements of marketing mix like product management, pricing and distribution results in the implementation of the marketing programme.

Personal selling is, thus, a broader concept and salesmanship is just a part of it. Salesmanship is just one of the skills used in personal selling.

Salesmanship is defined by Shapiro as “the art of persuasion which motivates the customers to buy products which provide them suitable benefits.” The emphasis to begin with was on persuasion, but has now shifted to the benefit part.

Salesmanship is initiated by the seller and provides information to the prospective buyers about the products and their benefits so as to persuade and motivate them to opt for them.

Salespeople interact with the prospective customers in a variety of ways, depending upon the product and situation. They must have intimate product knowledge to carry out their job. At the same time, they are psychologists to some individuals and counsellors to some others. They must establish a personal rapport with their prospective customers. Each sales call demands a suitable tuning in, to meet the characteristics of the prospects.

In a sense, personal selling and advertising are similar. Both of them use persuasion to make the prospects favourably inclined towards our products. In fact, advertising is described as ‘salesmanship in print.’ Personal selling is, however, one-to-one communication with the prospective buyer, whereas advertising is mass communication with a large number of prospective buyers. Personal selling presents a unique opportunity to the salespeople to tailor their messages according to the individual needs of their buyers. Personal selling effort has the least amount of wastage. Advertising may be received by those who are not our target audience. Personal selling is focused directly on our target audience.

PERSONAL SELLING

The ultimate objective of the marketing function is to increase the sales of want-satisfying products and services, thus, leading to a healthy bottom line. Of the several tools available to stimulate sales, one most important tool is personal selling. Advertising may support careers of a few thousand people. However, those employed in personal selling can be counted in hundreds. Several companies spend 8-15 per cent of the net sales on personal selling as against 1-3 per cent spent on advertising. Selling needs a considerable sum considering the salary bill, allowances bill, travelling costs, and operating expenses of the sales branches or offices.

WHAT IS PERSONAL SELLING?

It is a method of communication — a salesperson communicates on an individual basis with a prospect. It is opposed to mass communication like advertising where the organisation communicates with a body of customers. Personal selling is person-to-person communication. It is, thus, inherent in the very nature of personal selling that the communication is tailored to the needs of the prospect. It is also possible to get immediate feedback in personal selling by observing the reactions of the prospect, and thus communication can be modified on the spot. Personal selling effort has the least amount of wastage. Advertising may be received by those who are not our target audience. Personal selling is focused directly on our target audience.

Personal selling may lead to action — the actual sales. Ads can attract customers, create an awareness in them, and may arouse a desire to possess the product. But they generally fall short of the buyer's last step — the actual buying. Besides, while doing personal selling, a variety of other tasks like collecting data about creditworthiness of the customers or their preferences can be performed. Personal selling can address to the grievances of the individual customers.

Life has so much to offer and we have so much to take. Has it ever occurred to you that what is on offer must be sold? It is not always the tangible products which are on offer; we also offer our ideas, beliefs and values. We also wish to attain our goals, and expect others to help us attain them. We expect to win others to our point of view. Perhaps, we all are selling something which others buy. May be, the word *selling* is not so likeable to you — it smacks of crash commercial considerations. Let us say we *communicate to persuade or dissuade*. The elements of this persuasive (or dissuasive) communication are motivation, instruction, encouragement and reassurance.

Every successful person sells himself. Selling himself means selling what he stands for — his value system, his ideas, his opinions, his beliefs and his goals. In a way, he does this selling better than others. Thus selling, as Stevenson remarks is everybody's profession. In fact, the Barter laid the foundation of selling in the stone age. Early in the human civilization, the gypsy-like salesmen wandered from place-to-place. But the formal salesman as we know him today was born in the early 19th century. The textile mill employed him to travel to different places, show samples and collect orders in anticipation of production. The delivery was to be made in future. All this sounds so common place today. But in human history, this order-taker has come as a surprising innovation. He spread out far and wide — in other industries and changed the very concept of distribution. The introduction of railroad brought on the scene the travelling salesmen.

Perhaps, Peterson John H. can be called the father of modern sales management. He organised the first salesforce, and introduced the element of training in 1844. We note with pride the concept of sales quotas and territory allocation to salespersons is attributed to him. Watson, an associate of Peterson, emphasised the importance of continuous training for the salespersons. Further professionalisation of selling profession has now reached new heights — we have professional courses, a body of literature, professional associations and sales consultants. Selling is most exciting because it is both an art and a science.

Tom Hopkins in his latest best-seller on *Art of Selling* describes selling as the highest paid hard-work, and at the same time lowest paid easy-work. Thus, the returns from selling are commensurate with your efforts, skills, knowledge and competence.

Selling as a career is a constant challenge. It allows us to put forth the best in us. We, thus, get a rare opportunity to articulate. Very few professions provide the kind of pleasure that selling does. Selling benefits both the parties — the seller as well as the client. The better the selling, the more the benefits. It is, thus, a deeply satisfying career. While pursuing selling career, we evolve as human beings.

The myth of born salesman has to be shattered. Such a myth creates a false sense of confidence in some persons, and a feeling of inadequacy in a lot many other persons. It harms both ways. Selling is a matter of learning.

A sales manager must have good knowledge of both personal selling and salesmanship. Some of them do graduate from salesmanship to the executive ladder, whereas some start at executive level, and

learn the theoretical principles of salesmanship. Though many sales managers have no selling experience, they still make outstanding executives, because the job calls for more conceptual, human relations and leadership skills and less of technical skills. It cannot, however, be often said with confidence that a salesman will always make a good sales manager, on promotion, because he may lack the conceptual and leadership skill necessary to make this job a success.

What These People Sell?

<i>People</i>	<i>Action</i>	<i>What is being sold</i>
Job applicant	Applies for a job	His abilities to do the job
Lawyer	Advises client to file a suit	Legal skills
Stockbroker	Persuaders to buy shares and debentures	Investment expertise
Clergy	Attend the Sunday mass	Faith
Politician	Seeks the votes	Party's ideology and programmes
Filmstar	Acts in movies	His persona and acting skills
TV Commentator	Passes Judgements	Opinion
Comedian	Cuts Jokes	Humour

SPECIAL CHARACTERISTICS OF THE SALES JOB

There are several distinguishing features of a sales job:

A salesman is an ambassador of his company to the external world. He leaves a lasting impression on those with whom he interacts and form an opinion about the company from his behaviour. By no stretch of imagination, we can consider the production staff or, for that matter any other staff of the organisation wielding the same influence as the salesman does.

A salesman is out in the field, with no direct or little direct supervision, whereas other employees have to work under close supervision. Field duties involve hard physical labour, and are never a bed of roses. Besides, selling demands creativity, doggedness and initiative. Thus, a successful salesman should have a combination of brain and brawn. As he is to be self-directed, he needs strong motivation.

A salesman needs human relations skill much more than others. As he interacts with a variety of people in diverse situations, he must show diplomatic skills and composure. He should show tact and intelligence while dealing with his customers.

A salesman is authorised to spend company's money for his lodging, boarding, travelling and entertainment. Very few in the company are so authorised to use the company's funds.

A salesman cannot enjoy family life like people in other walks of life do. He has to travel his territory while servicing it. Besides, selling is a high pressure job. All this makes him prone to stress. Thus, a salesman has to brave all kinds of adverse situations, while being away from home. It is, thus, a very tough job.

VARIOUS CALLINGS OF SALESPEOPLE

Salespeople are no longer called salesmen. Instead, they are given the titles such as:

Account Executive	Insurance Advisor
Account Representative	Sales Consultant
Sales Account Manager	Sales Associate
Customer Relationship Manager	Professional Service Representative
District Representative	Medical Representative
Territory Manager	Marketing Representative
Field Executive	

Whatever be their title, they perform the basic selling tasks. Each sales job also supports several non-selling jobs.

BUYER-SELLER DYADS

Salesmanship involves person-to-person communication between the seller and the buyer. This is called a dyad in sociology to describe two-party interaction. There is a dyad in selling as well as in advertising. The desired response of the buyer is a function of the type of interaction they have. Advertising, of course, is less interactive than personal selling. But they support each other.

Research indicates that if prospects know more about the companies and the salespeople working for it, they are more favourably inclined towards the products. Research also indicates that the matching of prospects and salesperson in terms of physical and demographic characteristic also increases the chances of a sale. This leads to a successful dyadic relationship. In industrial marketing, this type of matching is fairly common. The dyadic relationship is further enhanced by the perception of the buyer about a salesperson's performance and its conformance to his concept of *ideal* performance.

Selling, as we have already observed, was dismissed derisively and this conditioning of our minds affects the dyadic relationship a great deal. We are cautioned to beware of the cunning salespeople. Sometimes, actual performance of the salespersons leaves much to be desired. They indulge in 'canned' talks, flattery and show bad manners. All this affects the relationship.

TYPES OF SELLING JOBS

We can see a very wide spectrum of selling jobs — ranging from mere order taking as in the case of a softdrink salesman to a technological presentation as in the case of a sales engineer selling complex products like industrial machinery, aircraft and computers. Selling jobs can be classified on the basis of the creative input needed to perform them.

Just Delivery: Several salespeople just fill in orders by giving delivery of the product — a driver of a van of softdrink bottles, a milk vendor, or persons at the petrol pumps.

Order Takers: The salesman behind the counter of a grocery store or a bookstore listens to the requirements of the customers and serves them with the right product. These order takers may be found in the field also, *e.g.*, salesman selling hardware items.

Missionaries: They are the persons who build an image of the organisation and generate goodwill for it. Those selling beverages or pharmaceuticals (medical representatives) are the missionaries.

Sales Engineers: These are the salespeople who have a good technical knowledge of the product.

Creative Selling: These salesmen make people alive to their needs or impress upon them how an innovation can work in their favour. They may sell creatively the tangible products like vacuumisers, computers or air craft. They may sell creatively the intangible products like insurance, consultancy services, advertising services, etc. Selling the intangibles is the most challenging of the selling tasks.

Indoor Selling: Indoor salesmen who man the retail counters meet the customers directly. They do not meet the products.

Outdoor Selling: These sales people generally travel in assigned territories and the selling process starts with prospecting and ends in closing the sale.

THEORIES OF SELLING

Selling is both an art and a science. Many consider it as an art evolving into a science. Selling is viewed differently by those who consider it as an art and those who treat it as a science. This gives rise to two contrasting theories of selling.

Selling is studied as the cumulative experience of salespersons and advertising professionals. It distils knowledge from practice, and psychology learned through experience. It teaches how all this can be put into practice. We must remember that people like to buy but don't like being sold to. The emphasis is, on 'how to' rather than 'why.' Empirical evidence is considered more valuable than a systematic body of knowledge. But such knowledge can never be full-proof.

In the second approach, theories of behavioural sciences are applied to selling.

The seller-oriented theories are AIDAS theory and Right Set of Circumstances theory. The buyer-oriented theory is 'buying-formula' theory. The behavioural equation considers the mutual influences of the buyers and sellers.

AIDAS THEORY OF SELLING

The popular AIDAS theory is based upon the initials of the five letters which stand for attention, interest, desire, action and satisfaction.

Attract Attention

In order to attract the attention of the prospect and to open up the presentation, several approaches are tried. The most common approach is to greet the prospect, and inform him who you are and what you are selling. If the salesperson has approached the prospect through a reference, the presentation may start by mentioning the name of the reference that “Ramesh sent me to approach you.” Product benefits may be highlighted by making a startling statement. A taxation consultant may say that he knows how to reduce his client’s tax liability by 50 per cent. While dealing with the new products, a salesperson may just allow the customer to “feel” the product by placing it in his hands. The sales presentation might begin while the prospect is inspecting the product.

Sustain Interest and Create Desire

Once the attention of the prospect is attracted, a salesperson tries to sustain his interest and creates a desire for the product in the interaction itself. No readymade formula can be given for this step. Perhaps, a product may be demonstrated. The emphasis is always on what benefits will flow to the prospect if he uses the product.

Most of the times, a salesperson delivers a “canned” sales talk. The same presentation is repeated in calls to different prospects. Though not so creative, it can work effectively. Even in a “canned” talk, a salesperson can put the stamp of individuality. All the points must be covered. As time-honoured and tested techniques are used, the sales training becomes easier.

Inducting Action: Clarify Objections and Close the Sale

Once the explanation about the product and the benefits that it gives are over, it becomes necessary to close the sale and take the order. A hint to close the sale may be given to ascertain the prospect’s willingness to buy. Some alternative questions can be put across to bring the presentation to its logical end. Maybe, a salesperson asks “which colour would you like to have” — the green or the purple? Maybe, he asks whether the customer wants to pay cash or charge his card. These hints are in the nature of a trial close. It gives an inkling of the prospect’s mind. Sometimes, a sales talk that is too verbose may be self-defeating. Initially, the prospect might be in a mood to buy but might change his mind if the talks get prolonged. At times, a sale may be lost because the salesperson feels shy of asking for the order.

Buyers may have queries and objections. These should be encouraged. There are enough opportunities to classify and meet these objections. Unspoken objections however, may be too difficult to tackle. It is a matter of inference for the salesperson. A prospect that needs “time to think” also poses a challenge. There are chances to lose the sale if the sale is not closed.

A sale is assumed by a salesperson in many situations, and thus the closing questions are when the prospect expects the delivery and so on.

Building Satisfaction: Activities After the Sale

A sale does not end with an order. We have to build goodwill for the company after that. That paves for a permanent relationship with the customer. Post-sale activities which include installation and maintenance. All activities which reduce the anxiety of the customer after making a purchase — psychologically called ‘cognitive dissonances’ — are post-sale activities. Dissatisfaction with the purchase

decision creeps in as certain disagreeable features are noticed in selected alternative. He needs an assurance about the correctness of his purchase decision. He wants to avoid a feeling, that the discarded alternative would have worked better. A salesperson has to reduce this dissonance. He assures the prospect by summarising the benefits of the product, emphasising its superiority over the not-chosen alternatives, and highlighting the amount of satisfaction the customer will derive by the use of the product.

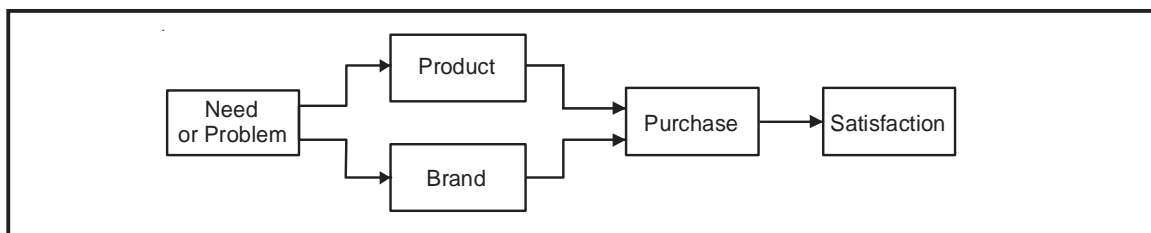
RIGHT SET OF CIRCUMSTANCES THEORY

This theory can be summarised as ‘everything was right for that sale.’ It is called situation-response theory also. In particular circumstances, we respond in a particular way. The more skilled a salesperson is in handling the circumstances, the better is the response. The set of circumstances refer to both the internal and external factors working on the prospect. This theory, however, fails to handle the internal factors affecting the prospect. It puts the salesman in charge of the situation without paying any heed to the response generated.

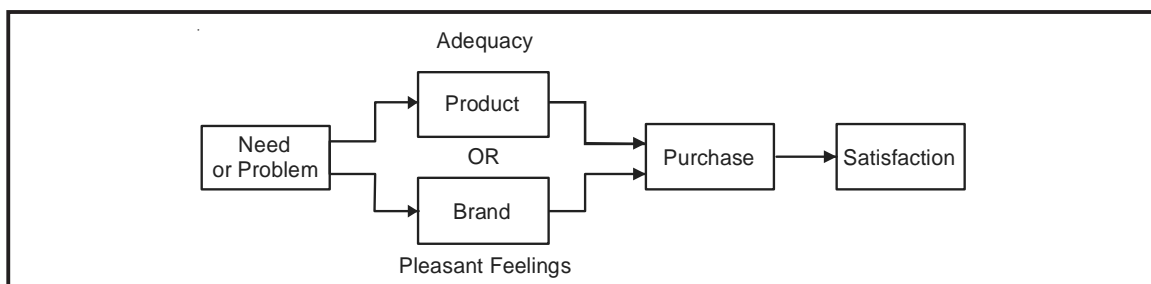
BUYING FORMULA THEORY

This is a buyer-oriented theory which seeks answers to why a consumer buys what he does. It emphasises the problem-solving job of a salesman. This theory takes into account the internal factors, and does not place all the importance on external factors. It is simply a problem solution purchase theory. The purchase must lead to satisfaction to continue the buyer-seller relationship.

In the present context, the problem solution can be either a product or a brand. The schematic diagram of the buyer formula theory is as follows:



Product or brands must be considered as adequate in solution and must induce pleasant feelings. Both adequacy and pleasant feelings can be simultaneously present. Sometimes it is either-or situation. The buying formula in its modified form looks as follows:



A buyer should be aware why the product/brand is an adequate solution and should have pleasant feeling towards it. This establishes his buying habit. There is an assault on this habit by rival ads, competing salesperson’s presentation and a friend’s remark. He defends his decision on the strength of adequacy and pleasant feelings. These act as good defence mechanism. In most purchases, this defence mechanism is not at work. Just there is a direct association of a problem and solution.

Each selling problem has its answers in the above formula, and the variations in the answers are in effect the variations of emphasis on the elements constituting this formula.

BEHAVIOURAL EQUATION THEORY

Howard explains buying behaviour, as phases of the learning process resulting into purchasing. Basically, this is modified stimulus-response (SR) model. Drives, cues, response and reinforcement are the four elements of the learning process. Drives are strong internal stimuli which can be innate like hunger, thirst, pain, sex, etc., or can be learned like recognition, prestige, approval, etc. Cues are weak stimuli which decide when the buyer will respond. They can trigger the decision-making or may not trigger it. Product cues are directly received from the product. Information cues provide information of a symbolic nature about the product. Response is what a buyer does. Any event that strengthens this response is called reinforcement. Howard puts forward this as an equation.

B	=	P	×	D	×	K	×	V
(Response or Purchasing)		(Force of Habit)		(Drive Level or Motivation)		(Value of the Product to Provide Satisfaction)		(Intensity of All Cues)

It is a multiplicative relationship. B is dependent variable and the rest are independent variables. If these independent variables have a zero value, B will also be zero. P increases if K increases. A salesperson influences P directly. The use of the product affects P much more. Salespersons affect D to exercise influence.



Chapter

3

Selling Function

Authorities on sales are in agreement over the basics of selling. Amongst the first basic of selling comes prospecting or who should we call on. Prospecting and qualifying go hand-in-hand. Is it not waste of effort to talk to the wrong people? Qualifying involves spending time on the right people — those who take positive decisions. It is necessary to know more and more about the prospects — a kind of pre-approach. Once these preliminaries are over, and a salesman comes in contact with the prospect, the actual approach begins. The overall conduct of the salesmen matter a lot here. The actual selling is done by presentation and demonstration. Here, the prospect may raise certain objections, which are to be handled effectively. The final basic is the closing of a sale, which according to Tom Hopkins has both, elements of ‘art and science.’ Marketing practitioners advise us to continue our valuable services to the prospects even after the physical sale — it is called follow-up and maintenance. Selling is not an event, but a process.

Diagrammatically, selling or the sales process has the following steps:

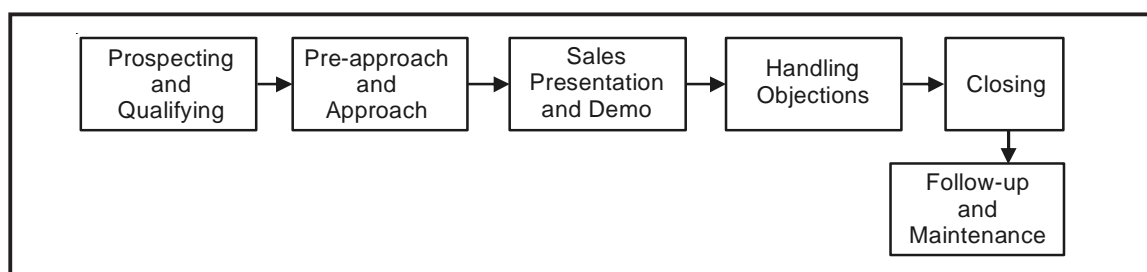


Fig. 3.1 Steps in Selling

PROSPECTING

A salesman has to prepare himself first. He has to be up-to-date on product knowledge. He is aware of the market conditions. He knows about the competition. He has mastered the technique of selling. Once prepared, he has to locate the customers. For this, he has to decide the profile of his ideal prospect. He has been assisted in identifying the prospects by the organisation which provides him the leads. Moreover, the salesman himself develops his own leads.

He can get references from the existing customers, suppliers, distributors and dealers, other salespeople and trade associations. A salesman can enroll for organisations of which the prospects are the members. He writes and speaks for audiences of which the prospect may be a part. He consults various sources like directories, press, etc. He calls on various organisations in the hope of getting prospects.

Prospecting involves spending time. We have to be careful about calls made to the prospect per unit of time. Out of prospecting calls, we are able to succeed to get some appointments. Out of these appointments, we are able to generate sales in a few cases. Over a period of time, we have to take care of the hours we worked and the business generated. The time lag between prospecting calls made and the income in future is to be carefully noted. This delay may be a month, or two months or three months or longer.

When prospects are referred, the referral cases have more chances of generating sales than the non-referral cases. A card referral system can be used when a card is used to get down.

- (i) reference name, address, phone no.
- (ii) qualifying questions.
- (iii) call and appointment by the referring party.
- (iv) if they are reluctant to do so, permission to use their name while contacting the referral.

Poor leads must be eliminated skilfully. What is needed is qualification. Prospects are qualified on the basis of some important factors — their employment, marital status, number of dependents, the products they use now. The salesman may make a phone call or write a preliminary letter before actually calling on them. Leads can be hot leads, warm leads or cool leads.

When there is no referral, it means they are not prequalified. A prequalified lead gives us, a picture of emotional and logical requirements for benefiting from our product.

PROSPECTING TECHNIQUES

Even when there is no referral, we can make use of several prospecting techniques. The foremost is to top the *replacement* demand. People always tend to replace a product after using it for sometime — the reason could be anything. Perhaps, they have become fed up with the product. Perhaps, due to wear and tear, the product is not 100 per cent functionally perfect. May be, it has become obsolete. Salespeople try to assess the replacement cycles for the product they sell. It may be different for different products, and may show place variations. While considering the replacement orders, we have to time the sales

activity properly. Even the personality of the buyer matters most — impatient type buyers tend to replace earlier than sober types.

Another way of prospecting is to service those buyers who have been our customers but have been left unserved because the previous salesman who used to service them has left. While contacting them, though we can write to them or phone them up, it is advisable to call on them personally as they find it difficult to dismiss a personal visit by a new representative. Whenever an innovation has been introduced, we can contact all our old customers with details of the improvements made.

Local newspapers and social clubs are a good source to get leads. Salespeople of non-competing products swap leads amongst themselves. The after-sales service department records also provide us with good leads.

A salesman shows certain consideration for his clients. He is generous in sending thank-you notes, sorts out their problems, and keeps up his promises. He returns the calls, and keeps in touch — by phoning them, meeting them in person, and sending them things. Perhaps, a periodical newsletter is what the client would appreciate most. Even personal letters can be sent.

Prospecting is the bed-rock on which selling stands. The better you do it, the dazzling are the results.

TELEPHONE PROSPECTING

One of the most useful tools for prospecting is the telephone. Telephone prospecting should not be just a ritual. We have got to be sincere about it; and an intense desire to succeed. Just making it a performance goal would not work. Though telephone prospecting might disturb the prospect, you can show the courtesy by being apologetic about it. There should not be a feeling that by intruding on them, we have made the lives of the prospects miserable. We have to call at reasonable hours. We must have a good offer to make. The unproductive calls can be brought to an end politely; and the mind should be shut off to such unproductive talk. There should not be any hangover over the next call.

In telephone conversation, it is pleasant to talk to someone by name. We can precede the call to a personal visit. The caller has to introduce himself and the company. A brief conversation about the possession and use of the product can take place. The selling points of the present offer are introduced. At the end, the prospect is asked if he is interested to have more details. Take down the name and address if the prospect shows interest. We have to request the prospect to make the queries that he might have during suggested hours. If a personal appointment is taken, a sales presentation can quickly lead to the closing of a sale.

When a company puts ads or sends mailers, it is likely to be flooded with incoming enquiry calls. Though much money is spent on promotion, very little thought is given to attending the telephone calls. Whenever a call is received, it is answered neither too early nor too late. The person who answers the call must be specially trained. The voice must be lively and cheerful. We have to allow the person at the other end to have his say, and acknowledge it with interest. The caller may be put on hold for getting the needed information. But it should not be a long hold. We have to thank the caller for holding on. A careful phone attendant should try to know the name of the calling party. 'May I know who is calling, please?'

is a good question. Perhaps the caller can be invited to our showroom. Otherwise, we have to depute our representative to him. While giving an appointment, allow the calling person to jot down the details. An appointment may have to be changed. In that case, we should know where to call the party.

Telephone and courtesy are inseparable. A person who takes the phone must know how to take messages — complete and clear. It helps a great deal. Sometimes, the caller creates a wall around himself. He wants information, but does not want to allow the salesmen near him. But once the ice is thawed, these people are the easiest to deal with. On meeting them, we might be surprised to close the sale very quickly.

PREAPPROACH

Before actually visiting the prospects, salespeople must know as much as possible about the prospects. It is possible to know their present consumption and usage. If it is a corporate organisation, we can use stock exchange records about the company. A salesman has to set *call objectives*. There should also be some attempt to choose between several methods of approach — a written communication, a telephone call or a personal visit. The *sales strategy* is decided as a part of preapproach. We have to take into consideration the calling time also.

APPROACH

When we are face-to-face with the buyer, we must know how to greet him. The interview must have a cordial start. Much depends upon the personal appearance of the salesman, his opening remarks, and his follow-up conversation. All this should be on a positive note, *e.g.*, we should do everything possible to help you and your company.

When a salesperson calls on a prospect uninvited often for the first time, it is called *cold canvassing*.

PRESENTATION AND DEMONSTRATION

The crucial task of selling is communicating the product story to the buyer. A typical sales presentation follows the AIDA approach — *attract* the attention of the buyer, create an *interest* in the product, so that the buyer *desires* to possess the product, which ultimately results in buying *action*.

To invite the attention of the buyer, the salesman may greet him and tell him what he is selling. Sometimes, the talk starts by quoting a reference who sent the salesman. Product benefit may be stated by making a startling statement. A compelling question can be put to the buyer. An innovation is put in the hands of the buyer for inspection. While the buyer feels the product, the sales talk can start.

Once the buyer's attention is attracted, the communication has to create interest in the product and generate a desire in the buyer to have the product. Product benefits are emphasised. Product features are related to product benefits.

Sales presentation can be a 'canned' sales talk. This talk is memorised and rehearsed a number of times. It is useful to sell door-to-door and in telephone selling. *Formulated approach* of sales presentation is based on stimulus-response thinking. A discussion elicits buyer needs and reveals his attitudes. The salesman has to relate the product to these needs. A consultant type approach expects the customer to talk more about his needs. The salesman acts as a consultant after listening to the buyer carefully.

Usually, in the sales presentation there is demonstration. Some demonstration aids are cassettes, samples, charts, slides, brochures, booklets, etc. The common mistake committed by the salesman is to do all the demo himself. He expects the buyer to *watch*. But when the buyer watches, his mind switches off. He does not remain involved with the product. His mind may wander off to his wife's illness or his son's poor score at school. Instead, the salesman should allow the buyer to work with the product. Let the buyer handle the product. While he is doing so, the salesman has to pass encouraging remarks. Each capability of the product must be proved to the buyer. Buyer participation is very necessary to sell a product. Even when a service is being sold, give the buyer an opportunity to calculate the benefits himself by providing him some data.

Sales talk need not be one-way. It also need not be no-preparation unplanned talk. It should be an organised involvement interview. The product and the buyer must be involved with each other. All questions likely to be asked by the buyer must be anticipated. All benefits of the products must be emphasised by a participative demonstration. The salesman must have a flexible and adaptive attitude.

Successful salespeople do consider sales presentation a very important step in selling, but they never devote 80-90 p.c. of their time to it. They divide their time in 40:60 ratio between presentation and other steps of selling. It is needless to point out that proper prospecting, qualifying and pre-approach work help us to reduce the time devoted to presentation, and make our presentation effective enough to generate better results. A well-prepared salesman is ever ready to clarify the objections raised by the prospect. A successful presentation has a brief introduction, a detailed coverage of the product benefits and its relation to prospect's needs and wants, and a short summary that draws conclusions. Several repetitions give enough confidence to a salesman, but he should not take the understanding of the prospects for granted. By phrasing the communication differently, he can continue to enjoy the session.

It should be noted that an effective presentation though important is not an end by itself but is a preparatory step for closing the sale.

METHOD OF PRESENTATION

Suitable questions enhance the value of presentation. We have to handle the objections skilfully, and can also convert them into something non-serious by putting them in perspective. A prospect perceives what he wants to perceive. It is called selective perception. He filters out the sentences he does not like. It is, therefore, necessary to tune our communication to what his preferences are.

A sales talk should not be boring. A salesman has to be careful about his diction. His presentation should be lively. Freshness of approach is the most important thing. It does not call for esoteric words. It calls for striking expression. It is good to shake people out of their known positions by making striking revelations.

We cannot take our listener for granted. Even an appreciative listener may be having several thoughts rushing across his mind while he is pretending appreciation. Such people can be brought out of their stupor by using language skilfully. A salesman has to update his vocabulary every now and then and replace the old, worn-out words by fresh, crisp words. It is also necessary to master the jargon of the profession of your prospect. It calls for some effort on the part of the salesman. But it pays handsomely when you start talking the language that the prospect is familiar with.

We have to keep the prospect mentally involved by proper questions. By putting the product in his hands, he should be physically involved with the product. There might be several interruptions during a presentation, *e.g.*, a phone call, a visitor, etc. It is necessary to remain calm during such interruptions and continue the presentation with a recap of all that has gone before the interruption. Such picking up of the threads left off is very necessary to switch on the prospect again.

There has to be a time-limit on presentation. We hardly get less than a quarter of an hour to put our message across. We have to practise our communication package accordingly. If we drag it beyond 15-17 minutes, prospects start losing interest. It is, therefore, necessary to use the time available most effectively by taking the help of visual aids, brochures, models, endorsements and testimonials, video, etc.

Visual Aids

Visual aids facilitate communication by allowing to convey more information in less time. Besides, visual aid provides us an opportunity to sit in front of the prospect. It is necessary to know all the visuals completely. We have to make point, look at the visual to substantiate it, and again look back at the prospect. It is also necessary to keep only the visuals of the product being promoted. Preferably, visuals of different products should be separately bound.

Proof Letters

Satisfied clients may send us their appreciation about our product. These convince our prospects much more than anything else. However, most of the satisfied clients are lazy to write letters. They would rather phone us up to express their satisfaction. We may then put what they have expressed on phone in writing, and request them to sign these after having them typed.

Printed Literature

Brochures, folders, catalogues are used just like visual aids. It is necessary to maintain eye-contact with the client but direct his gaze to the brochure after a point has been made.

Models

Costly industrial equipments are sold on the basis of models. An interest in model is a reflection of an interest in the real product. A model involves the buyer mentally and physically with the product.

Video Equipment

It is necessary to carry fault-free equipment with all accessories. Prior permission of the household is necessary. It helps to observe the facial expression of the prospects. If the prospect volunteers to set

up the equipment, it is better to involve himself. It is also advisable to freeze a frame for effect. It is necessary to close the sale before final winding up. If we start winding up, the prospect may try to find a way out.

The above described visual aids, video cassettes, printed literature form, a part of demonstration aids. While making a sales presentation a salesman has to convey a favourable *impression* of him and his organisation. He also has to bestow small personal favours on the prospect, *e.g.*, offering a lunch, token gifts, etc. This creates a feeling of *gratitude*. He *legitimises* his company by emphasising how competent it is to market the product he is promoting. He shows his *expertise* and cashes on common acquaintances, characteristics, interests and hobbies. In other words he uses *referrals* the best possible way.

Use of Questions: To keep the conversation flowing, a salesman uses question-tags either at the beginning, or at the end or in the middle of the sentences.

Question-tag at the end: An AC makes life comfortable, doesn't it?

Question-tag at the beginning: Doesn't an AC make our life comfortable?

Question-tag in the middle: Once an AC is installed, does it not make our life comfortable?

Several positive responses make our talk work for us. However, question-tags should not be used excessively. There are the occasions when a question-tag is used by a salesman in response to a statement made by the prospect.

Prospect: I like red.

Salesman: Isn't red a bright colour? We have three shades in red.

The prospect can be given two positive alternative choices. This technique is used to avoid a negative answer. To illustrate, a salesman may ask 'should I come at 3 o'clock'? and the prospect may say 'No'. Instead, the salesman can give two alternative choices. I am visiting your area today in the afternoon. I am able to drop in at 3. Or would you like me to wait till 4? Perhaps, the prospect may say, around 4 would be all right.

A salesman has to frame involvement questions. These kind of questions occur to a buyer once he owns a product. Should I use an electric shaver while on a tour? Can I use it even when at home? A salesman asks such questions even before the prospect has bought the product. His answer makes him move in the direction of buying the product ultimately.

It is necessary to realise that a sales talk is not a one-direction communication from the salesman to the prospect. After some talk, it is important to allow the buyer to talk. He should be encouraged to talk. It is for the salesman to listen. A salesman should not force a prospect to buy. He should understand his needs and problems.

In so many shops, we come across salesman who ask us 'Yes, what can I do for you?' We have to reply saying, 'I am just having a look around.' The question the salesman put was a 'probe' and we gave him a standard reply. A customer is likely to say 'no' even. Leading questions are to be carefully phrased. 'I am here to help you if you need my assistance. In the meantime, please feel free to look around all you would like.' The prospect is likely to say sometime later, 'I was wondering whether you have lovable bras?' While using the leading questions, we have to make agreeable propositions.

A salesman who uses questions establishes first a rapport with the prospect. He is so well-prepared that he hardly gives the prospect to get distracted. Just like a professional, he helps the prospect to take certain decisions. Who likes a CA who ask us to prepare our IT returns or a doctor who wants us to conjecture our illness? The most important skill in selling is the ability to ask intelligent questions and then listen.

Just as we expect our attorneys, our doctors and our certified accountants to take certain decisions for us, we also expect our salesman to help us in deciding our needs and their solutions. Such assistance can be given by the salesman only when his product knowledge is intimate. He has to know its strong and weak points. He has to know about competitors. A salesman asks questions like a doctor to decide which product or service will best serve you.

HANDLING OBJECTIONS

During the course of a sales presentation or at the time of closing the sale, a salesman may encounter objections from the prospect. Just because the prospect voices his objection, the salesman should not become unduly disturbed. Objections are welcome because they indicate the buying intention of the prospect and give him what is clue to the close of the sale. An objection is just a statement. Its aim is to seek more information before taking a buying decision. Objections could be *psychological*, say for example, preference for established and reputed brands or *logical*, say for example, the poor performance of the product supplied in the past. Minor objections are just a type of defensive behaviour. Before making commitment, the prospect wants an assurance that he is taking a right decision.

A good salesman has to judge between a *condition* and an *objection*. An objection can be overcome, but a condition is just a block to the sale. A person who cannot afford a product, and is not qualified for a loan is a condition. If we qualify prospects properly, we can anticipate such conditions. Conditions may make sale impossible, and it is better to terminate sales talk. During the sales talk, sometimes it is not easy to see a condition. First it can be treated like an objection. It is handled by attempting to break it down. If this is not successful, we know for sure it is a condition.

In the absence of conditions, the sale must come to a close. Or else it is the fault of the salesman.

TIPS ON HANDLING OBJECTIONS

A salesman has to be positive. He cannot be argumentative. He is never aggressive. We must make the prospect understand our offer, but at the same time we have not to prove him wrong. We must always save the face of the prospect. A salesman skilfully manages the presentation, a prospect can be led to answer his own objection.

A salesman has to listen to the objection carefully. He can ask question on the objection. He has to answer the objections. For this, he must have good knowledge of the offering — especially of its weak points. A disadvantage can be converted into an advantage. First, it is necessary to own up a disadvantage. It is then put in perspective by highlighting several advantages. After answering the objections, a salesman

has to confirm whether the prospect has got the satisfactory clarification. The sales talk moves on after meeting the objection. Here, the renewed talk starts with appropriate body-language.

Sometimes objections are handled in a startling way. A prospect can be asked as to how he would have dealt with the situation he has stated as his objection. If the solution he suggests has been implemented by the organisation already, his objection loses its punch. The sales talk then can move on. Alternatively, a prospect may be questioned whether he prefers a major benefit to a minor objection. The conversation then moves to discuss the major benefit.

It is difficult to deal with unspoken objections than with spoken ones. We have to probe the prospect skilfully to assess what his real objections are.

CLOSING THE SALE

This is the most important step in the selling process. Closing the sale results into an order for the product or service. It is a climax of the whole game of selling. Several salesmen falter in closing. They consider selling as a communication task only. They should sniff a closing situation. Some customers are sold faster, and some take time. If the customer is ready for close, it is not advisable to prolong the sales talk. Many salesmen cannot resist the temptation of continuing the sales talk because they have not said it all. We have to strike the iron while it is hot.

A salesman must have his closing material ready at all times and at all places. We might close the sale at many unimaginable places like a race course, a restaurant, a swimming pool or a golf course. It is better to keep the closing material like the order form handy, lest the opportunity to close slips out of our hand. A salesman must at the right moment pull out the ordering material, and fill it up quickly. If he takes time in doing so the prospect gets a chance to change his mind. An order form must be neat and clean. A soiled dog-eared form reflects the shabbiness with which an order is likely to be treated. It reflects adversely on the organisation. The prospect is likely to apprehend a mistake in calculations. You must master the selling arithmetic and must have a calculator handy. Proof letters are great motivators to close the sale.

These days salesmen keep a small hand-held device like a palm top which carries an order book and a lot of other data like retail inventory, promotional deals, and re-order requirements of the retailer.

Before the close we can have trial closes which are some particular questions. The answers to these questions reflect the level of interest in the product. The salesman may assume that the prospect is going to buy. He can ask when would you like to have this delivered? or which colour will suit you? or should we put the charge on your credit card? He may offer alternative choices while asking such questions, *e.g.*, would you like to have this delivered this week or next week?

Another way to have a trial close is to seek minor details and have them jotted down on the order. While stating the delivery date, the salesman may state purposely a wrong date. He expects the prospect to correct it. The corrected date is then jotted on the order. There is still one more method of a test or trial close.

A question from the prospect is thrown back to him. 'Can I get a black lycra gown?' 'Would you like it in black lycra?' A positive answer from the prospect confirms his buying intention? While closing,

a buyer must be kept engaged. A salesman keeps him busy. A spell of silence might be dangerous to close.

Closing ultimately is a process that facilitates the prospect to be decisive. And these decisions should be in the interest of the buyer. If a salesman forces a prospect to buy which is not in his interest, he is not selling, he is just cheating.

A salesman sometimes acts as a guide to the prospect. He helps the prospect to overcome his indecision. A salesman has to keep in mind the likings of the prospect. He should not impose his own likings on the prospect. Each sales is successful if it is made from the would-be buyer's point of view.

Time for Closing: When the prospect is ready for close, it can be felt. The prospect suddenly goes slow or fastens up. A passive prospect becomes active and starts asking questions. A decided prospect is sold easily as he shows positive stimulus. A favourable response to test or trial close also means it is time to close.

Components of Close: Before closing, we have to understand the needs and wants of our prospect. We have to read the intentions to buy by verbal signs or non-verbal body language. A buyer asking detailed questions may be ready for a close. A couple showing extra consideration for each other is non-verbal sign. We can help them to buy by leading them to buy. The sale is closed casually. While closing, we should not change our behaviour.

Different Types of Closes: For industrial products or government supplies, we have to seek Purchase Order (PO) number. One can put information on the order form as the sales talk is in progress in bits and pieces. One can make two columns on a piece of paper of advantages and disadvantages or pros and cons. The net benefit points the way to the right decision. It is a rational method. Several inducements can be given for a close — a delivery by a promised date, an order before price increase, attractive credit terms, free installation, preferred colours, etc. It can be assumed that the prospect is going to buy the product or service and then he can put a secondary question — incidentally is the product going to be used here or elsewhere. It is also possible to choose a role model from the top industry who is then persuaded to share his experience with the product with other prospects. This can be arranged in a presentation meeting in which the salesman connects the prospect with the role model. After the role model explains how the product is performing for him the conversation ends. It is then the right time to close. A prospect may have a problem which is commonly encountered by others like him. A salesman then narrates the solution offered previously. When a prospect wants to avoid buying, he says, he will think over it. A salesman has to confirm whether he would give it a careful consideration. A prospect can be asked what he wants to think over. A salesman can then clarify. A credit card salesman can express doubt about a prospect's ability to qualify for the card. This may create in him a desire to hanker after it. It is a negative approach. A salesman can also make to the prospect a generous offer of using the product for sometime before buying it. It is a good approach while selling complex engineering products. While selling a product like a photocopier, we can work out per copy cost which is ridiculously low. A salesman might not be successful in the first closing attempt. He then proceeds to a bridging sequence. Another shot is then taken to close. If it fails, another bridging sequence follows. Then a third close is attempted. The attempts are continued till they reach the close successfully. In other words, salesman may have to practise multiple closing techniques. All multiple closes have bridging sequences sandwiched between two attempts of closing.

A salesman has to reason out with executives why he cannot accept a 'no' from them. He has to remind them of their discretion to flex the budget if necessary. A salesman has to prove that the prospect is being guarded against inflation.

In the chapters that follow, we have discussed each element of the selling function in sufficient detail. After familiarising the readers with the selling function, we have treated the executive function of sales management right from planning, organising, staffing, directing and controlling.

SALES CYCLE

A sales cycle consists of steps that lead to the completion of successful sales. These steps are generally called the stages. A generic sales cycle consisting of eight stages is presented below:

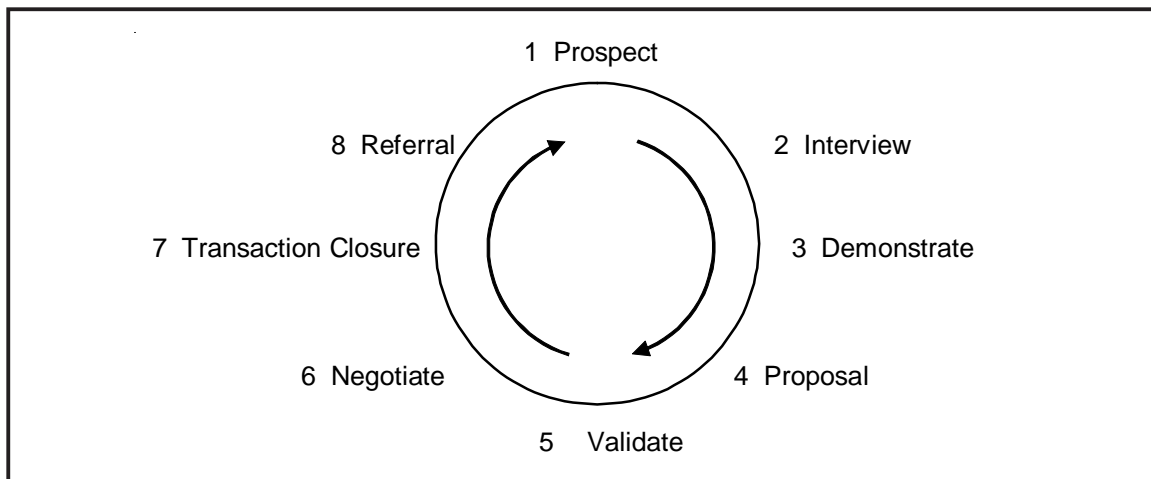


Fig. 3.2 Typical Sales Cycle

The cycle begins with the prospect stage and ends with the referral stage. A particular sales cycle may have five stages or as many as a dozen stages. The more complex and technical a product is, the more are the stages. It is also true that if the perceived value of the product is higher we are likely to spell out more stages. Each product has a unique sales cycle.

Each stage within the sales cycle has some predominant activities or actual tasks which must be completed successfully so as to move to the next stage. It is necessary to appreciate the benefit of compressing the predominant activities to move to the next stage. This reduces the total cycle time and we gain control over the cycle. It increases the sales and makes us identify the opportunities where marketing and promotion can assist in shortening the sales cycle.

Sales Success

The factors responsible for sales success in order of their importance are: (1) Attitude management, (2) People skills, (3) Prospect qualifying, (4) Sales skills, (5) Presentation skills, (6) Product knowledge, and (7) Closing techniques.

SELLING CLIMATE

Each product or service is to be seen from the prospect's viewpoint. We have to assess first which benefits the prospect needs before selling them. It is also necessary to identify the decision-maker — the person who takes the buying decision. Though there are elaborate purchasing manuals, the selling decision is generally taken by an ordinary functionary whom we have to identify. His decision is later approved by the committee. He should be given importance. If it is difficult to convince this decision-maker, we can take the risk of by-passing him, and approaching the next higher-up. Buying is a process that works on both rationality and emotions. How flattering it is to hear someone remark that the dress really looks good on us. The only care to be taken is to be sincere in doing our best for the customer. A salesman must use his skills to help the customer. He waits for the positive stimulus from the customer. Which emotional appeals are used by the salesmen? They may use prestige and status, vanity, a feeling of pride, ambition, health, love for the family, self-improvement, colour and style, security, conformance to the peers, etc. Since positive feelings, lead to the sales, negative feelings are to be avoided.

A prospect is scared of certain words as they remind him that he is being sold. Instead of price or cost, we should talk in terms of investment or value. We can make use of the word 'worth.' A simple term like **available** for such and such amount is also handy to quote price. Down payment is converted into initial investment. Legalese like contract is avoided. We can simply say 'paperwork.' Instead of using the word buy, we can use the prospects-oriented 'own.' Have you decided to own a credit card? See how pleasant it sounds.

A salesman has to believe in what he communicates. Otherwise, his communication becomes ineffective. While closing, when we put the order for signing, we can say "please approve the form" or 'kindly okay it.' Putting signature and hearing someone requesting us to do so is not liked by many prospects. Other terms to close the sale are 'authorise the paperwork' or 'endorse the copy.'

Instead of a one single communication package, we can devise variations of the same package to suit the needs of different buyers. The variations could be in terms of contents — technical, moderately technical and emotional or outright emotional. There can be variations to suit the type of buyer — we can have informal talk or a cordial factual talk or a rapid and short talk.

A prospect is allowed to use all his senses of perception while buying — the sense of sight, hearing, smell, taste, and touch. By using the senses, a buyer is reassured about his decision.

We define personal selling as person-to-person communication with a prospect. Its aim is to develop relationships. In this process, we identify the needs and try to match them by offering suitable products. The benefits of our offering are communicated through persuasion, information and reminders. Products are taken in a comprehensive sense, and include services, ideas, issues and information. Personal selling is now seen in the context of customer service.

PERSONAL PHILOSOPHY

The bed-rock of personal selling is personal philosophy which constitutes a set of beliefs which guide our activities. Personal philosophy acts as a steering wheel to direct the personal selling. There are three important tenets of personal philosophy. The first is to adopt the consumer-orientation or marketing

concept. The second is to cherish the personal selling as a productive activity. The third is to facilitate the consumer decision-making process. These three tenets are incorporated into the strategic/consultative model of selling. This model is elaborated later in this chapter.

POST-SALE ACTIVITIES

Sales are not an end by itself. Post-sale activities lay the foundation for future business and contribute a great deal to the goodwill of the firm. Post-sale activities may involve installation. Proper instruction for operation and proper servicing should be provided. The buyer is constantly worried about the correctness of his buying decision. He needs reassurance to reduce his dissonance.

HOW SALESPeOPLE SPEND THEIR TIME

A salespeople spends his time in the following activities:

Face-to-face selling	30 per cent
Waiting/travelling	20 per cent
Service calls	10 per cent
Telephone sales	25 per cent
Administrative tasks	15 per cent

The time proportion is based on a 48-hour work-week. It may vary from organisation to organisation.

CUSTOMER CENTRED SELLING

Robert L. Jolles quotes Xerox case in his book. Xerox in its sales training programme tried to separate the product and the process of selling. It puts customer at the heart of the selling process. Product knowledge, according to Jolles, is a bit over-rated. It is the process of selling and persuasion that are crucial, and not the product.

DIRECT-TO-HOME (DTH) SELLING

Many companies now sell direct to consumers, bypassing the traditional distribution channels, or in addition to the usual channels. In fact, DTH is not a new practice. Sarees, bangles, fruits and vegetables have been sold by house-to-house visit by the vendors. These days branded products like the sanitary napkins and detergents are sold direct to home. These salesmen choose strategic timings to complete the sale, *for e.g.*, afternoon visits to sell sanitary napkins when menfolk are outdoors. Being a personal product, it is a good method to sell the sanitary napkins this way. Later, this method has been adopted by other companies, *for e.g.*, Eureka Forbes started selling vacuum cleaners. Network marketing has given a boost to direct-to-home selling. We should not be surprised if we receive our branded atta by this method at our doorstep.

TRAFFIC JUNCTION SELLING

While riding in a rickshaw to go to Lullanagar in Pune where I own a flat, I always anticipate a few street-selling boys and girls from whom I buy Mid-day at a traffic junction near the police chowkie. Many things are being sold at traffic junctions to motorists, cab riders and rickshaw passengers. These could be garlands to do-up the hair, agarbattis, popular paper-backs, food-products, combs, safety pins, needles, napkins for mopping tariff cards for cabs and rickshaws, etc. In Delhi, we come across people selling competitive services application forms for civil services. Some of these street sellers do conning by passing on fakes as there is hardly any time to examine the product thoroughly at a traffic junction. Traffic junctions are also used by the beggars and the third sex to earn their livelihood. Some try to earn our sympathy by showing off their physical disability, nursing-a-child state or expectant-mother-state. In time-to-come, we may buy our eggs, internet packages, CDs and DVDs from such street sellers at traffic junctions.

SALESFORCE AUTOMATION (SFA)

Sales Force Automation (SFA) is a type of programme that automates business tasks such as inventory control, sales processing and tracking of customer interactions. It also analyzes sales forecasts and performance. A customized version can be developed for the specific business. There are ready-to-use softwares available in the market, and one that suits business needs can be chosen. This software is also at time called Customer Relationship Management (CRM) software.

SFA packages typically include a web-ready data-base, an e-mail package and customized templates. A three-tiered architecture is used to separate the database, server and application. A module-based design is generally used so that customers can customize the packet to suit their needs.

In 2000, Oracle introduced CRM software. It includes online staff training.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

These days the companies have realised that success in today's competitive marketplace is by providing customer service of quality and their grievance redressal mechanism. A contact centre is one such mechanism which handles customer calls and complaints. It is a third-party customer contact desk. It goes beyond call-handling, and tries to establish comprehensive customer relationship management system. These services are outsourced. Many companies from abroad are outsourcing significant amount of customer contact services from India. If companies just rely on their internal resources, it may result in customer dissatisfaction. A plethora of communication devices may not be helpful. There should be a single response number. Customer contact centres are increasingly being used by FMCG companies, banks, consumer durable companies and insurance companies. These centres also provide telemarketing solutions. Some companies get forms filled up online, courier them to be signed, collect them with supporting documents and submit them. A call centre enters into an agreement with the company. In centralised model, all calls across various cities are handled by customer service representatives (CSR) in a single location. If the central location is at place called X, and calls originate from Y and Z, they are received at the respective local switches to be re-routed to X. In distributed option, the local centres take care of the calls. The hybrid model is a mixture of the two. Companies improve brand perception by employing the services of call centres. A company will have to advertise a customer service number.

Word-of-Mouth Publicity

Hero Honda employs 521 rural sales executives who are on the rolls of Hero Honda dealers. They have been instrumental in making its marketing campaign *Har Gaaon Har Aangan* (every village, every home) a success. These sales executives do not make an aggressive sales pitch. They just meet community leaders, including local sarpanch, school teachers, lawyers, doctors and insurance agents — in fact anyone who plays a role in shaping decisions. They believe making a sale is great, but their aim is to form a long term relationship. Rural sales ride more on word-of-mouth than advertising. It is more important to be seen as a friend of the villagers than as a bike salesman. Whenever in future, the villager decides to buy a bike, he will think of this special friend.

Customer Relationship Management by Saleslogix

Saleslogix Corporation provides eCRM — electronic customer relationship management. Saleslogix here competes with IBM and Oracle. CRM provides sales, marketing and support management system for the small to medium size corporates. Under Interact.Com. It provides sales application services. It is an ideal aid for the salesman on move. MR's also find it useful. Saleslogix is compatible with a palm top. It can be used from any cybercafe.

POSITIONAL SELLING

Jack Carew, a consultant and sales trainer, has put forward this concept. According to this concept, selling is not just a matter of skills. A lot of selling is based on positive attributes. A good salesperson is also a good person to begin with. A salesman has to be customer-oriented and should stay in his operating reality and contribute. He has to build a relationship, and beyond that a friendship. Once a customer likes a salesman, he will help him achieve his targets. Xerox has launched a programme called Professional Selling Skills (PSS). A sales programme has to be business-specific rather than generic. In positional selling, the skills are transferred into the environment in which the salesmen are trained to use them. It may become necessary to forgo an opportunity for the sake of relationship. Preferred position means building relationships and friendships with the key customers, adding value to them, and getting business.

PERSONAL SELLING AND MARKETING

The second half of the last century demonstrates that selling has evolved from product pushing to partnering. It is a conceptual change in the whole area of sales management. A salesman is no longer a canvasser. He diagnoses customer needs and recognises their problems. He tries to create partnerships with his customers. He, thus, goes beyond selling just physical products.

Marketing concept is a movement from the product orientation to consumer orientation and believes that planning, analysis and control are all geared to the satisfaction of customers. This movement started in 50s. In G.E, McKitterick advocated through a paper in 1957 that matching of consumer needs with the appropriate products and services is the principal marketing function of a company. It reversed the

then prevailing trend of first making the products, and then strive to sell them. The core of marketing concept is a philosophy that puts the customer at the centre, and all other functions are subservient to it. In the words of Drucker, the ultimate purpose of business is to create a customer. The customer defines our business. Business varies in its adoption of the marketing concept.

Once the marketing concept is accepted, a marketing programme consisting of several activities is developed so as to maximise customer satisfaction, and reap profits therefrom. Marketing programme consists of several elements. McCarthy puts these elements in four categories called product, place, price and promotion or the four Ps of marketing. Each element must be managed effectively to achieve the desired marketing results. Promotion is one of the four Ps, and it can be subdivided into advertising, public relations, sales promotion and personal selling. A company tries to achieve a combination of these elements in such a way that it results in maximum customer satisfaction.

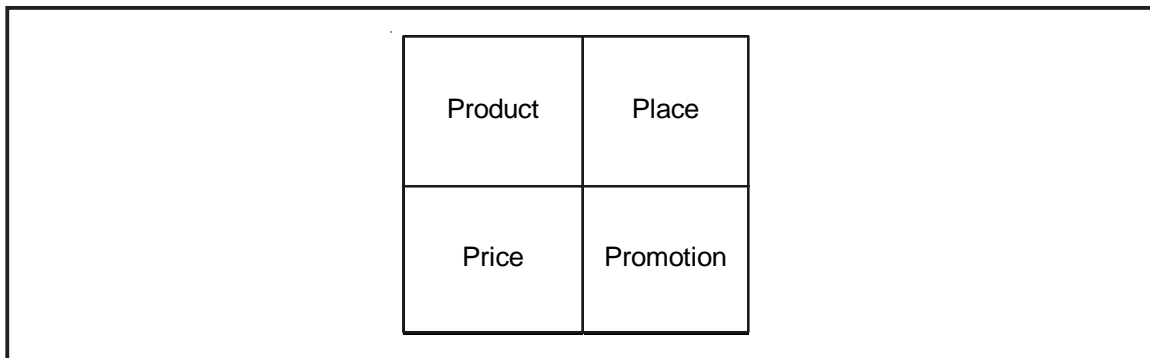


Fig. 3.3 McCarthy's Four Ps of Marketing

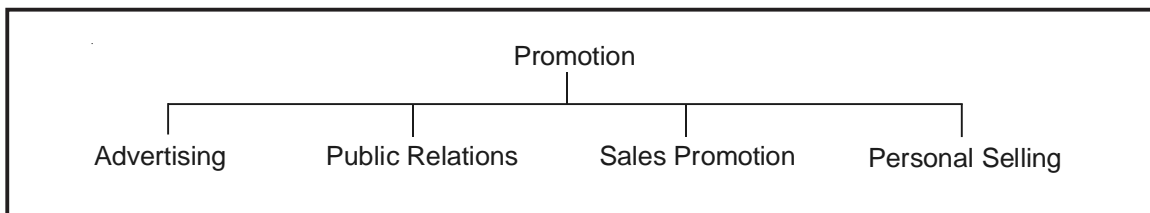


Fig. 3.4 Subdivisions of Promotion

A marketer has to decide the allocation of time and money to each of the four Ps. Personal selling is an important promotional tool by any criteria, by number of people employed, by total expenditure or by expenses as a percentage of sales. As products and services become more complex, the importance of personal selling increases. Greater competition also puts more emphasis on personal selling. Besides, personal selling adds value to the customer service. Personal selling has risen from a mundane operation to greater professional heights. Personal selling has evolved through three stages — the consultative selling, the strategic selling and the partnering.

PERSONAL SELLING IN INFORMATION AGE

After the industrial revolution, we entered an industrial age. But the next important event is the arrival of information age since 50s. The emphasis is now on information processing. It is called the new economy. Most of our transactions are based on the effective exchange of information. In the old economy, the strategic resources were capital and natural resources. In the new economy, the strategic resource is information. Formerly, business was defined by its products and plants. These days business has to commit itself to customer relationships. The information age at the beginning of this new millennium has profound implications for personal selling.

Salespeople make use of the IT revolution. There is communication through faxes and e-mail. Cellular phones are ubiquitous. There is an increasing use of PCs. Formerly computers were used only for data crunching. It was just a clerical use of the computer. These days computers are a means to greater connectivity. There is internet where millions of computers all over the world are interconnected through TCP/IP standards. The connections are people to people, PC to PC, product to service, business to business and organisation to organisation. In the absence of this connectivity, information age employees would not be able to function. Salespeople work extensively with information. The connectivity facilitates their information gathering and processing responsibilities.

As there is information explosion, we need a well-informed sales team that helps us decide which information is meaningful and relevant and which is not. Such assistance is greatly appreciated by the customers.

In spite of the IT being the ruling deity, there is no getting away with the human element. Human being have the capacity to think, and not the computers. Relationship marketing emphasises long-term mutually satisfying relationship between the organisation and its customers. It coincides with the information age. Personal selling is the human response that counterbalances the impersonal technology.

Salespeople today make the relevant information available to the customers, and help them process it. They build a relationship so that customers can repose trust in them, and accept the information. Besides, with more and more trust, customers start sharing information with the salesperson that goes a long way in satisfying his needs.

CONSULTATIVE SELLING

As we have observed, the marketing concept emerged in 50s. It was further extended in the late 60s and 70s. This is the period which ushered in the consultative selling. Two-way communication between the salesperson and the customer is utilised to discover the needs of the customer. In this two-way communication, there is exchange of information by question-and-answer between the customer and salesperson. It is called consultative selling because the salesperson assumes the role of a consultant and counsels the customer about the product and puts forward his recommendations. There is no scope for manipulative tactics. Instead, there are negotiations so as to establish long-term relationship. In consultative selling, a salesperson must have good listening skills. He has to identify customer needs and recognise the problems the customer faces. He then suggests solutions to these problems. People buy from people they trust.

Wilson Learning Corporation in the late 60s developed a course on *Counsellor Selling*. Mack Hanan authored a book in 1973 called *Consultative Selling*.

STRATEGIC SELLING

Strategic selling emerged on the scene in the 80s. The selling environment started getting complex. Competition increased a great deal. Customer-based solutions were demanded. Information age also influenced sales decisions. All this complexity gave birth to strategic planning. Strategic corporate plan incorporated strategic marketing plan. It seeks to achieve marketing goals to achieve overall business goals. Strategic plans are adopted to the environment and consider interface with other functional areas of business. Strategic selling plan is developed to coordinate with the strategic marketing plan. The sales plan spells out the strategies to be put across the customers even before the sales call starts. A strategic plan is long-range, whereas a tactical plan is short-term face-to-face plan with a customer. Sales presentation is tactical. A strategy is a prerequisite for tactical success. Appropriate strategies direct us to the right target at the right time and with the right tactics. A selling strategy is carefully formulated to achieve the sales objective.

A Chinese restaurant can formulate sales strategy to identify the right clientele and the right (product) menu to cater to these clientele. The menu analysis may lead to the tactical selling of certain dishes, *e.g.*, sampling of exotic dishes and on-the-table preparation for certain dishes. Strategic planning sets the stage for consultative selling.

Strategies are evolved for relationship, products, customers and presentation. Relationship strategies are used to build and maintain quality relationships. Product strategies are related to what a product stands for, its positioning and its want-satisfying capacity. A customer strategy results in maximum responsiveness to the customer needs. A salesman must know his customers as much as he can. A salesman must be aware of the buyer's behaviour. Information about the customer helps a company to fine tune its product portfolio. Sales presentation strategy is a plan to prepare sales presentation to meet the objectives and has an intent to render customer service. All these strategies are not taken in isolation, but are integrated with each other.

PARTNERING

The days when customers were content just with product solutions were over by 90s. Customers started buying relationships. Most of the products customers buy have become generic and me-too. The product strategy is thus supplanted by relationship strategy. Relationship selling emphasises the importance of relationships in selling. Long-term relationships must be nourished by salespeople. This approach stands in sharp contrast to what is called transactional selling. A customer today demands both a quality product and quality relationship. Relationships act as a barrier to the salespeople of the rival firms. Salespeople establish a partnership to keep on receiving repeat business and referrals. The close of the sale is not the end of the sales process. It is easier to retain an existing customer than to seek a new one.

Partnering is a strategic concept. It is a long-term relationship. A successful partnership seeks to search new ways to add value to the customer and remain close to the customer. It initiates sales, gets repeat sales and continues to get successive sales, and referrals. These four strategies are the bulwark of partnership. The partnership is sustained on the basis of value-added selling strategies. The salespeople could utilise their customer knowledge, after-sales service, customer satisfaction to achieve their goals.

Ethics and Partnership

Partnerships are sustained on the basis of fair play and honest dealings with the customers. Poor ethics are inimical to long-term partnerships. Can we promise the earth to customers just to outsmart the competition? Can we promise more than we what we can deliver? A salesman has to decide whether to attend an old customer or a new one given the constraint of time. Some strategies suggested by superiors may be unethical. These everyday situations must be resolved by drawing a line between what is ethical and what is unethical.

Sales Automation and Partnership

Sales automation indicates better communications and customer responsiveness in a sales organisation by using technology. IT enables salespeople to remain connected to customers, sales support people and other key people.

Strategic Alliance

It is the peak level of partnership. Strategic alliances provide a marketing advantage to the company when there is a tie-up with another company whose products/service match those marketed by us. Such alliances are mutually beneficial. A company can form several such alliances.

ADAPTIVE SELLING

It is the technique of selling which requires the salesperson to adapt his or her social style to that of the buyer in order to maximise effectiveness.

ASKING QUESTIONS

Robert Miller, a sales consultant is of the opinion that the starting point of selling is not glib talk, but asking questions. Salespeople talk about products and services. Today, selling involves devoting more time to listening, asking the right questions and understanding what consumers want. These days, customers know more about our products and even competitor's products. The job of a salesman is to put the customer at the centre of an equation. Previously, it was the product at the centre of the equation. A product is no longer being sold. A solution is being sold. Hence, it is very important to ask questions.

SUBLIMINAL SELLING

A competent salesman is so adept at selling that it seems that it is effortless. The prospects it seems have bought without any rationale. This is all attributed to subliminal selling skills developed by the salesmen. However, this should not be construed as witch-craft. All these salespeople use are psychological techniques, monitoring of the body language and reading non-verbal cues and observing the prospect's closely. There should be strong bonding between the salespeople and the prospects. Prospects prefer buying from the salespeople they like and trust.

Observation

The sense of observation is an admirable skill for any salesman to acquire. Sales generate when salespeople pick up clues through observation. These give a better understanding of the prospects. A good salesman absorbs like sponge the surroundings, and is on the look out for a clue that provides him an insight to work out the prospect in his favour. They are discerning people who observe the prospect's office closely — his working desk and walls. They connect with the prospects. All these clues are subtle, and they must be put in perspective.

Customer Type

All individuals have unique thought processes. A salesman has to understand the thought process of the prospect. At times, the communication with the prospect misfires. It is attributed either to bad luck or a bad day. But it is necessary to focus on the thought processes of the customer. Sometimes people guess about it — it is either a hit or a miss. Psychological research has established that the thought process is under the influence of the information presented. The way the prospect sees, hears or feels is influenced by what the salesman says. It is called neuro-linguistic programming or NLP. Prospects are classified into three broad groups — visual, auditory or kinesthetic. The classification is based on their responses to information and language. A salesman has to know which category the customer belongs to then targets his presentation to him in such a way that influences him the most.

Visual (Lookers): Visual prospects are those who respond positively to images, *e.g.*, brochures, pictures, creative language. Salespeople who are confronting visual people use graphic descriptions. It is necessary to identify a visual prospect. Such a prospect is active, and moves the eyes rapidly. By doing this, he visualizes your speech. A visual prospect uses graphic words, *e.g.*, show, view, bright, picture, etc. A visual prospect is moved by a word picture of a car. He visualizes himself driving the car. He also establishes a connection with the salesman. A visual prospect can be sold what is seen by him.

Listeners (Auditories): These people respond to what they hear. The salesman's delivery matters. How it is said becomes more important than what is said. The pitch, intonation, accent matter a lot. Listeners use words like sound, call, tone and hear. They put their hand on the face while listening. They are not as much verbal as the visuals. They articulate only the pros and cons. Presentation to an auditory is different. Here, the machine sound is compared to music. The sound of a car engine is compared to a click of a clock. The steak is sizzler. The coins jingle. The birds chirp. The bees hum. The auditory words are used to build a rapport.

Feelers (Kinesthetics): Their decisions are based on feelings, rather than hearing or seeing. They are emotional people, whose heart rules over their head. The words in their vocabulary are hold, touch, feel, grab etc. They would like to feel the product by holding it in the hand. They touch others to make a point. They are expressive in their conversation.

Elementary Deduction

The office environment reveals a great deal about the prospect to the salesman. He takes notice of the surroundings mentally. He makes strategic use of the findings in his presentation. The paintings, awards, certificates, wall colour — all these tell a great deal about the prospect and his interests. There may be pictures of the client's visits to the hills and mountains. There are photographs of client's playing badminton. All this shows his outgoing temperament. These can be referred to in the talk to build up rapport. These things break the ice initially. An adventurous streak shown by his interest in skiing, paragliding or flying indicates his bold nature not averse to taking risks with the new products. These venture some individuals hit the nail on the head, and do not beat around the bush. Photographs reveal client's family background. The coming generation in the photographs is an opportunity to sell long-term insurance policies and durables. The charitable causes espoused by the client are used to build up the rapport. A spick and span office with no mementos show a client's no-nonsense approach. There are myriad of things to observe. Through observation and practice, many things become crystal clear. They may make or mar a sale. The observation aspect is elementary but valuable.

Desk Management

The desk can be cluttered or neat and clean. All this is open to interpretation. A messy desk does not always mean a muddled mind. It may mean a hands-on approach. Such executives may have strong egos. They are not much concerned about their individual image. They are easy to deal with. We can adopt an informal approach to them.

An ordinary business with a messy desk means an over-burdened individual. The executive requires empathy and he is sold when the product takes off some pressure. When a salesman leaves literature behind, it should stand out in the clutter.

Executive may be image conscious. A salesman's presentation to him should be well-organised and professional.

A good salesman always pays attention to the prospect's desk management.

Psychological Subliminal Selling

Some psychological skills vest a salesman with a competitive edge. These are very subtle skills are evident in promotional campaigns. Have you ever thought why a person chooses a particular brand of cola, breakfast cereal and biscuits? These skills have been practiced in promotion.

Trigger Words: Researchers (1983) suggest certain words trigger a positive response in individuals. Such trigger words are new or improved. Good salesperson make use of such trigger words. They help them establish a rapport with their prospects. The triggers words extensively used are easy, love, new, proven, discover, easy, guarantee, health, you, save, safety and result. These twelve words provoke positive responses in individuals. These could be used by the salespeople in their sales calls.

Subliminal Commands: These commands provoke action. Certain words/phrases are emphasized in presentation. These reinforce the benefits of the product. Such phrases are ‘you will benefit’, ‘own’, ‘work for you’, ‘give you satisfaction’. Even phrases favoured by prospect can be used.

Tactical Implied Selling: Here, a statement is so phrased that the prospect interprets it in a positive manner. The prospect assumes unique strengths in a product. The product thus becomes special. Such special relationship is liked by the prospects. For instance, a painting contractor can say our painters work only for us. The painting work is not sub-contracted. That gives us an opportunity to exercise control over quality of painting job. Rest assured, there are no problems for you in future. Thus, painters exclusively working for the firm makes it unique. Such unique strengths could be included in presentation: people, reputation, delivery, service, inventory, experience, client base.

Colour Power: Colours do affect us psychologically. These can be used at subliminal level by a good salesperson. Most people think red cars race faster. Red denotes speed in magazine ads. Brown indicates invincibility. A brown car is sturdier. Three colours have positive influence — blue, dove grey, hunter green. Blue indicates leadership and stability. Grey indicates security. Green is associated with currency notes. Some worst colours are black, purple and yellow. Black is associated with mourning and death. Purple is associated with sickness. Yellow irritates and indicates anxiety and blood pressure. Colours are used strategically with the visual client’s. Even salesman’s clothing should be in positive colours.

Body Language: There is a plethora of non-verbal communication. Body language speaks for more eloquently than the spoken word. A slouch of a shoulder, a raised eye-brow and an approving nod of the head are instances of individual communicating in non-verbal way. They are not aware that they sending messages often. We shall learn about the prospect’s body language. We shall also learn how a salesman uses his own body language to his advantage.

Handshakes: A handshake goes beyond greeting. It signals so many things. A firm handshake indicates a tough person who is not vulnerable. An upper horizontal handshake indicates abrasive nature and requires good tact on the part of the salesman. A dead handshake shows nervous nature, and the prospect requires empathy. There is no handshake and it is an unwelcome sign.

Eye Talking: A lot can be read from the prospect’s eyes. One who does not see eye to eye is not receptive. He may blink in rhythmic beats. He should be reminded about the presentation points. Deep thinkers do not like interruptions. He may turn his head again to the salesman, and it is sign that he has woken up from his slumber and ready to do business again. When eyes of the prospect move side to side, it indicates he is not telling the truth. A salesman expresses surprise about his statements and makes it known to him that his lie has been recognized. A salesman uses eyes strategically — to show empathy, confidence, sorrow, enthusiasm. While shaking hands with the prospect, he is natural, firm and shows confidence. While ending the presentation, he repeats the same thing, whether the sale is made or not. He is never crest-fallen. He can stare a prospect in the face to show he is firm. Using eyes to cover different moods is matter of practice.

Mirroring: Mirroring is an imitation of the prospect’s body actions — crossing legs, putting a hand on the face. This is done without making it too obvious. This is called mirroring and establishes a rapport with the prospect.

Gestures: Gestures are slight movements and provide valuable signals, a nod of a pleasure, boredom, etc. A salesman makes positive gestures.

Developing Subliminal Techniques

These techniques are not precise and therefore not perfect. They are practiced and give the salesman a competitive edge. The more these are used, the more finesse a salesman develops. Even observation skills are cultivated. One can practice being observant by selecting an empty room and observing things for oneself. At work, our colleagues, subordinates and superiors must be observed. Practicing all the skills mentioned is a must. If this influences a prospect positively, the objective achieved.



Chapter



Relationship Strategy

Relationship strategy has become vitally important in the selling function. It calls for diverse interpersonal skills. It also calls for emotional intelligence which sensitizes us to our own emotions and those of others, and managing these emotions well. A high emotional intelligence endows a person with those traits that a successful salesman must possess — self-confidence, adaptability, trustworthiness, optimism, initiative, empathising ability and social skills. Emotional intelligence can be enhanced by training.

There are three challenges before a modern age salesman — building new relationships, transforming these personal equations into business equations and managing these relationships. People tend to buy from those whom they like and trust.

RELATIONSHIP: A VALUE ADD-ON

Customers these days are too demanding, too fastidious. They expect to draw maximum from salespeople in a sale. Salespeople respond to these by becoming more sophisticated. A quick sale is not the preferred method. What is important is a selling style that builds a long lasting relationship. It should not be just incidental to selling. It is a key to success. A satisfied customer is the best advertiser. A disgruntled customer is a liability. A sincere salesman adds value to the sale. It gives him a competitive advantage. Such an advantage is important in the world of identical me-too products.

PARTNERING

A salesman has to relate to the customer. He has to establish a long-term relationship — a lifetime customer. High quality relationship ensures repeat business. The quality of relationship built by salespeople is not less important than the quality of products they sell. Both the quality product and quality relationship are important. Partnering is a strategic concept implying quality relationship aimed at solving customer's buying problems. Selling cannot be a one-shot affair. Partnering is based upon shared values, understanding what are mutual expectations, and supportive attitude. Such an approach results in better earnings. Referral sales also increase.

FOUR KEY GROUPS

Relationship is established with four key groups — customers, secondary decision-makers such as receptionists, secretaries or assistants, support staff in the company in areas like marketing research, product management, training, dispatch, etc., and managerial personnel under whom a salesman works.

THOUGHT PROCESSES

A positive self-image, double win, character and intensity are the key factors in the selling success.

Self-image: It influences others, and is shaped by ideas, attitudes and feelings. It is in other words a thought process. It edits the incoming information. It guides our actions. A salesman who believes he is unable to establish relationship with highly-placed executives is unlikely to influence them. He is pre-programmed to fail. A negative self-image fulfils a prophecy. Our feelings and emotions are consistent with our self-image. The good news is that self-image can be changed. A positive self-image is an important prerequisite for success in selling. A positive self-image can be developed by not brooding about the past and be concerned with the future. Competence itself generates a positive self-image. Mental attitude does matter in developing a positive self-image.

Win-Win Situation: There should not be a 'I win-you lose' or 'I lose-you win' transaction. It can be a win-win or double win-situation. A selling situation should satisfy both the buyer and the seller.

Character and Intensity: These influence the relationship with others. Character is your mettle — the stuff you are made of. It shows your personal standards of behaviour and your moral fibre. It indicates your ethical sense of right and wrong. It represents the internal values of a person. If what we practise is in accordance with what we believe, it is called integrity. It is a valuable asset. Salespeople with integrity do what they preach. It is an insurance against deception.

NON-VERBAL STRATEGIES FOR RELATION IMPROVEMENT

First impression is the best impression. It may facilitate the sale. If it is poor, it may distract from the sale.

A salesman's projected image is the sum total of many verbal and non-verbal factors. The apparel you wear, the overall way you conduct yourself, the manners, the posture, the communication skills — all these contribute to the image. The intonation, the diction, the idiom — all these matter.

Body language is non-verbal communication — communication that is silent or without words. A constant looking at watch shows concern for the time. A leaning forward indicates a feeling of concern. Non-verbal messages are sometimes more effective than verbal messages. A large part of understanding in communication is attributed to what we hear. Sometimes, more than the content, the articulation is important. Intonation, volume and delivery do communicate a lot. A voice charged with energy indicates enthusiasm. Sight and feelings also affect our communication. A smile, handshake, eye-contact and appearance have the capacity to deliver a positive message. Non-verbal communication can endorse verbal communication or contradict it. Consistency between these two makes you trustworthy.

A salesman's walk into client's office or business can communicate a lot. It can show how confident he feels. It should give the feeling that the visit is beneficial for the client.

A handshake is the most noticed thing. It is a matter of physical contact, mostly the only physical contact. It can convey warmth and concern. It gives an image of either being strong or wobbly. It can convey a sense of isolation or indifference. A firm handshake shows concern, whereas a weak, indifference. A grip shows friendliness. The length of the grip time communicates the degree of interest. Our hands must be dry and clean. Excess moisture is a sign of nervousness. While extending hand, one can introduce oneself. The name should be properly pronounced. A customer's name must be properly registered in the mind by repeating it.

Face is the index to man's inner feelings. It reflects what goes in the mind. It can also conceal emotions. A customer's reactions of being surprised, amazed doubtful, pleased are all registered on his face. Facial expressions follow a universal language. A smile is a welcome note allover the world. Smile affects your perception in the mind of others. A smiling face is trusted. A prospect does like a smiling face.

Appearance makes a statement about the person. The outfits, hairstyle, the scents and the accessories — all these make a statement. All these are important in selling. There is a link between what we wear and what we project by way of an image. Clothing evokes a predictable response.

A salesman's outfits must have client's acceptance. They make him presentable. A sales call demands a formal wear. It shows the respect we show to the culture of the group we move around with. Dress code varies from company to company, and region to region. However, we should be guided by simplicity, quality and appropriateness. Visual presence must be built by attending to details — the size of the shirt, the accessorisation, the shine on the shoes. These may distract a customer when not appropriate. People are more conscious when meeting a professional salesperson and every little detail counts.

A salesman should not talk too fast or too slow. The speech pattern must not be monotonous and sing song.

Etiquette and manners are great help in building relationship. A stranger may not like to be addressed by first name. The language should not be offensive. Certain topics are taboos, *e.g.*, religion and politics. A lunch should not be preceded by business talk, unless the client initiates it. Voice-mail messages should be clear.

CONVERSATIONS AND RELATIONSHIPS

Introductory conversations always precede business. In the first meeting, the conversation breaks the ice. A good conversationalist is a good listener, is genuinely interested in other people and thinks from the view point of other people. A relaxed atmosphere makes a salesman's task easier. A casual conversation always facilitates the selling task.

The duration of conversation depends on the available time, interest and response. Conversations can veer to topics of general interest like weather and surroundings. Compliments can be given to people for real qualities and should not be given for flimsy things. There should be exploration of areas of mutual interest, say common friends, hobbies, etc.

SELF-IMPROVEMENT

A salesperson must constantly improve himself. This is a self-initiated process. Self-developmental activities increase emotional intelligence. Areas of improvement must be identified — voice, communication skills, win-win approach, non-verbal skills, etc. A person must set goals for improvement, for which he should be clear where improvement is needed. A second step to self-improvement is visualisation process where you imagine what you would like to be. The third step is to give positive feedback to the mind. At last, the progress towards the goal must be monitored. The efforts towards goal achievement themselves are satisfying enough. An attained goal is a matter of pride.

LOSS OF PERSONAL RELATIONSHIP

Selling is a skill which has been lost with time. The personal relationship built up between the seller and the buyer does not exist in many situations, If anybody lingers in a shop for too long, the attitude of the salesperson is "Either buy or get lost. Don't waste my time."

In India, ever today there are the old markets where women take their shoes off, sit on white mattresses and buy traditional jewellery and wedding clothes. But now boutiques have replaced these family-run shops. They have good ambience, but may be manned by bored young boys and girls who may not be helpful to the customers. A customer who wants another size or colour is ignored or told that it is not available. These salesman may not enjoy the process of selling and building a relationship with the buyers so that they come back to the store.



Chapter



Developing Product Solutions

A salesman's job is to create product solutions at right price for the customer. Rising customer expectations make this a challenging task. A customer wants customized product solutions.

Product strategy leads us to developing the right product solutions. A product strategy consists of product knowledge, selling benefits, offering value-added configurations.

In strategic selling, the company's selling philosophy is customer-oriented, the selling functions are valued and the salesman becomes a problem-solver. A second component of strategic selling is developing relationship with the customer. Lastly, we develop a product strategy.

There is a plethora of products. Every year, new products are introduced. There is a wide array of products to choose from. Choice requires comparison. Choices make buying complicated.

Salespeople must facilitate the choice of products. They should equip the customers with specific knowledge so that he makes the right choice. A salesman simplifies the complex process for the customer. He has to relate product features to the product benefits. Selling has become benefits-oriented.

PRODUCT CONFIGURATION

There is information overload. There are a number of applications or combination of applications. Buying, therefore, becomes complex. A computer required by an animator should have high graphic capability. The hardware must support this, say a large RAM, a hard disk with more GB, software like MAYA, etc. A computer required just for routine office work may have different features — a limited GB

hard disk, a good printer, limited RAM. We have to configure the computer hardware keeping in mind the objective for which we are buying it. Therefore, there should be analysis of the needs of the buyer. A solution must combine hardware, software, installation and training. A customer is not interested in Enterprise Resource Planning (ERP) software. He is interested in solutions. A complex product is sold on the basis of configurations of product versions, prices, delivery schedules and other parts of products mix. A company can use a software to develop the right configuration.

WRITTEN PROPOSALS

Product strategy involves the preparation of a written proposal by a salesman. Written proposals spell out the entire plan of action. It considers the facts of the case. It assures certain things. A written proposal enhance the value of product solution. It offers comparative view to the client. A written proposal is credible. It generally accompanies a sales letter. Some clients dictate the format of the proposal. Most proposals contain an overview of the product and cost or budget thereof. The benefits are spelled out. The strategy part outlines how the company will fulfil its obligations. The schedule outlines the dates for delivery and installation. It coaxes the client to act by appealing to logic and emotion. A proposal can consist of a single page or run into several pages.

The proposal is prepared on good quality stationery, and is couched in simple, clear English. The proposal is reviewed once again before submission to the client. It is to be assessed whether the proposal is persuasive enough. Does the proposal have the capacity to arrest attention and create interest?

PRODUCT KNOWLEDGE

A training programme to salespeople focuses on imparting product knowledge. That by itself gives a competitive advantage. Salespeople strong on product knowledge are in a better position to close the sales, though other factors may not be so favourable. A sales engineer can suggest an alternative technology to manufacture products which may reduce costs substantially. Some salespeople boast that they can sell anything and they may well be right. But it is difficult to become a supersalesman unless you believe in your product or service. Customers are quick to spot insincerity.

BUILDING COMPETENCE

A salesman can improve his product knowledge constantly. His competence should be exceptional. He should be aware of the product development process, performance data and specifications, and terms and conditions of sale.

A product starts as an idea which is converted into a concept. This is tested and if found feasible, is converted into a prototype. A successful prototype is commercialised and launched nationally or test marketed. Thus, in the product development process, there are many 'go-no go' situations depending upon testing and retesting. Salespeople must know the whole story of development to set the stage for strong sales appeals.

Salespeople must also be aware of the quality improvement process at each stage of product development. A medical representative can explain to the doctor the stringent standards of quality that the product meets.

Performance data and specification are great help to salespeople. The rate of return on a financial product, the fuel efficiency of an engine, the suitability of hotel conference rooms for the physically disabled — all such questions are relevant for the salespeople. The knowledge helps him in drafting written proposals and making a sales presentation.

Some products have been subjected to testing by labs to make them credible, *e.g.*, ISI mark, AGMARK, etc.

Companies provide information regarding maintenance and service contracts through their salespeople. Salespeople must understand the concerns of the clients regarding these. Customized service agreements add value to the sale.

Salespeople must be aware of the prices and the delivery policies. This information is passed on orally and in written form. Price objections are a great barrier to closing the sale.

A proposal must quantify the solution by giving price break-up. The proposal can give cost-benefit analysis. Prices vary from situation to situation. There are discount schemes when certain criteria are met. Each part of the product configuration can be quantified. Sometimes, there are leasing options. A salesperson who has not mastered pricing is at a great disadvantage.

COMPANY KNOWLEDGE

Salespeople are in direct touch with the customers. They should act as company's ambassadors, and must have intimate knowledge of the company. A customer gets the impression about the company through the salesperson.

Corporate image plays a great role in product choice. One can use information about corporate affairs in the sales presentation. This is especially relevant in this age of me-too products.

Some companies have great brand equity. But while selling the products of the obscure companies, a salesperson will have to pass on detailed company information.

Company knowledge is necessary to possess good product knowledge.

Organisations are collections of beliefs, behaviours and work-patterns held in common by the people. It is called Organisational Culture (OC). Salespeople should be aware of the OC and should feel proud about it. Prospects feel comfortable in dealing with a company which has a successful track record.

A company should continue its marketing even after the sale in the form of after-sale support. A salesman must inform the customers the type of support a company gives after the sale.

COMPETITIVE KNOWLEDGE

Product's knowledge is incomplete without a complete awareness of the competitive scene. A salesperson must know the strengths and weaknesses of the competitor. It helps him decide his own sales strategy effectively. This knowledge enables a salesperson to answer the questions raised by the prospects about competitive products.

A sales must have knowledge of the competitive products. It makes him more competent in answering queries. A salesman's attitude towards competition is very important. A good salesman avoids reference to competitive products in his sales presentation so as not distract attention. Whenever, competition is referred to, a salesman must have complete knowledge. It is better not to criticise the competition.

A fair approach is appreciated by the customers.

A salesman must have good knowledge of the industry that he represents, *e.g.*, a medical representative must have knowledge about the pharmaceutical industry. It is good to be updated by reading trade journals and attending professional seminars and conferences.

SOURCES OF PRODUCT INFORMATION

Salespeople must remember that though they can sell something, they don't believe in but not much and for long.

Product information can be obtained from a variety of sources. These could be:

- (i) Product literature
- (ii) Sales training in plant tours
- (iii) Internal meetings with the support staff
- (iv) Customers
- (v) Product
- (vi) Internet, and
- (vii) Published sources

Let us examine each of these.

Product Literature: Most organisations design and develop product literature such as brochures, booklets, handouts, mailers, etc., to describe their product fully. Salespeople scrutinise the literature carefully. There is a sales catalogue to describe the entire product portfolio. Many companies reduce the literature to a CD which can be run on the computer. Communications such as advertising, sales letters, audio and video cassettes, etc., are valuable sources of product information.

A salesman can develop his own literature from various sources. He can use reference books and encyclopaedias while preparing notes. A salesman can prepare power point presentations.

Sales Training: Training programmes impart product knowledge. It is an essential component of any sales training. Technology can be used to impart distance learning courses. Video-conferencing can be used to provide training.

Plant Tours: A visit to a plant is learning experience. It makes the salespeople aware of the manufacturing process. It provides valuable product knowledge. A salesman also becomes enthusiastic about the product.

Meetings with the Support Team: Salespeople learn when they interact with one another. They also learn from meetings with the support staff. Team selling is becoming popular for many complex products.

Customers: Customers are the users of the product. They have experienced its performance. They can give an assessment of the pros and cons of the product. Customer feedback is an important source of learning.

Product: The product itself should be carefully examined to assess its various features.

Internet: Companies put the product information on websites. Technical reports about the product are available on the net. A salesperson can search the net for all details about the product and its features.

Published Material: Trade and professional journals, popular magazines, dailies given to economics, business supplementaries of the press, ORG reports of retail audit — all these provide vital information about the products.

It should be noted that a prospective customer should not be overwhelmed by information. He should be given relevant information so that he can make a right choice.

FEATURE-BENEFIT STRATEGY

Every product has several features, *e.g.*, size, colour, consistency, fragrance, efficiency, etc. In the sales presentation, these features are translated into benefits, *e.g.*, a fuel efficient car that gives more kms per litre is easy on pocket. Benefits may be tangible or intangible, *e.g.*, a hair dye promises a person a youthful appearance and a tonic promises good health. Ultimately, no one buys just features, but one buys product benefits.

Product features are concrete, they can be seen measured or felt. They answer the question ‘What is it?’. Mostly features are technical specifications. They also include products design, craftsmanship and economy.

Product benefit provides a gain to the customer or an advantage. It answers the question ‘how the product benefits one?’ Just telling a customer that the drink is packed in tetrapack is talking in terms of features, but telling him that it is a safe and fresh drink is talking in terms of benefits.

A product that is sold is judged by the buyer against the criterion how it benefits him and whether this benefit can be proved. It is difficult to correlate features and benefits while selling. A bridge statement connects a statement of features to a statement of benefits.

A product is carefully analysed to identify its features and benefits. Such an analysis facilitates consultative selling.



Chapter



Product Positioning

Positioning of products and their repositioning are very necessary in the dynamic marketing and selling environments. Product positioning consists of putting a certain product concept in the mind space of the customer. It ultimately means how a product is perceived against certain attributes *vis-a-vis* competitive products. A drink can be positioned as a health drink for growing children or a geriatric drink, for the aged or a breakfast drink to flavour milk. A positioning stance is maintained over a period of time but it does not last for ever. It is modified to suit the changing needs and wants of the customers.

Salespeople contribute substantially to the positioning concept. A combination of marketing and sales strategy is used to invest the product with a particular position. A salesperson must understand the product positioning

Let us first consider, what is known as product differentiation. Later, we shall define the products broadly. Lastly, we shall see how selling strategies are used for positioning.

PRODUCT DIFFERENTIATION

Products are differentiated on the basis of quality, price, convenience, economy or some other factor. Salespeople are in the forefront to differentiate products.

PRODUCT DEFINITION

Products are solutions to problems. Products have to fulfil several expectations. Products satisfy us, the company that markets or distributes the products also offer us satisfaction and the salespeople who sell the products also provide satisfaction to us. In other words, we derive a cluster of satisfactions.

Products these days are better, in wide assortment and improved. Organisations are concerned about delivery and installation, orientation and training, customer service, credit extension and response time. Salespeople are partners in the process. They are concerned with after-sales service, assessment of customer needs, product knowledge. They are courteous and trustworthy.

It is necessary to consider the entire package or the whole product while taking a buying decision. A wedding reception at a Five Star hotel is bought on the basis of banquet facility, buffet dinner arrangements, food and beverages, catering staff, stage management, music, illumination, entertainment, access, affordability, etc.

PRODUCT POSITIONING OPTIONS

Positioning option is available for both the existing and new products. It is also necessary to reposition the products keeping in mind the changing environment. Salespeople play a great role in positioning. It is necessary to use personal selling to sink in the positioning stance in this over-communicated society. Mass advertising is of little help in positioning a complex product.

A product undergoes several stages in its life called its life cycle. We have to develop the selling strategy keeping in mind the product life cycle. In case of new and introductory products, the product generates excitement and expectations. We have to change the existing habits of the people. New standards must be set up. There is focus on building desire for the product. The product can be introduced in new markets. In case of mature and well-established products, the selling strategy concentrates on building brand advantage, company advantage, service advantage. Unique features are highlighted. It is necessary to retain the existing market share.

New products require highly motivated selling. Relationship strategy is necessary while selling mature and established products.

POSITIONING AND PRICING

The four Ps of marketing are product, price, promotion and place. At each stage of the PLC, pricing decisions are made. Price setting is a complex process. Pricing objectives are to be set, *e.g.*, profit maximisation, market share objective, entering new markets, etc.

Pricing can be made on par with competition, and salespeople are given several tactics, once this positioning is adopted. Discount and allowances are used to lower prices. Some product features can be unbundled to reduce prices, *e.g.*, instead of a banquet style meal, one can suggest a cafeteria style meal, obviating the need for attendants.

If the buyers have low involvement, they do not bother about prices. All buyers do not have low involvement. Many buyers do not appreciate price-quality equation. They are obsessed with price. There are many buyers who cherish long-term value. To them, price is not an attraction. Lower prices may reduce after-sales service. This may not be palatable to some.

Some products are bought on internet through e-commerce. Generally, these products are simple enough to buy. Complex products that require selling assistance are not bought on internet. Term insurance is bought on internet, but health insurance is bought through advisors.

POSITIONING WITH VALUE ADD-ONS

Companies enhance the basic products by value add-ons such as after-sales service, trained salespeople, courteous helplines, dependable deliveries and product innovations. These provide a competitive advantage.

VALUE-ADDED APPROACH

A salesman has to understand the complete needs of the client and his concerns. This knowledge helps in directing customer's attention from price to value. A salesman has to identify what is value in the eye of the customer. He has to decide how to add this value to the offer. In industrial marketing, profit add up is considered a value-added strategy. A salesman can be an advisor to the customer to make his business more efficient.

A product has four dimensions — the generic product, the extended product, the augmented or value-added product and the potential product. A generic product is the product category, *e.g.*, insurance, rental cars, PCs. An extended product satisfies customer's minimum needs, *e.g.*, a clean hotel room. An augmented or value-added product offers more than what the customers expect, *e.g.*, hotel room with music lessons, workout training, tennis courts, spas, fruit baskets in the room, welcome drink, etc. All these value add-ons distinguish the product offering. Personalized service is a powerful value add-on. Selling here is not just selling plain vanilla product. The product is wrapped in a service. This builds up relationship. A potential product refers to what is possible with the product. New customers needs are assessed, and products are improved. To develop potential products, salespeople must remain close to their customers.

PLCs are shortening. Value-added selling is very relevant for new and emerging products. Companies whose bottom lines are under stress due to low-priced products may have to reinvent their products. Many a time, product remains what it is, but services are customised.



Chapter



Consumer Behaviour

An organisation must be responsive to the customer needs. A customer strategy results into maximising the customer responsiveness. A major component of customer strategy is to understand customer behaviour while buying. A salesman has to be aware of the buying motives and needs of the customers. It puts him in a better position to offer a value-added product solution. A salesman must understand why and how people buy. Secondly, there should be understanding of customer needs. Thirdly, a pool of prospects must be created.

COMPLEX NATURE OF CONSUMER BEHAVIOUR

What motivates a customer to buy?

It is a very complex thing. A customer's perception about a product is individualised and unique. One and the same product may satisfy different needs of different customers. A computer can be used for animation by a commercial artist, and can be used for office correspondence by a businessman. Each person may have several motives for a simple action — buying a car solves the problem of transportation and building social status. Quantitative research makes customer just a number. But a customer is a human being, not just a statistic. It has been acknowledged by the organisations, and one-to-one direct marketing is a result of this recognition. Different customers need different treatment. These days relationship marketing concentrates on developing a lifetime relationship with a customer to sell him different products.

FACTORS AFFECTING BUYING DECISIONS

The forces affecting buying behaviour are outlined in Fig. 7.1 the individuals needs, and socio-cultural factors affect consumer perceptions and buying motives.

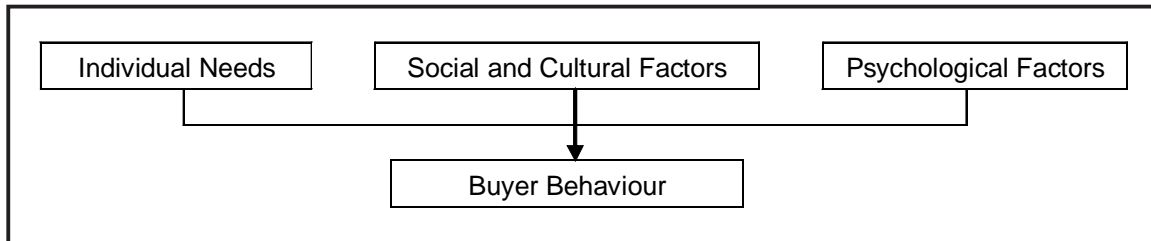


Fig. 7.1 Buyer Behaviour: Simple Model

Individual Needs

Some basic needs are at the roof of human behaviour. Though, they have remained constant through economic history, the way they have been fulfilled has undergone charges. The understanding of basic human needs is the starting point for any motivation and buying theory. Abraham Maslow's need hierarchy model provides insights into the consumer behaviour motivated by these different needs.

Hierarchy of Needs

Very seldom an attempt has been made to understand Maslow's theory of need hierarchy beyond a narrow perspective. It is important to look at it from a situational perspective and develop a frame of reference within which it would be possible to analyse specific situations. Maslow first presented his basic ideas in motivation in 1972 when he addressed a psychoanalytic society and stated that he wanted to "integrate into a single theoretical structure the partial truths I saw in Freud, Alder Jung, Levery, Fromm, Honey and Glostein." Maslow's thinking was also affected by the works of Murray, Gorden, Allport, Rogers and others.

MASLOW'S NEED HIERARCHY

Human motives can be put into five distinct categories in the form of a pyramid as shown in Fig. 7.2. Perhaps, the five categories over-simplify the human motives. This need hierarchy theory was the result of Abraham Maslow's work; and hence the name Maslow's Need Hierarchy. In fact, human behaviour is directed by several other needs combinations at a given point of time. It is, however, difficult to pinpoint them separately, and so a need hierarchy as shown in Fig. 7.2 simplifies the problem for our understanding.

Maslow advanced three important propositions about human behaviour:

- (a) Men are wanting beings. Their needs are unlimited and as soon as one need is satisfied, another appears in its place, and this continues from birth to death.
- (b) A satisfied need is not a motivator of behaviour; only the needs which are not satisfied are capable of motivating individuals.
- (c) Needs of men develop in a sequential order and are arranged in a hierarchical order. Fig. 7.2 illustrates the concept.

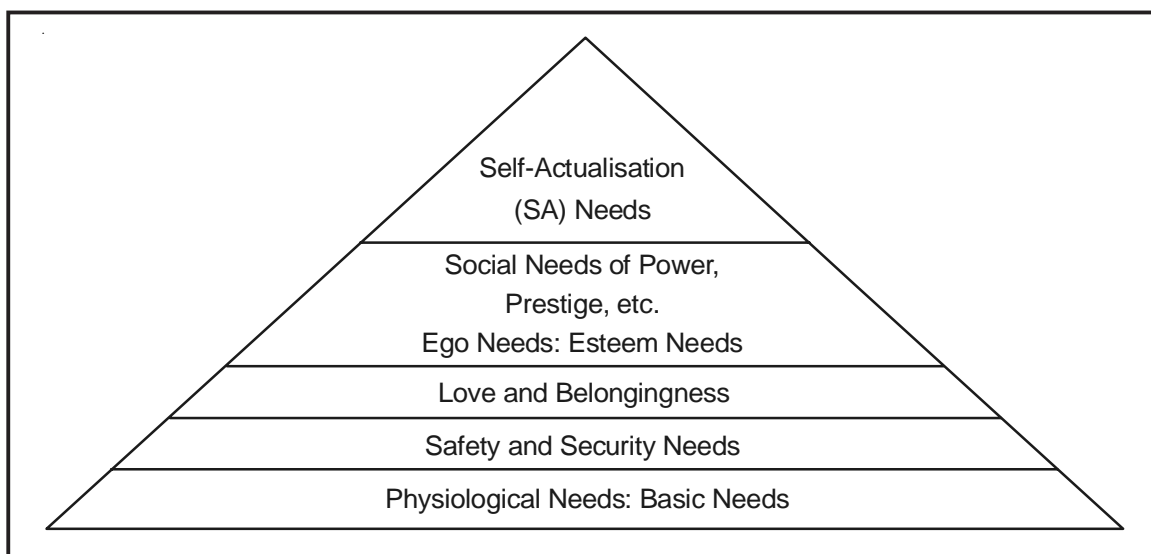


Fig. 7.2 Maslow's Need Hierarchy

Physiological Needs

At the lowest level of his need hierarchy are his physiological needs such as hunger, thirst, sex, etc. When the physiological needs are thwarted, they assume great importance. Consider a man who is very hungry. He may not like to think of status, or prestige but would like to find ways and means by which he can satiate his hunger. Maslow in fact referred to the potency of needs. Thus, when physiological needs are potent, other needs like psychological are pushed into the background.

Further, it is important to understand these sets of needs are independent of each other. For example, even while an individual is not thirsty, he needs food to satiate his hunger. These sets of needs are also repetitive in nature and re-emerge after a short time. To base motivation only on these lower sets of needs will have little meaning in a developed economy because of the fact that the satisfaction of such needs is guaranteed.

Security Needs

When the physiological needs are satisfied, the next level of needs emerge to motivate him. These are the security needs. An individual would like to work for the organisation to ensure continuity of

employment. Security needs assume great significance in an organisation where the individual finds himself in a dependent relationship and where he fears arbitrary deprivation. Arbitrary action of management which shows favouritism and discrimination can be strong motivators of the security needs in the work-life relationships.

Security needs can be operative both at conscious and subconscious level. Too much emphasis in conscious needs can have a disciplinary effect rather than motivating the person. "Unconscious security needs on the other hand result from childhood experiences which depict life as either far too uncontrollable to make initiative worthwhile or far too benevolent to make initiative necessary."

Social Needs

When an individual's first two level needs, *i.e.*, physiological and safety, are relatively satisfied, then the social needs become an important motivator of his behaviour. He then seeks acceptance by the group and strives for affection and belongingness.

However, this need to belongingness may be stronger in one person than in another. Maslow distinguished the need for affiliation into two categories. In the less mature form, this need is manifested when one tries to relate or seek company with another in order to overcome loneliness or to kill boredom. It is evident when a person wants to relate to another without any desire to use him any way and accepts the way he is.

According to Pathak, "When managers take a purely intellectual and economic view of people by ignoring their social needs they develop a managerial style that is cold, elusive, and insensitive to non-economic concerns."

Quite often, managers perceive this only as a threat to the organisation. As a result, they try to exercise tight control. They constantly see such informal groups do not emerge and actively try to break-up existing groups. When the individuals find that their social needs and even the security needs are threatened, they may become resistant, antagonistic and uncooperative, thereby defeating the organisational objectives.

Esteem Needs

The next level of needs are perhaps of the greater significance both to the organisation and the man himself. When the physiological, security and social needs are appreciably satisfied, the esteem needs emerge. These needs include those for distinction, achievement, status and independence.

Unlike the other lower needs, esteem needs are rarely satisfied. They are largely unsatiable. In a conventional type of management, managers give little attention to these aspects of human motivation which if properly utilised can yield high organisational performance. Some higher social needs and esteem needs are tabulated here for ready reference.

TABLE 7.1 : HIGHER SOCIAL AND ESTEEM NEEDS

<i>Motive</i>	<i>Meaning</i>	<i>Behaviour Indicators</i>
Achievement	Desire to excel	Active, exert themselves, set high goals, accept challenges, derive pleasure from trials, strive for quality. They do self-evaluation. They imagine the accomplishments of tasks.
Power	Desire to influence others. Desire to exercise control on others.	Seek positions vested with power. Seek leadership opportunities. Always giving directions to others. Argumentative. Want to be the first.
Extension	Desire to be helpful to others. Desire to serve the organisation, nation or any external agent.	Social workers. Enjoy helping others.
Aggression	Desire to dominate others. Desire to demonstrate strength, at times physically.	Argumentative. Loud-mouthed. Pick-up quarrels. Want to be winners. Shown strength.
Dependence	Need to consult others before deciding.	Seek directions from others. No independent decision. Need protection. No initiative.
Independence	Desire to do things autonomously.	Autonomous decisions. May consult others, but do not seek approval.
Status and Prestige	Desire to be respected in social set up.	Non-violative of social behaviour. Violates social behaviour only when it gives recognition. Selective interaction with others. Authoritarian tendencies. Run for offices.
Recognition	Need to be recognised for one's achievements.	Work hard. Motivation lost if no recognition. Visible. Attention-seeking.
Activity	Desire to be always doing something.	Active, hardworker. Opposite of passivity which is a need to relax.

Self-actualisation Needs

On top of the individual's need hierarchy is the need for self-realisation. It is one of the needs discussed by Maslow about which little is known to the behavioural and social scientist. This is mainly because people try to satisfy these needs in many different ways. It is, therefore, extremely difficult if not impossible to pinpoint or identify the self-actualisation needs. Once the other lower level needs are completely or partly satisfied, the individual tries to realize his own potential.

SOCIO-CULTURAL INFLUENCES

People around us also influence buying decisions. There are four broad groups — role influences, reference groups, social class and culture. Salespeople should understand these influences to get insight into customer buying.

Role Influence

A role is a set of characteristics and expected social behaviour based on the expectations of others. The role assumed influences both the general behaviour and buying behaviour. A woman can be a housewife and a buyer at a supermarket. As a shopper, she takes many buying decisions.

Reference Group Influence

It is a group to which we belong or which is used for comparison purposes. Members of reference groups tend to influence the values, attitudes and behaviour of others. IMA is a reference group for doctors. AIMA is a reference group for managers. We conform to the norms of the reference group. The involvement and susceptibility affect our buying decisions.

Social Class Influence

A social class consists of similar people in terms of income, occupation, lifestyles, interests, behaviours. People are ranked according to social classes, *e.g.*, upper class, middle class and lower class. Each major class can have sub-categories such as upper class, middle upper class, lower upper class. There are several factors that indicate the class, *e.g.*, land or house ownership, education, income, area of residence, etc. People of one social class have similar attitudes, values and possessions. Marketers target their products to a particular social class.

Cultural Influence

Culture is the accumulation of values and beliefs, rules of behaviour, transmitted behavioural patterns, forms of expression and the like for a group of people who share a common language and environment. Culture either encourages or discourages particular behaviours. Language is the main vehicle for cultural transmission. Culture affects buying. In a culturally diverse country like India, marketers must re-examine their policies. In a particular cultural group, there may be a sub-culture showing norms differing from the main cultural group. In India, we have South Indians, North Indians, East Indians as sub-cultural groups. Members of a subculture may have strong preferences for certain food products, outfits and accommodation.

A salesman and customer can have cultural differences. That can affect communications. Doctors and MRs can have cultural differences. There are sub-cultures amongst physicians and MRs. This complicates the issue. Cultural awareness on the part of salespeople can avoid the misgivings from arising.

PERCEPTION

Perception is the process of putting meaning to information. The information inputs are received through our senses. The perception is a function of the psychological-physiological conditions within the body and group influences. Perception decides what we see and feel. It, therefore, affects the buying behaviour.

Selective perception is the process of filtering the stimuli or modifying them. It is impossible to consider all the inputs at a time. Our conditioning makes us selective.

Buyers may apply selective perception to salesmen's information if it runs contrary to previously learnt beliefs or attitudes. The very fact that the buyer is convinced about his inability to master driving makes use of selective perception when the operation of the car is discussed. Salesmen must anticipate such a reaction by doing adequate handwork in advance. A salesman has drawn a prospect out by establishing a relationship. That reveals his perceptions. Salespeople have learnt a lesson that facts are negotiable, whereas perceptions are steadfast.

Sales and marketing people have their own perceptions which should be reviewed periodically for their accuracy. Many consider senior citizens are short of money, but they do not know that they do have the means due to retirement benefits, investment returns, pension plans, VRS at young age, etc.

BUYING MOTIVES

A buying decision is initiated by a buying motive — an aroused need, drive, a desire or aspiration. Motive is the force behind the behaviour so as to satisfy an aroused need. Perceptions do shape this behaviour. Motives provide us the logic behind buying. A good salesperson knows that sale is made when the need or desire to own a product or to command a service is stronger than a buyer's natural instinct to hold on to his money.

Buying decisions may have multiple motives. A meal is bought for quality or for reasonable cost. The dominant buying motive (DBM) must be identified. The DBM affects the buying decision greatly. A desire to impress the audience might make food quality a dominant buying motive.

Buying motives must be identified by salespeople. This is a part of the product strategy.

Basic Impulses

Vanity	Convenience
Self-preservation	Prestige and status
Pride of ownership	Desire for gain
Self-improvement	Fear of loss
Ambition	Love of family
Avoidance of worry	Pleasure

Emotional and Rational Buying Motive

Buying decisions are based on both emotional and rational motives. Emotional motives appeal to sentiments and passions. Harley Davidson mobikes are purchased to enter the league of these bike owners. It is a sentimental decision. A rational buying decision is based on logic, reasoning, objective thought process. Technical specifications of vehicle are all rational buying points.

Emotional buying motives guide many purchases. Even technology products are sold on emotional appeals. Nokia sells connectivity. Airlines sell comfort to the passengers. Identical products can be sold on emotions. A salesman connecting emotionally has an advantage. Emotions underlying a buy must be

examined. Emotions answer the why of buying behaviour. A salesman who satisfies emotions is doing an important service.

A rational purchase is based on an objective review. A product is dispassionately studied. Professional buyers are mostly guided by rational appeals, *e.g.*, financial implications, delivery date, installation, profitability, durability, time saving, etc. Salesmen dealing with professional buyers are dealing with tough negotiators. They expect the best deal. Salespeople and buyers are likely to partner with one another. This is true in business-to-business buying.

Patronage Buying Motive

When a customer repeatedly buys from a particular business, it is called patronage. This happens when the customer finds the contact with the business beneficial. When there is little to distinguish products, patronage plays a great role. Superior service, availability of the product, salespeople's competence are some of the reasons of patronage.

Product Buying Motive

As against patronages, product buying motives show preference of the customer for a particular product over another. Preference could be due to quality, price, design or engineering.

BUYING DECISIONS

Some theories explain the buying decisions of the customers. The AIDCA model supposes that a customer passes through five stages before a salesman closes a sale. Buyer resolution theory assumes that a buyer buy after getting answers to his five logical questions. These are product-centric theories. Need-satisfaction theory which came later is prospect-oriented. It focuses on customer need-satisfaction.

AIDCA THEORY

This theory has five stages — attention, interest, desire, conviction and action. These five steps to buying have applications in marketing communications such as advertising, PR, publicity, sales promotion (SP) and personal selling.

Attention

It is necessary to arrest the attention of the prospect in order to initiate selling. A potential buyer may think a salesman to be an intruder on account of his pre-occupations. It is necessary for a salesman to attract attention of the prospect, and then hold it.

Interest

Interest must be created in the product to facilitate selling. A salesman has to convert the attention into interest. There are a number of ways this can be done. A salesman can create interest say by demonstrating a product or else, a series of questions can be put forward to create interest.

Desire

After interest comes the desire to possess a product. This desire may overwhelm us. There are a number of factors that kindle the desire, say sound of music or knowledge that the computer may take care of our accounting system.

Conviction

This is the stage where a customer feels convinced about the utility of the product. A salesman clears all doubts from the mind of the consumer. At this stage, the buyer justifies his buying decision.

Action

This is the last decision in the buying process. It sets the stage to close the sale. It may be an effortless transition from the above four stages. But sometimes, the buyer may postpone the decision. Sometimes, small push may prompt a buyer to act. Salesmen use several persuasive techniques to make a buyer act.

The above theory is relevant where product features and benefits are easily understood by the prospect. It is also applicable for inexpensive product. The purchase is not subjected to multiple decision-making. It is a good theory for consumer goods. It is not applicable to complex products and when multiple decision-makers take the decision.

BUYER RESOLUTION OR 5-W THEORY

Selling is considered a mental process. A buyer decides to buy after answering five questions:

1. Why should I buy? (need)
2. What should I buy? (product)
3. Where should I buy? (place)
4. What price should I pay? (price)
5. When should I buy? (time)

First, it is necessary to be aware of the need for the product. A salesman helps the customer here. The salesman then convinces the customer that there is a product to satisfy the need. Later, the product availability at various outlets is considered, and one particular outlet is chosen. The salesman has to inform the customer about the prices at which the product is available. This should be justified against the values delivered. The sale gets closed when a customer decides to buy. A customer may postpone the sale, as he finds it difficult to part with the money. The postponement could be due to the product giving no immediate benefit.

This theory recognises the stages before the sale is made. The salesman has to concentrate on these stages. A salesman gets valuable insights if he answers these five questions himself. A readymade sales presentation may not be suitable for every customer. It has to be tuned to the answers of these five questions. A customer does not follow a particular sequence to answer these questions. He may decide upon the price first, and other things later. A salesman must mould his sales presentation according to the selling situation.

NEED-SATISFACTION THEORY

This is analogous to consultative selling. Here, the needs of the customer are assessed first. A product is then offered to satisfy these needs. Need-satisfaction theory believes in establishing a relationship with the customer to set repeat business. Here, information gathering about the prospect's need is very important. During the sales call also, various questions are put to the prospect to draw him out. Each prospect is treated individually about his needs.

It may turn out that the product offering of the company by itself may not satisfy the customer's needs fully. Here, the salesman can suggest products from other companies to offer a complete solution to customer's problem.

Selling through need-satisfaction approach is not stressful. Buying is relaxed. The salesman and the customer become partners.

INDIVIDUAL CUSTOMER'S BUYING MOTIVES

Buyer behaviour never remains constant. It keeps on changing as the income levels, reference groups, roles change. It is, therefore, necessary to have customer-orientation. Each customer buys products for different reasons. It is necessary to understand customers. Each customer has unique buying motives.

Questions are used to assess the customer profile and their buying needs. Prospects are allowed to talk to get better understanding of the factors that shape their behaviour. This by itself is a great help in selling. A salesman observes during sales presentation. It is better to read the clues that tell more about the prospect. In the presentation, a salesman has to observe the non-verbal behaviour.

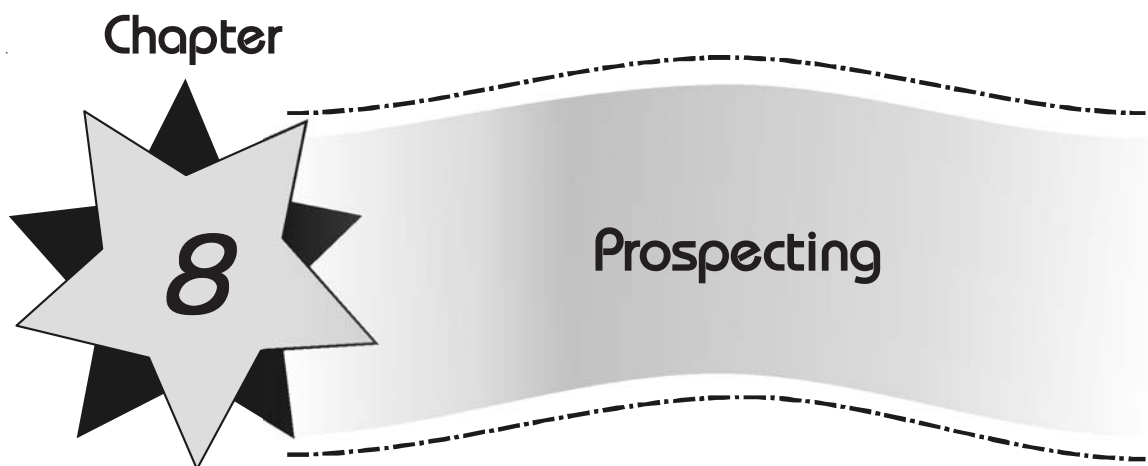
Each customer's database can be created.



Chapter

8

Prospecting

A graphic for Chapter 8. It features a large, stylized number '8' inside a grey starburst shape with black points. To the right of the starburst is a grey, wavy banner with a dashed black border, containing the word 'Prospecting' in a bold, black, sans-serif font. The word 'Chapter' is positioned above the starburst.

As late Drucker has observed, the purpose of business is to create customers. This is true for salespeople too. They work not to make a sale, but to create customers.

A salesman to begin with identifies his potential customers. In personal selling, this is called prospecting. A prospect is thus a potential customer. A prospect has the need for the product, has the purchasing power and willingness to buy the product, and the authority to do so.

Spotting the prospects is thus the first step to selling. It is not as easy as it sounds. Sometime, a sales presentation is made before various decision-makers. These decision-makers could be technical experts, actual users, or authorised persons to buy the product.

Prospecting is a process, whose ultimate aim to build a prospect base consisting of current customers and potential customers.

IMPORTANCE OF PROSPECTING

Prospecting can be compared to 'looking for Mackenna's gold'. Prospecting looks for customers who have the need and ability to purchase our product or service.

There is a decline in the number of current customers called attrition over a period of time. Such decline requires replacement of lost customers.

Customer attrition is due to their movements to a new location, mergers, out-of-business situation, promotions, retirements, resignations, serious illness, death. The loss is to the extent of 15-20 per cent every year. Many a time, the loss is beyond a salesman's control.

The only way out is to develop new customers. It takes some time to make up the losses.

PLANNING FOR PROSPECTING

In prospecting, the customers are located systematically. Some prospecting is integrated to sales calls. Prospecting is improved by

- ★ having a large number of people to convert them into prospects.
- ★ improving their quality
- ★ shortening the sales cycle by qualifying new prospects

The target market is the starting point for prospecting. The best source of new business is the current customer base, next past customers and next referrals.

Salespeople must have a positive attitude towards prospecting. Prospecting is never considered a burden, but a pleasant task. Prospecting can be conducted in all imaginable situations. Prospecting requires disciplined approach.

SOURCES OF PROSPECTS

Some of the sources from which we get prospects are:

- ★ Referrals
- ★ Friends, relations, centre of influence
- ★ Directories
- ★ Trade publications
- ★ Trade shows
- ★ Telemarketing
- ★ DRA: Direct response ads and sales letters
- ★ Internet
- ★ Database
- ★ Cold calling
- ★ Networking
- ★ Educational seminars
- ★ Prospecting by non-sales personnel.

Referrals

This method is extensively used. It is an effective source as the close rates are high. There is an element of large sales. The sales cycle gets shortened. A referral is a prospect recommended by an existing customer or someone who is familiar with the product. We have satisfied customers who recommend their friends and acquaintances. Some business associates also recommend people. There are prospects who do not buy right now, but are liberal enough to recommend others. It is easier to sell to a referral. There can be chain referrals. Sometimes, we get referral letters. Endless chain referrals means an open-ended query to ask who else might be interested in the product. It gives the person the freedom to recommend. When the contact suggested is approached, the name of the referring person is given.

In recommendatory letter method, apart from the name, a letter is obtained from the customer to be given to the potential customer.

Referrals reduce the amount of time spent on prospecting. It is easy to get an appointment. Even the prospect is in a better frame to receive the salesman.

A direct question would not generate referrals. Indirectly, we can ask a prospect about his associates. Later the names generated can be qualified. It is best to ask the referrals after the sale.

Friends, Relations, Centres of Influence

This becomes a fertile source for those who have entered the selling field newly. These are the people whom we know before and after they are shot from the sky. These people 'beats the bushes' to find qualified prospects for a salesman who will pay them a commission if he makes for the sale.

Directories

Directories are treasure house used by salespeople to get the prospects. There are directories of telecom companies, trade associations, chambers of commerce, professional associations etc. There are yellow pages, regional and local directories. Some of them are free, and some are available at a price. Some international directories are available for the sale of products in the international market.

Trading Leads

Here, a system is set up whereby we trade leads with other salesmen, who sell to the same market. For *e.g.*, home appliance salesman and people working from home.

Trade Publications

There are trade publications giving a detailed report about a particular industry, *e.g.*, ORG report for pharmaceutical industry.

Trade Shows

There are trade exhibitions and shows either for industry in general or for one particular industry, *e.g.*, book fair at Kolkata annually or auto expo at Pragati Maidan, Delhi. The prospects walk into the stall at such shows. It is easy to identify the prospects, and close the sale here. Sometimes, prospect is qualified at the show, and a follow-up sales call is needed to close the sale.

Telemarketing

Prospects are telephonically contacted. It is useful to identify prospects. Credit card issuers, personal loan providers, cellphone companies, home loan providers use telemarketing to qualify prospects for follow-up. At times, telemarketing is used to verify sales leads generated by ads, direct mailers and some other method.

Direct Response Ads, Sales Letters

Ads carry coupons where people request for additional information, catalogue and direct queries. Some companies provide self-addressed envelope where affixing postage is not necessary. The person who makes a query is reported to sales representative who may meet him.

Sales letters are sent to prospects. They have the power to make a buying decision. There is a follow-up call and an appointment is sought.

Internet

Many companies maintain a website on internet. They are frequently used for lead generation.

Database

Data processing enables a company to match products and buyer needs. Either the company maintains its own database or buys it from outside. There are databases available for specific segments.

Salesmen use PCs to keep customer profiles, and use this information to personalise the selling process. For *e.g.*, an insurance advisor keeps the data on policyholders. It provides information about the possibility of selling insurance in future either to other family members or to the person himself, *e.g.*, health insurance, general insurance, car insurance, etc.

Cold Calling

Cold calling is calling a group of persons who may or may not be prospects. For *e.g.*, every hospital is contacted by a salesman to sell pharmaceuticals. This method is the only alternative when referrals are difficult to come. There is a lot of planning before cold calling and personal visits. Cold calling has lot of wastage and is the least effective way to prospect.

Networking

In networking, you become your own best bird-dog. Creating contacts and nurturing them is a useful trait for any successful person. This is called networking. It is an art. Contacts are exploited here. Referrals are sought by this method. A salesman has to be social, and interactive to develop a network. He should not think of business while networking. A salesman classifies the contacts into productive and non-productive ones. A salesman has to do networking inside the organisation too, say with people in other departments. There is networking in any particular industry. There is also networking outside the industry.

Educational Seminars

A seminar is a good method to get prospects. In this situation, there is no pressure on the prospects to buy. Prospects are carefully invited to the seminar. Its content and delivery are also carefully planned.

Prospecting by Telephone

A salesman can use telephone to prospect in a wide area.

Prospecting by Non-sales Employees

Many organisations involve non-salespeople in prospecting. Prospecting is not the exclusive preserve only of salespeople. Non-salespeople are made sensitive to selling opportunities and are given an incentive to identify prospects.

Old Clients

Old clients can be contacted for business.

Combination Approaches

Organisations use either a single approach or a combination to get the prospects. Prospects may be identified at a trade show and later are subjected to telemarketing or are chosen to receive mailers or sales letters.

QUALIFYING THE PROSPECT

There can be a large number of people who appear to have the need for the product which we market. It is, however, necessary to eliminate many of these, and concentrate on the most promising ones. A target audience consists of present and potential customers whom the organisation has targeted. This is called the processes of refining. It is sheer waste of time to call on all the persons who are not real prospects. Besides, some of the people may not generate substantial business, and we may avoid, therefore, persons with limited buying potential.

We have to appreciate that the existing customers take less time to generate sales than those who are potential customers.

All prospects are not equal, say some may not need the product, and are straightaway eliminated. In the remaining prospects, the potential to generate sales is assessed. That follows another round of elimination. The remaining are arranged in descending order considering their sales potential. That gives us the list of those prospects who can be contacted. This process of identifying prospects who can be contacted is called qualifying.

There are several criteria to qualify prospects:

- ★ An existing customer is likely to generate additional business
- ★ Person who has stopped buying can be persuaded to revive the relationship

- ★ A person who is user or who is buying from a competitor
- ★ Sales generation capacity
- ★ Credit rating of the prospect.

The above criteria can be expanded and modified. The qualifying criteria differ from salesman to salesman.

ORGANISING PROSPECT INFORMATION

Prospect-related information can be stored on file cards or a PC. A company must have basic personal information, information about hobbies, interests, sizes, birth dates, anniversaries, previous purchases and other appropriate information. It is better to computerise, records when large number of prospects are involved. A salesman has to have individual and business-related facts about a prospect.

PROSPECTING PLAN

Prospecting is a time-consuming task. Time is a major constraint that acts on prospecting. Actual sales call may not consume much time. Time, however, is spent in identifying the prospects, screening them, travel planning, sales meetings and servicing the accounts. When we consider time devoted to prospecting, we acknowledge to that extent less time is available for the actual sales. Salespeople would like to spend time with existing customer, if given a choice. But there is a loss of existing customers due to attrition. Thus, there is no alternative to prospecting.

A proper list of prospects must be drawn. Then a forecast of potential sales is made against each new account for each product. A salesman then does the routing — the decision regarding the customers and prospects to be visited in a certain period of time.

What Kind of People Do You Want to Sell to?

Some people enjoy selling to specialists. Some get pleasure in selling to the general public. A salesperson has to do the honest assessment of his aptitude. An inclination towards specialised sales makes you suitable for technical and complex products. An inclination toward social interaction makes you suitable for job that involves daily contact using ordinary customers. A liking for traveling makes you suitable for a travelling makes you salesperson's job. We have not to compromise on our natural aptitude and then grumble later on.

Prospects' Concerns

The following factors are the concerns of most prospects: (a) Service, (b) Quality, (c) Convenience, (d) Good Terms, (e) Product/Service Reliability, (f) Organisation Reputation, and (g) Price.



Chapter



Approaching the Customer

Every company marketing products and using personal selling must have a presentation strategy. There should be relationship, product, and customer strategies. These three are the forerunners of the presentation strategy. There are three dimensions to this strategy — objectives of presentation, presale presentation and customer service.

Each sales call has certain objectives. A single call can be used to achieve several objectives. The most common objective is to acquire information about the needs of the prospect. The second such common objective is to build relationship.

Salespeople must be well-organised in the sales presentation which follows a six-step plan. They should be ready with presale presentation. This should be followed by customer service.

There should be analysis, good product selection, a good presentation, a good demonstration, negotiations and after-sales service. Salesman aspire to excel in all these areas.

A good presentation strategy adds value — a salesman becomes an advisor and presentation is customised to meet the needs of the prospects.

PREAPPROACH

There are two aspects to the preparation of a sales presentation — preapproach and approach. **Preapproach** is concerned with selling out presale objectives and developing a presale presentation plan. **Approach** aims at creating a favourable impression arresting the attention of the prospect and

creating an interest for the product in the mind of the prospect. Collectively, preapproach and approach form the basis of an effective sales presentation.

Preapproach is used both for the existing and new customers. In preapproach, objectives are established and a presale presentation plan is made.

Presentation Objectives

Some of the objectives in the preapproach are:

- ★ To get personal and business-related information of the customer.
- ★ Assess the needs of the customer to see whether the product suits these needs.
- ★ Involve the prospect in product demonstration.
- ★ Make an appointment with the superior of the prospect who is the decision-maker.
- ★ Get referrals.
- ★ Provide after-sales service.

All these multiple objectives make the preapproach a confidence-building exercise for the salesman. Even when a few objectives are realised, a salesman gets a feeling of accomplishment.

A salesman takes an appointment with the prospect after establishing the objectives. The agenda of the meeting is set.

Factors Affecting Presentation Objectives

A variety of factors affect the presentation objective — whatever the presentation is directed to a single individual or a group, familiarity with the prospect, time to be spent with the prospect, etc.

Multicall Sales Presentations

The objectives are affected by the use of multicall sales presentations. Multicalls are used when a need-satisfaction selling approach is used. The first call is used just to collect information. Based on this, a specific proposal is prepared. Then there is a second call to present the proposal. Additional calls may be necessary to close the sale. Many products are complex, and that lengthens the sales cycle.

Multicall sales presentations are common in retailing while selling expensive music systems, plasma TVs, automobiles, suits, etc.

Team vs. One-person Presentation Objectives

A sales team consisting of two or more people is used to sell complex, customised products which require interactions between the customers and technical experts. Technical experts are included to shorten the selling cycle. Team is better in need identification, product selection and sales presentation. Salespeople are teamed up with people from support areas such as R&D, production planning or styling. Sometimes, at the customer's end, there is buying team. This is then likely to result in selling by a team at the seller's end. Sometimes, a salesman uses an alternative to a team. He passes on the customer to another salesman.

Selling to a Buying Team

In some organisation, there is a multi-buyer situation. The decision-makers are members of the purchase team, a purchase committee or board of directors. A salesman must know the exact role of each member of the buying team. It is a matter of observation during the sales presentation. Some member may be the user of the product, some who gives the financial nod and some has the technical expertise. Everyone must be given his due importance and be allowed to have a feeling of participation. An alienated member may prevent the successful close of the sale. All comments and queries are directed to all the potential decision-makers.

There may be some silent members who have the capacity to influence the buying decision. They are usually the senior members. It is necessary to open a channel of communication with the silent member.

Inform, Persuade, Remind — Presentation Objectives

The overall purpose of the presentation could be to inform, persuade or remind. Technical product require detailed information. There is a need for the product, and a persuasive presentation is necessary. Repeat customers do need reminding.

Informative presentation gives details of the feature and their benefits. It is important to make the customer familiar with the product. Introductory products do need informative presentation. A salesman who does informative presentation is called a *detail salesperson*.

Some amount of persuasion is necessary in all sales presentation. Persuasion affects prospect's beliefs, attitudes or behaviour. It makes a buyer favourably inclined towards the product. Persuasion is an integral part of every phase of the sales presentation. A warm greeting is a relationship-oriented form of persuasion. An enthusiastic demo is also a form of persuasion. Persuasion extends to correlating the features to benefits and asking for the sale. Persuasion tries to elicit a positive response. Excess persuasion is not desirable. It smacks of unprofessionalism.

Sales calls to remind the buyers are common. A company that does not take steps to remind is likely to be forgotten. Occasional reminders keep the business with us, which otherwise might have shifted to competitors.

The objectives — inform, persuade remind — affect presale presentation plan and the customer service.

The time available to the salesperson to prepare for the presale presentations varies. In retail, the customers come unannounced and the time to prepare is very little.

SIX-STEP PRESENTATION PLAN

After establishing the objectives for the sales presentation, it is time to develop the presentation plan. In today's busy world, it is difficult to meet with customers face-to-face frequently. In the short time one is with them, there is an opportunity to get business. It is, therefore, necessary to plan. Planning must go into each sales presentation one makes.

We cannot ignore three broad components of the strategy — relationship strategy, product strategy and customer strategy. Sales presentation must consider all these three at one and the same time.

The six steps of a sales presentation plan are:

1. Approach
2. Presentation
3. Demonstration
4. Negotiation
5. Close
6. Servicing the sale.

Approach

It is concerned with making favourable first impression, arresting the prospect's attention, and developing his interest in the product. It sets the agenda for selling.

Presentation

It is crucial stage in the selling process. A salesman has to assess the buying needs and offer a product solution convincingly. If this is not done effectively, the sale may be lost.

Demonstration

It is to verify the parts of the sales presentation. A customer understands the product better. It must be carefully planned.

Negotiation

Takes care of the buyer resistance. A buyer's objection is a deterrent to sale. Salespeople negotiate the resistance.

Close

As the presentation goes ahead, there are several opportunities to close the sale. Salespeople must be sensitive to these opportunities.

Servicing

The sale. It is important to develop a long-term relationship with the customer. After-sale service is a step in this direction.

These steps have been discussed in all books of selling since they are the foundations of the selling process. They are present in every sale. There are exceptions, *e.g.*, a customer may buy before a salesperson tries to close or there are no objections from the customer. Though these six steps are *basics of selling*, the importance that each one of them gets depends upon the selling situation.

APPROACH

The most challenging and thrilling part in selling is face-to-face talk with the customer or a telephonic talk. The initial contact made with the customer is called *approach*. All the strategies related to the relationship, product and customers are then applied to the presentation strategy. It all depends upon the approach. If it is right, there is an opportunity to make the sales presentation. But if there is anything amiss in the approach, we miss out the chance of telling the sales story. Howsoever well-equipped a salesperson is, there is a little chance of a sale in the absence of a good approach.

The approach is a three-pronged weapon. It creates rapport with the customer. It captures attention of the prospect. A pre-occupied person or non-receptive person is not ready for a sales story. An approach generates interest in the product being promoted.

Some situations demand a telephonic first contact. It is made to take an appointment or permission to conduct the sales presentation. Social contact starts the face-to-face meeting. At the end, it establishes the business contact.

ATTENTION

There is information explosion in today's world. Decision-makers have to live in the face of the information overload. Attention has, therefore, become a scarce resource. There are many distractions. Salespeople have to try harder to get the attention of the prospects. We have to be in touch with the existing customers too.

TELEPHONIC CONTACT

A telephonic conversation fetches a quick appointment. It is better this way than a personal visit by a salesperson totally unannounced. Appointment is beneficial to both the salesperson and the buyer. Prospect knows in advance about an impending visit, and that prepares him well. The buyer is then more receptive to the presentation.

Some salesperson make use of telephone to contact with the customers on an exclusive basis. There are salespeople who rely solely on the telephone for sales. Telesales and telemarketing are different concepts. Telesales has all the steps of selling. Telemarketing is scripted, whereas telesales is not. It is a free-wheel talk just like to face-to-face call.

In a telephonic talk, persons do not see each other. There is total reliability on the sound of the voice and words used. This is a handicap.

Besides, telephones are impersonal. Sometimes, a prospect finds it easier to say no on the telephone. But these drawbacks should not be exaggerated. With proper training, telephone becomes an effective instrument to schedule appointments. In seeking telephonic appointments, the following practices are to be followed.

1. We should plan and then talk. The objectives of the sales call determine the content of the call. There should be a calendar handy to fix an appointment. Everything is jotted down.
2. It is better to identify oneself politely. The company one represents should be mentioned. Good manners are important to get past the gatekeepers.
3. The purpose of the call must be stated, and the interest of the prospect must be maintained.
4. We should have consideration for the time of the prospect which is valuable.
5. We have to confirm the appointment by repeating the date, time and place.

There is going to be some resistance from some prospects. A caller has to be persuasive and persistent.

Voice-mail is reaching the recording in the absence of the calling party. Prospect judges a person from the voice quality and the content. The message should be compelling enough to call back. It should be as good as the opening statement of the face-to-face contact.

Getting past the gatekeeper or voice-mail is one of the most difficult challenges for a salesperson.

SOCIAL CONTACT

It is important to create a favourable impression on the mind of the prospect. The prospective customer should not be repelled by some characteristic of the salesperson. Salespeople have only limited time to create a favourable impression. People are judged on the basis of how they dress up and behave. In the social contact, conversation should be attention grabbing. The atmosphere should be relaxed and friendly. Conversation is developed around the surroundings, compliments, mutual acquaintances or interests. Communication must be personalised. How long should the social contact continue? It all depends upon the product being sold, the busy state of the prospect and awareness of the interesting topics.

BUSINESS CONTACT

In the approach, the social contact is converted into the business contact. This conversion is an important part of the selling process. This is also a forerunner of the other steps in selling.

A carefully planned opening statement or a question are used for inviting attention to the sales presentation. These are related to the dominant buying motive. Buyers must be made receptive to what they see and hear.

Attention getting and interest creating devices developed by salespersons over a period of time include:

- ★ Product demonstration approach
- ★ Referral approach
- ★ Customer benefit approach

- ★ Question approach
- ★ Survey approach.

These can be used singly or in combination.

Product Demonstration Approach

Many products require a straightforward 'how to do' approach, *e.g.*, cameras, ice cream makers, tea makers, coffee makers, ovens, automobiles, furniture, etc. Some products are not demonstrable and are promoted through audio-visual aids.

Referrals

When somebody else vouchsafes our credentials, it impresses the other person more. In selling, referrals are effective as the product is recommended by a third party who happens to be a satisfied customer. It is a good opening statement to refer to a third party.

Customer Benefit

It is the most effective way to invite attention of the prospect. The benefit is included in the opening statement. Some homework is essential to know a buyer's background and then ferret out an appropriate benefit.

Questions

Questions elicit responses and makes prospects participate. They also stimulate thinking about a problem whose solution lies in the hands of the salesperson. Some basic questions could be:

- ★ What for the car is used — business or pleasure?
- ★ When would you go in for the new model — immediately or next week?

Such questions keep the customer involved. Some of the questions are put to arrest attention.

- ★ Are you aware that this card comes free for lifetime?

After asking the question, the response is carefully noted. If the response is positive, one can proceed with the presentation. Or else, an alternative approach can be used tactfully or depart after thanking the customer.

Survey

A questionnaire is filled up before the first appointment. It is then studied. The solution to the customer's problem can then be devised. This method can be used for investment planning, selling security systems, office machines, etc. In all these cases, need cannot be established without careful study.

A survey is not intimidating and so a good opening for a sale. It makes your solution individualised. A survey avoids premature discussion on prices.

Out of these, a salesperson chooses suitable approach for each selling situation. Sometimes, combination of approaches are used, *e.g.*, question and survey approach in consultative selling, referral and question approach, etc.

TIMING

If the approach is rightly timed, there is an opportunity to make the sales presentation. The prospect is likely to delay the presentation by saying 'I will get back to you later' or 'call me back later'. It then becomes necessary to confirm whenever the prospect is interested in the product. A real prospect gives reasoning for his lack of interest right now. That helps rescheduling the sales call at the right time.

SALES RELUCTANCE

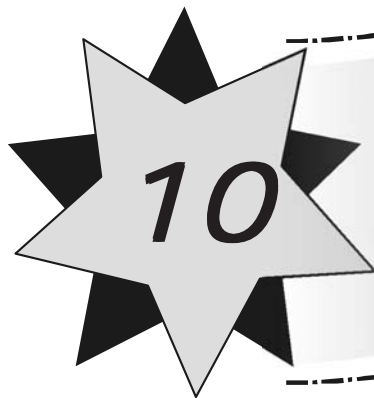
There is an element of sales call reluctance that acts as a block between the preapproach and approach. There is an apprehension about making the initial contact. This apprehension is common in novices and veterans in the selling field. Salespersons are likely to feel that they will intrude upon the prospect's time.

There is a fear that things will go wrong. There is a fear of rejection. Whatever may cause sales reluctance, one has to cope with it.

We have to be optimistic about the outcome. There should be enough practice sessions before making the initial contact. Being anxious is normal, there should be a commitment to the goals, both in the mind and the heart.



Chapter



Sales Presentation

“A presentation is the complete sales package that is given to a prospect for the sole purpose of getting him to commit to the purchase of a product or service.”..... (Arther Rogen)

Approach is a precursor to a sales presentation. Since a rapport has been established with the customer and his attention riveted and interest aroused, the sales presentation can begin with a bang. Sales presentation has four components:

NEED DISCOVERY

Salespeople are adept at recognising the needs of the customers. They have the problem-solving capability resulting into repeat business and referrals. Need discovery can start at the approach stage or immediately after the approach.

PRODUCT SELECTION

A product is configured to meet the needs of the customer. Salesperson helps in product selection, and recommendation. This product should give the maximum possible satisfaction. It is, therefore, necessary to master everything there is to know about the product and its competitive products. A salesperson should do this competently like a consultant or an advisor. Such salespersons face less resistance and close more sales.

INFORMING, PERSUADING, REMINDING

It is necessary to communicate with the customer verbally and non-verbally about the want satisfying capacity of the product. Less questioning, and more statements at this stage. These statements are meant to inform, persuade or remind the customer of the best possible product fit to his needs.

SERVICING THE SALE

It is a substantial dimension of any sales presentation. These activities are post-sale. They ensure satisfaction and establish a long-term relationship with the customer. In service activities, we include credit extension, suggestions, complaint redressal, etc.

A sales presentation can be complete in one call only. Then a salesperson goes through all these four stages during a single call. In multi-call approach, all four stages are not gone through in the first call, which is mainly used for information gathering.

NEED DISCOVERY

A doctor suggests a course of action to a patient after studying the symptoms of the disease a patient is suffering from, and the diagnosis he makes. A lawyer argues the case in a court of law after studying the facts of the case and points of law involved. Similarly, a salesperson suggests the buying of a product after careful need identification.

In order to know what the prospects wants or needs, it is necessary to set him talking. It clarifies what exactly the needs. As a sales counsellor, you are concerned with the welfare of the prospect rather than the close of the sale. Selling today has become customer-centric, and not product-centric.

As an advisor, you make a prospect realize his real need. There may not be this realisation amongst many prospects. There is two-way communication — there are questions from the salesperson which the prospect answers. The responses are indicative of the dominant buying motive.

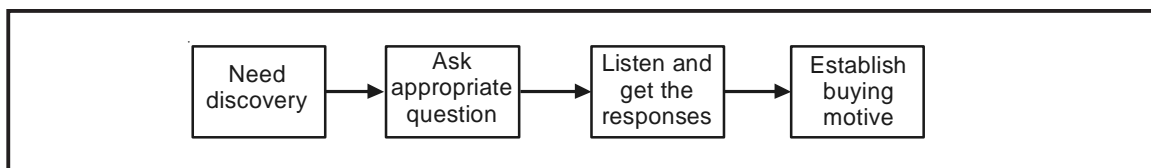


Fig. 10.1 Need Discovery Process

ASKING QUESTIONS

Questions give a participatory sense to the prospect. They distress the prospect. They build trust. They are customer-centric. They allow free two-way communication. They make them think. The

dominant buying motives are ferreted out of the customer's talk. Customers reveal their perceptions. These are pre-planned questions in a sales presentation. The most commonly used questions are as follows:

Information-gathering Questions

To begin with, general questions are asked to get information about the prospects. Information-gathering questions collect basic information. Facts gathered about the prospect may indicate his need for the product. Such questions build rapport. Some salespersons use pre-planned information gathering questions. The first question is shot after taking a formal permission from the prospect.

Sometime, such questions have negative consequences. Salespersons must do thorough homework before he shoots off the questions. If he is poorly prepared, it smacks of unprofessionalism.

Probing Questions

A salesperson guides the opinions and perceptions of the prospects. Some people are not able to articulate their problem. People at times speak in general terms.

Probing questions reveal and clarify the prospect's perceptions and opinions. Prospects are encouraged to be forthcoming about the problems. The more a prospect talks, the better is our understanding of his problems.

A probing format starts with generalities and moves on to specifics. General questions are non-threatening. Specific probing questions unfold the clues which are to be applied to matching the products and the customer needs. A sequence of good probing questions make a customer sensitive to things he had not considered before.

Confirmation Questions

Confirmation questions put the sales presentation on course. The language should not use jargon. There should be listening to what is being said. There should be precise understanding about needs and interests. Agreement with the statements being made must be checked. Confirmation questions crop up during the entire sales presentation to assess the understanding of the prospect. They also clear misunderstandings. Confirmation questions serve as feedback from the prospect during the presentation.

Summary Confirmation Questions

As the presentation progresses, the amount of information available to the salesperson increases. Mostly, the buying conditions come to the fore. These are the qualifications to be fulfilled before the sale can be closed. A customer wants to buy only if certain colour is available, or the product is delivered by a certain date. There are buying conditions such as installation and post-sale service. The salesman confirms or denies these services, and clarifies them.

Summary-confirmation questions are a great help in this direction. A salesman selling car loan prepares a proposal. He then asks the following summary confirmation questions.

Let me summarise the major accessories you want in the car. You will have a CD/DVD player, baby sit, seat covers and book racks; is that correct?

The further summary question could be:

You want the car to be delivered to you next week. Is that so?

The confirmed buying conditions are put on the proposal. The proposal takes care of the buyer's needs. The probability of the sale being closed increases. The customer has everything in black and white. All his doubts are set at rest. He is clear in his mind about the product. This is a win-win situation both for the buyer and the salesperson.

Elimination of Unnecessary Questions

All unnecessary questions must be eliminated from a sales presentation. In the first meeting, salesperson gets as much information about the prospect as possible. This is relevant for corporate selling. Corporate buying require well-informed salespersons. They cannot afford to waste time by asking unnecessary questions to gather information. Corporate buyers try to establish relationship with the vendors. Their expectation is that homework about their company would be done before the first sales call.

LISTENING SKILLS, OBSERVATION SKILLS

A customer-oriented approach to selling requires listening skills and observations skills on the part of salespersons. Most people are poor listeners. They miss out most of the matter being spoken. Listening means time devotion. Time is a precious commodity. TV viewing for hours on end develop passive listening skills, rather than active listening skills. Active listening means participation. Active listening makes us understand the meaning of the talk and the feeling behind it. It is the process of feedback to the sender as what he meant both contentwise and feelingwise. Here, both verbal and non-verbal signals are considered. A salesperson who is an active listener can verify what the customer said and what he meant.

Active listening involves three skills — pay full attention, paraphrase the customer's meaning and take notes.

Listening skills come over a period of time after practice. There are many seminars and workshops to train people in the listening skills.

BUYING MOTIVES

What is behind questioning, listening and recognizing? The primary aim is to discover customer needs and establish the buying motives. A need is always supported by specific buying motives.

PRODUCT SELECTION

A prospect has to be given a want satisfying a product. First, buying motives are assessed. Then a product solution is offered after carefully weighing the options available. On selecting the product, it is recommended to the prospect.

If there are a number of needs and the satisfaction of several buying motives, product solution is suggested after a detailed sales proposal, and taking considerable time to do so.

MATCHING BENEFITS AND PRODUCTS

Buying is a function of perceived need satisfying capacity of a product. Customers have become fastidious. They seek a bundle of satisfactions to be derived jointly and severally from the product itself, from the company that markets it and the salesperson who services it. Each such satisfaction package adds value to the sale. A salesperson selects the specific benefits he would focus on after assessing the needs and buying motives. Sales call is successful to the extent the needs and benefits are matched with each other.

CONFIGURATION

In several fields, several configurations of the product are available, and one that suits the needs of the customer is suggested. Computers have various configurations in terms of hard disk memory, SDRAM, cards inserted, chips used, printers, scanners, monitors, etc. In consumer electronics a wide array of a product configurations for home theatre and music systems are available. In food industry, there are several hundred items. In pharma marketing, antibiotics are available in different potencies and dosage forms say cream, ointments, tablets, capsules, injectables, etc.

RECOMMENDATIONS

A product can be straightaway recommended when the product perfectly matches a buyer's needs. The recommendation can be at the beginning of the sales interview, (product approach), during the course of the interview (after the need discovery or near the end). Sometimes, a prospect is not aware of the need. He requires a detailed presentation including a demonstration before the product is recommended. Professional salesperson will not fight shy of recommending products from other sources even those of competitors if the needs are best met that way.

PRESENTATION STRATEGY

There are complex decisions about which presentation strategy to use — informative, persuasive or reminder presentation.

Informative Presentation Strategy

A message that is understood by the customer is, the first condition for its being informative. A clear message passes on information drawn from technical literature, sales literature, written testimonials. Introductory products need this type of presentation. It is also relevant for new products. The communication is straightforward, direct and simple.

This strategy is useful for complex products. Even for expensive products this strategy works well. Some salespersons are averse to using persuasion. They want the product to stand on its own merits.

In these innovative times, informative presentation has become the order of the day.

Persuasive Presentation Strategy

Persuasion goads the buyer to action by influencing his beliefs, attitudes and behaviour. This strategy is used when there exists a real need for the product. This is a stage where we move from intellectual focus to an emotional focus. A persuader considers ownership of the product on the part of the buyer is beneficial to him. It requires a trained and experienced salesperson to use this strategy. Poor persuasion raises the anxiety level of the prospect.

Reminder Presentation Strategy

Advertising is responsible for product awareness, but its withdrawal may see a decline in the product awareness. Missionary salespeople are on the roll of the company to keep up awareness level high. But other salesmen also do use reminder presentation. It helps the company to maintain its market share.

The strategy works like this. Salespeople do visit customer frequently and keep on reminding them about the products. Competitors may pre-empt them otherwise. At the retail level, this strategy is used to remind them of the products available in the same department or some other department. In essence, this strategy assumes that customers are aware of the basic features and benefits of the product. It is just necessary to repeat the same till the results come. Reminder strategy may not be limited to a product. It can pass on information about the services to the customers.

Persuasion can be incorporated into presentation:

- ★ By emphasising relationship.
- ★ By selling the idea behind the product and getting feedback.
- ★ By minimising the effect of change while selling new different and untied products.
- ★ By making a strong opening of closing appeal.
- ★ By connecting with the customer emotionally.
- ★ By using metaphors, stories and testimonials.

GUIDELINES FOR AN EFFECTIVE PRESENTATION

The following illustrate how an effective presentation can be worked out.

- ★ A demonstration makes a presentation effective. It clarifies doubts and misunderstandings. The prospect gets assurance.
- ★ A salesperson used methods for negotiating and closing the sale.
- ★ It is not true that a planned presentation is more effective than a spontaneous customer-driven approach.

- ★ A presentation is a two-way communication and is adapted to the interactions between the prospect and the salesperson. A salesman considers presentation to be dynamic activity and applies selling skills such as questioning, benefit presentation demonstrations, negotiations and closing skills. These are used depending upon the buyer response.
- ★ Presentation should be kept simple and concise. It is better to rehearse a presentation.
- ★ A good presentation is designed from the buyer's point of view.
- ★ A good salesman will always try to get the prospect involved.
- ★ A salesperson refers to the past track record regarding the product or service.
- ★ An appeal to the prospect's self-interest must be made.
- ★ Be genuinely interested in doing the best for the customer.
- ★ Use positive words. Avoid scare words such as 'sign'. Ask instead to approve or complete the paperwork. We can also call a contract an agreement or paperwork. Avoid Jargon.

NEURO-LINGUISTIC PROGRAMMING (NLP)

Richard Bandler and John Grinder, psychological researcher conducted a study which concluded that individual thought processes can be influenced by the way the information is presented. In other words, individuals see, hear or feel what is being said. This is called neuro-linguistic programming. These researchers have put prospects into three different groups — visual, auditory and kinesthetic depending on how they respond to information and language. A salesperson has to judge the category a customer falls into and then customise this presentation so that it influences him the most.

Recap

Sales presentation cannot start without **preparation**. The actual communication with the prospect is the **sales pitch**. Last, the presentation makes the buyer either to go or not to go with the salesman. Just as a boxer does not enter the ring without preparation or a surgeon an operation theatre, a salesman does not start the presentation without preparation. He knows what he is selling. He is well-aware of the competition. He seeks referral letters. He maintains good records, say client cards with all the details. A good presentation his good delivery. He keeps his client's need-satisfaction, feature-satisfaction and benefit-satisfaction in mind. He anticipates objections. He never misses an opportunity to close.



Chapter



Sales Demonstration

A salesperson faces the formidable task of putting his message across in this information-overloaded situation. A customer whose attention span is not secured will not lead to closing a sale. Then there are me-too products. The market is full of competition. Sales demonstration is an answer to this situation. It is an effective communication tool. It invests the product with the sensory appeal. It attracts attention, creates interest and stimulates desire. This cannot be achieved verbally alone.

Demonstrations have a positive contribution to make to the selling process. It is mutually beneficial to both the prospect and salesperson. It makes product evaluation easier for the prospect. Salespersons get an opportunity to prove the worth of the product. Demonstration can be used strategically to add value to the sales.

Some of the benefits of a sales demonstration are as follows:

BENEFITS OF SALES DEMONSTRATION

Better Communication

Words are inadequate in many situations to explain a point. As it is, people have innate visual ability. There is constant visual stimulation in our surroundings. Sight and sound are helpful in mastering new concepts. Tables are used to explain things. Sometimes buying decisions are postponed to future. In such a situation, what is necessary is retention of information. Verbal communication is less likely to be

retained in full. Written words and visual communication can be combined. Visual communication also reduces the time taken to put the concept across.

Proof of Benefits

Demonstrations are proof enough. Some products lend themselves to dramatization. Demos are then effective; *e.g.*, sale of computer printers — printing quality is a matter of demo. A prospect can take a comparative view. The buyer benefits become immediately obvious. Benefits can be proved by tests, findings and performance records.

Feeling of Ownership

A prospect can be given a feeling of ownership temporarily by a demo. It urges him to buy the product. A suit can be tried in a store and it would be seen how it builds up the look of the person wearing it. A car can be test driven. Many products are available on trial basis. It provides an opportunity of assessment.

Other Benefits

Demos infuse a sense of confidence in salespeople; especially in those who are new recruits. They feel that felicity with words is not the only skill required in selling.

PLANNING DEMONSTRATIONS

Planning and practice are the two ingredients that make-up an effective demonstration. Planning is advance preparation. Practice is a trial run. It polishes the actual demonstration. There are a few tips to be kept in mind at the planning stage.

Match the Demonstration to Clients

Demonstrations are individualised in terms of the problems and priorities of the clients. Sales presentation together with demonstrations should be consistent with the needs and problems faced by the client.

A mechanical demo gives an impersonal feeling to the client. It dehumanises the selling process. It is too structured.

There could be several options in selling. Each option has different cost and different performance. A camera may be needed for professional use by a journalist or for amateur use by a novice. The demonstration has to suit the need. A journalist may need zooming facility which makes the camera pricey. A novice wants a no-frill camera. Accessories purchased depend upon the application.

Right Setting

The location chosen for a demo is crucial. Space can be hired in a hotel or school or conference centre. The environment here is controlled.

A demo can be conducted on site, *e.g.*, a blood glucose monitor can be demonstrated at a diabetic patient's home or office.

A conference room demonstration is also common. It makes the customer feel special.

Sales Tools

It is better to check all the equipment and tools to be used in the demonstration, especially the audio-visual equipment. Necessary accessories like cable, bulb, etc., must be handy. Real estate is sold only when the seller is thoroughly conversant with it.

One Idea

A demo should not confuse the customer. It is necessary to concentrate on a single idea at a time. In an informative presentation this is more relevant. A customer should not be distracted from idea to idea. He should not be left pondering over the previous idea. It is necessary to ask a confirmatory question before proceeding to the next idea. This gets you the agreement. When such agreement is secured throughout the demonstration, it is easier to close the sale.

Sensory Appeal

All the five senses of a person open up an avenue through which the prospect is led to attention, interest, desire, and action stage. A salesperson can appeal to any one or more than one of these senses while conducting a sales demonstration.

Though sight is a powerful sense, it is necessary to appeal to taste and flavour while selling food products. However, it is better to appeal to as many senses as possible, *e.g.*, ice cream is sold using not only the taste and aroma, but also sight when the model is shown licking the ice-cream smeared lips passionately. Wines are sold on the basis of colour (sight), aroma (taste) and flavour (smell). A multi-appeal presentation is more effective.

Telling, Showing, Involving

A demonstration has three components — feature to be demonstrated, what to tell, and what the customer will do. The first two spell out the feature benefit analysis and the third how a customer is involved with these. Furniture is demonstrated for the feature 'comfort'. The customer is asked to sit on a sofa. The customer feels the comfort. A suit's style can be judged by wearing it, and experiencing the style and fit. Such demonstrations have reminder value after the salesman leaves. Customers can be asked to experience virtual reality, *e.g.*, Asian Paints ask the customers to choose a desired shade and then see for themselves how it looks in the hall or bedroom or kitchen on their website. A computer generated image of a car can be manipulated in terms of various options.

Rehearsal

A skilful demonstration is a result of practice. Details must be given attention. In the absence of rehearsal, the best possible idea can go wrong.

Creative

A demonstration is thought of creatively. Creativity consists of divergent thinking, disruption, putting unconnected things together, persistence, willingness to take risks. Creativity is at peak in the relaxed environment.

TOOLS FOR EFFECTIVE DEMONSTRATIONS

The salespeople are given sales tools or devices which when used correctly reinforce the sales effort. Sometimes, these tools are self-developed by the salesperson. There are presentations where technology is used. Apart from technology many other tools are also in use.

Product Itself

Product itself is the most widely used sales aid. Video can be used to illustrate the working of products. Demonstration rides are common for vehicles. Furniture is sold by asking the customer to experience it. Product used for demonstration should be good in appearance, and operation. Otherwise, the salesperson will be embarrassed. A salesperson should have skills to handle the product.

Models

It may not be always possible to use the product itself. It could be on account of the size or mobility problems of the product. Demonstration is then restricted to a small or miniature model of the product. It gives an idea about the actual working of the product. A model can be created in picture form.

Photographs/Illustrations

Photographs/illustrations are used to pass on information. These can be arranged in a presentation album or a portfolio.

Portfolio

It is a loose-leaf binder or a portable case. It contains promotional material. It is used to sell interior decoration, real estate, shares and securities insurance, etc. It can be modified to suit the needs of the prospect.

Reprints

There could be articles/write-ups about the product in the media. Its reprint is an effective selling aid. Technical salesperson use articles from professional journals to endorse their selling points. Third party endorsement works wonders.

Graphs/Charts, Test Results

Graphical and chart wise information are a great help. There a variety of graphs and charts, *e.g.*, flip chart. Test results from a reliable agency are convincing.

Laptops and Demonstration Software

A small laptop computer can be given to a salesperson. It is useful in working out financial options. It is also used for e-mailing. It is used to receive information from the company. It facilitates report writing, and the salesperson can devote more time to the field job.

A real time demo using software can be given through internet to several clients at one and the same time.

Salespersons can access customer profiles on their computers. It helps them customise their presentation.

Many salesperson give a PC-based presentation, using graphics software. PC can generate handouts and visuals to be passed on to the customers.

Microsoft office has PowerPoint programme which is used for presentation. A salesperson can enhance his demonstration by using PowerPoint. Salespeople also use electronic spreadsheets to prepare sales proposals. Many PCs have electronic spreadsheets loaded in them. Excel in Microsoft office is an example of electronic spreadsheets.

Audio-visual Technology

Audio-visual aids consist of videotapes, slides computer-based presentations, overhead projectors. These days easy to operate equipment is available. Software is constantly improving. The presentation is costly to produce but it is a good investment. A product can be shown in use. Its features can be demonstrated. Its values and benefits can be highlighted. It is better to preface an audio-visual presentation so that sufficient interest is created. The material should be previewed. The presentation can be interrupted to clarify a point. It should not be a barrier to two-way communication. At the end of the presentation, the points must be summarised. Prospects should be given an opportunity to questions.

Audio-visuals are just supportive. They cannot supplant selling.

Bound Paper Presentation

The world has still not become totally paperless. Bound paper presentation is still popular. Attractive graphics, illustrations, charts, endorsements, guarantees — all these can be used in bound paper presentation. Customer testimonials also form a part of bound paper presentation. As documents are available for future reference, customers do like such presentations.

Dekhlo, Dekhane Ke Paise Nahin Lagte

Many sales persons going door to door and selling clothes, bed-sheets and carpets do not mind the demo of their ware. They spread the brightly-coloured shiny cloth all over the living room. They say, *Dekhlo, dekhane ke paise nahin lagte*. People tend to buy from them as they feel guilty for putting sales people through so much of trouble; if they are sent without a sale.



Chapter



Negotiating Buyer Concerns

Negotiations are a part and parcel of life. We exploit our negotiating skills in our personal as well as professional life. Buyer objections and dealing with them — this was a topic of discussion in sales literature. Such an approach assumed that there is a win-lose situation in buyer-seller relationship. It all amounted to outsmarting the buyer. It smacked of manipulation. These days buyer-seller relationship are based on a win-win situation. Negotiations are thus aimed at mutually satisfactory agreement to both the buyer and the seller. It is not a one shot affair. It should pave the way for long time. The salesperson becomes an advisor. All salespersons must possess the skill of negotiations.

There are two component here — anticipating buyer concerns and negotiate them.

Negotiations happen in the entire sales process. Initially, they pertain to the venue, the person who will undertake the presentation and the duration of the sales call. Early concessions are given to strengthen the relationship. This may prove expensive later. For instance, one can concede to a shorter demonstration, whereas the proper demonstration takes longer. Thus, the concessions in this fashion affect negatively. A salesperson can establish a strategic alliance with the buyer. This calls for lengthy negotiations extending up to several months. Later, after establishing an alliance, negotiations are carried out to resolve the concerns.

BUYER CONCERNS

There is an inherent resistance to buy and salespeople should be prepared to overcome this by meeting the concerns voiced by the buyer during the sales call. Most of the buyer concerns are related to need, product, source, price and time.

Need-related Concerns

A prospect's need must be recognised by doing the proper homework. Still, it is not uncommon to get the stereotype answer 'I do not need your product, say a credit card now.' It could be a conditioned response which is an excuse not to buy. The real reason of not buying may be non-affordability, no-time to assess the proposal or some other reason.

An advanced version of a washing machine has many advantages but it makes the existing machine obsolete. A buyer resists, and is likely to say 'my present machine is quite OK'. Potential customers might say 'Even without this advanced version we are not worse off.' There is an indifference related to need.

This is a great challenge as the resistance is genuine. Why should a customer be dumped with a product that does not provide him any real benefits? We then have to think in terms of making him aware of the need for a better product, or else it is difficult to close the sale.

In business selling, one can emphasise that the product being promoted is a good investment. It should be pointed out how the product in the long run is economical. An office equipment can reduce operating costs, *e.g.*, a better printer. A POS installed at cash counter can improve sales by accepting card payments. A trader may have an expensive product line in stock. One can impress upon him to have another line to cater to the customers of moderate means.

There can be a genuine problem, say the problem of overstocking. It can be suggested to have clearance sale to move the stock. He can be given the product being promoted on consignment basis. If the company policy permits, his present inventory can be purchased at negotiated price, and a suitable credit can be given to him against his maiden order. All this requires creative problem-solving.

Product-related Concerns

Buyer in some cases resists the product itself. In this situation, we have to understand what the objections of the buyer are towards the product. People are risk-averse. They want reliable products. Buyers can be assured about the product's quality through test reports and endorsements from satisfied buyers. Buyers may feel that the product awareness is poor and the product is unknown. One can convince the buyer about the product being in stock with other suppliers. He should also be assured that promotional support would result into an increased demand for the product. Buyer may say that users known to him are not satisfied with the product. This is a very valid concern. One has to know the reasons for being unsatisfied. We have to collect information. If there is misinformation, one can supply the right information. Buyer may be using a product right now which has not given him any reason to switch over. It is necessary to build a greater amount of desire in the buyer's mind. One has to focus on the superiority of the product over the existing product he is using. The product can be configured better to suit the buyer's changed needs.

Source-related Concerns

Customers develop loyalty to their existing supplier. It then becomes difficult to overcome this. In such a situation, it is better to avoid direct criticism of the present source of supply. The presentation should be focused on the problems of the customers and their solution. Loyalty objection can be handled by —

- ★ Identifying the problems faced by the customer and offering to solve them.
- ★ Suggest a second line, in addition to the existing line.

- ★ Indicate superiority of your product.
- ★ Asking customer to put a trial order to judge the merits.
- ★ Keep in touch with the prospect

There may be some perceptions about the salesperson's company in the prospect's mind. If they are not accurate, they can be dealt with.

Price-related Concerns

This is the commonest concern in personal selling. It requires careful negotiation. A high price pretext can be used to point out that I am not open to buying your product. However, price may not be a major barrier to sale, though it is important. It bothers many buyers. A professional buyer seeks the best possible bargain. A successful sales is based upon getting the right price-quality equation.

DEALING WITH PROFESSIONAL BUYERS

Professional buyers always point out a budget limitation. It may be real, or just a play to test the price. The salesperson addresses this by omitting certain features of the product, say cars without stereos, to meet the budget. A professional buyer can adopt a 'take-it or leave-it' technique by putting a monetary ceiling on the order. Here the option can be a price concession. Alternatively, product superiority can be impressed upon the buyer. If the buyer sticks to his price offer, negotiations can be halted. There is then room for face saving for the buyer by making a fresh offer. Sometimes, a buyer's price offer is acceptable, but sometimes it is not. In such a case, a salesperson can make a counter offer.

A salesperson must be clear as what is acceptable and what is not.

DEALING WITH LOW PRICE STRATEGY

As a marketing policy, the products might be sold in large volumes by putting a low price on them. Such organisations allow salesperson to negotiate on the price by offering various discounts. Sometimes, companies can authorise the salespersons to match the competitor's price.

DEALING WITH PRICE CONCERNS

A product is a bundle or a package and customers seek the whole package. Price alone may not matter. The customer tends to look at price alone. His attention should be directed to the other features of the whole package. Price should not be the focus of a sales presentation. It should not be discussed at an early stage. Price should be negotiated at the end, along with delivery date, support services or volume purchases. A salesperson should not be apologetic while quoting a price. The relationship between price and quality must be pointed out. A long lasting product costs less than a shortlasting one, even though it is priced higher initially. Price concessions should be given systematically and reluctantly.

Time-related Concerns

A prospect asking time to think over is expressing time-related concern. It is called a *stall*. A prospect wavers between having a product and experiencing anxiety and uncertainty while doing so. A stall means the buyer does not feel there are some advantages in immediately buying the product. A stall is a mixture of the positive and negative. We can ferret out what bothers the prospect by pointed questions. A buyer should be persuaded about the benefits of buying immediately. A possible price increase should be indicated. The non-availability of the product or the scheme accompanying it can be pointed out. However, a salesperson must be truthful while dealing with this concern. He should not distort the picture unnecessarily.

Strategies to Negotiate Buyer Concerns

The general negotiating strategies are based on the understanding of the buyer behaviour.

First of all, the buyer concerns must be anticipated to deal with them effectively. A salesperson must be clear about the value proposition being offered to the buyer. A salesperson must do enough homework to meet the buyer objections. He should understand the buyer's problem so that there is clarity about the negotiation. It should be confirmed from the buyer by restating the problem. An alternative solution then can be offered. Areas of agreement must be identified so that points of disagreement can be negotiated. It is not advisable to lose your cool while dealing with true buyer concerns.

METHODS TO NEGOTIATE BUYER CONCERNS

Buyer concerns are addressed by specific methods. A salesperson assesses a problem and uses a method or a combination accordingly.

Direct Denial

It consists of outright denial of a belief or opinion held by the prospect. Though risky, it can be used carefully. A buyer resents being told that he is wrong. Even when this is not far from the truth, it is unpalatable. At times the buyer's opinion is not valid, and disagreement must be expressed. This is true when there is misinformation. A prospect may question product quality. He should be taken head on by substantiating the quality with facts and figures. Effective salespeople counter inaccuracies from the prospect's side directly and promptly.

Our approach should be firm but fair. But it should not be offensive.

Indirect Denial

At times, the prospect has fully valid objections. At times, they are valid to a large extent. Here partial agreement is voiced. It calls for indirect denial. Products do have shortcomings. Prospects have every right to express their opinions. They should feel that they have worthwhile views. A newspaper ad, the prospect may feel, may be lost in the clutter. The space selling salesperson agrees, but suggests that a specially designed ad can stand, above the clutter. The approach is 'yes, I agree.....' to reduce the impact of the denial.

A 'feel-felt-found' approach is effective for those prospects who have misgivings about mastering the handling of the product. A neuro-fuzzy washing machine, a customer may state, is difficult to operate. The salesperson points out that what he *feels* is valid, and many others have *felt* the same way, but when they actually used the washing machine, they *found* that it is quite easy to operate.

Questions

A problem can be converted into a question. A car owner wants to exchange his present car for a new better car, but is not satisfied by the exchange price offered. A salesman asks whether he agrees that though the exchange price for the old car is slightly lower than expectations but will be offset by fuel economy, extra service and dependability of the new car. Such questions are thought provoking. Objections can be anticipated. Suitable questions are framed.

Superior Benefit

A customer may raise a valid objection which cannot be dismissed. A photocopier may not have an automatic feed mechanism. Manual feeds consume operator's time. But it can be explained to him that manual feeds are more reliable. Auto feeds may become inconvenient and expensive because of higher downtime. It should be proved that the equipment saves downtime and has a superior benefit.

Demonstration

It is easier to use a demo when the salesperson is fully conversant with the product on hand and the competitive products. A salesperson knows the competitive edge and exploits it.

Demos are very effective in reducing buyer resistance. One demo may not be enough. A second demo can then be arranged. It provides substantiation.

Trial Offer

A product can be given for trial to the prospect without any commitment on his part to buy it. This is popular with the new products.

Third Party Testimony

Buyer resistance can be met squarely by offering a favourable third party testimony.

Combination Methods

Several methods can be tried simultaneously to meet buyer resistance.

A good salesperson anticipates the objection. Sometimes, people just want to articulate their views. Their objection can be ignored in such cases. If the prospect is not feeling strongly about something, we can delay the resistance to dilute the strength of the objection. A prospect can be asked to elaborate objection. His own distinction makes it easier for the salesperson to handle it. A salesperson can isolate an objection. It could be his principal objection, and meeting it could lead to a sale. A salesperson should not interrupt when an objection is being raised. He should listen to it carefully.



Chapter



Closing the Sale

A salesperson's most satisfying moment is when he closes the sale. It rewards him both monetarily and professionally. A salesperson who believes in the product that he sells enjoys the conversion of the prospects into the customers. It paves the way for a long lasting partnership.

Closing the sale becomes easier if all other steps are properly attended to. If this is not so, it becomes the most difficult point. All steps must fall into place. Sometimes, the demo is not correct. Sometimes, the buyer's resistance is not thawed. These act as barriers to the sale.

Sales may be lost if the salesperson tries to close the sale prematurely or delays it indefinitely. Sales must be closed when the stage is ripe for it. An early closing attempt is tantamount to *high pressure* selling. A belated sale ignores the closing clues. Salespeople may continue their talk beyond a point when the buyer has decided to buy. This might affect the buyer's attitude, and the sale is lost.

A salesperson may give up early in the face of buyer's denial. All these barriers are discussed here.

Closing should also be looked from the perspective of the buyer. A prospect may wonder whether he really needs the product, whether it will be true to his expectations, whether the buy can be deferred, whether there will after-sales back-up. Such concerns play in the mind of the buyer who may not give consent to sale. Such concerns should be properly negotiated.

TIPS FOR CLOSING THE SALE

All selling points are emphasised in the presentation, but the benefit that generates most excitement is identified and deserves greater attention.

Tricky and vulnerable points must be tackled before attempting to close.

People involved in buying are more in number. Customer has more options. Relationship matters more than just selling. All this requires patience.

Some salesperson spring a surprise at the time of the close; say asking extra installation charges over and above the price. This might become an obstacle to the sale. Such surprises could be related to the accessories, service rendered, taxes, warranties, etc.

A prospect must be involved in the sales presentation. A sample can be put in the hand of the prospect. There can be questions to involve the prospect. The positive aspects of the product may be summarised as questions, and the prospect's opinion may be sought.

A salesperson should not be apologetic about the sale. An order must be specifically sought. This may require more than one attempt.

Be alert to the closing clues or buying signals. These may be subtle. A salesperson must empathise with the buyer. Verbal clues could be to ask for credit, warranty or delivery date. Or a buyer can express *recognition* of the positive point of the product. Alternatively, a buyer can express his requirements, *e.g.*, dispatch time, training required, equipment certification, etc. Non-verbal clues are difficult to detect. The facial expression, intonation, body movement should be read properly. A nod means an agreement. Leaning forward to hear shows his interest. A prospect's leafing through the literature with greater interest also shows that he is close to the sale. Such non-verbal clues must be observed, and an order should be requested.

METHODS FOR CLOSING

There is no one best method for closing the sale. One has to use a method that is appropriate. At times, a combination is used. What matters is not only the close, but also the relationship one establishes after the close.

Trial Close

A customer may be ready to buy or may be not. The opportune time to close is to judge this readiness or otherwise. The customer may be ready to buy but hesitates as a precaution. A salesperson attempts to close at this opportune time. It is called trial close. A probing or confirmation question can be put across.

- ★ We can have the goods delivered in January. Will this be OK?
- ★ Which colour do you like — the blue or orange?
- ★ Would you like this installed under the supervision of our staff?

- ★ Can you make a down payment of Rs. 5,000 right now?
- ★ Can we start your insurance plan from the 1st of next month?

Trial close is mostly used when the salesperson feels that the customer has agreed with the benefit of the product.

Summary-of-Benefits Close

A presentation can generate considerable buying interest. A client may not get the whole picture right without assistance. It is better to summarize the entire presentation in terms of benefits to bring about a favourable decision. Benefits which address the personal concerns of the buyer are highlighted.

Assumption Close

It is assumed that the customer is going to buy. It comes at the end of the presentation. If the presentation is effective, it is assumed that buying will naturally follow. The salesperson can start writing the order and expects the prospect to sign on the dotted line.

Special Concession Close

Here, an additional incentive is given to close the sale. It could be in the form of low price, credit plan or added feature. This close is to be used carefully or else the buyer may be sceptical.

Inflation Close

The prospect is tempted to buy but is not willing to sigh. We can point out the rising prices and the opportunity to get it at the present price. It gives gives him the justification for acting rightaway.

Multiple Options Close

Here, several options are put before the customer in terms of configuration, delivery and price. The customer examines these. When the close comes near, some of the options are eliminated to reduce confusion. Such closes are very common while selling office equipment.

Direct Appeal Close

Here, the order is sought directly. It is clear and simple. Customers find it attractive since as a salesperson it is his task to seek an order. However, it should not come too early. It is used after the prospect evinces interest. Once a direct appeal is made, the salesperson leaves it to the customer to decide. The salesperson stops talking.

Step-by-step Technique

Many people find it difficult to make a major decision. They are led through a series of minor, decisions, *e.g.*, the advantage of the product and the prospect's agreement with it, the colour choice, the credit terms expected. That ultimately leads to the completion of the whole transaction.

Combination Closes

Two or more closing methods can be used in certain situations, *e.g.*, say a summary of benefits and a special concession.

All these methods must be practised by role playing.

Once the sale is closed, the relationship should continue with the buyer. The buyer must be assured of the correctness of his decision. This is the confirmation step in the closing. Buyer's remorse is manifested as regret, fear or anxiety. Buyer should be complimented for a wise decision. Customer should be thanked for the order. Customer should be guided about the operation of the product.

Salespeople will have to cope with the buyer's 'no' even after a good sales presentation. Relationship should not be snapped with the customer when he says 'no'. Some customers' would like to try competitive products before deciding to buy. This is not unusual. Such customers must be helped to the extent possible. A salesperson has to learn his lessons when he experiences a no-sale call.

TECHNIQUES OF CLOSING

A close is an event that results when the customer takes a positive decision in favour of the salesperson. It is the climax of the efforts put in by the salesman. The prospect here seems to be telling the salesman that he is ready to do business with him. The close of the sale constitutes the bottom line. The rest all is of not much consequence.

Companies cannot compensate those sales persons who almost make a sale. Compensation flows from the orders for which customers put their signatures on the dotted line.

The pursuit of a closed sale is relentless. The sales process ends with the closed sale. The most challenging aspect of sales person's job is to achieve a closed sale. A successful close is quite an ecstatic experience. The amateurish salespeople make closing attempts that are clumsy. Some are so awkward that they hesitate to ask for the order. The underperformers may close but that is not by design but by default.

SKILLS IN CLOSING THE SALE

Salespeople are not lucky when they close the sale successfully. Luck does not favour one continuously. Only those whose sales skills are good lead to successful closes. They have to persuade the prospects to buy. They use many techniques to close the sale. There is no magical technique that work so many times, but may fail once in a while. The unexpected failure situation must be anticipated.

The kind of closes that salespeople attempt have been described here. It requires great skills to choose the appropriate technique.

Salespeople must adapt to the personality of the prospects and the situation. They have to build trust and rapport.

The blanket approach is never recommended. This is one reason for lost opportunities. It is easier to blame the prospect. More-of-ten-than-not, it is the lack of connectivity between the prospect and the salesman. Salespeople can be friendly, comical, creative, straightforward, down-to-earth, haughty — whatever it takes to adapt to the customer.

In sales presentation, salespeople must be focused and should not go off on a tangent. The queries of the customer are answered with care and clarity. When the salesman encounters a serious client, he should go slow in his presentation to project a feeling that the client's concerns are being considered. The client then relates to the salesman, and that is the bedrock of selling.

An open customer requires an informal approach. There is less sales talk, and more listening to the interests of the client. However, the salesman must not relegate the sales to the background, and should always aim at closing the deal.

Trial Close

A Trial close is a kin to testing waters. During the course of presentation, one must know how positive or negative the prospect is. It is a flexible close. Here one can ask for the order without shopping the sales presentation. Many a time, a prospect would not say 'no' just to indicate that he is not inclined to buy. More-often-than-not, he will offer his reasoning. It is an opportunity for the salesman to address his concerns. The presentation can be shifted to these points. In a trial close, the customer may show his inclination to buy. In such a situation, there is no need for any further sales presentation, and the salesman should go in right for the kill.

A trial close can be attempted by using the phraseology like:

- ★ In this purchase for investment purposes or pleasure?
- ★ Would you like the blue car or silver car?
- ★ I hope I can get the order next week.

Even if there is a 'no', it is not the end of the presentation. The trial close is premature, and then the answer is 'no'. The client can be told that there is lot more to be told about the product so that a positive decision can be taken. In this fashion, the talk can be lengthened. Trial closes tend to condition the prospects say 'yes'. A trial close does not wait till the very end of the conversation to get a commitment from the client. That takes the client too much.

Selling on Emotions

Expensive jewellery is bought not because it is needed, but because emotionally one feels good on buying it. There may be emotional motives behind a purchase. A salesman must figure out these, and try to satisfy them.

The following examples of emotional closes will provide an idea how this technique can be used for closing a sale.

Ego Close: A car can be an ego booster. A customer can be persuaded to test drive it. Once he sits behind the steering wheel, he can be praised for his total look. Ownership of the car can be associated with successful people. The appeals work on emotional level. The customer should be encouraged to make the purchase decision based on his heart rather than his head.

Parental Appeal: A customer can be appealed on the basis of his parental instincts — how as a caring father he would like his children to enjoy the best of products. A husband would be described as caring husband while buying certain products for the wife. The products like fire extinguishers can be sold on the basis of safety of the loved ones.

Fantasy Close: Fantising about a product works really well for aspirational products and real estate. A home can be a dream home, giving panoramic view of the mountains or the seas and the waves or orchards with flowering plants and fruit-laden trees, and humming birds. In fact, it is a word picture, very graphic and effective. Dreams are sold, and that leads to sales. The intangible is transformed into a tangible form.

Rest Assured Close: The rest assured feeling comes when products like insurance policies are sold. It assures the client that though any untoward thing happens to him, he can rest assured that the policy will take care of the survivors. Though products and their pricing matter, emotional needs are far more important. When there is a possibility of their being satisfied, the customer is ready to pay a price for it. This leads to an easy close.

Quality Selling

Here, it is proven that our products are superior to those of the competitors. The quality product attracts premium price. Some popular quality closes are described below.

Quality close: Though people are price conscious, they are willing to pay more for better quality. The customer is not interested in junk. Quality closes sales in many cases.

Consignment Sale: In this sale, a product is kept at the place of the customer so that he can test it, and see whether it satisfies him. Till then, he is under no obligation to buy it. The arrangement shows the confidence of the marketer about the superior quality of the product. The product will stand the trial and the customer will be so accustomed to the product that he would not like to part with it.

Pros and Cons Close: Here a paper is divided into two parts — pros and cons. The positive points are jolted on pros side, and the negative cones on the cons side. Later, both are weighed against each other, and suitable decision taken. When the quality of the product is good, the salesman uses this two-column method. This also provides good feedback to the salesman.

Inventory Close

Here, the customer may want the marketer to expedite the delivery. The salesman points out that the product is out of stock because of the heavy demand.

Benefit Selling

In this method of selling, the salesman impresses upon the prospect that the earlier he buys, the better he stands to gain. Here, a sense of urgency is created. It is felt by the customer that he is on the verge of an opportunity. If used properly, customer tend to close the sale.

Three-question Benefit Close

Here, the salesman puts three queries to the customer. The customer infers from this that delay in buying will cost him dear. The questions are so phrased that negativity will make them look stupid.

- ★ Can you see where the product is more economical?
- ★ Is it not your intention to economise?
- ★ Is it not sensible to start as soon as possible while economising?

Another illustration:

- ★ Can you appreciate the efficiencies of this machine?
- ★ Is it not wise to be efficient in running the plant?
- ★ Which is the best time to introduce efficiency in the factory?

The answers are obvious. The client may have objection, which can be addressed.

Benefit by Misfortune of Others

This close is based on getting a good deal through the misfortunes of others. It is due to human being's tendency to get a bargain. The salesman may point out that a product is being made available at a bargain price because the previous customer could not make timely payments as per the deal, and what he has already paid is being passed on to you. Or the house is being offered to you at a bargain price as the owner is going broad. Or the product is yours as credit is extended to you. Others are not eligible.

Assumptive Close

This close is resorted to after the presentation when during the course of presentation, there were positive answers to the trial closes. The closing statement assumes that the client will buy.

Alternate of Choice Close

Here, the salesman puts such a question which leaves no room for the prospect except to close the sale. This close is resorted to when there is positivity all along. The typical close could be:

- ★ Do you want one piece or two pieces?
- ★ What do you prefer — Saturday delivery or Sunday delivery?
- ★ Which model should I send you — deluxe or super deluxe?
- ★ Which colour would you like — electric blue or moonbeam silver?

If the prospect does choose either of the choice, the whole process of listening to his objections and answering them is gone through again.

PRICE SELLING

There is a growing realisation that it is not always possible to get the top price. Mediocre salespeople start with the lowest possible price, and try to close the deal. However, a good salesman starts out at a higher price, and keeps on lowering it as the negotiations with the prospect progress. The following techniques are used in price negotiations.

More Quantity, Less Price: Here, a lower price is offered when the prospect agrees to buy larger quantities.

Add-on Price Close: If additional products are purchased, a discount is offered on the main product, e.g., a camera at a lesser price when ten rolls of film are bought.

Cash and Carry Price Close: A customer who agrees to pay cash on delivery can be offered a better price.

Referral Price Close: If the customer agrees to recommend other customers, he can be offered a lower price.

Immediacy Price Close: A discounted price is offered if immediate delivery is taken by the customer.

Reduce to Smallest Variable Price Close: The price objections can be overcome by this tactic. The difference of price of the seller and the buyer is broken down into its smallest components. That makes the matter strikingly clear. A house is being offered for 20 lacs. The house will serve the customer for 20 years. The customer is ready to offer 19 lacs for the house. The difference of 1 lac is spread over 20 years. It comes to Rs. 5,000 a year or Rs. 100 a week. The customer can be asked whether for such a small difference, he would let the house go. It becomes obvious to the customer that his denial is ridiculous. The price negotiation should be a slow process, and the prospect must feel that he is getting the benefits of a lower price. The price is conceded in small increments. It is also to be assured that lowering of prices should coincide with the intention of the customer to buy.

Concession Selling

Concessional selling is done when something is given up to make a deal. It is painful, but it has to be done. However, it should not be done easily.

Contingency Concession Close: If the car loan is made available to you, will you buy it?

Give Away Concession Close: An added incentive is offered. If you buy the car within four days, the car will be given teflon coating.

Nothing to Lose Selling: When all tactics fail, the prospect can be treated differently — either funnily or outrageously. There is nothing to lose now. Sometimes at this stage, the prospect changes around, and is ready to buy.

Negative Close: This close exploits the human tendency to have what they cannot. A client is given the impression that by not buying he may be a loser. The client is told that the product is not being dumped on him. This quality product is well-accepted and is not meant for you. The salesman starts packing up. The prospect might close the deal considering the opportunity he otherwise may lose.

Probing Close: Here the salesman starts to leave but seeks permission to ask a question. The prospect is asked whether he feels the company has no reputation. The prospect says he finds the company reputable. Then he is asked about the reasonable price. The prospect okayes the price. The whole presentation is run in probing format, and all positive answers lead to the final solicitation of order. If there is any negative answer, the salesman gets an opportunity to explain.

Assertive Close: Here the salesman asserts himself indicating his long association and unwillingness to leave without an order. He demands order as a matter of right. The prospect understands that salesman

means business. Sometimes, this may not be palatable for the prospect, and if there are verbal or non-verbal clues, it is best to leave.

Poor Soul Close: Here the prospect is told that the salesman badly needs an order, or it may affect his career adversely. He points out he has a family to support. No gentleman would like to see your family life ruined.

Entreaty Close: It is akin to begging. There is an extended please while seeking the order. This may be humiliating for a few.

Card Commitment Close: Here the salesman hands over his business card. While doing so, he makes the prospect aware that the card gives him an opportunity to discuss the proposal at a later date. He may as well jot down the time and date of the next appointment on the card. If further appointment is declined, the prospect can be probed to know his concerns and objections. In case, an appointment is given, it is an opportunity to close the sale. The business card plays the role of sales tool.

In spite of all the above-mentioned closing techniques, a salesman may realise that some people just cannot be sold. It is better to leave them alone, and be on the look out of fresh opportunity without being disheartened.

When to Close

It is advisable to close as early as possible and not miss opportunities to close the sale. Oversell and you will be out of the sale. Waters are tested by trial close. It is better to pick-up clues that indicate the prospect is ready to buy. Non-verbal clues are observed, *e.g.*, a favourable nod of the head, relaxed body posture, facial expressions such as smile. Good listeners also realise when the prospect is ready to buy, *e.g.*, enquiry about terms, guarantee period, etc. All sales efforts are frustrated if there is no close. A good salesman has ready ammunition to fire if there are objections. There is a lot more to closing than just asking for the order. Master the techniques given here. A good salesman is in control, has a well-planned strategy, uses price strategically, knows about the closes, meets objections and uses trial closes.

A good number of successful closes means that you are well-prepared. It does not mean you are lucky. If you hesitate to close even after learning all about closes, it means selling is not your cup of tea.



Chapter



Servicing the Sale

Customer service paves the way for customer loyalty. These days the focus is on retaining the existing customers. Customer service has become a distinguishing feature for many organisations.

Customer service facilitates the buying and using the product. They are product enhancing activities. 'Service pays' is the accepted maxim today. Customer service believes in establishing long-term partnership with the customers. In fact, the close of the sale is the beginning of the customer relationship.

CUSTOMER EXPECTATIONS

A sales organisation has to service each sale. Satisfied customers are the supplementary sales force; since they create the favourable buzz on getting satisfied.

It is important to appreciate the concept behind the product which people buy. When we buy tonic, actually we are buying the concept of health. When we buy lipstick, we are actually buying the concept of beauty. A hair dye sells us not hair colour, but youthfulness. There are expectations which we have to satisfy by buying these products. The expectations of benefits promised are the buying motivation. The expectations increase after the buying — after the sale is closed. It is, therefore, necessary to have a strategic service plan after the sale.

The needs and wants of the customer must be understood fully. What are the buying motivations? How a company can be helpful to the customer to meet his buying expectations? Some questions are posed to the customers, the answers to which may not be to the liking of the company. All these

customer-oriented assessment shapes a proper customer strategy. It guides the company whether it is going steady. If there are unresolved post-sale problems, it provides the ground to thrive the competitors.

Apart from the customer strategy, we should have in place the product strategy. A customer can be given related products. If the product is costly, he can be given credit options, *e.g.*, Sony Handycam provides 0 per cent finance schemes. In case of a complex product, there are problems related to operation and maintenance. Any assistance here may add value to the sale.

CUSTOMER ATTRITION

Organisations face the problem of gaining and retaining the customers. A customer is retained if he is happy. A lost customer is regained at a very high cost. Why do customers leave? Maybe, because of poor service. At times, due to product dissatisfaction. Other reasons for the customer loss are price considerations.

Customer loss can be reduced by a well-crafted strategic plan. A company should strive for life-time customers. There should be obsession with customer service.

Recent Trends

Customer service is a big value add-on. It establishes a partnership with the customer and sustains the partnership. Salespeople these days, apart from selling monitor customer satisfaction. Here, the inputs are customer knowledge which salespeople and customer support staff have. The systems in the organisation are customer-friendly and computer-based.

CUSTOMER SERVICE METHODS

Customer service is defined as all the activities which enhance and facilitate the sale and use of the product. Different skill sets are required to service a sale and pre-sale. Pre-sale skills at need discovery, product selection and presentation are required. At need discovery stage, buying motive is established by gathering information and asking questions. At product selection stage, product solution is offered by matching the benefits and motives. At presentation stage, the informative, persuasive and reminder components are allowed to operate. The sale is serviced by suggestion selling, follow-ups on promises and customer satisfaction. Salespersons assume the responsibilities of delivery, installation and warranty interpretation.

SUGGESTION SELLING

It is a process where a related item or service to the main item sold to the customer is suggested so as to add to the customer satisfaction.

In automobile selling, several accessories are suggested, *e.g.*, stereo system, ABS, locking system etc. In travel industry, a holiday package is sold with car rental, guided tour, etc.

Salespersons can also suggest new products to their customers. They also can suggest a large quantity of the merchandise if it is beneficial to the buyer. Customers can be suggested better quality products.

Suggestion selling can be exercised during pre-approach. At times, suggestions are postponed till the primary need is satisfied first. Suggestions should be positive and thoughtful. Suggested item can be demonstrated.

CROSS-SELLING

Cross-selling increases the sales. Cross-selling involves selling unrelated products to the existing customer, *e.g.*, an equity purchaser can be asked to buy a mutual fund or a cellular subscriber can be asked to get a credit card. Several such examples can be given. Advantage is taken of the positive attitude of the customer towards the selling organisation. Cross-selling is based on information sharing. Telemarketing is widely used in cross-selling.

FOLLOW THROUGH

Sales presentation makes several promises and gives assurances, *e.g.*, prompt delivery, credit facility, installation, training and service. These assurances and promises are such which a company can fulfil, subject to after-sale action. Post-sale follow through is thus very important. We must have good dispatch people. The installation people must do a sincere job. They should understand customer needs. Credit department should have a professional approach. Sometimes, they have to handle delicate situations.

FOLLOW-UPS

A customer must be appreciated for his purchase. He is thanked at close of the sale. A few days later, he can be thanked again. This is a part of follow-up. It paves the way for a long cordial relationship. Secondly, it is better to get the feedback about the product — whether the performance is true to what was promised. A company who is backing in its follow-up loses business very fast. Personal visits, though costly, are very effective follow-ups. We can quickly follow-up through telephone call, e-mail letter or card and call reports.

Each of the above area of servicing (suggestion selling, follow through and follow-up) require planning.

RELATIONSHIPS WITH KEY PEOPLE

Salesperson should not restrict their relationship to just the decision-maker but extend it to other key people in his and the company's overall interest. Some key persons in the organisation are the receptionist, technical personnel, inventory clerks and managerial staff.

UNHAPPY CUSTOMER

Many times, an aggrieved customer does not lodge a formal complaint, but they share their grudge with other people. We are at a double loss — the aggrieved party himself and others who are influenced by him. We should allow customers to articulate their feelings by setting up helplines. The talk must be carefully listened. Maybe, the complaint is sometimes a matter of perception. But still it is a problem. An organisation should own up the problem, and should not 'pass the buck'. Customers can be given explanation politely. If the complaint is genuine, the organisation, must not hesitate to apologise. Remedial action must be taken to address the problem.

Complaints are treasure-house of information. Complaints give as an opportunity to show our commitment to service.



Chapter



Self-management

A successful salesperson should develop himself on a continuous basis. It is not enough to do hard work, which is not backed up by purpose and direction. Salesperson has no time to waste. Therefore, the first requisite for success in the sales job calls for time management. Everything else comes later.

TIME MANAGEMENT

Sales can be improved by being more effective and by devoting more time to the face-to-face selling function. The role of time management and territory management starts at this juncture.

A salesperson's time has many claims — travel, time to see a customer, sales reports, conversations, follow through and follow-ups, face-to-face selling. All these activities must be carefully timed to see whether excessive or too little time is spent for any activity. Time logging is record of time devoted to such activities per hour. This is summed up to arrive at weekly time. It could be then questioned in terms of time utilisation.

Wasteful activities must be identified through time log. Remedial action must be taken to correct the situation.

We have to eliminate unnecessary activities. We have to use aids to organise our work. We have to set the priorities. A salesman has to meet deadlines — some set by others and some by himself. Time management should account for holidays which are a must to rejuvenate oneself. Holidays can be used to introspect and plan for the future.

METHODS OF THE TIME MANAGEMENT

Time is a scarce resource, and must be conserved. This attitude must be developed for time management. Sometime saving methods are:

Personal Goals

A person has multiple goals in life – personal goals, career goals and life goals. Effective time management starts only when a person is clear about the goals he wants to achieve. If this is not done, the activities undertaken lack direction.

Goals must not be ambiguous. It then becomes difficult to achieve them. If the personal goal is to 'be healthy', it is too general. A goal should also reflect one's value system, *e.g.*, 'I love my children.'

Salespersons see psychological value in their goals. They act as motivators. If a salesperson decides that the sale must increase by 20 per cent over the corresponding period of the previous year, he knows what he wants to achieve and identifies ways to do so. Goals give us new habits.

To Do List

There are several activities to do everyday. We have to plan and prioritise. We should know what we want to achieve. We have to write down these. It prepares us mentally. It becomes easier to co-ordinate. These activities can be ranked in order of importance. These activities should be consistent with the goals we have set. The highest priority activity should be completed first. The unpalatable activities should not come last. 'To do' list should become a matter of habit. Scheduling daily activities is a good investment:

Planning Calendar

A planner should be used to record daily appointments, rather than any piece of paper one lays his hands upon. If floaters are used, there can be wastage of time because of the loss of critical information. An organiser or PDA can be used to store information and keep track of appointments. A laptop is also a great help. Cellphone menus also provide calendars and 'to do' activities items.

Some people are good at selling, but bad at managing their time. They are harassed creatures who complain about the lack of time. Each of us has the same 24 hours in a day and 365 days in a year. We have to utilise the time effectively. A salesperson has to work smarter and not harder, In sales, you are paid for results, and not for your hours.

Selling Tools

All sale aids must be properly organised. If some item is not available, at the time of the call, there is wastage of time. Even a sale might be lost. The whole of packet of properly arranged sale aids is kept safely in a vehicle or a car.

Time Wasters

Unplanned meetings	Unsolicited visitors
Gossip	Office politics
Excessive use of telephones	Frantic search for files
Traffic jams	Redrafting of letters and reports
Illegible writing	Doing what others are supposed to do.
Reading frivolous magazines	Arguing unnecessarily
Procrastinating	Personal calls
Long-winded memos	Excessive paperwork

Time Savers

Planners, checklists, logs	Standardised formats
Speed-dialling	To do lists
Answering machines	PCs
Efficient secretaries	Speed reading
Action files	Goals
Delegation	Deadlines
Confirmed appointments	Cellphones
Conference calls	

USING MODERN GADGETS OF COMMUNICATION

Sometimes, it is necessary to make just a telephone call rather than a personal visit. This is true for marginal customers. A telephone call here replaces a personal visit. Certain other situations also require just a telephone call — to get appointment, to keep a customer informed, to follow-up a sale.

Some customers consider telephones as interruptions. They might prefer e-mails. They open their mail-boxes at specific times of the day.

Telephone answering machines and voice activated response system are used to communicate with the customers. Fax messages are also a great help in receiving and sending documents at great speed, graphics can also be transmitted by fax.

Electronic Data Interchange (EDI) is used by all blue-chip companies to exchange data such as purchase orders, invoices, sales reports and fund transfers.

STRESS MANAGEMENT

Selling is a high stress job. The job content is responsible for this to some extent. There are new situations each day. Prospecting is quite intimidating to some. The person is away from the comfort of the home, away from the family. He does not have leisure time. All this adds to the stress.

Selling should be made orderly to reduce the stress. We have to learn to cope with the stress.

Stress is a process of adjustment to change which affects us physiologically and psychologically. It is a process of coping with change and challenge. Stress on a continuous basis leads to physical symptoms like high B.P., loss of appetite, headaches, or fatigue. There are psychological symptoms of stress in the form of anxiety, depression reduced interest in social relationships and irritability. Reduced interest in relationships is a disqualification for a salesperson. Some stress is required to keep up the tempo of work, but excess can be harmful if not controlled.

Attaining sales quota in an assigned territory, missed appointments, presentations, lack of feedback about performance — all these contribute to stress. Modern means of communication keep salespeople always 'on call.'

The information explosion has caused tension amongst knowledge workers. It affects job satisfaction and personal relationships.

Though stress cannot be eliminated, stress management techniques must be practised to cope with the stress.

One important point is the delegation of work to others to reduce the stress. Delegation can buy a salesperson more working time.

OPTIMISM

In a stressful situation, optimism helps you sail through by adopting problem-focused strategies. Pessimism leads to an emotional response and tend to avoid the problem. In fact, pessimism directs feelings towards wrong targets.

FIGHT AND FLIGHT RESPONSES

Stress causes release of adrenaline raising the BP and building the tension. The person becomes fighting fit. But excess of the fight response leads emotional outbursts, intemperate language and indifference to other persons. These are the deleterious effects on the relationships. Flight response on the other hand, is problem avoidance, expecting the problem to vanish all by itself. It is better to resolve the problem by discussion, say if the quota assigned is too unrealistic, one can request the sales manager to reduce it to bring it to manageable limits. A long field assignment away from home requires revision of the territory plan; and scheduling of the calls.

HEALTHY LIFESTYLE

Exercise removes the harmful chemicals accumulated in the blood after a period of stress. Exercise includes jogging, walking, treadmills, sports, aerobics, etc. Exercise goals can be set and incentives given if these goals are achieved. Diet plays a great role in stress busting. High fat, high carbohydrate, high caffeine and high protein diet is not recommended to cope with stress. It is necessary to unwind by music, entertainment and other leisurely pursuits. There should be compulsory vacations, which rejuvenate people to resume with greater zeal after the vacation is over.

One should attend work after a period of rest and relaxation. Relaxation techniques are of great help to reduce stress. Fatigue affects a person adversely. Good sleep is necessary. Good means enough to feel fresh the next day.

Sales job requires the discipline of an athlete as both sales and athletics are very demanding. Rest, diet, drinks and lack of exercise — all these could be the culprits in building up stress if not properly planned.

OTHER ASPECTS OF SELF-MANAGEMENT

Apart from the two factors listed above, *viz.*: time and stress, two other factors are a part of self-management, *viz.*, territory management and records management. These have been dealt with elsewhere in the book. Suffice it here to remark that the territory management consists of customer classification, routing and scheduling plan and sales call plan. Record management deals with common records kept by salespersons such as customer profits, call reports, expense records, and sales records.

SELF-IMAGE

Successful salespeople have a strong self-image. They do not get disheartened. They learn from the setbacks. He should have high sense of self-esteem. Internally, he perceives himself as well as the way he believes others see him. He sees himself as a winner. He never doubts his ability to achieve. He is not worried about how others see him. A salesman must react positively to external factors. He is ready to take constructive criticism from his superiors. A good salesman loves his job, and the challenge of being the best. He never stops learning more about the product. He has to avoid negative people and influences.

OVERCOMING FEAR

The negative feelings of fear, anxiety and low self-esteem prevent us from achieving peak-level performance. Many a time, these feelings are fostered in us by others. At times, they are totally irrational. We have to confront these feelings head-on. That is one way to overcome them. We have to identify our

fears. There should not be visualisation of an upcoming event that could cause anxiety. There should be instead correction in this visualisation — a salesperson becomes confident and fearless. Such day-dreaming does help professional athletes perform better. In addition, there should be firm positive affirmations such as ‘I am worth the success’. Salespersons should overcome the fear of talking. Breathing exercises can be undertaken for relaxation. Music also has a great soothing effect. Salespeople should associate themselves with individuals who are winners. That keeps them positive. They should read self-help books.



Chapter

16

Personal Selling Objectives

As personal selling is a component of the promotional mix, which in turn is one of the four Ps of marketing, the role of the personal selling is decided by the marketing department in consultation with the sales department. The following diagram illustrates where personal selling fits in the whole set up.

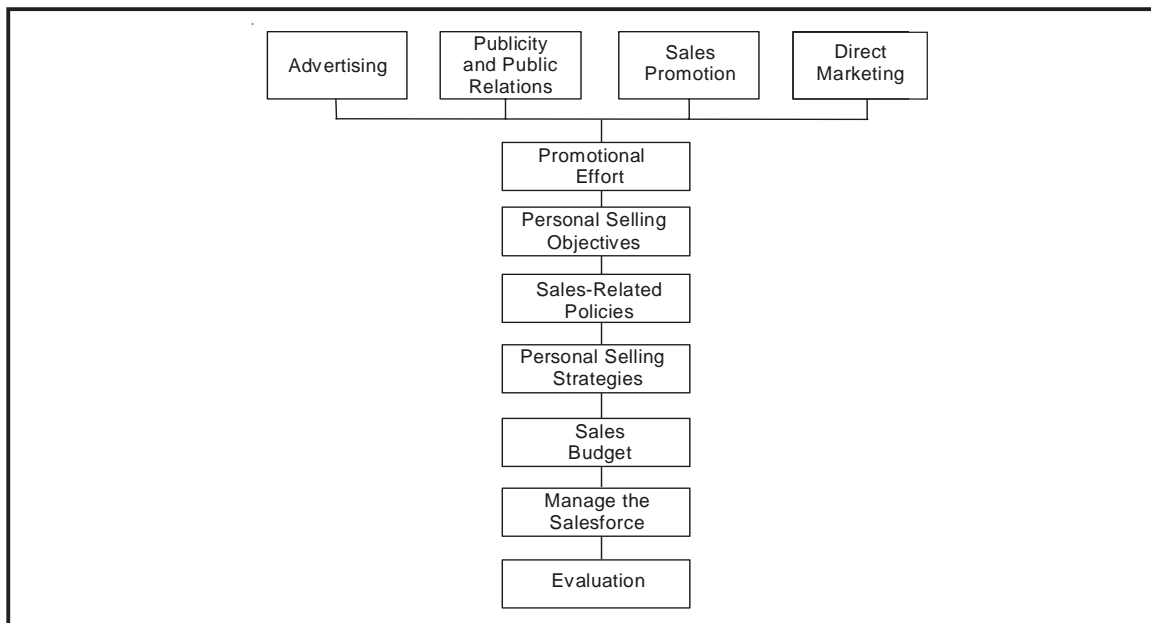


Fig. 16.1 The Place of Personal Selling

In a marketing plan, the personal selling objectives are formulated, along with the policies, and strategies are designed to implement these objectives. Budget is allotted to do all this. The whole salesforce is directed to work under this framework. Most of the companies have their own field force, but companies like LIC and GIC depend on outside agents to do the selling job.

TYPES OF OBJECTIVES

Long-term personal selling objectives contribute to long-term corporate objectives. These are mostly qualitative objectives. The following objectives illustrate this:

1. To service the existing customers by maintaining a relationship with them, and by filling up their orders.
2. To get new customers.
3. To carry out the selling task entirely, if other elements of the promotional mix are not at work.
4. To help the trade sell the company's product line. To motivate trade to keep our product line in stock. To keep the trade informed about our product line and changes therein. To help the trade redress its grievances.
5. To make the customers aware of our marketing strategy.
6. To act as technical consultants for complex products.
7. To provide feedback to the company about the markets and customers.
8. To help the middlemen's salesforce.
9. To help the trade in their administrative problems.

Sales policies and the place of personal selling in the whole promotional effort do have an influence on the personal selling objectives. Personal selling objectives of qualitative nature are formulated after considering all these. These objectives later lead to quantitative personal selling objectives.

Sales objectives are qualitative in terms of direction and quantitative in terms of goals. Quantitative personal selling objectives are short-term and keep on changing. Sales volume in rupees or units is a basic quantitative objective. Other quantitative objectives are derived from the sales volume. The other objectives could be a certain amount of market share, a certain level of profits, a certain number of new accounts, a certain level of expenses and a certain percentage of business from specified accounts.

The quantitative aspects are related to the operating results that the company wants to achieve. These in turn are affected by overall corporate mission, goals and qualitative aspects. The quantitative goals are time bound and vary over a period of time.

SOME IMPORTANT CONCEPTS

Before we understand the planning that goes into setting the sales volume objective, let us understand the terminology involved such as the market potential, the sales potential and the sales forecast.

Demand is a consumer's willingness to buy a product backed up by purchasing power. A teenager wants to buy a two-wheeler, say Sunny. Mere intention to possess a Sunny is not a demand. His parents must have the funds to buy it for him. Besides, the vehicle must be available in the area where he stays. An effective demand thus is based on three components — *interest, purchasing power* and *access*. Basically, demand is of two types — primary demand for a basic product, say, for vehicles or two-wheelers, and a selective secondary demand for specific products, say, Sunny. As marketers of new products, the company has to stimulate both the primary demand and the selective demand. Demand is affected by a number of factors like price, demography, income-level, satisfaction, substitutability, competition, and promotional efforts.

HOW DO WE MEASURE DEMAND?

Demand can be measured for short-term, medium-term and long-term. Demand can be measured for a customer group (say IV fluids needed by private nursing homes), territory, region and country. Multinationals can estimate demand globally, too. Demand can be measured for each individual product item, product form, and product-line. There can be company-wide estimate, industry-wide estimate and all-sales estimate. These different estimates are made with specific objectives in mind. For example, while setting up a distribution network in a particular region, it is necessary to estimate the regional demand. Short-term demand estimates for a product item may help us in planning our raw material ordering. It may also help us in planning our working capital.

As we have seen, an interest in a product gives us a *potential market*. However, the constraints of purchasing power and access reduce our potential market to some extent. The market thus reduced is called *available market*. Available market may be further reduced by certain restrictions, *e.g.*, adult movies can be seen only by those who are 18-plus or vehicle licence can be given to those who are 18-plus. The market so reduced is *qualified available market*. Out of the total qualified available market, the company may decide to serve only a part, *e.g.*, a bank decides that credit card will be made available in only metros and certain selected cities of India. The *served market* is thus a part of qualified available market. In the served market, certain people actually buy our product. It is the market which we have *penetrated*. These concepts should be appreciated as they are useful for market planning. If a company is not satisfied in its current sales, it can attempt to influence a large number of people in the served market. Alternatively, it can change the qualifications of potential buyers, *e.g.*, Sunny's driving licence is available to those who are not 18. The available market can be expanded by reducing prices or by increasing distribution. Vicks Coldrub more than doubled its available market by converting itself from an allopathic to an ayurvedic medicine. Vicks as an ayurvedic medicine can be stocked by grocery stores, panwalas and general stores which do not have drug licence. As an allopathic medicine, it could be stocked only by licenced chemists thus restricting its available market. The potential market can be expanded by effective advertising.

Key Concepts

There are several terms used for demand measurement — predictions, forecasts, estimates, goals and quotas. However, two key concepts in demand measurement are *market demand* and *company demand*.

Market demand is “the aggregate demand of potential buyers of a commodity or service”. Kotler defines market demand as “the total volume that would be bought by a defined customer group, in a defined geographical area, in a defined time period, in a defined marketing environment, under a defined marketing programme”.

Market demand is thus a function of the given conditions, and is not a fixed figure. It represents marketer’s opportunity to sell. Consider Fig. 16.2.

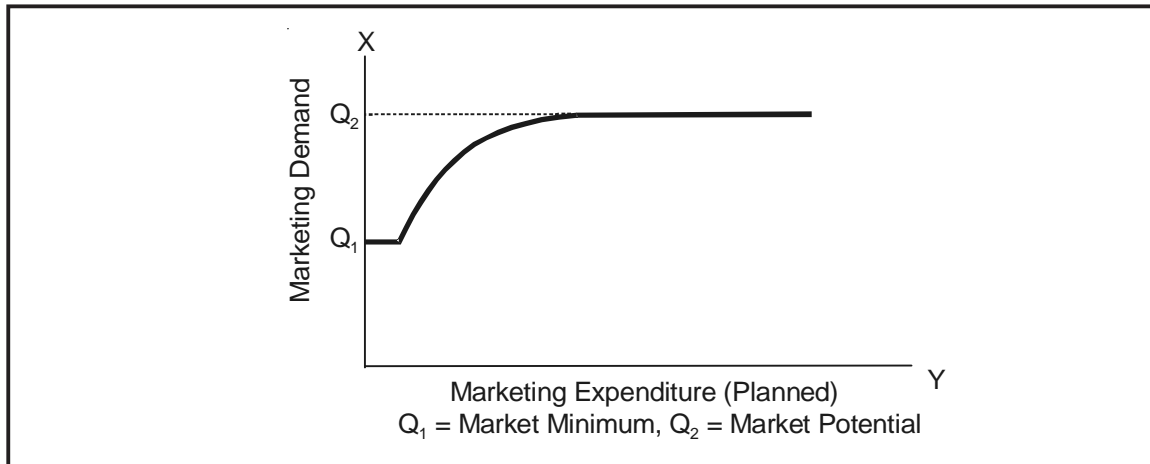


Fig. 16.2

Market demand is plotted on the x-axis, and market expenditure is plotted on the y-axis. There is a correlation between the expenditure and the demand. The market demand curve (as a function of marketing expenditure) represents estimated marketing demand corresponding to different levels of expenditure. Q_1 represents the minimum sales that will take place irrespective of the expenditure. It is called *market minimum*. An increase in expenditure leads to an increase in demand, first at an increasing rate and then at a decreasing rate. When demand reaches a point of no-increase, in spite of the increasing expenditure, the *market potential* is reached. The distance between Q_1 and Q_2 shows the *sensitivity* of demand. The larger the distance, the more is the sensitivity, making the market *expansible*. The smaller the distance, the less is the sensitivity of the market making it *non-expansible*. In non-expansible markets, a given market size equivalent to the level of primary demand is accepted, and resources are deployed to stimulate the selective demand. The level of marketing expenditure of industry that will occur will lead to a corresponding market demand which is called *market forecast*. Market forecast thus represents the expected market demand at a given level of industry expenditure. More-often-than-not, it does not reach the market potential. Hypothetically, if the industry marketing expenditure keeps on increasing, the market potential will be reached in a given environment. An individual company is satisfied only by a share of total market demand, which is called its *market share* or *company demand*. Thus, out of a total market demand worth Rs. 200 crore of toothpaste in India per annum, Colgate has a share of 60 per cent or Rs. 120 crore. It is called company demand. Each company has its own marketing plan in a given environment. It then attains a corresponding level of sales. It is called *company’s sales forecast*. Company’s sales forecast represents an expected level of sales at a given level of marketing effort.

Sales quotas are administrative devices which define and stimulate sales effort by setting a sales goal for the company or its particular division or its sales representative. The basis for sales quotas are the company forecasts. To stimulate sales effort, the quotas are set at a levels lightly higher than the forecast. *Sales budget* is yet another concept. It means an estimate of the sales volume. It forms the basis of our raw material purchasing, production planning and working capital decisions. Sales budgets are based on sales forecasts, and are set at levels lightly lower than the forecast.

As marketing effort increases, relative to the competitors, the company demand rises. When it rises no further, in spite of the increasing effort, we say a *company's potential* has been reached. The upper limit of the company's potential is, of course, the market potential. A company's potential and marketing potential can be equal in case the company enjoys 100 per cent market. Most of the times, company's sales potential is lower than the market potential because each company has its own loyal following.

MEASURING EXISTING DEMAND

After acquainting ourselves with the key concepts in demand measurement and forecasting, we are in a position to appreciate the measurement of the existing demand. While doing so, market potential, industry sales, and market shares are estimated.

Market Potential

The market potential can be estimated for the entire industry. It represents the higher sales volume an industry can attain in a given period of time, at a given level of marketing effort and for a given environment. Symbolically,

$$\text{M.P.} = b \times q \times p.$$

where M.P. = market potential for the entire industry.

b = number of buyers under assumed conditions.

q = quantity bought by an average buyer.

p = price of an average unit.

Thus, if 5,000 students buy an advertising textbook once in a three-year B.Com. course at a price of Rs. 100 per book, the total market potential of advertising textbook is: $(5000 \times 1 \times 100) = \text{Rs. } 5,00,000$. The trickiest part is our estimation of the number of buyers for a specific product. We start with a total population of students, say, 20 thousand, students in all for the B.Com. course for which advertising has been prescribed. This is our *suspect pool*. Let us say 25 per cent students depend on library books. Thus, only 75 per cent of the total population of students are in the *prospect pool*. Out of these, 5,000 students cannot afford a book. Another 5,000 students depend upon secondhand books. Thus, we are left with a *hot prospect pool* of merely 5,000 students. This value we have put in our M.P. equation above.

Alternatively, we can employ a *chain-ratio method* where a base number is multiplied by several adjusting percentages. Suppose a cosmetic manufacturing firm is keen to estimate the market potential for a new fairness cream. An estimate can be made by the following computation:

$$\begin{aligned} \text{Demand for the new fairness cream} = & \text{Population} \times \text{personal disposable income (PDI) per person} \\ & \times \text{average percentage of PDI spent on cosmetics} \times \text{average} \\ & \text{percentage of amount used on cosmetics that will be used} \\ & \text{on creams} \times \text{average percentage of amount that is used} \\ & \text{on creams that will be used on fairness cream.} \end{aligned}$$

AREA MARKET POTENTIAL

While selling the products, we choose territories and allocate over marketing budget to them. To do so, we require an estimate of the area market potential. The two methods frequently used to assess the area potential are: market build-up method, and multiple-factor index method.

Market Build-up Method

First, we have to identify our potential buyers for each market. Next, we estimate their potential purchases. Consider a unit manufacturing intravenous (IV) fluids. It has two major categories of buyers — nursing homes (accounting for 70 per cent of consumption) and government hospitals (accounting for 30 per cent of consumption). IV fluids consumption is linked to the number of beds in the nursing homes and hospitals. To assess the area market potential of Mumbai for IV fluids, we have to assess the number of beds available in nursing homes and hospitals in Mumbai. IV fluids consumption per bed is estimated to be between 175-200 bottles per year. In developed countries, bottles per bed are estimated to be 300-500.

Multiple-factor Index

Consumer companies construct an index to calculate area market potential. Ready-made indices like Thomson are used in India. Instead of a single factor (like the number of beds), a variety of factors are considered. Consumer companies avoid identifying the major buyer groups, since they have a large number of individual buyers. A pharmaceutical company might assume that since 1/6th of population of India is in UP. 1/6th of its pharma sales will occur in UP. Other factors which can be considered are disposable income, the number of doctors per 1,000 population, etc. Each factor can be assigned a specific weight. Lintas has developed a software for rural marketers to point out potential markets which match our product on parameters chosen.

INDUSTRY SALES

Over and above the market potential, the company must know the sales generated actually for the whole industry as such. It means, we must assess the sales of all the competitors and sum them up. Such data are available from the Chambers of Commerce. Against the total industry's sales, we can

compare our own actual sales. For instance, if the industry is showing a growth rate of 15 per cent per annum, whereas we are growing at a rate of 10 per cent per annum, we are losing in terms of our relative share in the industry. There are retail audit reports available for some industries where sales for individual brands are estimated. For *e.g.*, ORG reports for pharmaceuticals. These enable us to compare the sales of our brand to the sales of the competitive brands. Each company would like to know what percentage its own sales is of the total market/industry sales. It is called its market share.

DEMAND FORECASTING

Forecasting brings to our mind the weekly horoscope predictions of our zodiacal sign in the magazines and Sunday papers. We also remember the weather forecasts being shown on TV at the end of the news bulletin. We tend to take forecasting with a pinch of salt. However, we cannot avoid forecasts, and have to accept them with all their inaccuracies and mystical properties. We make several personal forecasts — what will be the composition of our World Cup team or which team will take away the prestigious and coveted cup? Astronomers forecast the planetary positions a few years hence, and scientists forecast the behaviour of a satellite launched in space. Most of the businessmen do make forecasts, knowingly or unknowingly and *foresight* or “vision” is considered to be an essential characteristic of a leader. Decision-making involves some kind of forecasting. Some of these forecasts are quite simple, whereas others are much more complex. Since there are uncertainties involved, the company demand and total demand may not remain fairly stable over a period of time. This itself makes forecasting of demand much more difficult.

Sales forecasts are made in three steps: A *macro-economic forecast*, taking into consideration the parameters of inflation, population, employment, interest, consumer spending, exports, investments both by the consumers and the government is made. In other words, it boils down to GNP forecast. It guides the *industry forecast* of sales. The company then assumes that it would have a certain proportion of total industry sales, giving it its own *company level forecast*.

Sales forecast can be in terms of rupees or physical units for a specified future period. Sales forecasts, thus, can be of three months, six months, one year or even more. Forecasts are thus, short-term (a few weeks — six months — one year), medium-term (one year — four years) or long-term (five years and more, say 10 years). All forecasts are made under a proposed marketing programme, and for a given environment.

Sales forecasts are influenced by the company’s business environment, both internal and external.

Management scientists have developed many forecasting techniques in recent years to help managers handle the increasing complexity in management decision-making. Each of these techniques, has a special use, and the more you understand about these techniques, the better the chances that your forecasting efforts will be successful. The purpose of this chapter is to introduce you to some of the more commonly used forecasting techniques.

Whether you use one forecasting technique or another, the forecasting process has some permanent features:

Five Steps in the Forecasting Process:

- (1) Determine the objective of the forecast. (What is its use?)
- (2) Select the period over which the forecast will be made. (What are your information needs over what time period?)
- (3) Select the forecasting approach you will use. (Which forecasting technique is most likely to produce the information you need?)
- (4) Gather the information to be used in the forecast. (Which data will most likely produce forecasts of greatest use to you?)
- (5) Make the forecast. (Which computational procedures will you have to use?)

TYPES OF FORECASTS

There are three basic types of forecasts. Judgemental forecasts based on what people say. Test marketing based on what people do and extensions of past history and causal forecasting based on what people have done.

Judgemental Forecasts

Forecasts when good data are unavailable: We tend to use these kinds of forecasts when “good” data are not readily available. With a judgemental forecast, we are trying to change subjective opinion into a quantitative forecast that we can use. The process brings together, in an organised way, personal judgements about the process being analysed. Outside experts may be consulted, we can convene a meeting of the panel of experts to make a combined forecast, or we can ask one of the organised “futurist” organisations (organisations that specialise in the future) what they think about the situation. In each case, we are relying primarily on human judgement to interpret past data and projections about the future.

It is also necessary to anticipate how people will behave under a given set of conditions. We do this by surveying people.

Surveying

We ask the buyers whether they intend to buy a given product, and if yes, what is the possibility of buying. This is a useful method if there are a few buyers, *e.g.*, some industrial product. The total quantity expected to be purchased is thus estimated.

Composite of Salesforce Opinions

The sales representatives ask the buyers, what quantity of product they would buy. The figures given by the sales representatives are adjusted at the upper levels in the sales hierarchy, because sales representative may have given too optimistic or too pessimistic figures, unmindful of the company's marketing plans. There is a tendency to underestimate future demand, so that they get sales quotas easy to fulfil. The company's sales executives can prepare their own forecasts, by taking into account the opinion of the salesforce or on their own on the basis of their specialised knowledge.

Delphi Technique

Expert forecasts without disclosure of majority opinion: As forecasts of the social and economic environment become more and more necessary for managerial decision-making, expert opinion is used extensively to chart out the future. One technique that is used to get agreement among the “experts” is the *Delphi Technique*. Here, a group of experts, articulate their opinions in an environment in which the majority opinion is not disclosed, to prevent it from influencing anyone unduly.

Everyone Makes Mistakes

Of course, experts are as fallacious as we are. When the first great hydroelectric plant at Niagara Falls, New York, was being conceived, proposals were received for direct-current equipment (a traditional power-generation method) and alternating-current equipment (a new technology). The project promoters consulted England’s Lord Kelvin, one of the world’s best known power experts, who advised them strongly not to commit the mistake of using alternating current. The decision-makers, however, preferred to disregard the expert and selected alternating current, a decision which has worked out well for about 80 years.

Panel of Experts

Expert forecasts with full disclosure of information: This technique differs from the Delphi technique in that there is no secrecy and full and free interaction amongst expert panel is encouraged.

Market Testing

In case buyers’ behaviour is unpredictable and reliable judgemental forecast is not possible, a direct market test may be useful. It is also very useful to forecast sales of a new product or of an existing product in a new market or a new channel.

Extensions of Past History

Forecasts based on the past: When we take history as our beginning point for forecasting, it doesn’t mean that we think December will not be different from November and September; it simply means that over the short-run, we believe that future patterns tend to be extensions of past ones and that we can make some useful forecasts by studying past behaviour. Unfortunately, these kinds of forecasts do very poorly when we try to extend them further into the future, because the past, although it is often a guide to the future, does not predict very accurately the point at which rate of interest will show an upward or downward trend, the style of Jeans will pick up, and the demand for mopeds will be maximum in the years to come. All these peaks and valleys are called turning points. Even though turning points are of the greatest significance to managers, extending past history too far into the future is not an effective way of determining when they will occur.

FUNDAMENTALS OF TIME SERIES

Any organisation must plan for the future if it is to survive and grow. Business organisations must make plans for production, finance, personnel, marketing, etc., to meet the variations in the demand for their products. Efficient planning requires foretelling future events that are likely to occur. Foretelling,

on the other hand, requires a judicious analysis of past events or data which have been collected at a moment of time. The important method of making inference about the future on the basis of what has happened in the past is the analysis of time series.

“A time series is a set of quantitative readings of some variable or composite of variables arranged in chronological order of their occurrences.”¹ “A time series is simply a set of recordings of value of variable quantities measured at intervals of time. The basic quality of the data from which such series are derived is one of historical fact.”² Time, in terms of years, months, weeks, days or hours is simply a device that enables one to relate all phenomena to a set of common, stable reference points.

Over a period of time, the observations of a variable record change. The various factors which contribute to the changes overtime in some variables are to be shifted. Consider the following example:

Amul Chocolate Company

<i>Year</i>	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
2002	12,000	9,400	9,500	13,000
2003	13,000	10,200	10,300	15,000
2004	13,200	11,000	11,200	13,700
2005	14,600	12,000	12,200	15,000

From the above table, we notice two things. First, there is a steady increase in sales of chocolate bars throughout the period. Secondly, there appears to be regular seasonal variations in sales. Sales decline during the second and third quarters of the company’s year. There may be several causes responsible for increase or decrease from one quarter to another, such as changes in climate, changes in tastes and habits of people, etc.

Additional examples of time series are, production figures for a particular product, price of a product, imports, exports, number of passengers travelling by Indian Airlines, etc.

Nature of the Time Series

The variation in time series can be attributed to a number of causes — natural, institutional; and socio-economic in character. Some of them may be responsible for short-run fluctuations, while others bring about long-run variation. Thus, a time series is made up of a variety of elements, or components, which account for the observed variations over a period of time.

Components of the Series

The commonly used classification of time series is as follows:

- (i) A trend component, which may be defined as long-term growth or decay.
- (ii) A seasonal component, which may be defined as a regularly occurring periodic fluctuation.

¹ Lincoln, L., Chao, *Statistics: Methods and Analysis*, page 356.

² Reichman, W. J., *Uses and Abuses of Statistics*, page 165.

- (iii) A cyclical component which may be defined as a wave-like fluctuation about trend.
- (iv) An erratic or random or irregular component which is obviously unsystematic.

For example, at any given time, the sales of an organisation are influenced by the long-term growth of the organisation, by the seasonal nature of demand and possibly by some random shock.

The Time Series Model

If the symbols T, S, C, and E are used to denote the four components of trend, seasonal, cyclical and erratic fluctuations respectively, the time series O, may be expressed as

$$O = T \times S \times C \times E$$

The above expression is based on the assumption that there exists multiplicative relationship between the four components. In the multiplicative model, it is also assumed that the four components are due to different causes, but they are not necessarily independent and they can affect one another. This is the traditional method and is also easier to use. It enables us to isolate the components.

For example, if in the multiplicative model.

$$T = 100, S = 1.40, C = 1.06 \text{ and } E = 0.90$$

$$\text{then } O = (100).(1.40).(1.06).(0.90)$$

Basic or long time trend may, therefore, be defined as the underlying tendency to grow or decline over a period of years. According to Lincoln, L., Chao, “a secular, or long-term trend refers to the smooth and regular movement of a series reflecting continuous growth, stagnation or decline over a rather long period of time”³.

CAUSAL FORECASTING MODELS

Forecasts which relate to several variables: If considerable historical data are available and if we know the relationship between the variable we want to forecast and other variables that we can observe, it is possible to construct a *causal forecast*. For example, one causal model regression can be used to relate sales to a number of other environmental factors, including the level of GNP, the price level, personal disposable income, unemployment, and population shifts, the number of marriages made during a period, the number of houses constructed, the kilometerage of railway line and roads, etc. These models are expensive to use.

Here, sales is a dependent variable and is a function of several independent variables like x_1, x_2 till x_n . Computers have made regression a popular model for use in demand forecasting. However, this model has certain limitations. We may miss certain crucial new independent variables. There may be two-way causal relationship amongst the variables. The independent variables may have very high correlation. The model may violate normal curve assumptions. We may select too few observations for this model. All this diminishes the overall usefulness of this model.

³ Lincoln, L., Chao, *Statistics: Methods and Analysis*, page 358.

DERIVATION OF SALES VOLUME OBJECTIVES

Company's short-term sales forecast is the basis of deriving the sales volume objective. A sales forecast is integrated to the market plan, and assumes a given economic environment. Though the forecast itself is never the sales volume objectives, it provides a direction to thinking of management. Sales volume objective changes when the market plan changes in response to environment and competitive strategies.

Sales volume objective has to be consistent with the marketing capability of the organisation, and its profit objectives. It should be possible to achieve it at such costs that the net income objectives of the company are met. The salesforce organisation must be in a position to accomplish the sales volume objective. The advertising programme must be effective to achieve it. The trade must be supportive. All these factors are interdependent. Management has to balance the sales volume, the profits and the marketing capabilities. Sales policies and strategies must be formulated to attain a proper mix of the above three factors.

EVALUATION OF FORECASTS

All forecasts are reviewed since they have an element of uncertainty and are based on certain assumptions. They are critically evaluated in terms of assumptions made and the methods used. The competitive and marketing environment is taken into account while reviewing the forecasts. The off-take at the trade level is also considered.

As the forecast period advances, the review continues. Forecasts are compared against actual results. The differences are noted, and future figures are adjusted.



APPENDIX

SALES FORECASTING

Sales forecasting is an important function, and still it is a grey area. Its importance can be understood by realising its contribution to the attainment of overall sales and marketing objectives. It is a grey area, thanks to the uncertainties faced in a turbulent marketing environment, where assumptions made today may no longer be valid tomorrow.

Sales forecasting practices differ from organisation-to-organisation. Some companies use econometric models, and arrive at company's market share to get the company forecast. Alternatively, we do the customer analysis, and match their requirements to our inventory and production plans. It generates a sales forecast, which is tallied with the company forecast arrived earlier.

A washing machine manufacturing company develops its forecast on the basis of the total washing machine market demand which includes the replacement, demand for the old machines, growth rate of the washing machine market, and the company's market share expectation.

What is a Sales Forecast?

A sales forecast is a prediction of the sales in value or quantity over a period of time. It is the foundation for the management of the marketing mix and sales action planning.

A short-term forecast is generally for a year or part thereof. It is integrated to the sales budget so as to create the overall budget for the organisation as a whole. Sales forecast for short-term provides estimated sales revenue and expenses required to generate it. It is a tool to manage cash flows.

A long-term forecast is for a period of five years or more. It indicates the necessity of capital budgeting. It also guides the formulation of the marketing strategy. It prints out the emerging product-market needs, new markets, review of distribution network, promotional needs, salesforce deployment and marketing structure. It integrates the production, financial and other plans to the sales forecast.

How to Prepare a Sales Forecast?

Sales forecast is in need of several inputs such as past data of sales, factors which determine sales, market forces operating, executive judgement, appropriate forecasting techniques and the market share objectives of the organisation.

Information Needs

Sales forecasting is based upon reliable, updated information. The following is an illustrative list:

1. Market assessment
2. Market trends
3. Market innovations
4. Trends abroad
5. Historical market share

6. Competitive strengths
7. Purchase behaviour criteria
8. Factors influencing sales
9. Competitive influence
10. Sales necessary to optimise resources
11. Corporate image
12. Strategy to make most out of SWOT analysis
13. Expected market share
14. Internal factors which may influence sales
15. Planned promotion and distribution activities

Product Sales Determinants

Product sales are dependent on the price of the product, the purchasing power of the target audience, the demand-supply situation, and the need of the market. These factors do not have the same importance in all the situations — in fact they vary in importance as the type of product sold. The factors affecting the product sales are as follows:

Consumer Non-durables

These are low-priced, frequently purchased, day-to-day items having short shelf-life. The three factors which affect their sales are *personal disposable income* (PDI), *demographic* characteristics of the population, and the *price* level prevailing in the market. As PDI rises, there is more demand for non-durables such as food products, textiles, household items and such other similar products. Price of a product, as compared to PDI, affects the choice of complementary products and substitute products. Price also affects the level of quality. Demographic characteristics provide a segmentation basis to be addressed by a particular marketing mix.

Consumer Durables

These are high-priced, long-life products, bought out of savings. As they last longer, they are not frequently purchased. The factors which affect the purchase of durables are the discretionary income (which is PDI less expenditure on basic necessities and recurring payments like insurance premia and loan servicing), and the availability infrastructure and support facilities. To illustrate, roads which are motorable are an incentive to the sales of automobiles and two-wheelers. Or telecom networks are an incentive to telephone instrument manufacturing companies. Broadcasting and transmission facilities provide a boost to the radio and TV industry. After-sales service located near the consumer is a good incentive in the purchase of many durables. Other factors which influence the sales of durables are the finance facilities available and the lifestyle adopted by the consumers. Easy availability of personal loans, credit cards, hire purchase, instalment facilities and mortgage has brought a range of consumer durables within the easy reach of a large number of customers. Consumers need a sweat-free and sociable lifestyle, and this opens up them to a number of products.

Industrial Products

These are the goods which help in the production of other goods. India now experiences a slow rate of growth of industrial production. The demand for industrial products depends on the off-take by the ultimate users.

It is thus a derived demand. Here, the demand depends upon the user industries. There are many industrial products such as machinery, spares, components, power plants, machine tools, control instruments, lubricants, etc. To illustrate, the demand for tyres is dependent on the demand for cars. The demand for watch-making machinery is dependent upon the demand for watches.

Industrial products which form a part of the infrastructure are influenced by the government policy and the availability of industrial finance through national and international agencies.

Industrial product sales forecast is influenced by company level forecast, industry level forecast, national economic forecast and the world economic forecast.

Approaches to Sales Forecasting

Sales forecasting is arrived at either by a breakdown approach or a market build-up approach.

Break down Approach

Here a general sales potential of a market is arrived for a specific period. Then a particular percentage of this total sales potential is considered as the organisation's sales potential.

Market Build-up Approach

Here sales forecasts move upwards from product to product-line to customer group to a geographical area. All these estimates are aggregated for the different products, product-lines, customer groups and geographical areas. They are reviewed in the context of the overall objectives, resources available and competitive activities.

Both these approaches can be combined. Both approaches have pros and cons. Breakdown approach is quick and economical as it can use inputs of data made available by others. However, it lacks the reliability of the market build-up approach. Combination, though time consuming, may give satisfactory results.

Methods of Forecasting

We shall examine the various methods of making a sales forecast. The methods fall into five categories — executive judgement, surveys, time series analysis, correlation and regression methods, and market tests.

Executive Judgement

It is based on past performance, insights and intuition of executives. In a stable market, this method is suitable. But in a turbulent environment, it may be wide of the mark as it fails to assess the changes. Salesforce composite method and jury of executive opinion are two popular versions of this method of forecasting.

Surveys

A survey is conducted to ascertain predictions of the customers, salesforce, experts, etc. Customers can indicate their purchase intentions. Salesforce indicates territory potential, company's share and competitive share. Dealer surveys can also become a part of salesforce surveys. Expert surveys provide their perspective; and a detached outsider's approach.

Time Series Analysis

This method extends the historical past data into the future. It is an attempt to catch the trend, seasonal, cyclical and random factors which constitute the past sales. It thus improves the forecasting from the past data. This method is apt for short-term and medium-term forecasts. If the demand is stable, it becomes quite accurate. Some popular techniques of time series are moving averages, exponential smoothing, and time series extrapolation.

Correlation and Regression

It tries to establish a relationship between past sales and one or more variables such as population, income, etc. Regression tries to determine the relationship between the past sales and changes in one or more economic, competitive or internal variables. These methods are more accurate. They are used to make forecasts for product class. Though a correlation may exist, it may not indicate a cause and effect relationship.

Advanced forecasting methods, which explain causal relationship, in addition to regression, are econometric model, input-output model and life cycle analysis. Life cycle forecasts the growth rate of new products along the s-curve. Product adoption by innovators, early adopters, early majority and laggards is the foundation of such analysis.

Market Tests

New product forecasts can be on one-time basis by this method where purchase history is recorded and the response to various elements of marketing mix is examined. A market test run for trial has many lessons to offer. A product sales forecast is made after factoring all these. These forecasts may lack the precision, as the reality varies from market-to-market.

Forecasts and Judgements

Several methods may be used to arrive at a sales forecast. A method that is both quantitative as well as qualitative is better than one that uses a single approach. Judgement is applied to data arrived at quantitatively. A forecast does need subjective input. It enhances the usefulness of the forecasts.

Evaluations of Forecasts

It is difficult to evaluate forecasts. It is difficult to pinpoint the criteria for evaluation. The factors which weigh heavily while evaluating forecasts are — the techniques used, the reliability of data and the environmental changes. Forecasting in the final analysis is an art rather than a science. A forecasting audit examines methods, assumptions and data, uncertainty and cost-benefit analysis.

Computerised Sales Forecasting

Computer can be used to make forecasts. Its merit is that subjective inputs can be introduced into the forecast and their effects tested. Several sophisticated forecasting models are available. Artificial intelligence allows the development of expert systems models.

Sales Forecast, Sales Budget and Profit Planning

We require a certain level of sales so as to achieve forecasted sales and planned profits. Sales input expressed in money terms form the sales budget. Sales inputs are deployed prior to the desired level of sales are attained. They may be attained or may not be. We thus can exercise care while spending.

Sales budgets are split up product-wise, territory sales-wise and time-period-wise so as to do profit planning. Sales are monitored continuously against the targets set.

As a rough rule, not more than 40 per cent of sales budget must be spent in the first half of the year. As the forecast is based on certain premises, sales effort must respond to the ground reality.

The entire market environment must be scanned to modify sales input, budget and profit plan.

Sales forecasting is thus a dynamic activity.



Chapter



Sales-related Marketing Policies

Marketing is the management and control of marketing mix consisting of our elements, the product, the promotion, the place or distribution and the price. Naturally, the other three Ps of marketing, *viz.*, the product, price and distribution do affect sales and sales affect them. Marketing department, therefore, formulates product, price and distribution policies in consultation with sales department. Sometimes, the sales department assumes the whole responsibility for these policies and sometimes it just implements these policies framed by the other executives in the marketing department. More-often-than-not, they contribute a great deal while framing these policies.

Sales-related policies determine the direction of the firm, and guides the sales executives in achieving the personal selling objectives by organising the selling task and controlling it. Sales operates within the marketing frame work laid down in these policies.

PRODUCT POLICIES

What we sell or what business we are in determines the *raison d'être* of business. The business opportunities are tapped keeping in mind our mission. A business moves on, adding certain products, and leaving behind certain old products. An organisation has to decide the product design and product quality of its product portfolio.

Product decisions are made on the basis of product policies. A company takes its product decisions on the basis of its product objectives. Some industrial marketers are interested in selling just the product, with no back-up services, whereas some sell the product with back-up services. Product policies in both these cases will be different.

Product-line Policy

The full set of products offered by an organisation is called its *product mix*. It is an assortment of product-lines handled by a company. To illustrate, Videocon's product mix consists of audio products, TVs, VCRs, washing machines and home appliances like ACs, refrigerators and water purifiers. A diversified company has a product mix of related or unrelated products.

Let us consider only one product-line; say breakfast products. A company can have an entire range of breakfast products like porridges, instant mixes, formula milk, milk additives, nutrient chocolate mixes, cornflakes, etc. It is called full-line. The company can concentrate only on a short-line, say cornflakes. A company can choose full-line policies for certain product categories and short-line policies for other product categories. It is a choice between an assortment or specialised products. The more short-lined one is, the higher is the risk. A single product company can be highly profitable, because there are benefits of specialisation and consequent economies of scale in production. However, the company is vulnerable as it may be forced out of the market, if its product offering shows a decline in sales because of replacement product of the competitors. The length of the line is a matter of salesforce capabilities, the infrastructure for after-sales services, the expectations of the trade and customers and costs associated with production and promotion. A wider line distributes risk. However, each item has its limitation to contribute to the profits.

Policies are framed to add new product-lines, introduction of more product items to lengthen the line, introduction of different product variants or deepening the line, and maintain a level of consistency in the product-line.

Product-line Analysis

A product-line is put in charge of an executive. He has to monitor the sales and profits of each item in his product-line, and see how it fares with the competitor's product-lines. Those product-items which contribute most to sales and profits should be guarded against competition. A high concentration of sales in a few select items makes the product-line vulnerable. Those items which contribute insignificantly to sales and profits are either to be rejuvenated or dropped. Products of competitors are put on a map in terms of their attributes. This enables a line manager to decide the competition of his own product. It also indicates the niches in the market which can be filled up.

Product-line Length

The product-line manager tries to have an optimum product-line length. The length is considered short if any addition of new product increases the profits. The length is considered too much if there is a possibility of increasing profits by dropping the items from the product-line. Company objectives do affect product-line length. Those companies which are committed to high market share and growth have longer lines, even though some items are not yielding profits. Those companies which are obsessed with profits tend to have shorter lines.

Over a period of time, as the company grows, product-lines start lengthening. The salesforce and distributors pressurise a company to have a full product-line to satisfy all the needs of the target customers. The expanded production capacity also acts as an incentive to have product-lines length increased. The product-line manager keeps on adding product items for having larger sales and profits.

The ever lengthening product-lines in their wake bring additional costs, which cannot be allowed to rise beyond a limit. A review of product-line is then undertaken. Such a review may reveal many loss-making product items. To improve the bottom-line, such items are dropped. From an undisciplined product-line growth, we reach a massive product pruning stage. The length of the product-line is increased by two ways — line stretching and line filling.

Line Stretching

Line stretching consists in going beyond the current range of products. The stretch can occur upwards or downwards or in both the directions.

Downward stretch is resorted to by those companies whose products are all upper-end. A downward stretch may *fill-up* a market void or may extend the high-end reputation of the company to the low-end products. A competitor's attack at the highest-end may provoke a company to attack him at the lower-end. Sometimes, there is low growth at the high-end, and so a downward stretch may become necessary. Downward stretch exposes the company to the risk of cannibalisation — the low-end items cannibalising the high-end ones. There is another risk — the competitor is compelled to enter the high-end market as a response to the company's low-end entry. There may be distribution problems. The trade might not like to patronise low-end items for a variety of reasons.

Upward stretch is the entry of the company in the market at the higher-end when its current range is located at the lower-end. Perhaps, a high growth rate or higher profits are an incentive for upward stretching. It also gives an opportunity to the company to have a complete range. An upward stretch is a risky proposition. The competitor is likely to go down market. Besides, the competitors at the upper-end are usually well established. Even customers may not take a lower-end company entering the higher-end seriously. The trade channel may not have the competence to handle a higher-end product.

Two-way stretch is in the middle of the market, and can opt for stretching both upwards and downwards.

Line Filling

Within the present range more product items can be added. This is called line filling. There should not be a missing link in the line, it may result in lost sales. Line filling may help to fill-up excess capacity, e.g., children's toothbrushes can be manufactured if there is excess capacity in a toothbrush industry. Addition of product items may lead to incremental profits. The gaps are filled up, so competitors do not get a chance to enter the market. Line filling, however, should not confuse the customers — each item must have a visible difference. Line filling should not lead to cannibalisation.

Upward stretching is also called *trading up* and downward stretching is also called *trading down*.

Line Modernisation

A company may have an adequate product-line length. But the product-line might be old styled. What is necessary is the line modernisation. In rapidly changing environment, line modernisation should be continuous. Overall modernisation or piecemeal modernisation is an important decision. Modernisation in piecemeal allows the company to assess the reaction of the traders and customers. The disadvantage of such an approach, however, is that it allows competitors to copy the changes. Modernisation should

not be too early to affect the sales of existing products adversely or should not be too late so that competition goes ahead of us, and makes us obsolete.

Line Featuring

One or a few product items are selected by the product-line managers for featuring. Sometimes, low-end products are featured as traffic builders. Videocon has selected its Rs. 8,000 worth colour TV for featuring. It attracts customers inside the shop. Its high-end product Bazooka is, however, priced at Rs. 24,000. Sometimes, a high-end product is selected for featuring to give prestige to the entire product-line. Sometimes, weak items are selected for featuring.

Line Pruning

A product-line needs pruning to eliminate low profit products. There is an attempt to get profits from fewer products. Sometimes, an entire product-line is eliminated; *e.g.*, Xerox dropped its line of computers and Gillette its line of digital watches. Line pruning is also resorted to when there is shortage of raw materials and energy. It is difficult to maintain production capacity then.

SOURCES OF NEW PRODUCT IDEAS

Ideas can come from a number of sources. Ideas can come from the R&D department. The chief executive himself can be a good source of ideas. The marketing people including the salesmen provide certain ideas. Outsiders like the suppliers, the dealers and the distributors, inventors and research agencies are fertile sources of new ideas. Technical people working in the company and outside are a good source of ideas. Companies get ideas from the competitors. The kith and kin of people interacting with the company, *e.g.*, chairman's wife, may throw up bright ideas. Customers themselves are the most important source of new product ideas. Surveys of customers and feedback from the customers are treasure-mines for the companies. Ideas can be found in our country; or else we can be inspired by people and products abroad.

Though there are endless number of sources for new product ideas, what matters more is how seriously a company addresses itself to those new ideas. It is not possible to anticipate the sudden emerging idea. Sometimes, ideas occur accidentally, these must be accommodated. It is, however, unwise to rely on such accidental happenings. It is, therefore, desirable to have a systematic idea search programme.

Idea Screening

It is relatively easy to find a large number of opportunities in the form of initial ideas. We have to consider now which of them are really worthwhile for a follow-up. Which of these ideas are worth committing the corporate resources to them? These are fairly difficult decisions. Some of the ideas are rejected for obvious reasons like:

- (a) lousy idea;
- (b) unsuitable idea for the firm;

- (c) obvious problems in production and marketing;
- (d) too little potential;
- (e) someone else is already exploiting it;
- (f) others would be able to implement it better and quicker;
- (g) no long-term potential;
- (h) other reasons, *e.g.*, unsuitable for the main customers of the company.

It should be possible to reduce the ideas from several hundreds to thirty or forty having some *prima facie* merit. Later, further pruning is done more rigorously. While screening the ideas, the company should not dismiss an otherwise good idea — a drop-error. Carlson's copying machine was a good idea. Xerox exploited it while IBM could not. RCA exploited the radio while Victor Talking Machine Company could not. Too many drop-errors may prove to be disastrous for a company, its standards perhaps are too conservative. On the other hand, some companies become victims of the go-error — they proceed to the next stage though the idea was worth dismissing. An early rejection proves less costly for the company, since with the progressive stages of development process, the costs escalate. It is wrong on management's part to allow poor ideas to reach so far. Management should not allow ego and arrogance to blindfold itself in carrying forward apparently poor ideas.

A numerical rating of the specific factors is often useful at this stage. A typical rating device is given below:

<i>Factor</i>	<i>Maximum Score</i>
Idea is unique	20
Non-copiable	25
Wider appeal	20
Strong enough to induce trials and repeat purchases	25
Technically viable	25
Not price-sensitive	25
Compatible with corporate policy	25
Little need for consumer education	20
Likely to appeal to current customers	20
Suitable for development considering company's technical expertise	25
Relevant to production resources/know-how	15
Can use company's branding	20
Suitable with the present sales/distribution resources	20
Can exploit other resources (financial, personnel, international)	10
Can be tested in the marketplace	20
Can be marketed in a given timeframe	20
	335

Adapted after Peter Kraushar, *Practical Business Development* (1985). Holt, Rinehart and Winston.

The factors chosen and the scores assigned are based on judgement and experience. These are useful in prioritising the factors at this stage. A team uses the above screen and arrives at an agreed point of view.

Richman's product-idea rating device lists the factors like company resources, location, corporate personality and goodwill. All these factors are weighted. The company's competence level against each factor is jotted down. The overall rating is the summation of the product of relative weight of each factor and company's competence level. A minimum cut-off point for acceptance is indicated.

The rating devices make idea screening more systematic. However, it is just an aid to decision-making, and cannot substitute it.

PRODUCT DESIGN: IMPORTANT CONSIDERATIONS

There are two apparently conflicting considerations that affect the product designing. We can standardise the products and improve the ease of their manufacture. On the other hand, we can offer a variety of products to meet different kinds of customers and their differing needs. There is a trade-off involved here.

When you buy a new electric bulb, you know it will screw into the socket all right, because the bulbs are standardised. There are only a few kinds of bases made. Standard is the word that denotes that there are only specific sizes made and sold. Some people call the process of cutting down on the number of sizes 'simplification'. Standardisation, they say is the process of writing down the size, shape, performance and other attributes of the items you decide to concentrate on. The two concepts are closely related.

Standardisation (including simplification) means that non-standard items will not be made except when the customer orders them specially, places a high order, and pays extra for non-standard items.

Sometimes, standards have been enacted into law for safety or for health reasons. Mostly, through standardisation is voluntary, industry-wide standardisation requires industry-wide cooperation.

Standardisation reduces the kinds, types and sizes of raw materials that have to be bought. This lets you buy and so get lower prices per unit. Standardisation also cuts down on your manufacturing costs because you get longer runs on the fewer kinds of products that you still make. You can cut set-up costs and use more specialised machines. You also need fewer patterns and tools. We would always be reordering larger quantities of fewer things and so holding down manufacturing costs.

Modular Design

In order to get perceived variety or varieties, designers resort to modular construction. Products are made mostly out of easily detachable subassemblies or sections. When an item fails they take out the whole component of which it is a part, and put in a new component. Later, they can repair the removed unit or throw it away. Modular design is used extensively in computers. Besides different combinations of modules give a new variety of products. For instance, four dial shapes, four different colours, two dial movements and two dial sizes for each shape gives us $4 \times 4 \times 2 \times 2$ *i.e.*, 64 varieties of wrist-watches, still making some standard modules in large volumes.

Form and Functional Design

Product design deals with form and function. Form design deals with the product's shape and appearance. Functional design deals with how it works or performs. The need for functional design is obvious — the product has to work or it is useless. But how necessary is form design? When customers have no basis of functions, the eye appeal wins. Even machinery makers pay attention to form design, though functional utility is still uppermost. In most situations, it is a trade-off between form and function.

Design and Production Costs

In designing products, we should keep in mind the production costs. Sometimes, initial designs cost more to produce than the market can bear. It needs redesigning so that it costs less to produce. May be we will have to compromise quality in order to get costs down. It means exploring the sales possibilities of the low prices and lower quality product.

Design for Volume Production

Mass-produced items need to be designed so that they can be made at low cost. Products, sub-assemblies and parts are first designed so that they will perform. Then the possibilities of cost reduction and elimination are examined without affecting the functional utility.

Parts are so designed that they can be put on the machines for processing quickly. The sequence of operations is integrated, if we possibly can. Quality and speed is built into tools. Subassemblies are used for assembled products wherever possible.

Precision of parts is of utmost importance for high volume products.

Repairability

Easy repair is important in product design. Too much obsession with appearance sometimes comes in the way of easy repairs.

Redesign

Each product made can be improved by redesigning. Frequent redesigns are however avoided. There is however no constant design. Changes in design over a period of time are inevitable.

Miniaturisation

Moore eloquently condenses the philosophy of miniaturisation. An army expression says: 'If your product is room-size, make it desk-size; if it is desk-size, make it portable. When you can't shrink it any more, pack twice as much power into it'. For industry in general we can say: "Make it smaller and lighter in weight."

Yet it isn't always so. Not everyone has to miniaturise. A half-size bed isn't much good to a full-sized person. And a desk has to stay desk-size and a book, book-size. Typewriter and calculators cannot be made smaller beyond a certain extent, or else we won't be able to use them."

But even where you can't miniaturise the whole product, it may be paying to miniaturise the parts. Miniaturisation is very important in electronics.

Miniaturisation is partly design and partly research. No one could make a finger-nail-size hearing aid, for example, until Germanium came out of research, the miniature products using Germanium had to be developed, and finally, they had to be incorporated into the hearing aids.

Miniaturisation always results in using less material (but it may be more expensive material). Saving space and weight is the main idea, particularly in airplanes, space rockets, automation components and instrumentation.

There is more and more miniaturisation on account of the developing science of micro-electronics. The revolution dates back to 1947 when transistor was developed — a major component in the micro-electronic circuit. Some 15 years back, the dimension of a transistor was one micron (millionth of a metre. A single hair is 50 microns wide). It has since then reduced to 10th of that. We now speak in terms of nanos (a billionth of a metre, 10 times the size of an atom). Since the devices depend on the flow of electrons, the smaller they are, the lesser is the travelling distance, and the better they work.

Computer chips now have more capability due to reduced sizes. The photolithography process uses a laser beam (or electron beam). The sharper the beam, the finer the components. More is packed in a given surface.

We can build certain devices atom-by-atom. The STM: Scanning, Tunelling Microscope is compact but powerful enough to see an atom. It can examine surfaces, like that of a silicon, at atomic level. STM is also used as a shovel to pick-up clumps of silicon atoms and move them to another site.

Molecular Man

IBM scientists made a *molecular man* by spraying molecules of CO onto a platinum surface and then dragging them into shape using the STM tip. The molecular man was 20 atoms wide (To surround a single strand of hair, 1,00,000 such men will be needed).

Further Miniaturisation

IC's will shrink further as a result of this experiment. They will shrink further by 500 times. Nano-structures can be built atom by atom. Molecular-sized nano-machines can be created to carry out repairs and do genetic engineering in human body.

Novel Materials and Quantum Effects

There is a possibility of making novel materials using quantum effects.

Further Applications

- (i) quantum computer, much more powerful than the existing ones.
- (ii) quantum sized particles for dirty tasks like decomposing toxic gases.
- (iii) quantum particles for optical properties like night vision.
- (iv) quantum particles to substitute Silver Halide in photographic film.
- (v) optical switches in optical computers.

Design by Computers

Computers are doing both the calculating operations required in the design work and the actual making of engineering drawings. General Electric uses computers to design electric motors. GM uses them in automobile design. Airplane companies use them to compute the contours of the wings and to layout electronic circuits.

The key elements are thus function, cost, quality and reliability. Other elements that affect the design are appearance, safety, repairability, environmental impact, timing and accessibility.

These considerations sometimes require a trade-off. Marketing considerations like segmentation lead to specialised product versions (different TV sets from one manufacturer.)

Preferred Numbers

Many products can be made in a continuous series of sizes, from very small to extremely large, but to them such a series would be impractical. Electric light bulbs, motors, clothing, shoes, packaged food, tin cans, and many other items can be made in very small or very large sizes and in any number of in between sizes. Manufacturers of such products must decide upon certain particular sizes. Only in this way can enough volume be concentrated in particular sizes to permit economical manufacture and sale. Today, the makers of the products listed above, and many others, make most of their products only in standard sizes.

Generally, a geometric progression of size differences (1, 2, 4, 8, 16, etc.) is more satisfactory to customers, and meets their needs better, than an arithmetic progression (5, 10, 15, 20, etc.).

It is a matter of policy to decide the frequency of design changes and the extent to which the design are to be protected. In a country like India, there are many cases of reverse engineering. The design changes are not subject to strict protection. In certain fields like fashion, this is not practical also. When design changes are less frequent, legal protection can be examined.

Product Quality and Service Policy

Durables and industrial products do have a correlation between quality and service. High quality requires less servicing and *vice versa*. High quality product manufacturers are liberal in offering services. Buyers come to know about the quality on use. It is in their interest to have a liberal service policy. It is an incentive to buy. Lower quality do affect sales adversely.

Service policies spell out consumer education regarding product usage and care. Consumer durables require installation services, inspection services and maintenance services. Service is a key feature of the promotional campaign, services affect sales at each stage of the life cycle of the product. A manufacturer provides free services for a specified period of time, and changes thereafter.

A service station of a centralised nature can be operated, and nominal charges, say a particular sum per call, can be collected. This eliminates unnecessary calls. A company can authorise the dealers to provide service. The control over the service charge here is lesser.

Guarantees or warranties streamline the service policies. They have promotional value. Either the product not performing well is repaired or replaced, or its price is refunded. The guarantee terms can be restrictive or liberal.

DISTRIBUTION POLICIES

Sales department's functioning is greatly affected by the network of distributors. The salesforce operates through a channel network of distributors. It is a part and parcel of geographical coverage. It is a pivot for order generation. The number of outlets at each distribution level shapes the sales organisation. The cooperation and conflicts with the channel influence the selling task.

Selecting Channel of Distribution

We shall now examine the choice of channels available to a producer and the factors affecting this choice.

The most frequently used channels for consumer goods are as follows:

(1) M → C Manufacturer → Consumer

It is the shortest channel. There are no middlemen here. It is also called direct sale. It operates a mail order house, or through door-to-door salesmen. Thus, Bullworker — Exercise Equipments are sold directly through mail order. Aqua Guard Water Filters, vacuum cleaners, etc., are sold by Eureka Forbes through sales people directly. The sales people are paid commission on sales.

In developed countries, there are direct sales through vending machines of products like ice cream, soft drinks, milk, butter, etc. Here in India, banking services through ATM (Automatic Teller Machines) have started being sold direct.

Direct sale through own retail outlets is also a possibility.

Here, there is complete control over the channel. Marketing feedback is also excellent. As middlemen are eliminated, the prices become competitive.

Here, the major cost is that of promotion — either through personal selling or direct mail advertising. The independent sales organisation is a costly thing to be set-up. This channel suits the following conditions:

(1) Local Market, (2) Perishable goods, (3) Finance to set up own distribution system, (4) Premium products with after-sales back-up, (5) Selective distribution, (6) Effective control over retail prices and marketing. Avon Cosmetics (USA) does direct marketing successfully.

(2) M → R → C Manufacturer → Retailer → Consumer

It is suitable for large retailers who buy directly from the manufacturers, by passing the wholesalers in the process. It is a shorter and quicker channel.

(3) M → W → R → C Manufacturer → Wholesaler → Retailer → Consumer

This is a traditional channel. Small retailers and small manufacturers find this channel suitable. In this channel, there is division of labour. A manufacturer concentrates on production, and leaves the distribution to wholesalers. It improves productivity and reduces cost. The only disadvantage is that the commissions of the intermediaries raise the price of the product, when it reaches the final consumer. This channel suits mass distribution.

(4) $M \rightarrow A \rightarrow R \rightarrow C$ **Manufacturer** → **Agent** → **Retailer** → **Consumer**

Here, the wholesalers are replaced by the manufacturers' agents. They reach the retail market, especially large-scale retailers.

(5) $M \rightarrow A \rightarrow W \rightarrow R \rightarrow C$

Manufacturer → **Agent** → **Wholesaler** → **Retailer** → **Consumer**

Here, the agents sell to the wholesalers who then approach the small retailers.

(6) $M \rightarrow D \rightarrow R \rightarrow C$ **Manufacturer** → **Depot** → **Retailer** → **Consumer**

In this channel, the wholesaler has been eliminated. Manufacturers transship the goods to their own sales depots, which arrange to supply the goods to the retailers. In other words, the responsibility of distribution falls upon the manufacturer. Here, he has to develop a chain of retailers, keeping in mind their diverse requirements and operational methods. Here, the manufacturer gains control over the channel, improves his profits, knows the market trends immediately, avoids the malpractices at the wholesale level. But as a result, his concentration gets divided between production and distribution. He has to perform all the functions of a wholesaler, and so his cost of operations increases. In pharmaceutical industry, Alembic has many sales depots supplying goods to wholesalers.

(7) $M \rightarrow CS \rightarrow C$ **Manufacturer** → **ChainStore** → **Consumer**

Here, the manufacturer takes upon himself the additional function of distribution by setting up his own shops in different parts of the city or even in different parts of the country. He sells his own goods directly to the consumers through these shops. It is the shortest and quickest channel. Here, the manufacturer becomes both a wholesaler and a retailer.

Distribution Channels in Industrial Marketing

In industrial marketing, there are four types of channels in vogue. An industrial marketer can use his own sales office or branch to reach the next component of the channel. He may choose alternatively two levels of wholesalers.

(1) $M \rightarrow I \rightarrow C$ **Manufacturer** → **Industrial** → **Consumer**

Large and complex products are sold directly to the users, *e.g.*, aircraft, power generators, heating plants, etc.

(2) $M \rightarrow ID \rightarrow U$ **Manufacturer** → **Industrial Distributor** → **User**

Distributors are used by suppliers of components, accessories, building materials, air-conditioning equipments, etc.

(3) $M \rightarrow A \rightarrow U$ **Manufacturer** → **Agent** → **User**

Agents are used by those firms whose own marketing department has not yet been set-up. It is also useful to introduce new products or while entering the new markets.

(4) $M \rightarrow A \rightarrow ID \rightarrow U$ **Manufacturer** → **Agent** → **Industrial Distributor** → **User**

When it is not possible to sell directly to the users by the agents, we can make use of the industrial distributor who also provides storage services.

FACTORS AFFECTING THE CHOICE OF CHANNELS OF DISTRIBUTION

While selecting a channel, we have to keep in mind the three 'Cs' — channel *control*, channel *cost* and market *coverage*. A channel is generally selected on the basis of the customers' buying pattern. Some more considerations like the product, the intermediaries and the company itself also affect our channel decisions.

Market Considerations

It is obviously to be seen whether ours is a consumer-product or an industrial product. In industrial marketing, there are no retailers.

Number of Potential Customers

If there are a few customers, the product can be sold directly to the customers by personal selling. The larger the number of customers, the greater are the chances of using the middlemen.

Geographic Concentration

When customers are concentrated in a few geographic centres, we can think of direct sale, *e.g.*, ready-to-wear garments or textiles. For a nationally marketed product also, there may be some segments that have a high density, and it is in such densely populated areas that the sales branches are set.

Order Size

A pickle manufacturer may sell directly to a retailer like Apna Bazaar as it places a large order. However, it may use wholesalers to reach a large number of small retailers.

Product Considerations

Unit Value: Lower unit value of the product means longer channels. However, if a large quantity of low unit value products are sold, the channels can be shortened.

Perishability: Short channels are recommended for highly perishable products or fashion products.

Technical Nature: A complex technical product can be sold directly to the user. Such a product requires pre-selling and after-selling services, which wholesalers are not able to provide.

Middlemen Considerations

Each producer selects the middlemen who provide services which the producer himself cannot provide or cannot provide economically. The availability of the middlemen and the attitude of the middlemen towards the producer are also important considerations.

Company Considerations

A sound firm is less dependent on middlemen. Experience of the trade makes a firm less dependent on middlemen. A new firm may hand over the distribution to middlemen. The desire to control the distribution affects the choice.

USE OF MULTIPLE CHANNELS

It is possible for a producer to use more than one channel while distributing the products. A paint manufacturer can sell both to the household customers and industries. Here the product remains the same. It is obvious that different channels will be used for different products. It is possible to use dual distribution even for a single market on account of the type of buyers and the density of the market. A food product company can sell directly to Apna Bazaar but sells to other retailers through wholesalers. Some manufacturers use competing channels to sell the same brand to the same market, *e.g.*, Vicks Vapo Rub is distributed through general stores and chemist shops or Bata markets its shoes through its own stores and through other shoe retailers.

INTENSITY OF DISTRIBUTION

Once the channels are selected, the manufacturers have to decide the number of middlemen to be employed either as wholesalers or retailers. This is called determining the intensity of distribution. Generally, three levels of intensity are adopted, but they are not exclusive of each other. They, in fact, are on a continuum. They range from:

(1) intensive distribution, (2) selective distribution, (3) exclusive distribution.

1. Intensive Distribution

Mostly used for consumer convenience goods, the consumers demand immediate satisfaction of their need, and would rather not postpone the purchase. This strategy is dependent upon the retailers. A manufacturer who introduces a new food product may wish that all retail outlets of groceries and general stores carry it. But retailers may decide to stock only four wellknown brands already existing. Intensive distribution thus needs putting advertisements and aggressive promotion. The promotional burden rests mainly on the manufacturer. There is no incentive for any retailer to promote a product that is carried by the competitive outlets.

2. Selective Distribution

A business selects a few out of a wide variety of outlets. Maybe, a business selects a large number of outlets, but still not all. This distribution is suitable for shopping goods and speciality goods. It is also useful for accessories. This strategy may be adopted after first gaining experience from intensive distribution. The switch over may be due to the high cost of intensive distribution or non-satisfactory performance of some channel members. In this strategy, we can eliminate unviable middlemen. It is a more productive approach. The sales may in fact increase, though the number of accounts handled may be small.

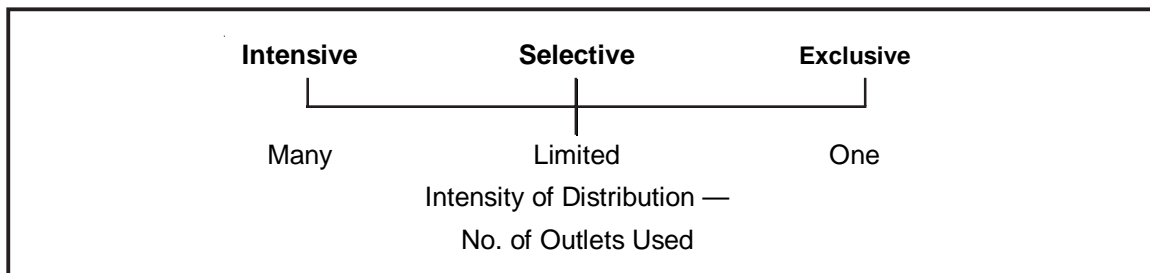


Fig. 17.1 Intensity of Distribution Continuum

3. Exclusive Distribution

Here, one middleman (either a wholesaler/retailer) is appointed, and is given all the supplies. An exclusive distributor can be a wholesaler or a retailer. He handles the producer's line mostly, he is not allowed to carry a competitive line. Such distributorships are common for speciality products. In this strategy, the retailers have to carry a large inventory. Such distributors also provide installation/repair service. Machinery manufacturers generally appoint exclusive distributors.

Exclusive distribution helps a manufacturer to exercise channel control. The distributors may become collaborators in promoting the products. This channel assumes efficiency of distributors. If they are not efficient, the producer will suffer. Exclusive distributors are dependent on efficient manufacturers. If the manufacturer falters, the distributor may suffer. Such distributorships involve a certain level of financial commitment. There is a risk of the manufacturer adopting another level of intensity of distribution once the market is developed.

CHANNEL MANAGEMENT: HUL VS. P&G

HUL famed distribution strategy was considered a benchmark for years for FMCG marketers. It aimed at the widest reach by having the widest coverage. This could give the necessary critical mass. Most FMCG marketers patterned their distribution management after Lever by expanding the distribution cover to have more volume growth. P&G also tried to emulate Lever for almost a decade. One factor, however, P&G and others overlooked is the cost of distribution. On analysis, P&G found that almost 85 per cent of its sales came from the top 30 towns. This ruled out extensive distribution. A large distribution network also meant less business per distributor, less off-take per distribution outlet, and consequently less returns for it. P&G has now decided to cut down its distributors. Lower reach does not necessarily mean lower off-take. Even if the network is cutdown, availability will not be affected but costs will come down. The network will be cutdown to one-tenth of its current size. Companies cannot ignore now the RoI of distributors. P&G will now appoint super-stockiest, replenish them more frequently and reduce their average stock-levels. Once the distributor gets better RoI, he is motivated to invest more in IT and distribution infrastructure. Distribution margins can be cut, and be channelised into brand-building activities. With super-stockists around, they will invest in infrastructure like storage and warehousing and this will obviate the need to have C&F agents. The only brand that will need wider distribution is Vicks cough drops. It has chosen to adopt wholesale distribution system for the Vicks line.

ANDERSON CONSULTING DISTRIBUTION STRATEGY PYRAMID

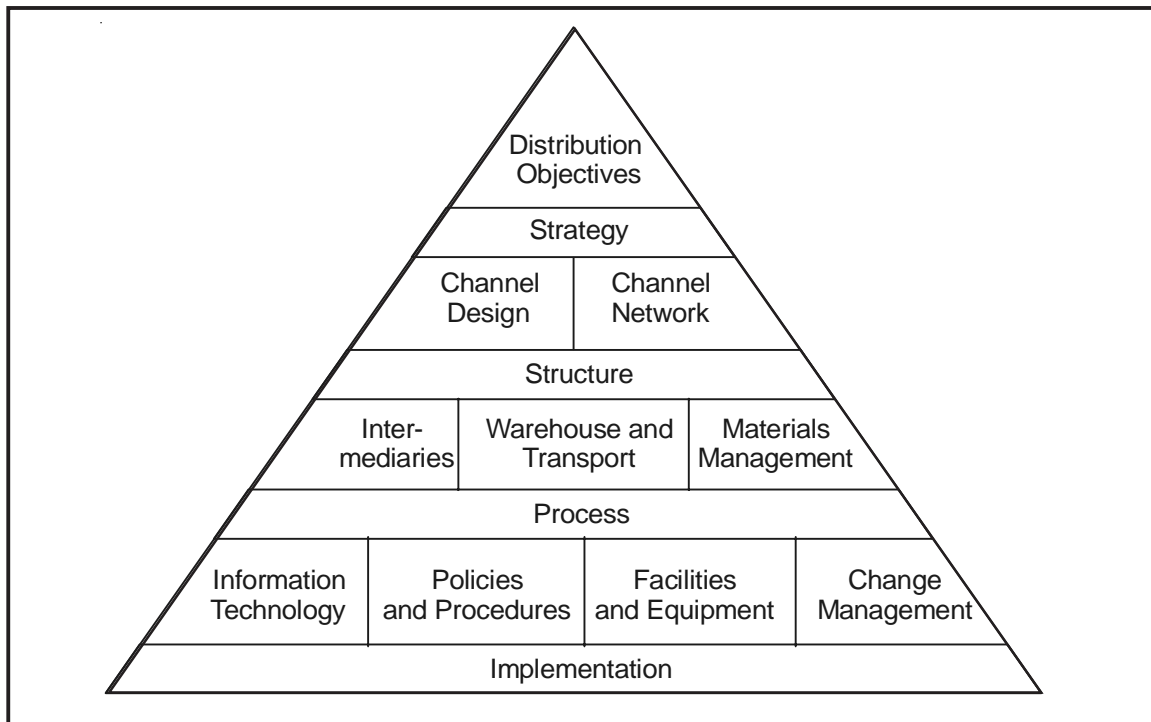


Fig. 17.2 The Anderson Consulting Distribution Strategy Pyramid

This model basically answers questions like what my distribution objectives are in view of the value proposition and target audience of my product. It further seeks to answer what channel structure will achieve my distribution objectives. It all leads to the physical aspects of the distribution, where the objectives of distribution will be achieved at the lowest cost. To support this, one needs to have a suitable organisational structure and process.

Distributor's new generation is profit-focussed and highly professional. Companies have to treat them fairly. Distributors have formed associations. They agitate against companies if they have unredressed grievances. But then these distributors give additional business, and that makes up for all these changes. Some companies refuse natural growth to the distributors. They split territories. They demand payments without realising distributors' problems. Both the company and distributor should develop a mutually beneficial relationship. Salesforce must be trained to build such a relationship. Selling skills constitute only 30 per cent time now in training as against 90 per cent formerly. The balance 70% of time is taken up by areas like management skills, conflict resolution, personal development and so on.

DIGITISED MAPS

These maps are used for sales and distribution planning. These maps can be viewed on computers. The basic data is called from sources like municipal maps and the national census. Additional data is superimposed. Such data could be sales figures, location of depots and retail outlets. It is a tool of micro-marketing. RMSI has just completed the work on digitised map of Delhi plotting 60,000 retail outlets as dots on the map. It provides detailed information on each outlet — its name, address, phone number, floor area, number of salespersons, turnover, facilities available like the AC and fridge and the product categories stocked.

PRICING POLICIES

The sales manager acts as an advisor in setting the prices. The sales representative in the field has to persuade the buyer to accept the product at the listed price. He, thus, actually implements the pricing policies. Pricing policies thus are of great interest to people working in the sales department.

PRICING OBJECTIVES

Marketing effort keeps in mind certain objectives and pricing is no exception. The pricing objectives must precede the actual price setting process. Pricing objectives can be related to sales, like sales increase or maintenance or increase in market share. Pricing objectives can be related to profits like maximisation of profits or having a desired RoI or return on sales. Pricing objectives may seek to maintain the *status quo* like price stability and encountering competition. The pricing objectives must be consistent with the overall objectives of the firm.

Desired Returns

A firm may seek to achieve a certain percentage on its investment or sales and can price its products accordingly. Generally, net sales are considered while calculating returns for short-term. A percentage mark-up on sales is put to cover estimated operating costs and a desired profit for the year. Here, the percentage of profit may remain the same.

The rupee profit varies as per the units of output sold. In trading, returns on net sales are not so high. Manufacturers adopt the desired returns on investments. Mostly, the expected returns are 10-20 per cent after taxes. The desired return price is advantageous to market leaders who can set pricing objectives without considering the smaller firms. It also enables the evaluation of different divisions of the company.

Profit Maximisation

This is a widely used pricing objective, though profit itself is considered an ugly word; synonymous with profiteering and exploitation. Profits cannot remain high in the long-run, because competition enters the scene, thus increasing the supply, reducing prices and profits. Public opinion also forces the

prices downwards. Sometimes, governmental intervention brings down the prices. Firms that introduce new products or enter new markets may offer lower prices to penetrate the market. They are ready to suffer even losses in the initial years. It is better to have a profit maximisation on total output rather than on individual items.

Credit card companies do not make any profit on a card till it becomes two-and-a-half-year-old. Besides, profits come after attaining a critical mass of customers, say, 3½ lakh cards being sold. A part of the output called 'leaders' may be sold by a retailer for lower or no profits so as to attract customers to the store. But other profitable buys offset the losses, and still leave a sufficiently high profit. Foreign banks use credit cards, to get a clientele for their personal banking activities, which are highly profitable.

Raise the Sales Volume

Pricing may be used as a tool to increase the sales volume, *e.g.*, by giving discounts or by cutting prices or by selling under cost at a loss. The objective may be to get a footing in the market. However, this may not always be profitable.

Market Share

One of the major objectives of pricing is to maintain the market share or to increase the existing there. First, the existing market share is assessed. Then attempt is made to increase it, especially if the market is growing. In a growth-oriented market, the desired return goal may not be sufficient since though the company earns what is planned, its market share may actually be coming down.

Price Stability

Market leader sets the prices and other firms follow these prices. Generally, this takes care of wide demand fluctuations. Because pricing today is flexible, smaller firms may not always consider a leader's price as benchmarks.

Competitive Pricing

Prices mostly respond to the competitive product's prices. Generally, there is a parity. It is difficult to cross the market-determined price. In a market of standardised products, if there is a price leader, other firms follow him in respect of prices.

PRICE DETERMINATION

Several factors influence the actual price setting. *Base price* is the price of one unit of product at its point of manufacturing or resale. Here, there is no allowance made for discounts, delivery charges or pricing strategy modification. Though one and the same method is followed both for existing products and new products, the pricing of existing products is simpler, whereas pricing of new products is complex. Factors like demand for the product, market share, expected competition, pricing strategy, other elements of marketing mix and production or procurement cost affect the price setting process.

Expected Demand

To estimate the total demand of the product is an important initial step before pricing it. It is simpler to forecast demand for an existing product than for a new product. In practice, we have to estimate the expected market price, and to estimate demand at different prices.

Expected Price

The price at which a product is considered worth, knowingly or unknowingly, is its expected price. The expected price is not a precise price but a range of prices say, “between Rs. 300 to Rs. 400” or say “not exceeding Rs. 100.” Customers do price evaluation prudently. However, for those new products for which there are no reference points, manufacturers show latitude while setting prices. Trade reaction also helps to determine the prices. Trade, by its experience, can guide a manufacturer as to which price will be acceptable to the market.

A too low a price than the expected price will result in lost sales. It is erroneous to price Revlon lipstick below Rs. 100. It will make customers doubt the genuineness of the product, and its quality. Some customers will consider it below their dignity to use such a cheap product. In other words, the product does not tally with their self-concept. Higher prices may lead to greater sales, showing an inverse demand.

The method of determining the expected price may consist of trade appraisal, expert appraisal or customer survey. It is also possible to observe the prices of competitive products. There is a possibility of a gap between what the customers say they would be willing to pay and what they actually pay. It is, therefore, advisable to do limited test marketing under different price alternatives.

Expected Sales

It is advisable to estimate the sales volume at several different prices. Previous experience with this product or a similar product is really helpful. In other words, we are here estimating a demand curve at different prices for a product. We also try to estimate the elasticity of demand. High price elasticity products could be priced lower than the price inelastic products. This analysis of estimated sales at different prices lead to Break Even Point analysis (BEP) considered later in this chapter.

Expected Market Share

A company striving for a greater market share is aggressive in its pricing policy (lower prices, heavy discounts, etc.). The market share expectation is related to the present capacity of the plant. Some plants may not be able to sustain a larger market share. Sometimes, expansion plans may attract other competitors. The ease of competitive entry determines our expected market share. The easier the competitive entry, the higher the initial prices.

Competitive Situation

Current and future competition affect our base price greatly. The ease of entry and a healthy bottom line are an invitation to competition in future. There are three types of competition:

- (i) Competition from similar products, Eveready cells and Novino cells.
- (ii) Competition from substitute products, metallic vessels and plastic vessels.
- (iii) Competition from unrelated products having a claim on the same disposable income of the customer.

Profit-oriented pricing objectives are vulnerable to competitive reaction. A company that just wants to maintain its prices as they are, is most likely to have competitive price parity.

Odd-Price Sales

In India, this is better known as 'Bata pricing'. This innovation was pioneered by Melville Stone, publisher of *Chicago Daily News* to stimulate sales of his one penny newspaper in the later 19th century. He persuaded Chicago merchants to price their wares at 1.99, so that the circulation of one penny increased in the market. He purchased one penny coins from the US mint to increase the overall supply of these coins.

PRICING STRATEGIES FOR NEW PRODUCTS

New products are in the introductory stage of Product Life Cycle (PLC). The company modifies its pricing from stage to stage in the PLC. The first stage, viz., the introductory stage, is really challenging.

Here there is a distinction between:

- (a) Pricing a genuine product innovation that is, patented; and
- (b) Pricing a product that imitates the existing products.

PRICING AN INNOVATION

Patented innovative product when launched offers two pricing options to a company: (1) Market-skimming pricing, and (2) Market penetration pricing.

Skimming the Market

Here, a high initial price is set for the new product to 'skim' the market. The American chemical giant Du Pont has followed this strategy by charging the highest possible price for their discoveries — cellophane, nylon and so on. The initial high price is suitable for some segments of the market. Later, other segments of the market are tapped by lowering the price. This strategy enables the company to skim a maximum amount of revenue from the various segments of the market. Polaroid also adopts this strategy by introducing a high-priced camera first, followed by lower-priced versions later to attract new segments. In India, there are many publishers who publish a hard-bound deluxe edition of the book first. Later, they come out with cheaper paperbacks.

Market skimming is relevant when the following conditions prevail:

- (1) Substantial high current demand.
- (2) Small volume is economically viable for production.
- (3) The high initial price will not attract more competitors.
- (4) The high price supports the image of a superior product.

Penetration of the Market

Here, a low initial price is set on the new product, hoping to attract a large number of buyers, and win a large market share.

Texas Instruments (TI) in the states have successfully followed this strategy. It sets up large plants. It charges the lowest possible prices and gains a large market share. The costs start falling; and with that it reduces the price even further.

This strategy is relevant under the following conditions:

- (1) There is a price-sensitive market. Lower prices are an incentive to the buyers for market growth.
- (2) Production and distribution costs decline when this experience accumulates.
- (3) Low price is a disincentive for competition.

PRICING AN IMITATIVE NEW PRODUCT

Initially, new product is not a technological breakthrough. Here, mostly it is a question of product positioning. The product is to be positioned here on two attributes — quality and price.

		Price		
		High	Medium	Low
Product Quality	High	1. Premium Strategy	2. Penetration Strategy	3. Superb-value Strategy
	Medium	4. Over charging Strategy	5. Average Strategy	6. Good-value Strategy
	Low	7. Rip-off Strategy	8. Borax Strategy	9. Cheap-value Strategy

Fig. 17.3

In the above figure, we've shown nine possible price/quality strategies.

The newcomer may produce a premium quality product and charge a high price for it (Cell I).

If there is a market leader already doing this, then other strategies can be adopted.

- (1) Design a high quality product and charge a medium price. (Cell 2)
- (2) Design an average quality product and set an average price (Cell 5) and so on.

The newcomer has to take into account:

- (1) The size and growth rate of each market in each cell.
- (2) The competitors for a particular strategy.

OTHER ELEMENTS OF MARKETING MIX

While arriving at the base price, we do take into account the other elements of the marketing mix, *viz.*, the product, the trade channels employed, and the methods of promotion used. To begin with, we have to consider whether it is a new product or an existing product. We also consider whether the product is sold under our own brand name or as a private brand. A product sold directly to the customer will have one price and one sold through wholesalers have a different price. The wholesale price is lower in appreciation of the services the wholesalers render. A product that need promotion on the part of the retailer will be costing him less to compensate for the additional cost.

BASIC METHODS OF SETTING PRICES

After being clear about our pricing objectives, we come to the stage of actually setting the price. There are several ways to do this, but the major considerations are to strike a balance between the demand and supply and to consider the competitive market conditions.

Cost-plus Pricing

Very popular, this method tries to cover the total cost, consisting of prime cost, office cost, selling cost, taxes, etc. After covering the total costs, a certain margin of profit is added to mark-up the price.

$$\begin{aligned} \text{Selling Price} &= \text{Total Cost} + \text{Margin of Profit} \\ &= (\text{Prime Cost} + \text{Office Overheads} + \text{Selling Overheads} + \text{Taxes}) + \\ &\quad \text{Margin of Profit} \end{aligned}$$

$$\text{Where Prime Cost} = \text{Direct Labour Cost} + \text{Direct Material Cost} + \text{Direct Expenses}$$

$$\text{Overheads} = \text{Indirect Costs}$$

This method is very useful for engineering products and job costing. It is also useful for marketing intermediaries. It is also useful when we operate in a seller's market.

In a high cost economy like ours, the consumer is at a disadvantage when this method is used. As the cost is recovered from the consumer, there is no incentive to reduce the costs. This method is also not useful for a very competitive market. In a buyer's market, we should adopt some other methods.

Break Even Analysis

These days a great deal of importance is attached to cost-volume-profit relationship, which, as the name itself indicates, is an analysis of three distinct factors cost, volume and profit. The study of cost-volume-profit relationship is frequently referred to as the Break Even Analysis. A break even point is that quantity of output at which the total sales revenue equals the total cost, assuming a certain selling price. There is a different BEP for a each different selling price. As BEP represents a *no-profit-no-loss point*, sales beyond BEP result in profits, and the further the sales are from the BEP, the higher are the profits. Sales below the BEP represent losses to the marketer.

Determination of BEP

There is a company whose fixed overheads are constant at Rs. 6,000. It produces and sells an output of 25 tonnes. Its selling price is Rs. 600 per tonnes and its variable costs are Rs. 200 per tonnes. The break even point may be found using the following formula:

$$\begin{aligned} \text{Break Even Point (in Quantity)} &= \frac{\text{Total Fixed Costs}}{\text{Unit Contribution to Overheads}} \\ &= \frac{\text{Total Fixed Costs}}{\text{Selling Price} - \text{Variable Costs}} \\ &= \frac{6,000}{600 - 200} = 15 \end{aligned}$$

Here, the assumption is that fixed costs remain constant for a specified level of activity. The production may vary from zero to the full projected capacity and yet the fixed costs do not change. This is valid for a limited short period. The second assumption is that the variable costs vary directly and proportionately with the volume of production. Thus, double the level of activity and the variable costs would be twice the previous one. Another break even point will be found for another selling price. This break even point is for Rs. 600 per tonnes price only. Break even point of 15 at a price of Rs. 600 per tonnes means that if the market buys less than this quantity, the firm will be at a loss. The output produced and sold in our example is 25, and it is 10 units beyond the BEP.

The following diagram is a graphical representation of the BEP.

Evaluation of Break Even Analysis

Break Even Analysis has many imperfections. Many of its assumptions are not realistic, the demand scene is oversimplified. At a particular price, we break even at a particular quantity. However, considering the competition and demand fluctuations, we may not be able to sell a particular quantity. Though imperfect, it is still a valuable tool when used with an analysis of the total demand.

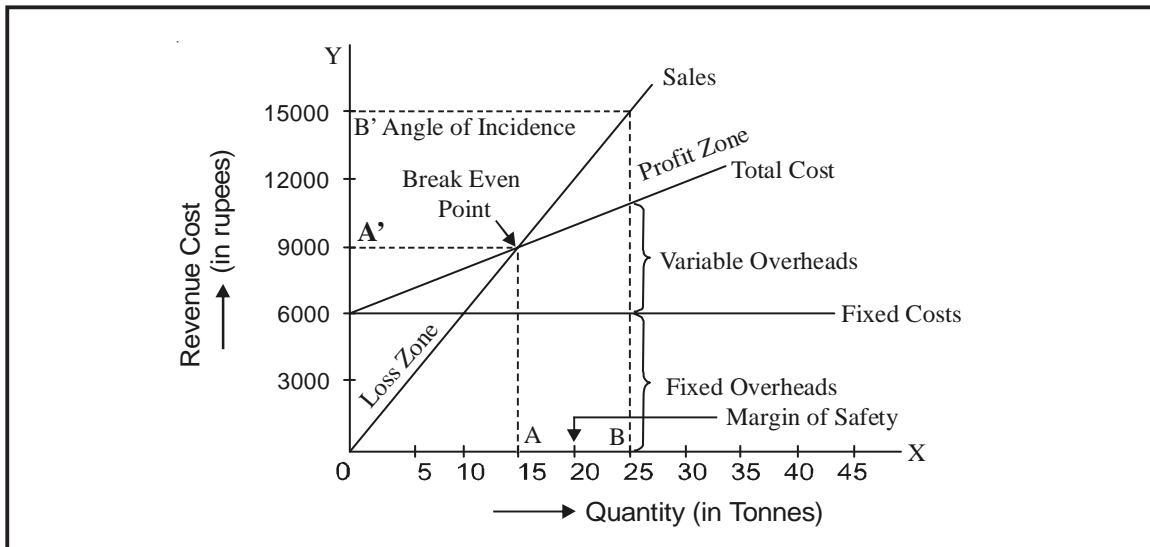


Fig. 17.4 Break Even Analysis

BALANCING SUPPLY AND DEMAND TO SET PRICES

In order to maximise profits, we shall have to balance demand with costs so that we can arrive at a price that gives maximum profits. This method is adopted by those companies whose pricing objective is maximum profits. All companies, however should understand this method as it gives them a comparative picture and can also be used under special circumstances.

There are two demand curves — one of an individual seller and another of the entire industry. In perfect competition, the demand curve is horizontal at the market price. In this situation, no individual seller controls the market price. At the same time, the industry, as a whole, has a downward sloping demand curve. In short, more units are sold at lower prices rather than at higher prices. In India, we have a monopolistic market or imperfect competition. There is a lot of product differentiation and non-price competition. Product differentiation allows some control over the prices. In a monopolistic situation, the demand curve of an individual firm slopes downward. Though it has a few customers even at higher prices, it widens its market by reducing the prices.

We shall now examine some economic concepts. Marginal revenue is the income derived from the sale of an additional unit (marginal unit). Average revenue is the unit price at a given sales volume. Average revenue is:

$$\frac{\text{Total revenue}}{\text{Number of units sold}}$$

A firm continues to produce more units and sell them till the additional unit gives revenue exceeding its cost of production. In other words, the output rises till marginal revenue exceeds marginal cost. Naturally, a firm would not like to sell below cost. Graphically, it is represented in Fig. 17.5:

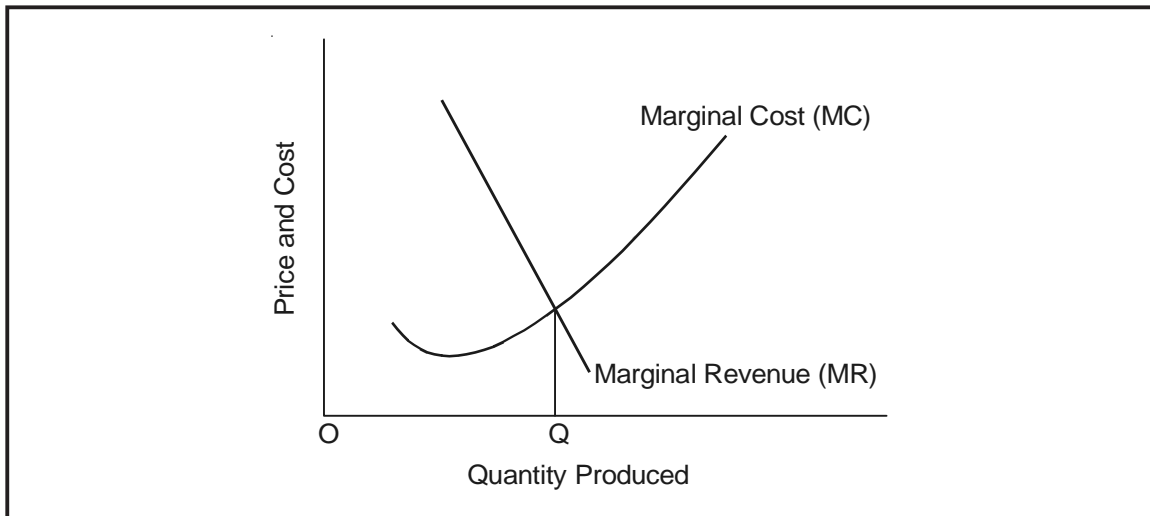


Fig. 17.5

Q is that volume of output for which both MC and MR are equal. The unit price is determined by introducing the Average Revenue Curve. It is that point on ARC which corresponds to Q.

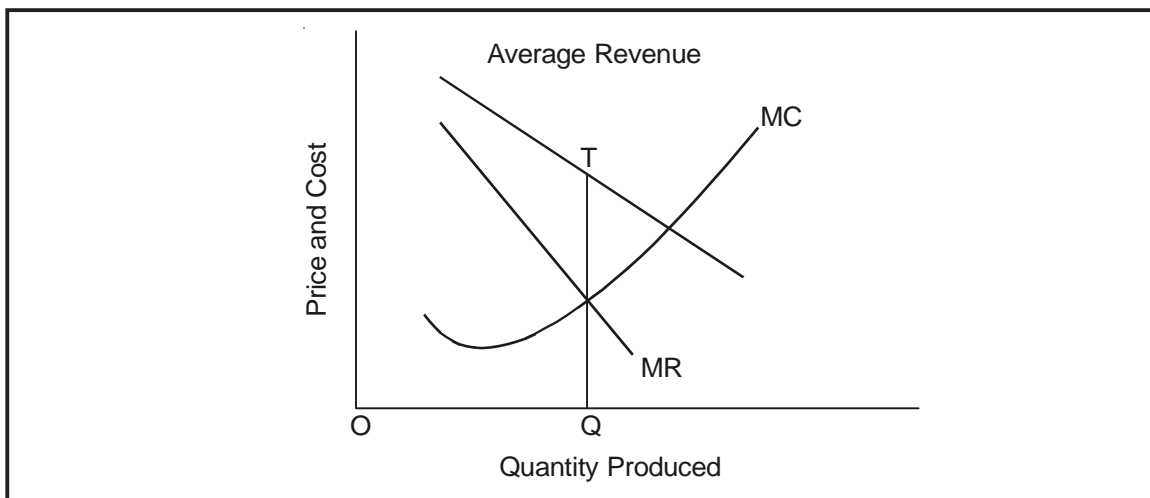


Fig. 17.6

Thus, T represents the unit price at which quantity Q can be sold. Let us now introduce Average Total Unit Cost Curve.

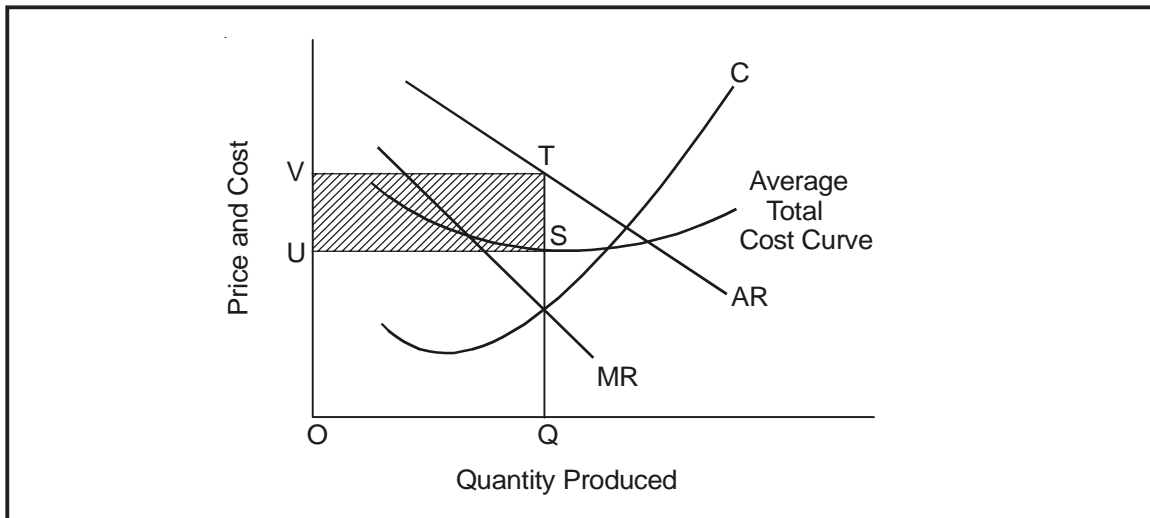


Fig. 17.7

Here, S represents Average Unit Cost which is U. Thus, at price V and average unit cost U, we get VU as unit profit. The total profit is given by VUTS area.

EVALUATION OF SUPPLY-DEMAND PRICING

This method is difficult to use in practice. It is not easy to estimate the costs and revenues. In market skimming, the price may be set above point V. In the short-term, prices may be set below and U to take advantage of penetrating pricing strategy.

COMPETITIVE PRICE

Most of the products are priced at competitive levels. This is generally done when ours is a me-too product, not much different from that of the competitor. This corresponds roughly to the theoretically perfect market conditions, where the products are homogeneous and the buyers are well-informed about the prices. Thus, there is no control over the prices at the end for the seller. This is a market-based method of pricing suitable for crude products, products of small manufacturers which are standardised and routine and agricultural produce. This method is also adopted when there is a customary industry norm of pricing. Pan masalas, toffees, chewing gums, chocolates are priced in this manner. When costs rise, either a new customary industry norm is set to enhance the price, or the quality is diluted to maintain the price. When prices cross the customary industry norm, there is a sharp decline in demand.

In an oligopoly there are a few sellers whose products are similar, and the demand is generally inelastic. An oligopolist prices at market level to maximise profits. On crossing the market price, he faces drastic reduction in total revenue. If he sells below the market level, all other sellers fall in line with

him; and a new reduced norm is established. Thus, price reduction is not beneficial for the oligopolist. It is better to set the prices at the competitive level. However, pricing wars are very common in oligopolistic situation.

Arithmetically, competitive price is simple to arrive at. The going price of the market is assessed. There are usual mark-ups of the middlemen. The retailer sells a ready-to-wear shirt for Rs. 100. This usual mark-up is 25 per cent. The firm's price should, therefore, be Rs. 75. It is to be seen whether Rs. 75 covers all costs, and still leave some profit for the manufacturer. Sometimes, there is a real squeeze; especially when the costs are rising.

Pricing Below Competitive Level

Here, the process are set at some point below the competitive level. It is practised by discount retailers, who are interested in large volumes and low mark-ups. Soaps of well known companies are available below the listed prices at some cooperative supermarkets in India. This is possible due to elimination of middlemen. Sometimes, a cash discount is offered to the customers.

Pricing Above the Competitive Level

In skimming the cream strategy, the prices are set above the competitive level. The product which is new, distinctive and prestigious is generally sold by this method. Some retail outlets are elite and charge a price above the retail norm.

SYNOPSIS

<i>Pricing Criteria</i>	<i>Low PricesWhen</i>	<i>High PricesWhen</i>
Type	Commodity or Generic	Brand
Promotion	Little	Heavy
Production	Mass-production Capital Intensive	Custom-made Labour Intensive
Speed of Turnover	Fast	Slow
Life	Short	Long
Market PLC Stage	Mature	New
Coverage of Market	Intensive	Selective
Technological Change	Slow	Fast
Market Share	Large	Small
Profit	Long-term	Short-term
Usage	Single-use	Multiple-use
Ancillary Services	Few or None	Many
Obsolescence	Long Life	Short Life

Adapted from Crissy and Boewadt: *Pricing in Perspective*, Sales Management, June 15, 1971.

In this chapter, we shall discuss some pricing strategies and policies. A strategy takes us from where we are to where we would like to be. A policy is a broad guideline to management to solve the recurring problems. A policy is thus the course of action routinely followed in the face of either a tactical

or strategic situation. To illustrate, management may adopt a strategy of 20 per cent discount to targeted increase in the sales by 25 per cent. The discount offered is against a specific size of the order. Any time, such an order is received, as a matter of policy, the discount agreed is offered.

DISCOUNTS AND ALLOWANCES

All over the world, giving discounts is a trade practice. It is a deduction given by the seller to the buyer from the listed price. Here, the seller could be a manufacturer, a wholesaler or a retailer. He can be even a consumer. Discount acts as an incentive. The deduction on account of discounts in price leads to a reduction in price. Discounts could also be given as a concession, *e.g.*, free merchandise on the size of the order.

Types of Discounts

There are cash discounts, trade discounts and quantity discounts. These are very common. The other discounts are promotional discounts, seasonal discounts, etc.

Cash Discount

Cash discount is a deduction or concession for cash payment in a given period of time. A cut is offered either for on the spot cash payment or cash payment within a given time period. There is no cash discount if the payment is made after the period specified. The cash discount is calculated on the net amount, after making an allowance for trade and quantity discounts. Consider a buyer has to pay Rs. 3000 net after allowing for other discounts. He may be offered terms of 3/15, n/45 on an invoice dt. 1st January. If the buyer pays by 15th Jan., he may deduct 3 per cent discount. Or else he is required to clear the whole amount within a period of 45 days. Cash discount thus, has three dimensions — the percentage of discount, the specified time period to avail of this percentage of discount, and the time period when the invoice becomes overdue. It encourages the buyer to clear the invoice amount in 15 days. He is earning this discount by preponing the payment by 30 days. Those who do not avail of this discount are in effect borrowing money at 36.6 per cent annual rate of interest. (In a 365-day year, there are 12.2 periods of 30 days. It is thus tantamount to paying 36.6 per cent interest for the entire year).

In a high cost economy like ours, marketing and finance people carefully draft the financial terms of any transaction of sale. There is a tendency on the part of buyers to delay payment as long as it is possible. It is a working capital management on the part of buyers. They are using the seller's capital by not paying. To cope with this challenge, we have to devise a suitable cash discount scheme.

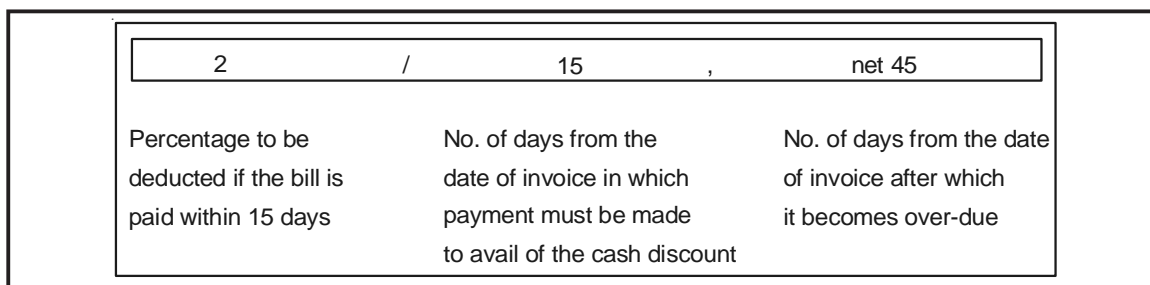


Fig. 17.8 Components of a Cash Discount

Trade Discounts

Also known as functional discounts, these deductions from the listed price are offered to trade channels for marketing functions they supposedly perform. The quoted price is reduced by the amount of discount, which the intermediary retains to cover his costs and get his profits. Imagine an item costs Rs. 800. The trade discounts for the retailer and the wholesaler are 40 per cent and ten per cent respectively. Thus, the retailer has to pay to the wholesaler Rs. 480 (Rs. 800 less 40 per cent.) In his turn, the wholesaler pays the manufacturer Rs. 432 (Rs. 480 less 10 per cent). The wholesaler is, thus, given a trade discount of 40 and 10 per cent. He retains 10 per cent, for himself and passes on the remaining 40 per cent the retailer. Do not club together 40 per cent and 10 per cent to make 50 per cent. Each discount in the trade channel is computed on the amount remaining after the previous percentage has been deducted. Trade discount is deducted from the invoice price. It appears only on the invoice, and not in the books of account. Tax is payable on the net price. Trade discount is a cover for middlemen, higher discounts are used to promote sales.

Quantity Discounts

The objective of this discount is to encourage the buyers to buy a larger quantity by allowing the deductions depending on the size of the purchase — either in rupees or in units. A non-cumulative discount is based on the size of individual order. A kg. of onion will cost Rs. 10 and 2½ kg. will cost Rs. 22/-. A schedule of discount may be devised by the seller.

<i>Dozens of Talcum Powder Tins</i>	<i>Percentage Deduction From Listed Prices</i>
Up to 5	Nil
6 - 12	2
13 - 25	3.5
Over 25	5

Since overheads like billing, order filling and wages of the staff remain the same irrespective of the size of the order, the expenses as a percentage of sales decrease when the orders become larger. These savings are passed on to the purchaser who buys in bulk.

Cumulative discounts can be availed of over a period of time. These establish a sustaining relationship between the seller and the buyer. These can be called relationship or patronage discounts. For perishable products, these discounts are helpful, the buyers gets an opportunity to buy fresh supplies frequently.

Quantity discounts enable the seller to enjoy economies both in production and in selling.

Seasonal Discounts

To boost up sales during a slack season, this discount is offered to the customers. We do come across such discounts for seasonal products like ACs, refrigerators, etc. These are very much in demand in summer, but can be sold off-season by giving a hefty discount.

Forward Dating

It is a mix of both seasonal and cash discounts. For instance, fire cracker manufacturers might solicit orders much before Deepavali. Orders before Deepavali keep the production running. The bills

are forward-dated and are to be paid once the Deepavali sales are generated. Stationery manufacturers also may adopt this method.

Promotional Allowances

When the buyers perform some promotional functions, these allowances are granted. Hardware manufacturers may offer some free items to dealers who display their items. Or a textile mill meets a part of the promotional expenses for the ad of a retailer that features the mill's product.

STRATEGIES OF PRICING: GEOGRAPHIC

Transportation costs are invariably considered when goods are sold by a seller to a buyer, and they affect the price quotation. In fact, freight contributes a great deal to total variable costs. There are three alternatives with respect to freight:

- (i) The seller bears the entire freight.
- (ii) The buyer bears the entire freight.
- (iii) Both of them share the freight.

The chosen strategy influences:

- (i) The competitive position in various markets.
- (ii) The geographic limits of the market.
- (iii) The location of the plant and facilities.
- (iv) The sourcing of raw materials.

FoB Factory Pricing

This is a selling price ex-factory. The entire freight is to be borne by the buyer. The seller does not pay any expenses towards transportation. He only loads the goods on the carrier — hence the term FoB — free-on-board. The amount that the seller receives under this strategy is uniform for similar quantities of goods. However, distant customers are at a disadvantage, as the seller is priced out.

Uniform Delivered Pricing

Also known as “postage stamp price”, this strategy quotes a uniform price for all the buyers irrespective of the distance. The net revenue to the seller is either more or less, depending upon the location of the buyer. Here, the buyer gets the benefit of “free delivery”. This is adopted when the transportation costs are a small part of the overall selling costs. In a sense, nearby buyers pay the same transport costs as those for buyers located far off. *Zone-delivered pricing* divides the market into geographic zones and there is uniform delivering pricing during each zone.

Freight Absorption Pricing

Here, the seller shows willingness to absorb some of the freight costs. It is a factor price plus freight costs (which would have been charged by a seller located near the customer).

One Price/Variable Price Strategy

There are two options available to the management — a single price or a variable price. One price strategy means the same price to identical customers purchasing identical quantities of the product. Variable price means different prices for similar quantities to similar buyers. Variable price is set after a lot of bargaining. In India, one price policy has been adopted at the retail level. Though there are minor variations from state to state due to variations of local taxes like octroi, state sales tax and Central Sales Tax (CST). A credit card may be sold to a buyer at lesser price to wean him away from the competitor. It is an offer of reduced price. The same credit card is available at the normal price to others. Even when a buyer shows the potential of becoming a good customer in future, a variable price may be offered. However, this pricing may cause heart-burn when other customers realise that some have been sold the same product at a lesser price, for which they have paid the regular price.

Unit Pricing

Unit price enables the comparison between similar products. As we are aware, a soap cake can weigh 75 gms or 100 gms. When the pack price is seen, we may find it difficult to compare both these packages. Sometimes, two shampoo bottles priced more or less equally, and giving the same appearance may actually contain differing quantities of shampoo liquid. When unit price is adopted, the label mentions two prices — the price of the pack, and at the same time price expressed in rupees per unit — say a litre, or a kg. or some other standard measure. Unit price allows the consumers to make “more knowledgeable” purchases. At a retail level, these days a Universal Product Code called Bar Code is printed/affixed separately on the products. The scanner reads the bar code, and price marking is no longer necessary. When such a code is used, unit-pricing shelf signs become important to provide greater price information to consumers.

Price Lining

Garments are generally sold on the basis of price lining. It means all shirts available of a particular group will be sold at Rs. 100, another group at Rs. 150 and the third group at Rs. 200. Price lining simplifies the buying decision. Higher costs are a constraint on price lining. The seller will have to revise the price lining or he will continue the old lining putting a squeeze on profits.

RESALE PRICE MAINTENANCE (RPM)

It is an earnest desire of manufacturer that their product range should be available to consumers at fixed or uniform prices. For this, prices are marked on the packages. It contains the artificial rise in prices. When goods are sent to marketing intermediaries, there is resale from wholesalers to retailers, and again resale from retailers to final customers. Resale price maintenance refers to a supply which is sold at one uniform price to final consumers at all retail outlets. Resale price is a price at which a wholesaler sells goods to retailers, and a retailer sells goods to consumers. This price is fixed by manufacturers. Distributors cannot sell goods at less than this price, or more than this price. It can be a maximum resale price, or a fixed resale price or a minimum resale price.

In other words, resale price maintenance involves a bond between the manufacturers and his customers. Here it is agreed that there will not be any sale at less than RPM. RPM can be individual by one manufacturer, or collective by many manufacturers. It is possible to resort to RPM for branded goods. RPM came up as a measure against price wars. There were malpractices on the price front. Some shopkeepers extending credit to patrons used to charge a higher price. Multiple shops used to charge a lower price. Small retailers were thus always at a disadvantage. It was, therefore, decided to fix a retail price and maintain it. This is how this practice came into vogue.

Advantages of RPM

1. RPM helps the small retailers. Large parties cannot cut the price.
2. Entry into business is not dictated by price. Business becomes broad-based.
3. Consumers have to pay a fixed uniform price. There is no bargaining.
4. It helps to build the quality and image of the product.
5. There is no question of 'loss leader' selling under the RPM.

Disadvantages of RPM

1. As there is no price competition, the consumers do not get advantage of a lesser price.
2. Retailers lose control over pricing.
3. There is no competition amongst manufacturers and traders.
4. It is possible to do RPM in case of branded goods only.
5. RPM degenerates into a restrictive trade practice.
6. Inflated retail prices may lead to exploitation of consumers.
7. Many countries have not opted for RPM, and many are opting out even now.

In India, an agreement restricting the price is considered now as a restrictive trade practice, and as such RPM is not practised here. There can be suggestive retail prices, but still the retailer has the freedom to sell the goods below the marked price. Manufacturers cannot withhold supply on this ground, RPM is thus not valid in India.

LEADER PRICING

In retailing, prices of some very fast-moving well-known products are reduced so as to attract customers who buy not only the *loss leaders* but other products too, the profits of which offset the loss on account of loss leaders. The total volume of sales increases, and so also the total profits.

PSYCHOLOGICAL PRICING

Here, the consumer is led to believe that he is paying much less than what he should. He then does not feel the pinch of pricing. This policy is suitable for ordinary day-to-day consumer items. Shoes

selling at Rs. 298.00 or Rs. 299.00 which makes a buyer feel that it is something less than Rs. 300.00 is a case in point. Another instance is to show similar products to customers, where one is priced higher, and the other lower. Here, a comparison of quantity and price is made. Lower price article is chosen, thus, giving him a feeling that he has received some special benefit. In competitive marketing, psychological pricing boosts up sales. Footwear, cosmetics, medicines, etc., can be sold on this basis.

WHAT YOU CAN AFFORD METHOD OF PRICING

Demand for a product means a willingness to buy it and ability to pay for it. If the article is priced taking into account the purchase capacity of the buyer, it becomes successful specially while marketing services — medical, law, taxation, accountancy, etc. Similarly, under special circumstances this policy comes handy. Customers pay less on pavements, something more at small retailers, and very high price at departmental stores.

PRICING INFLATIONARY ECONOMY

Some companies charge an additional price for services rendered, *e.g.*, enhanced price for a credit sale, extra price for maintenance, etc. The quantum of discount is reduced. There are price escalation clauses in agreements, inflation pushes the prices up. Management has to control costs to be competitive.

PRICE AND NON-PRICE COMPETITION

The choice between management in a marketing programme is between the price and non-price competition. In India, we have a great deal of price competition. Lower prices are used to lure customers but the services rendered are minimum. Price competition also means reacting to price changes made by a competitor or initiating price changes on our own.

INITIATION OF PRICE CHANGES

Rising costs may compel a firm to enhance its prices. It is better to do so because otherwise the firm will have to dilute its quality. Sometimes, heavy promotion is used to keep the sales going to meet the challenge of rising costs. When a product faces declining market share, the initial reaction is to reduce the prices. However, it is better to improve the marketing programme rather than reducing the prices. Short-lived price cuts enable a firm to rectify stock imbalances and to introduce a new product.

Our price change, however, leads to competitive reaction; especially, in oligopolistic markets. Price wars take the overall price level to a new reduced level.

Price Changes to Meet Competition

We must have a plan to react to competitor's change in prices. Reduced prices need planning because here time element is crucial.

NON-PRICE COMPETITION

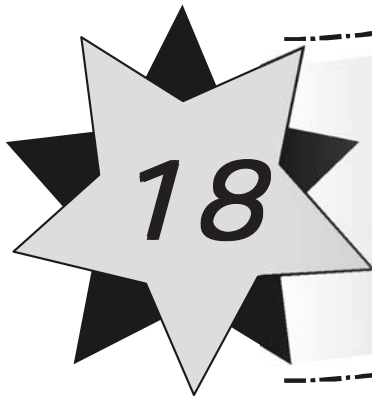
Here other elements of marketing mix are emphasised rather than price alone, though price changes do occur over a period of time. In the terminology of economics, price competition takes the individual demand curves up or down. In non-price competition, the sellers actually try to *shift* their demand curves to the right. The emphasis is on product differentiation and promotion. Non-price competition enables the marketer to hold his own even when the competitor decides to undersell. Besides, price alone cannot guarantee customer loyalty. Besides promotion and product differentiation, we can have non-price competition by emphasising the variety and quality of the services. Trading stamps exchangeable for gifts/cash is a method of non-price competition.

COMPETITIVE BIDDING

While awarding turnkey projects, and in government buying, the competitive bids are invited from the potential supplier, and the business goes to the best bidder, but not necessarily the lowest bidder. In competitive bidding, the sales department plays a key role, as they know best how low they can quote.



Chapter



Personal Selling Strategy

Objectives are achieved through strategies. Policies provide the guidelines. Selling strategies have two dimensions — what type of salesforce is needed and how many of salespeople are needed. The overall size of the salesforce affects the number of calls made and the frequency with which they are made.

A company takes into account its competitive setting, because this influences all its sales-related policies; which in turn affects the formulation of strategies. Marketing plans are long-term and strategic. Mostly, sales plan are short-term and tactical. A company may operate in pure competitive environment which is hardly found in practice, but makes our understanding of other types of competition more incisive.

In practice, we may encounter monopolistic competition which is most common, or oligopolistic competition where there are, a number of competitors. Mostly, the qualitative personal selling objectives respond to the competitive setting in which an organisation operates. Qualitative objectives have a bearing on the sales job. A company may have the objective to rely 100 per cent upon personal selling. It then needs a larger and a trained salesforce. Another company relies more on advertising, and expects the salesperson to provide just the support service, and order booking service. It may do well with an ordinary salesforce, not so large in size. Quantitative selling objectives also influence both the nature of the sales task on hand, and the size of the salesforce. A larger sales volume target requires more effective and large-sized salesforce that covers the territory intensively. Sales-related marketing policies provide a framework within which the salesforce performs.

TYPE OF SALESPERSONS

It is a key question in selling strategy. The considerations are the expectations of the organisation from the salesforce and the measurement of performance. Each organisation has its individual requirements. Each organisation has its own strengths and weaknesses in terms of the product it sells. It also depends upon the target audience catered to, *e.g.*, medical representatives selling to doctors must be specially trained in pharmacology, and are B.Sc. in bio-sciences or chemistry or B.Pharm. Competitive setting and pricing strategies also affect the type of people needed. Different selling jobs do need different selling abilities.

A driver doubling as salesperson of a soft drink manufacturing company requires a different capability than a sales engineer selling elevators to a miner.

Sales personnel are considered in terms of the expectation an organisation makes. Their job description spells out their duties and responsibilities. Their job specifications spell out the qualifications and experiences needed. Salespersons are suitably placed in the organisation, matching the job and the person.

PRODUCT MARKET ANALYSIS

Selling task varies from customer to customer, and market to market. To take an extreme example, a salesman may sell a single product to several different types of customers. Another extreme is to sell a diversity of products to a single type of customer. In practice, salespeople sell limited range of products to limited type of customers. Salespersons can be product specialists or market specialists or product market specialists. The nature of product-market interaction is important. Product-market grids can be constructed by companies to show these interactions. A grid of insurance services is given below just by way of illustrations. We can prepare a much more comprehensive grid.

We can choose any combination of product-customer group as our market. Product specialisation is necessary for complex, technical products. A salesperson here serves as an advisor. Market specialisation is chosen for non-technical products having several markets or customer-group, but each with a unique set of problems. It, therefore, calls for a different selling approach or specialised services. Thus, a paint manufacturer may have different salespersons for domestic paints, industrial paints and marine paints. In many situations, a salesman must master several product-lines and an ability to deal in different types of customers.

Other considerations in deciding the type of salespersons needed are the size of the customer organisations and the geographical location of the territory.

	<i>Life</i>	<i>Endowment</i>	<i>Medical</i>	<i>Travel</i>	<i>Specific benefits</i>
Men					
Women					
Babies					
Children					
Pensioners					
Single adults					
Upper classes					
Manual workers					
Families					
Travellers					
Sports players					
House owners					
Sick people					
Disabled					
Owners of valuable jewellery, etc.					
Lecturers and teachers					
Retailers					
Small businesses					
Large quoted companies					
Motorists					
Air travellers					
Mothers-to-be					
Pet owners					
Parents of privately educated children					
Users of home computers					
Farmers					

Source: Kraushar, *Practical Business Development*, Holt, Rinehart and Winston

Fig. 18.1 Insurance

ROLE IN SECURING ORDERS

A salesperson's role in securing orders also affect the type of salespersons required. In different selling environments, the order securing process operates differently, *e.g.*, some have to solicit orders aggressively such as computer salesmen, whereas some just accept orders which come their way such as a salesman of government textbooks prescribed for primary and secondary schools. Pepsi and Coke are pre-sold to the customers, and so the driver doubles up as salesman and jots down the order from the retailer. A person selling knowledge books will have to be more aggressive.

Promotional strategy also influences the type of salespersons needed. Reliance on pull strategy needs just order takers, Reliance on push strategy requires order getters.

Some salespersons assist the trade in making sales. These efforts result in orders in future. Sales engineers act as advisors and design consultants in industrial marketing.

BASIC SELLING STYLES

The four basic selling styles: trade selling, technical selling, missionary selling and new-business selling.

Trade selling tries to establish long-term relationship with the customers. This is a routine job. In wholesale trade, this style is used extensively. Food products and textile companies also adopt this style. The markets for such products are well-established. Personnel selling here just complements advertising, which is the main method for promotion. A trade salesman assists the customer in his selling exercise. He counts the stock, sees that the stocks get replenished, suggests reorders for replenishments, and helps in sales displays.

Technical selling aims at improving sales volume of established products by offering sound technical advice and other assistance. He is an advisor in industrial marketing. He acquaints the buyer with the product and its applications. He also advises the clients about installations and production processes. His major ability is to solve his customer's problems. These salespersons can be specialised either by markets or products.

Missionary selling assists the customers in their selling efforts. The idea is to increase the sales volume. If orders flow in, they are just incidental. A medical representative is a typical missionary. He just assists the retail chemists by passing information about the new products and asking him to have them in stock. His direct customers are drug wholesalers. He also calls on doctors to persuade them to prescribe the products. This is also indirect selling. Missionary salespeople also work low-profile.

New-business selling tries to identify new customers and secure orders from them. He converts the prospects into customers. Selling for him is a creative job. He should have good selling skills. It is not, however, seen in practice that a company has a set of salesmen doing just new business solicitation. The regular salespersons are expected to do new business selling too. Most salespersons may not have the special skills to do so, and may, therefore, concentrate more on established accounts.

SIZE OF THE SALESFORCE

The second dimensions of selling strategy is the size of the salesforce. An organisation first decides what type of salespeople it requires and then how many of them are necessary so as to meet the sales and profit objectives. Too few salespeople mean loss of opportunities and too many of them, unnecessary expenditure. The exact number of salespeople a company must have is difficult to pinpoint. Three basic approaches are used to compute the salesforce size.

Work Load Method

The basic work load is to be distributed equally amongst the salespeople. Here, we have to divide the total work load by the work load an individual salesman can possibly handle.

First, the existing and prospective customers are classified in terms of sales volume potential shown by them. The customers are put into three classes A, B and C.

Class A Customers	400
Class B Customers	300
Class C Customers	200
The total number of accounts is	<u>900</u>

Secondly, the average time of a sales call, and the desired call frequency for each class are decided.

Class A = 30 mnts per call × 52 calls a year	= 26 hours per year
Class B = 15 mnts per call × 26 calls a year	= 13 hours per year
Class C = 5 mnts per call × 12 calls a year	= 1 hour per year

Thirdly, the yearly hourly work-load is multiplied by the number of different classes of account to compute the total work load.

Class A = 400 accounts × 26 hours/year	= 10,400 hours
Class B = 300 accounts × 13 hours/year	= 3,900 hours
Class C = 200 accounts × 1 hour/year	= 200 hours
Total work load =	14,500 hours

If the salespeople work for 40 hours per week for 48 weeks out of 52 weeks of a year, then each salesman's work load is

$$40 \text{ hours per week} \times 48 \text{ weeks} = 1,920 \text{ hours per year.}$$

We shall, use the working hours available to each salesperson taskwise.

Selling tasks 50 per cent	960 hours
Non-selling tasks 25 per cent	480 hours
Travelling 25 per cent	480 hours
	<u>1,920 hours</u>

The total workload of 14,500 hours is divided by the total time devoted to the selling tasks.

$$= 14,500 \div 960 = 15 \text{ salespeople are needed.}$$

The above-described approach is appealing to sales managers, as it is conceptually easy to follow. This approach, however, neglects the profit as an objective, though the number of calls and frequency of calls do have some consideration for profit. Another fallacy is the assumption of equal distribution of workload amongst the salespersons. Some salespeople achieve in lesser time what others achieve taking far longer. The quality of time does matter as much as the quantity of time spent.

Sales Potential Method

In a job description of salesman, we list several activities. The performance of one set of activities represents one sales personnel unit. An individual salesman does not always equal to one sales personnel unit. He may represent more than one unit or less than it, depending upon his effectiveness. We have to consider the number of sales personnel unit required and the number of salespersons required to perform them. These two equal if salespeople were to perform all the activities listed in the job description. Job descriptions are based on average performance of average salesmen. The sales volume in rupee terms that each sales personnel unit (or salesman) would generate can be estimated from this. This amount is divided by sales forecast or sales volume objective. The figure is adjusted for salesforce turnover. The answer indicates the number of salespeople needed. Consider the following equation:

$$\text{Number of Sales Personnel Unit (N)} = \frac{\text{Sales Volume Objective (Forecast)}}{\text{Estimated Sales Productivity of One Sales Personnel Unit}} + \left[\frac{1 + \text{Adjustment for Salesforce Turnover}}{\text{Sales Volume Objective}} \right] \frac{\text{Sales Productivity Estimate of One Sales Personnel Unit}}$$

When simplified, it is reduced to

$$\text{Number of Sales Personnel units (N)} =$$

$$\frac{\text{Sales Volume Objective (Forecast)}}{\text{Sales Productivity Estimate of One Sales Personnel Unit}} \left[\frac{1 + \text{Adjustment for Salesforce Turnover}}{\text{Sales Volume Objective}} \right]$$

Consider a sales forecast of 20 lakhs and sales productivity per sales personnel unit of Rs. 2 lakh. The salesforce turnover rate is estimated to be 15 per cent substituting these values in the above equation, we have

$$N = \frac{20,00,000}{2,00,000} \times 1.15$$

$$N = 11.5 \text{ sales personnel units.}$$

The above model does not consider the time for recruitment, selection, training and development of the salespeople. All these factors contribute to the sales productivity. A salesperson who attains a desired productivity by a training period of 5 months, requires a lead time for recruiting him of 5

months. The above model makes one more assumption. It assumes all sales territories have equal potential, while in reality this is not so.

Sales job description must be sharply drawn to estimate the correct sales productivity. Salesforce turnover is a matter for reviewing the experiences, retirements and promotions.

Sales forecast itself is also dependent upon the size of the salesforce. In the planned period, we take a realistic account of sales personnel units available (manpower inventory) at our disposal. Any addition to the salesforce takes some time. Manpower inventory available enables a realistic sales forecast.

Sales volume potential of a growth-oriented company is a function of the effectiveness and number of salespersons it has got. Sales forecast is a product of the number of salespersons and the average sales productivity. Geographical expansion and slowing-down of the growth rate, we reverse the above and calculate manpower required by determining the sales forecast first, and then dividing it by sales productivity of an individual salesman.

Incremental Method

This is the most sound method conceptually. The proposition here is that net profits rise up when additional sales hands are recruited provided that the additional sales revenue exceeds the additional cost of employing the new hand. The application of this method requires two essential inputs — additional revenue and additional costs.

Suppose there is a company which has experienced an increase in sales turnover with an increase in the number of salespeople. Its cost of goods remain more or less the same at 60 per cent of sales. All salespeople receive the same salary of Rs. 1.5 lakhs per annum. They get in addition a commission of 7 per cent in sales they generate. A travelling allowance of Rs. 2,000 per month is paid to the salespeople. The company has now 10 salespeople on its pay roll and wants to consider whether it can add new hands. The increases expected in sales volume, cost of goods sold and gross profit by adding eleventh to sixteenth salespeople.

<i>Additional Salesperson</i>	<i>Additional</i>				
	<i>Sales Volume</i>		<i>Cost of Goods</i>		<i>G.P.</i>
	<i>Rs.</i>	—	<i>Rs.</i>	=	<i>Rs.</i>
11	20,00,000	—	12,00,000	=	8,00,000
12	18,00,000	—	10,80,000	=	7,20,000
13	15,00,000	—	9,00,000	=	6,00,000
14	11,00,000	—	6,60,000	=	4,40,000
15	6,00,000	—	3,60,000	=	2,40,000
16	4,00,000	—	2,40,000	=	1,60,000

<i>Additional Salesperson</i>	<i>Additional</i>								
	<i>Gross Profit</i>	<i>(Salary</i>	<i>+</i>	<i>Commission</i>	<i>+</i>	<i>Travel Allowance)</i>	<i>=</i>	<i>Net Profit Contribution</i>	
11	8,00,000	-	(1,50,000	+	1,40,000	+	Rs. 24,000)	=	4,86,000
12	7,20,000	-	(1,50,000	+	1,26,000	+	Rs. 24,000)	=	4,20,000
13	6,00,000	-	(1,50,000	+	1,05,000	+	Rs. 24,000)	=	3,21,000
14	4,40,000	-	(1,50,000	+	77,000	+	Rs. 24,000)	=	1,89,000
15	2,40,000	-	(15,000	+	42,000	+	Rs. 24,000)	=	24,000
16	1,60,000	-	(1,50,000	+	21,000	+	Rs. 24,000)	=	(35,000)

The net profit contribution of each additional salesperson is calculated. Till we add 15th salesperson, we get additional net profit contribution of Rs. 24,000. However, if we add the 16th person, there is a negative net profit contribution of Rs. 35,000. Thus, the optimum size of the salesforce for this company is 15 salespersons.

This method is sound conceptually, but is difficult to apply in practice. The sales response to a particular selling effort function needs to be established to apply this method. It is necessary for applying this model that sales responds to the number of salesperson employed. Sales response function is not so easy to establish, unless a company has got the capability to conduct sophisticated research. In addition, other promotional methods apart from personal selling may affect the sales. This model also ignores the competitive activity, and the investment effect of personal selling expenditure.

CUSTOMER TAILORED SELLING STRATEGIES

Strategy of selling ultimately is tested against interactions of the salespeople with the customers; which lead to the realisation of the selling objectives. The type of salespersons required and their number are the first two key decisions taken by a company. Later, the focus is on developing an individual selling style, which is mutually beneficial. All said and done, a salesman achieves success by his interactions with the customers. His behaviour may vary from customer-to-customer. The extent of this variation is a matter of selling skills. This calls for pre-planning and the actual performance during the call. We have already seen the significance of prospecting. We have seen how competitive setting affects his sales planning. Each call has some definite goals. Selling strategy is planned to realise these goals. Salespeople must be thoroughly acquainted with the selling techniques they can use, and management has a responsibility in doing so.

MULTI-LEVEL MARKETING

It is already banned in China and a ban is under consideration in the UK. It is under investigation in the US. A person signs up with the company. There may be joining fees. He buys a set of products and start selling them to people. He also recruits other salespersons who in turn are encouraged to recruit

more salespersons, thus resulting into a selling pyramid. The person earns commissions on what he sells plus what the pyramid under him sells. If the stretched targets are achieved, there is bonus commission. Bonus commissions are handsome, going up to 21 per cent of sale value.

The initial investment consists of joining fee which is Rs. 4,200 for Amway and an annual fee of Rs. 1,800. Others are not so expensive. Tupperware has no joining or renewing fee, but expects an initial sale of Rs. 4,600 worth of goods without commission. In other words, it's a joining fee of Rs. 1,150 (at 25 per cent commission foregone).

Amway who sells dish-cleaners offers 15 per cent commission on what one sells. A person is entitled to one point for every Rs. 30 of sales. Thus, a sale of Rs. 6,000 earns a person 200 points. Beyond 200 incentive points a month, there is an additional commission by way of incentive. This additional commission is variable and varies according to sales. A person shares the incentive commission with other recruits. More money is made as the network grows. How many persons should be there downline? If we take 10 persons under us, and each of these 10 take another 10 below them (level 2), we reach statistically the entire population of the earth which is 6 billion at present at level 8. If we come across in practice levels 29 or 37, it is because the drop out rate is very high.

Most of MLM chains sell high-priced products. It puts people off. The company benefits by saving on salaries. There is no haggling with distributors. The scheme works only up to certain levels. With 10 people downline, one can continue up to level 4. The operating costs which are very high are to be met out of commissions earned. A salesperson has to devote so much time and time itself is money. As the market gets exhausted soon beyond certain levels, this cannot be called a sustainable business.

DIRECT SELLING

Direct selling is characterised by low investments and high returns. It has the potential to fetch \$ 1 billion plus by 2013; if it grows by 17 per cent per annum. The current Indian market for direct selling products is around US \$600 million. It provides employments to around 1.8 million people, of which 1.2 million are women. It is a Rs. 3,300 crore industry today in India.

Direct Selling Companies

The Indian direct selling is currently estimated at around Rs. 3,330 crore, excluding the insurance business. It is projected to grow at 12.5 per cent to touch Rs. 5,328 crore by 2012-13. Most firms recorded over 30 per cent growth last fiscal in smaller towns. Oriflame wants to strengthen its network in Tier I and Tier II towns. Oriflame is a Swedish cosmetics company which will add 150 products to its portfolio, taking the total count to 275 SKUs. Forever Living Products is a rival direct selling cosmetic player. Amway India is the largest direct selling FMCG company in the country. It wants to strengthen its rural presence by setting up pick-up and ordering centres in more than 400 locations. Its revenues are Rs. 1128 crore in 2008 and expected to grow by 27 per cent. It has a product portfolio of 100 plus products.

Women Empowerment

McConnel was a door-to-door bookseller who discovered that people were more interested in free samples of his perfumes than in his books. In 1886, he founded a perfume company and employed women to sell them directly. In 1996, they started operations in India. Avon also allows women to run their own business without sacrificing the family life.

Oriflame

Oriflame came to India in 1995 and has today a salesforce of around 1.3 lakh consultants. Oriflame was set up abroad in 1967.

Modicare

Modi group is one of India's leading direct selling companies which has 34 centres across the country. Direct selling provides opportunities of employment to people at home.

Amway India Enterprises

This is the largest direct selling company in India. It has presence in 23 cities and 2.5 lakh houses. It is expanding. It is a subsidiary of \$ 6 billion Amway Corporation. Amway India started operations in 1998. It markets concentrated home care and personal care products. Selling concentrates is their core competency. LOC (liquid organic cleaners) costs Rs. 322 a litre. It can be diluted 164 times; the cost works out to Rs. 2 a litre. It has registered a turnover of Rs. 10 crore in July, 1999. In September 1999, they reached Rs. 90 crore. The parent company operates in 80 countries. It has more than 1 lakh active distributors. Most of them are women. Direct selling keeps distribution and advertising costs down. It has to incur expenses on training.

Hindustan Lever

Hindustan Lever has decided to set up its own multi-level network of direct sellers. It will use this network to sell Aviance, a range of premium explanation-demanding products, developed at the US-based Unilever Beauty and Skin-care Research Centre.

MULTILEVEL MARKETING

Multilevel marketing has a two dimensional approach: personalised selling of products with minimum promotional expenses and creation of a staunchly loyal salesforce. This team is expected to rope in more people as a part of the chain. The distributor earns profits not only from what she merchandises on her own, but also bonuses from what her 'down-line' merchandises. The down-line is an important feature within this concept of marketing. It consists of a chain of individual entrepreneurs, all of whom are introduced in the system by a sponsor. The more people a sponsor adds to the chain, the more she earns.

Mutli-level marketing is practised in India by companies like Medicare, Avon Beauty Products, Tupperware and Oriflame. The latest entrant is Amway India Enterprises.

Viral Loop

Multilevel marketing spreads very fast virus-like. Amway and Tupperware thrive on this concept. It is a consumer-dealer initiative. Each franchisee of sorts is also a franchisor of sorts. The chain continues, and the business spreads. Ponzi scheme of Charles Ponzi in 1919 was also based on this concept. Brownie Wise made Tupperware sales to spiral even beyond the company's production capacity. She was the effervescent face of the company. Earl Tupper ultimately fired her as she got all the credit. In the traditional multilevel marketing, everyone prospers. In internet multi-level marketing, the originator does. Penenberg has written a book *Viral Loop* (Hachette) where he calls the originator a virus. The companies covered in *Viral Loop* are Hotmail, eBay, PayPal, MySpace, YouTube, Facebook, Digg, LinkedIn, Twitter, Flickr, Mosaic, Netscape and Ning.



Chapter



The Job of a Sales Manager

Any manager gets the things done, and so also the sales manager. A sales manager is a decision-maker, and makes others implement the decisions taken by him. A sales manager is a line executive and is quite close to action in the field. He is less concerned with planning, and more with action. Sales plans do get prepared, but they are tactical plans of a short duration. In these plans, the selling objectives are set, and attempt is made to realise them. Sales is related to the present, while marketing to the future.

What qualifies a sales manager to perform his job? Experience of course does matter. He must feel the pulse of the problems and their possible handling. He must realise how sales objectives would contribute to the marketing objectives which in turn contribute to the organisational objectives. A sales manager, being a top functionary and a departmental head, must have conceptual skills to take an overall view. His decisions would affect not only the sales but several other departments. He must have good analytical abilities. He processes information and takes decisions under conditions of uncertainty, taking a certain amount of risk. He should be imaginative in exploring several possible alternatives; and select one which has the highest pay-off.

SALES POSITIONS

The nature of his job differs from company to company, and he is placed differently in different companies. Some activities are commonly performed by all the sales executives, and some generalisation is possible. The job description of a typical sales manager is given below as an example.

Title: Sales Manager

Reports to: Marketing Manager

Job objective: He has to attain the highest sales volume by developing and implementing effective sales programmes based on agreed company's policies.

Duties and Responsibilities

To realise his job objective, he is concerned with.

Sales programme: He formulates the sales objectives both short-term and long-term in consultation with the marketing department. He takes steps to realise these objectives for which he prepares detailed sales programmes. These programmes improve our competitive position, and control the selling and distribution costs.

He formulates and reviews policies related to sales, pricing, distribution, promotion. He designs sales strategies.

Organisation: He builds his own sales organisation to achieve the sales objectives. He heads this organisation, and provides the leadership. He develops the individuals within this organisation, and compensates them in such a way that they perform well.

Salesforce management: He decides about the sources of recruitment; and design the selection process for sales personnel. He is responsible for directing the salesforce. He is responsible for training and development. He makes training continuous. He provides for replacements and promotion. He motivates his staff so as to make them achieve the goals. He puts into effect the supervisory mechanism on the field force.

Relations: He coordinates with the other departments, and the CEO so as to attain corporate objectives through the sales objectives. He establishes a rapport with the trade and helps the trade to train its manpower.

Communications: He informs the marketing manager about the progress or otherwise of the sales function. He establishes a two-way communication system with his salesforce.

Control: Sales being a key input in production planning and control, he keeps in touch with the manufacturing department. He tries to budget the sales, measures the performance against the budgeted figures and takes the corrective action. He delegates his authority down the line. He controls the reporting activity. He sets the performance standards, and undertakes performance appraisal.

Key Result Areas

Sale volume in units or in rupees is equal to the budgeted quantity or exceeds it.

The contribution to profits by sales is consistent with the plan.

The salesforce turnover rate matches the industry standards.

The sales plan dovetails into the overall marketing plan.

Let us now consider another important sales functionary, called a regional sales manager. He is responsible for the sales volume within his region. He maintains relationship with the trade. He reports to

the all-India sales manager. He performs supervisory and control functions. He is an administrator who controls the regional logistics, warehousing, depots and offices.

The sales goals broken down for the region are explained by him to his salesforce. He provides feedback about the salesforce and the market to the top management. He becomes or member of professional and social bodies to develop a rapport in the community activities.

He has to attain the regional targets, control the expenditure and maintain a salesforce turnover rate.

Functions of a Sales Manager

In many companies, it is the sales representative who is promoted as the sales supervisor, and later as regional and all-India sales manager. Is it true that a successful salesman always becomes a successful sales manager? Perhaps, no. A successful sales manager must possess administrative, conceptual, technical, and human relations skill which a salesman may not possess. Of course, selling experience is an asset's because a sales manager manages the salesforce that performs the selling job. But both these are two different aspects. A successful salesman may not always make a successful sales manager.

A sales manager's job has two dimensions — planning and operating. Planning function includes the following:

- (i) design a sales programme.
- (ii) establish and manage a sales organisation.
- (iii) control the sales performance, sales activities, expenditure.
- (iv) set the sales goals, formulate the sales policies, and design the sales strategies.
- (v) prepare a sales plan to implement the sales objectives.

The operating functions include:

- (i) manage the salesforce.
- (ii) interact with other departments.
- (iii) interact with the trade and customers.
- (iv) interact with the marketing department, and report to the marketing manager.
- (v) do some selling on his own to keep abreast of the current selling environment.

The most important function that takes maximum time of a sales manager is the management of the salesforce. The apportioning of time between the planning and operating functions depends upon the nature of the products, the size of the company and the supervisory organisation created.

In consumer goods industry, planning function is important. It is necessary to develop sound sales programmes and integrate them to research and promotion. In industrial marketing, the operating functions become important. There is more need for the direction of the salesforce, accompanying salespeople when they make calls, and do some selling itself. Thus, in consumer marketing, sales managers devote more time to planning and less to operating. The converse is true for industrial marketing.

In an organisation, where supervision by the sales manager over the salesforce is direct, the sales manager has to devote more time to operational aspects. Where supervision is decentralised down the line, there is a scope for the planning function. In a decentralised selling organisation, there is delegation to the subordinates, and hence more time is left for the planning functions.

C.L. Boiling spells out the functions of a sales manager.

1. Market analysis
2. Formulation of sales policy
3. Sales forecasting and planning of a sales campaign
4. Pricing policies
5. Packaging policies
6. Branding policies
7. Distribution policies
8. Training, control and compensation of salesmen
9. Territory allocation and quota setting
10. Sales promotion policies
11. Advertising and publicity
12. Order preparation and office recording
13. Customer records
14. Sales reports

A sales manager has managerial, non-managerial functions. In managerial functions, there is analysis, planning, organising, staffing and controlling of sales activity. In non-managerial function, there is decision-making in areas such as pricing, channels, product, sales promotion, advertisement and administration of personal selling. Non-managerial activities are sales forecasting, selection and training of salesmen and sales office administration. Line functions of a sales manager include decision-making and staff functions include advisory functions such as coordination of research, planning, staffing and inter-departmental interface.

Characteristics of Sales Managers

What characteristics an effective sales manager must have? It is difficult to summarise all that contributes to the success in a sales manager's job. The type of diversity we observe in the marketplace makes it difficult to generalise. However, some abilities do help in effective management of a sales job.

A sales manager must *visualise* what his exact role is and what duties and responsibilities are expected of him.

A sales manager must do the *right selection* of the salespeople he needs. He must have a *willingness to delegate*.

He should do proper *time management*. He should apportion the time between the office and field activities. He should have time for *planning* and *conceptual* activities.

He should be an *effective leader*.

SALES MANAGERS AND THE TOP MANAGEMENT

Sales managers must communicate to the top management, the broad outlines of the selling scenario and the problems and opportunities. The routine reports must be sent to the top management from time-to-time. While reporting to the top management, they exercise restraint, and do not blow some incidents out of proportion. Reporting is done so as to allow the top management to evaluate their own personal effectiveness.

Sales executives have their own personal career goals and the organisational goals. They try to harmonise these. Top management must help the sales executives in the process of harmonisation. If the personal goals come in the way of the organisational goals, it is better to quit.

Sales executives design a career plan for their subordinates. Each subordinate aspires to the higher position, and he should be given an opportunity to muster the skills of the higher position while he himself is at the lower rung. This facilitates career progression.

Sales managers take responsibility for the whole sales organisation. Yet, he delegates sufficiently to make the organisation work. He never over-centralises the decision-making and never makes himself indispensable. He is an effective decision-maker, and expects the top management only to decide in exceptional cases.

Sales managers give enough feedback to the top management to decide things. They at the same time also influence the thinking of the top management if the matter involves a valuable principle. He spells his own ideas to the top management whenever such a need arises.

Sales managers have an open mind. They are receptive to the ideas of others. They have a willingness to learn. They do not indulge in character assassination of the fellow executives. They do not float rumours. They take initiative. They have a personal drive. They cooperate with top management for their personal advancement as well as the advancement of the company.

SALES AND THE MARKETING MIX

A sales manager is a line executive. He has to take inputs, from the staff executive — the product manager. The product manager is also briefed about the market conditions. A sales manager participates in the formulation of the product policies and strategies. He has to implement these.

He also cooperates with the promotional manager. Selling is the most expensive part of promotion. He should be able to control the selling costs. He should understand the message strategy, because this is to be conveyed to the prospects. He should inform the salesmen about the latest advertising. The selling message must be consistent with the ad message. A sales manager has to implement the sales promotion policy of the promotional manager. He has to supply the point of purchase material. He organises the consumer contents and the sales contests. A sales manager provides valuable inputs to the promotional executives, because he is close to the actual market.

A sales executive advises the top management and the marketing management in pricing the products. He has a better idea as to the price the consumers are willing to pay. He implements the pricing policy of the top management.

Distribution affects the sales organisation greatly. A channel selected sets the pattern of working for the sales team. The number of outlets has a bearing on the sales organisation itself and its scope. Channel cooperation influences the size of the salesforce, the type of salespersons needed and the supervision to be exercised. While distribution policies are being formulated, a sales manager provides valuable feedback. He ultimately implements the distribution policies.

COMPENSATION OF SALES EXECUTIVES

As selling constitutes crucial factor for a company, sales executives command handsome salaries. Marketing pay packets are high enough to attract the best talents. An all-India sales manager earns roughly 70-75 per cent of the top marketing executive's salary. A large part of his salaries is contributed by commissions. Regional sales managers have salaries equal to 85-90 per cent of the all-India sales Manager. Field sales managers or supervisors earn about 55-60 per cent salary of the regional heads. Salesmen earn about 40-50 per cent salary of their regional heads. The incentives in sales job are the bonus, commissions and other incentive payments. At higher level these payments are based on their contribution to profits and at lower levels on their contribution to sales volume out of the total potential available. The earnings of the salespeople vary from year-to-year on account of the incentives.

Abroad, the sales executives have the option to buy shares of the company on preferred terms. Generally, there are profit-sharing plans. There are the usual fringe benefits. They are put on expense account.



Chapter



Sales Organisation

The organisation is a mechanism to realise our objectives. Since the market conditions change, the sales organisation keeps on changing, always accommodating the necessary environmental changes. This ensures survival as well as growth.

Organisation is a structure as well as a process of putting together this structure. In organisational process, lines of authority are defined. We know who is our superior, and whom we are reporting to. The superior has the authority to direct us. He assigns part of his work load to us, and creates our duties/responsibilities. We then have an obligation to him to carry out the tasks assigned. This obligation is our accountability. To ensure smooth flow, the organisation requires balance and coordination. It should also provide for career progression and should economise on executive time.

SALES ORGANISATION

We have to first identify the expectations of the sales function, and its overall place in the total organisation. To begin with, corporate objectives are identified — both qualitative and quantitative. We then decide how to go about achieving them and at what cost. We identify sales positions, classify them into groups, and decide the hierarchy. We then assign positions to persons. The resulting structure is evaluated in terms of its balance and flexibility.

Sales organisation is used, to attain the qualitative and quantitative objectives of personal selling. These objectives are related to sales volume, profitability and market share. Sales organisation is used not only to achieve the present objectives, but also to attain a particular future position. Sales organisation

is a second priority, when a typical company starts its operations. It first concentrates on the production and financial aspects. As it evolves it keeps on evolving the production and finance departments, but somehow tends to overlook the sales function. It is kept constant without much alteration as the company evolves. What changes is the selling style and the size of the salesforce. Sales organisation must be adapted to the changing environment.

Purposes of Sales Organisation

Good organisation avoids overlapping of work load and wastage of efforts. It also avoids the friction involved, and results in organisational cooperation. As in any organisation, there are informal groupings in a formal sales organisation. These should be used strategically for the benefit of the formal organisation.

Sales organisation allows delegation of authority and assignment of responsibility. Specialised tasks are performed by persons best suited to do so.

As the organisation grows, there are necessary changes to accommodate the additional responsibilities. The administrative distance between the top sales executive and the customers is far more in a large organisation. Perhaps, we can think of having a special customer relations or service officer in such a situation.

Sales organisation is used to achieve coordination and balance. There should be a teamwork. Motivation to strive towards the common goal in the individuals also enables coordinated functioning. There should be harmonization of the personal goals and the organisational goals. Such harmony can be brought about by training, seminars, group interactions, two-way communications. There should not be over specialisation, there should be a dialogue between the specialists and others.

In a sales organisation, the authority flows from the top down to the field level salesmen. The reporting is upwards. This is essentially a line structure. In line structure, there is unity of command — one subordinate reports to one boss only. In a growing organisation, however, there is a need to have functional specialists like distribution manager, logistics manager, marketing research manager, product manager and promotion manager. A salesperson is directed by his immediate superior about his sales goals, but is directed at the same time by the MR specialist about a questionnaire he has to fill up to collect the data. He receives instructions about sales promotion from the promotional manager. Thus, he is in line relationship with his supervisor but in functional relationship with his functional superiors. This violates to some extent the principle of the unity of command. The attempt should be harmonisation of the commands emerging from different sources. A sales organisation that is sound has in-built arrangements to achieve this harmony.

A good sales organisation economises on executive time. Top executives manage by exception. In a good organisation, the proper span of control is expected. A large span is possible when the coordinator is having skills to coordinate such a large number. Lower level sales executives have a larger span. Higher level executives have to devote time to planning and conceptualisation. The spans are therefore, kept narrow and the span also depends upon the abilities of the subordinates. Structured tasks enable a wider span. Concentration of subordinates at one location also enables us to have a wider span. Good communication system allows us to widen the span.

Setting Up a Sales Organisation

Mostly, there exists some kind of sales organisation, and what is done is the reorganisation. However, each reorganisation should be considered as an opportunity to examine the structure afresh.

Organisations are set up by undertaking five activities:

- (i) define their objectives
- (ii) list down the activities necessary to carry out these objectives
- (iii) group the activities into jobs or positions
- (iv) assign staff to man these positions
- (v) provide for coordination and control.

A sales organisation derives its qualitative and quantitative objectives from the overall organisational objectives. Qualitative objectives could be to be an industry leader, or to get reputation for quality products or to diversify in a different product-line. Quantitative sales objectives are a given level of sales volume in specified time, and a given level of profitability by controlling costs, and to attain a given level of growth. While qualitative objectives are long-term, quantitative objectives are short-term. Our quantitative objective could be 'to increase our share of health tonics by 15 per cent at the end of the year' or 'to tap the Gulf market by introducing our health tonics there through the appointment of five wholesalers next year.' While reorganising, we should reexamine both our qualitative and quantitative objectives.

Objectives lead to certain activities which must be performed to attain them. The modern sales management has some common activities. The emphasis can differ from organisation to organisation. These activities are grouped by classifying them. These activities are so classified that they attain one particular selling objective. Closely related tasks are under one group, and is called a position. Each position has a sufficient number of tasks. Some organisations have special significance for certain activities like credit evaluation in a credit card company. They are placed at the top of the organisational structure. Group of related positions form a departmental subdivision. So far the organisation was impersonal. Now, we introduce persons to the organisation. It is a question of recruitment, selection and placement. The organisation has provision for control and coordination. Authority responsibility relations are established. Job-descriptions spell out these relationships. An organisation chart is drawn to show the formal relationships. The chart is further extended by an organisational manual. It spells out in detail to inform others how an organisation functions.

Types

Mostly sales is a line function. There is a chain of command running from the top sales executive down to the level of a sales representative. The executive here enjoys line authority over subordinates. The subordinates are accountable to their immediate superiors. There is a vertical line of command. All functionaries are therefore autonomous in respect of their work on the same level. The following is an example:

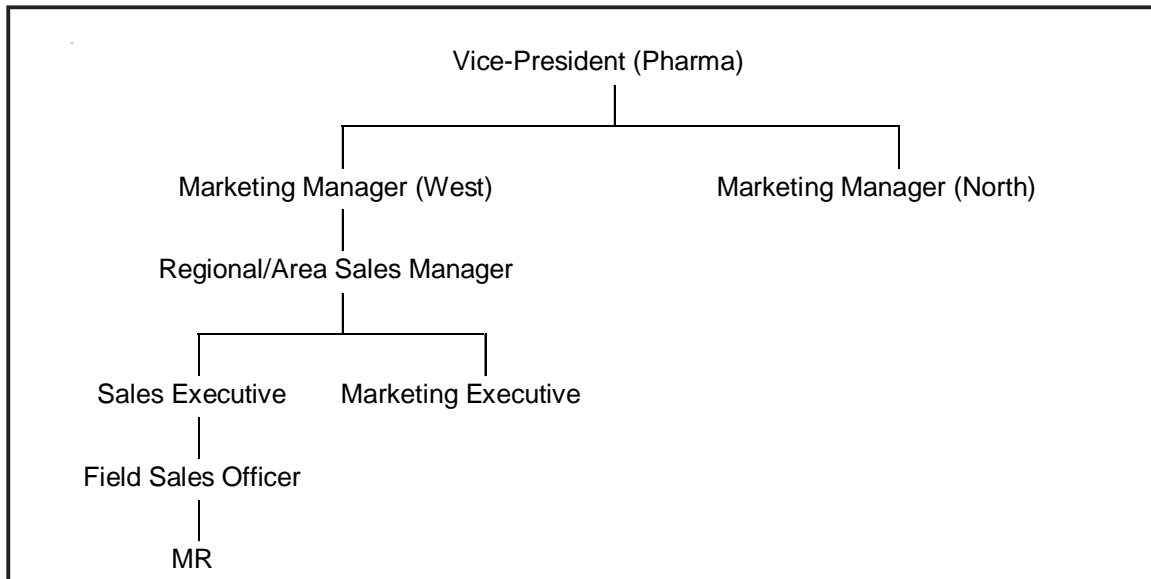


Fig. 20.1 Line Sales Organisation

Line puts heavy demands on executive time — mostly supervision and direction. Little time is left for planning and control. For a large organisation, this structure is not so suitable. Layers get added to hierarchy, since each executive has limited span of control.

Line and Staff

Here diversified product range is sold. The organisation has grown too. The line executive needs staff/advisory assistance. The advisors are competent experts in their own field, *e.g.*, sales training, sales analysis/planning, sales promotion, marketing research, etc. These experts do not have line authority or command the subordinates. They just provide competent advice to the line executives. The line gets unburdened to some extent. The line executives leave complicated problems at the door of staff specialists for solution. Even planning activity can be shared. The following is an example of line/staff type structure:

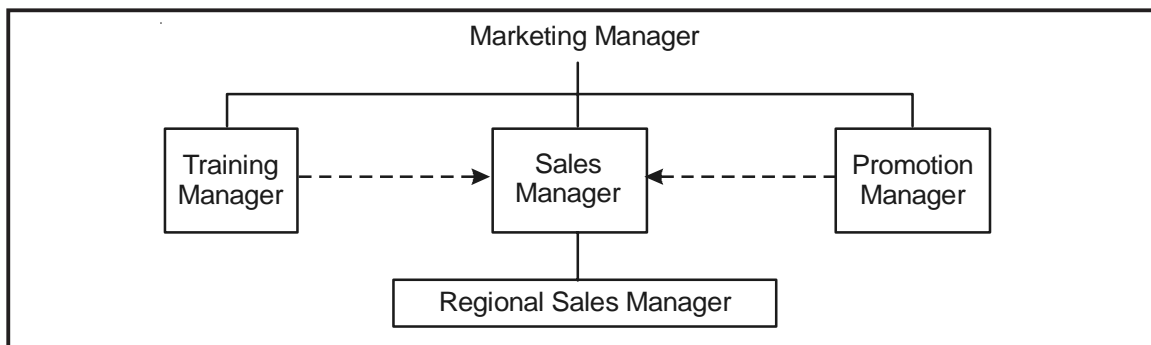


Fig. 20.2 Line and Staff Structure

In the above diagram, the sales manager is given assistance by two staff functionaries, a training manager and a promotion manager. There is a problem of coordination in this type of structure. There are sometimes problems of interpersonal conflict between line and staff.

Line executives are in command, and have power. Staff does not enjoy the power to command. They may become backroom boys. However, the staff does not have to share the responsibility for results. These problems can be minimised by properly allocating the work load between them, and a sense of mutual respect and understanding.

Functional Sales Organisation

Here, the benefits of expert advice are fully utilised. Here, all sales representatives receive directions from and are accountable to the different executives with respect to different parts of their work. It violates the principles of unity of command; while giving functional executives a direct authority to command and issue orders. A sales representative is thus under command at one and the same time from several executives. The top sales executive has coordinating responsibilities. This structure is found suitable for a sales organisation. The operation becomes inefficient in larger firms. Small and medium firms find it costlier to operate. The coordinating function is very complicated.

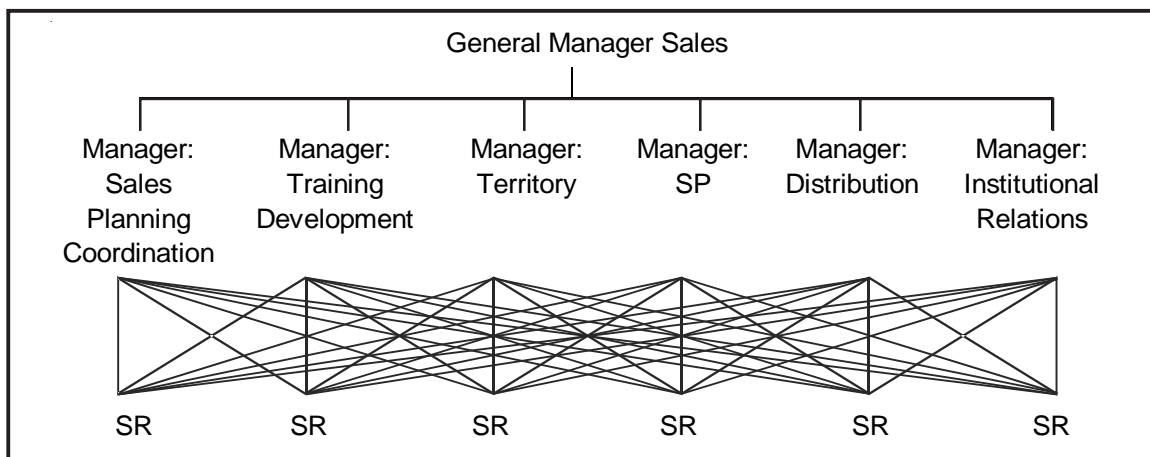


Fig. 20.3 Functional Sales Organisation

HOW TO ORGANISE THE FIELD FORCE?

There are several ways to organise the sales representatives — on the basis of products, on the basis of customers and products, on the basis of geographical territories.

Geographic Organisation

It is the most extensively used method. Here, MRs are assigned to specific geographic areas. Their activities are kept limited to that area. The following diagram illustrate this:

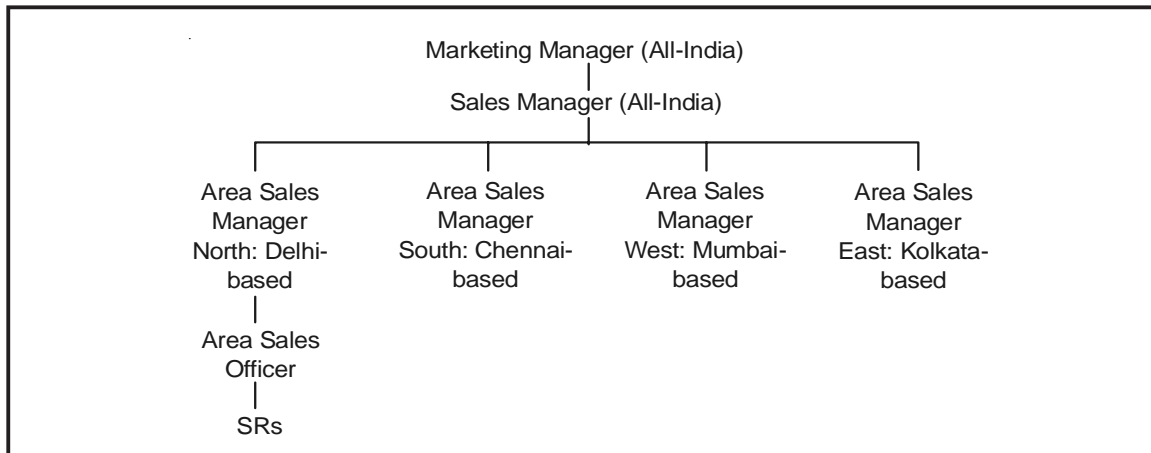


Fig. 20.4 Geographic Organisation

Local operations in limited geographic areas make SRs better conversant with the territories. The market development work becomes easier. The organisation is in a better position to respond to local needs. This organisation is flat (rather than tall), and there is a short-line of communication. Proper routing makes travel plans easier. However, administrative burden of offices and coordination are problems. This type is suitable when the line is limited. SRs are also general in their approach, and not specialists. They may not be equally knowledgeable about the whole product-line. They are selective in their promotional approach.

Product Organisation

In case of those companies which handle diverse product-lines making it necessary to employ specialists, this type of structure is adopted. Generally, product organisation and geographic organisation are combined at the top level. At lower levels, SRs/salesmen who are specialised can work. The following is an illustration:

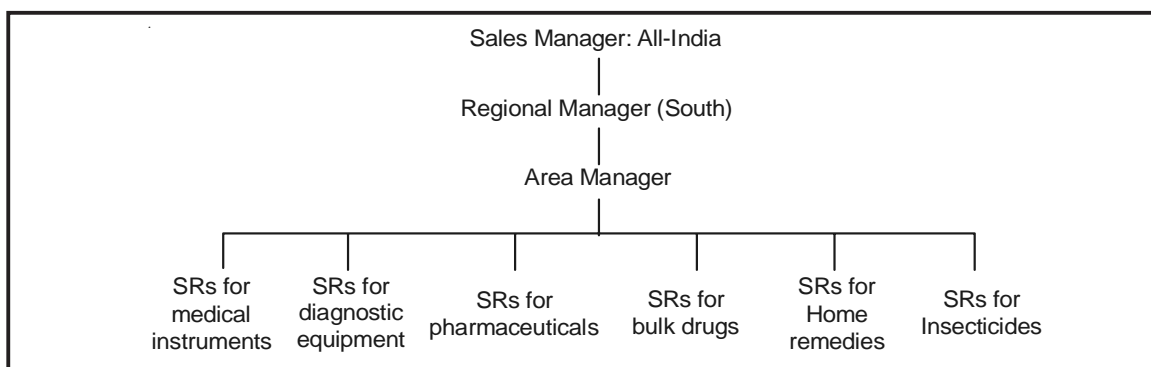


Fig. 20.5 Product Organisation

The diversity of product-line makes it necessary to do categorisation of SRs. The respective lines can then be well-handled. Customers can be better served. Each team of SR, however, serves the same market intensively leading to more time and costs.

Dabur has been divided geographically but the SRs have been given charge of different groups. There are two major product groups — health care and family/home remedies. Each territory will be assigned two categories of MRs — one for each product group.

The following diagram illustrates this:

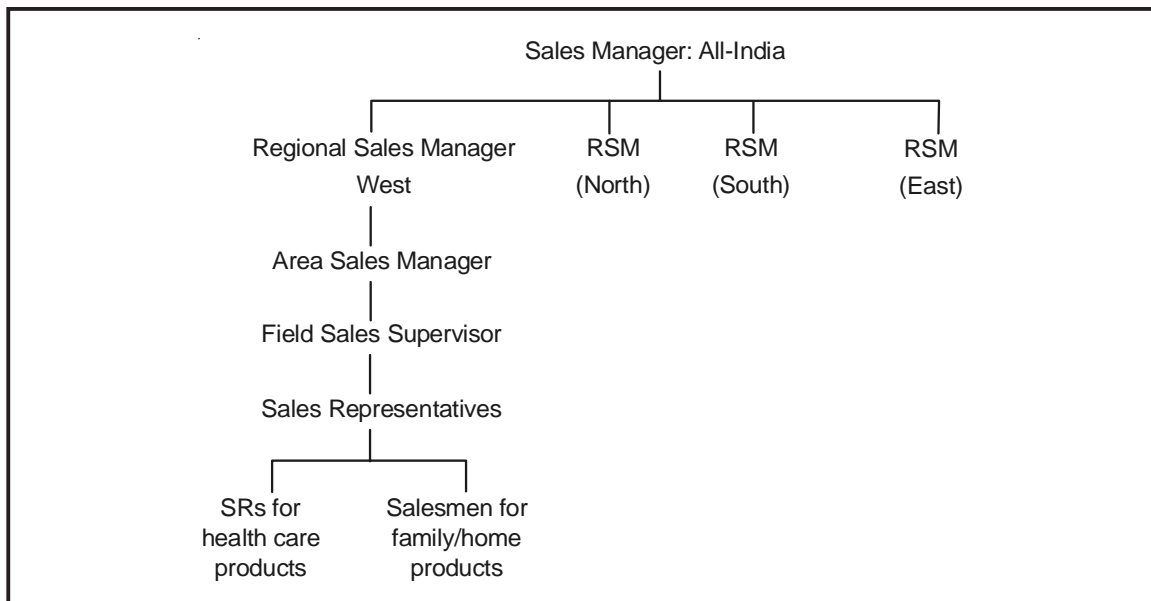


Fig. 20.6 Product Specialisation

Customer Organisation

Here, the products are identical but the requirements of different categories of customers are so varied, that a separate salesman may have to be assigned to them. Xerox is the pioneer in this type of organisation. A pharma company may adopt this structure for a general trade, hospital/institutional trade and export trade divisions.

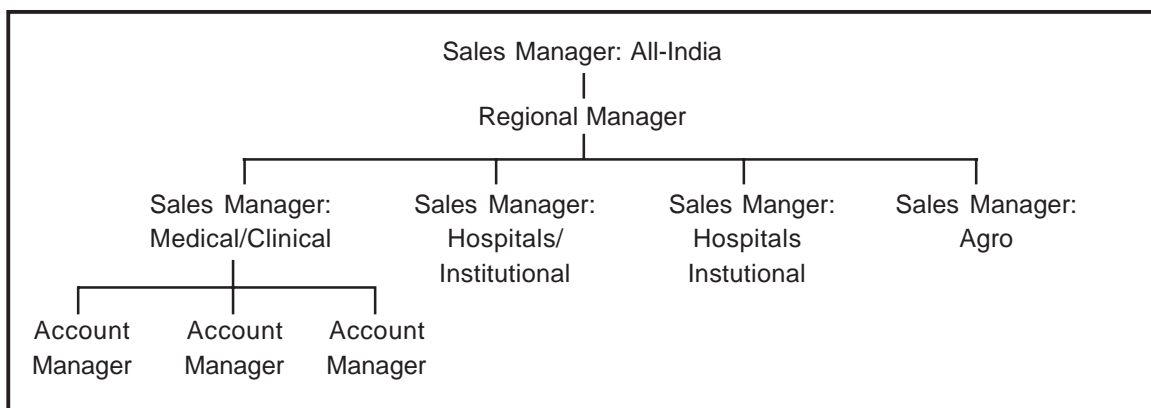


Fig. 20.7 Customer Organisation

The unique problems of each customer grouping are taken into account. It is a customer-oriented approach. The major drawback is the overlapping geographic territories. In one and the same territory, a company may have different people serving different customers.

Combining More Than One Basis of Organising

Most companies use a combination of the above to divide the line authority. The selling task is subdivided to permit greater specialisation. Mostly, all large companies have geographic subdivision. In addition, there can either be product-type or customer-type system. To signify greater emphasis of geographical differences, the primary subdivision at the top is geographic, with product or customer type system at the lower level. In case we want to underplay the geographic differences, we can have product or customer type system at the top and geographic subdivision at the lower level. The most important factor in marketing is the primary basis for subdivision at the top, and the lesser factors account for further subdivision down below.

Centralisation vs. Decentralisation

In a highly centralised organisation, the sales function and the tasks associated with it are managed from corporate head quarters. In a decentralised organisation, field sales managers mostly do recruitment, training, evaluation and compensation of SRs. The degree of centralisation and decentralisation depends upon the size of operation, effectiveness and competitive necessity. In a growing organisation, there is a tendency to decentralise. Medium-sized firms have both centralised and decentralised portions. Computerisation and IT has recently led to some amount of centralisation.



Chapter

21

Personnel Management in the Selling Field

We have already considered the decision regarding the size of the salesforce — a part of manpower planning. Another decision is about the selling style. Here comes the question of those activities which are in essence the personnel management activities.

Salesforce management is a kind of personnel management function applied to a special field. Whatever be the functional area of business, personnel activities are involved. But the nature of the problems encountered vary from function to function. Salesmen work in the field, they are not under the direct supervision all the time. To make them work for the organisation and to motivate them is quite challenging. Some amount of self-control and direction is expected in a selling job. Salespersons are also deprived of the family life. They may face hostile or discouraging responses. The motivational factors are, therefore, important.

The whole thing starts with job analysis. The objectives of the job, the duties and responsibilities it entails, the results expected, the reporting structure — all these are studied. A suitable job description is developed. This guide us to those characteristics and qualification required in a person to give justice to his job description. It is called job specification. Then begins the search for suitable candidates. It is a question of recruitment from different sources. Out of those who are before us for consideration, we select as per our needs and expectations. This is called selection. The selected candidates are inducted into the organisation by suitable briefing. They are suitably placed. They receive induction training, and then are continuously trained throughout their tenure in the organisation. They are suitably directed and supervised. Their motivation level is maintained and they are compensated appropriately.

The following diagram illustrates the activities in personnel management observed in the selling field.

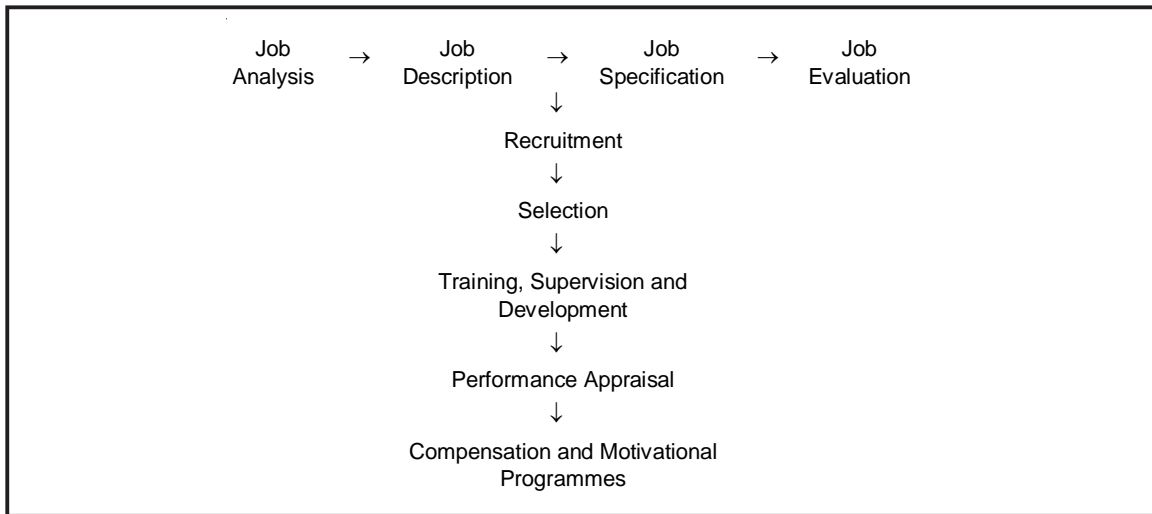


Fig. 21.1 Activities in Salesforce Management

When salespeople start working, they are controlled through sales supervisors, and by calling for their reports. Their performance is measured against the set yardsticks.

The whole field of sales management works as a system, any faulty decision affects the other components of the system.

If we recruit and select wrong people, the training function becomes much more difficult. Controlling problems are much more challenging. If training function is not proper, we cannot get the best out of the salespeople; and people may be under- or over-compensated.

Effective sales management contributes a great deal to the economies. If an organisation has 100 salespersons each making 7 calls a day, it amounts to 700 calls in total. Suppose five calls out of 7 made lead to an average sales of Rs. 1,000. It leads to an average sales of (500×1000), *i.e.*, Rs. 5,00,000. Now, if the company increase the calls to 9 calls a day out of which 6 calls fetch an average business of Rs. 1,000, the daily average sales becomes (600×1000), *i.e.*, Rs. 6,00,000. This is like adding half a salesman at the old call rate. Effective sales management thus leads to more productivity.

Sales expenses are of two types — fixed expenses and variable expenses. The following table lists these expenses:

<i>Variable Expenses</i>	<i>Fixed Expenses</i>
★ Salaries of salesmen	★ Sales commissions
★ Travelling equipment like autos, scooters, sales folios, sales manual, literature	★ Training costs
★ Advertising to assist the salesforce	★ Motivating costs
	★ Supervision costs
	★ Controlling costs

Fixed overheads remain what they are irrespective of the productivity of the salesmen. Variable expenses per unit product sold are lower for effective salesmen. The highest returns or contributions to variable expenses are from the most productive salespeople. Total expenses per unit product sold vary inversely with the productivity of the salespersons.

TURNOVER OF SALES PERSONNEL

This is an index of how good we are at the sales management. Mathematically, the personnel turnover in terms of percentage is given by:

$$\frac{\text{Number of Separations} \times 100}{\text{Average Total Sales Force}}$$

Thus, it shows how many personnel leave the organisation per 100 salespeople. A company with 300 salespeople witnesses 30 separations during the year. It has a sales personnel turnover ratio of 10 per cent.

The turnover rate affects the cost of managing the salesforce. Each recruitment and selection process means a heavy expenditure in terms of advertisements, campus interviews, executive time and so on. Besides, for each selected person, there are several who are rejected. But even these rejections cost us heavily. There are sometimes travelling costs. The recruited and selected persons are then trained. Training itself is expensive. Thus, whenever, there is separation, and a replacement is to be found, we have to think how it costs us. In addition, a newly replaced person may not be as efficient and effective as one who leaves. Thus, a high rate of turnover is never good. It affects the bottom line. Newly recruited persons also require more supervision and motivation. There may be lost business due to their inexperience.

Some turnover however, is inevitable. Most who desert the company desert it before 2-3 years. In this period, the person gets to know whether the job suits him. It is better that an unsuccessful person leaves earlier. It costs the company less. A very low turnover rate indicates the presence of many senior personnel who may not have the capacity to work as much as a young man. Perhaps, it calls for a review of manpower planning. Some turnover is desirable, it wards off stagnation. It injects new blood into the selling machine. The company gets rid of the deadwood.

The age composition of the salesforce is examined. This is called salesforce inventory. Age composition affects the turnover rate. There should be a wide range of age distribution. Each company should consider the average length of service. If it is fixed at 25 years, then the turnover rate could be 5 per cent; allowing for job aspirations of those leaving and errors at the time of recruitment and selection. It means one twenty-fifth of the salesforce should be replaced each year. Despite the best selection process, the turnover rate could exceed 5 per cent considering the aptitude for selling which many do not possess.

The turnover rate guides us about manpower planning of the salesforce. A turnover rate of 20 per cent means that the salesforce is being replaced every five years. The recruitment and selection process must be planned accordingly.

The reasons for turnover rate are studied. The analysis indicates where the corrective action is needed. A person leaving must be interviewed while exiting to know his mind.

The following table puts the turnover into two broad categories — controllable causes and uncontrollable causes.

Reasons for Turnover

<i>Controllable Reasons</i>	<i>Uncontrollable Reasons</i>
(i) Faulty recruitment and selection	(i) Retirements
(ii) Faulty training	(ii) Death
(iii) No proper motivation	(iii) Medical causes
(iv) No proper supervision	(iv) Unsurmountable personal problems
(v) Lack of communication	(v) Lack of aptitude
(vi) Lack of performance	(vi) Higher aspirations
(vii) Discharges on valid grounds	
(viii) Transfers and promotions	

In the list of controllable reasons, there is some scope for corrective action on the part of the management.

SALES EXECUTIVES AND SALESFORCE MANAGEMENT

All executives working in the sales function have some responsibility of managing the salesforce. Salesmen report to their sales supervisor or field executive. Supervisors, therefore, devote most of their time and energy to direct the salesforce. The higher you go in the hierarchy, the lesser is the time devoted to the salesforce management. However, all the executives are responsible for the effectiveness of the salesforce. Regional heads of sales or zonal heads are line executives under whom subordinates like assistant sales managers and supervisors work. These middle-rung executives thus manage the salesforce indirectly through their subordinates. Some middle-level executives serve in staff or advisory capacity, *e.g.*, sales training or brand management. Their work also affects the salesperson's job.

All-India sales manager manages the whole set up through a number of middle level and junior level executives. However, he has to devote his time to the policy and strategic aspects also. Thus, the higher one moves in the hierarchy, the more is the need to apportion time between managing the salesforce and other marketing-related activities. But all said and done, all sales executives must remember that their very justification in being the sales organisation is to plan and control the salesforce.

Background Study

In order to have proper sales management set-up, it is necessary to have the environment scanned — who our customers are, where they are, what do they buy, why do they buy and so on. We must know how best we can reach them. We must know the total market potential and our own sales

potential carved out of this total market. We must know what appeals to our customers. This background information goes a long way in creating a successful selling programme. We must also keep in mind the law and the sales management. There are a plethora of labour laws and sales representative laws. We must be clear about the Bonus Act provisions, and provisions of the Minimum Wages Act. A pharma company also should have awareness of Drugs and Cosmetics Act, Poisons Act, Narcotics and Psychotropic Substances Act, Dangerous Drugs Act, etc. Recruitment and selection must take care of the government guidelines of reservations, minority rights, etc. There should be equal remuneration for equal work, irrespective of gender. Child labour is prohibited.

Job Analysis

Job analysis is a process by which minute details of a job are accurately collected. It includes the functions and conditions of the job as well as personnel requirements of the job. Some authors call it job study. Arun Monappa and Mirzasayadain consider job analysis as ‘the process by which data in regard to a job is systematically observed and noted. It provides information about the nature of the job and the characteristics or qualifications that are desirable in a job holder.’ Job analysis thus leads to both the job description and job specification. It indicates the difficulties involved in performing the duties, the basic duties and responsibilities, the conditions of work and the personal characteristics required to handle the job.

Sales Job Analysis

Here, we spell out the objectives of the selling job. We also consider the reporting structure — the immediate superior and the subordinates. We consider the product or products to be sold. We consider the prospecting. We consider the selling process. We also consider the reports or upward communication the salesperson sends. Sales job analysis provides the nature of the selling task, specific duties and responsibilities. It also considers sales and its interface with other functions. This detailed study makes the role of salesperson clear. It indicates the selling style — whether technical, new business, trade or missionary.

The qualities required in a salesman may include the general qualities, the specific qualities and technical qualities. The general qualities listed by many researchers are honesty and reliability, a self-starter, orderliness, friendliness, self-control and good handwriting.

Sales Job Description

To present properly a lot of information gathered in the job analysis in a manner that will help in the selection of employees is job description. In short, it is the concise form of job analysis. The following information is given in the job description:

1. The title of the sales job.
2. Description of the selling job in brief.
3. The objectives of the job.
4. Functions of the selling job.
5. The reporting relations of this job to the other jobs.

The selling job description spells out to whom the job holder reports, who report to him, what is expected of him, how he is to go about it and how his performance will be measured.

Process of Job Analysis and Job Description

The entire process can be put into the following steps:

1. To determine the objectives.
2. To decide what information is to be gathered.
3. To collect this information through questionnaires, interviews, observation and other methods like conferencing.
4. To analyse the collected information by tabulation, reconciliation of different viewpoints and classification.
5. To present the information by writing a job description. This involves reporting relationships, job objectives, duties and responsibilities and standards of performance set.

Job description is reviewed in terms of objectives, reporting relationships, and duties and responsibilities whenever the environment changes radically.

Alternatively, a checklist can be prepared listing activities and sub-activities of what is commonly perceived to be a salesperson's job. This checklist generates the duties and responsibilities section of the job description.

Sales Job Specifications

Here, we consider, from the job description, what duties and responsibilities a salesperson is expected to perform. That indicates what qualifications will enable him to do justice to the expected duties and responsibilities. The qualifications constitute what is known as job specification. To illustrate, if one of the duties of the salesperson is to train the distributor's salesforce, naturally it means that he must have the qualification and ability to impart such training.

It may be necessary for him to have some formal qualification and experience.

Some qualifications are expected in the new appointees, whereas some qualifications are acquired while on the job. It is thus a case of continuous training. Those companies who get highly qualified people at the entry level may have a less intensive training programme and *vice-versa*.

Job specifications also spell out personality characteristics necessary to perform the job. Such characteristics for a selling job may include the capacity to take initiative, the ability to empathise with the prospects and trade, the maturity to handle the situations, the integrity of character, etc. Motivated salesperson is an asset, but a high degree of motivation may not be suitable for a routine job, and the person seeks higher responsibilities.

Minimum requirements of qualifications and age are prescribed in the job specification. These are tenable legally if it can be proved that these are essential for the performance of duties. The academic inputs required in the different selling jobs vary widely. Some jobs require an average literacy, whereas others require engineering background and technical background. Formal qualifications are evidence of average abilities. However, insistence of a formal qualification may eliminate some otherwise potentially good candidates.

Job specifications are a good screening device while recruiting. Job specifications should not prove discriminatory.

As preparing accurate job specifications is very difficult for some selling jobs, the interviewers rely on job descriptions only, and do not spell out formally the job specifications. Even in such cases, the interviewer does keep in mind what minimum qualifications and traits are acceptable to him.



Chapter



Recruiting Sales Personnel

Putting the sales staff in the field is one key responsibility of the sales department. Personnel selling strategy in both its dimensions — the type of people required and their number — is to be implemented. Once we know what type of salespeople we need, we undertake a detailed job analysis, leading to job description and ultimately job specification which match the job and the person. After knowing how many persons need to be recruited considering the sales objectives, sales personnel turnover and the market realities, we try to source these persons. Sources of getting the persons are what constitutes recruitment. Out of these, some are selected. Recruitment is thus a positive process while selection is a process of elimination. Both recruitment and selection are important components of implementing the sales strategy. Newly selected persons are given induction training after placement to bring them on par with the expected level of productivity. Thereafter, they are trained on continuous basis. Directing the salesperson through leadership, motivation, communication and supervision also is of great importance to accomplish the selling goals.

After drawing job description and job specification, we try to identify the sources from where the persons can be recruited, and then these are tapped to get the required people. Lastly, some are selected so as to match the job and the candidate.

Recruitment and selection is done at various levels in an organisation. Generally, sales representatives are selected in a decentralised manner. The supervisor and the regional manager may do the recruitment and selection. They are better aware of the local conditions. Salespersons of the middle-level and senior-level are selected by the top management. Smaller companies can assign recruitment and selection to the personnel department. But all medium and large-sized organisations do recruitment and selection in the sales department on their own, in consultation with the personnel department. Personnel department at best helps them in preliminary screening.

Many companies maintain a prerecruitment reserve where the bio-profiles of the perspective candidates from diverse sources are maintained. The reservoir comes handy when the actual vacancies arise. Inclusion in the prerecruitment reservoir is on the basis of walk-in-candidates, unsolicited applications, recommendations, chance meetings, etc. The prerecruitment reservoir is constantly updated.

The following are the sources from which recruitment can be made:

1. *Internal*, from our own staff as well as recommendations from the existing salesmen or customers.
2. *External*, like (a) advertisements, (b) employment agencies, (c) educational institutions, and (d) from competitive companies.

RECRUITMENT SOURCES

Frequently used sources for recruiting sales representatives are:

Word-of-Mouth

The existing team of sales representatives is a good source of leads to new recruits. Sales representatives have a wide social circle. Both on the job and off the job; they interact with people. They may suggest some good people as they understand the requirements of the job. Yes, of course, there is a great disadvantage too of this method — it may lead to nepotism where people are recommended on the basis of personal feelings towards friends/relatives. These should be weeded out by the company through its selection process.

Distributors of the company, other employees, suppliers of the company, *retired* employees may also recommend few of their contacts for filling up the positions.

Whenever an applicant suggested by a present sales representative is rejected, the grounds of such rejection should be *explained* to him.

In remote territories, these recommendations are a great help. Sales representatives working nearby know *more* about territorial requirements and local sources of personnel than distant executives.

Sales Representatives of Competing Companies

The ethics of hiring the competitor's salespersons can be debated. They are trained on-the-job and off-the-job. They are experienced. At the same time, they are to be paid higher salaries to lure them away from the present job. Some companies as a matter of policy avoid hiring competitor's salespersons. They question their loyalty; since they may do job hopping even in present assignment.

The key question that figures is: what is the reason for them to leave the present job? Perhaps, when both the jobs are on par in terms of pay and prospects, the desire for a change may be due to personality conflicts or instability. However, job dissatisfaction does not mean that the applicant is at fault. There may be sound reasons for job hopping. The applicant may be given an opportunity for productive work.

Salesmen of Non-competing Companies

Candidates working for non-competing companies are a very attractive source for getting salespersons. These salespeople have already the selling experience, some of which is readily transferable. Those who have worked in allied/related industries like cosmetics, chemicals and other consumer non-durables can easily adapt themselves to pharmaceutical selling. The fact that they have selling skills make their training an easy proposition. The reasons for change-over must be considered, however, before employing them. Their loyalty may not be as steadfast as that of internal promotees.

Internal Transfers

A pharma company has many departments. Some employees working in other departments may show an inclination for selling. They can be trained to the detailing job. They are familiar with the company's environment, and need less induction. Production and office employees may consider transfer to a selling job as promotion.

Campus Recruitment from Educational Institutes

Many companies find it easier to pick up the best talent straight from institutes offering graduate courses. Educational institutes offering courses in commerce, management and humanities are also tapped. These candidates are suitable since they possess the necessary technical knowledge. These recruits are easily adaptable than their more experienced counterparts. They can be moulded into the organisational culture of the organisation, since they have no fixed mindset. Their main limitation is lack of detailing experience. They need training, and reach a desired productivity level after sometime. It is necessary for the industry to maintain a rapport with the academic world to tap this source profitably. There are sales institutes like NIS to supply rightly trained manpower.

Placement Firms

There are many placement firms in India whose services the organisations hire to recruit the salespersons. The sheer volume of applications makes it cost-effective to utilise their services. These firms also provide anonymity. Companies find it useful to recruit through this source when they start new divisions. The fees charged for recruitment are normally between one or two months of the salesperson's gross emoluments. The fees are collected from the client company. All placement firms maintain a data bank which is constantly updated.

The placement firm chosen must understand the job requirements of a salesman. They should study the unique requirements of selling for each company. Considerable gains accrue from continuing relationships with firms that perform satisfactorily. The choice of the placement firm and our relationship with it go a long way in paying rich dividends.

Advertisements

Advertisements are both a source of recruits and a method of communicating with them. Newspapers, magazines and trade journals are extensively used media for advertisements for ensuring nationwide competition for several openings, national newspapers and magazines to some extent are used. For employing salespersons in a particular region or territory, local newspapers may be used. Sometimes, a judicious combination of national and local advertising is made.

The main advantage of advertising salespersons positions is its capacity to generate a large number of applications in a short time; and at a low cost. The major drawback is the screening involved to weed out unsuitable applications; since the average quality of applicants may be questionable.

Drafting a recruitment ad for salespersons position is an art by itself. It should give sufficient information about the company that is advertising the posts. The role and functions of salespersons should be given in a broad manner. The specific qualifications like B.Sc. in bio-sciences or chemistry or B.Pharm., or B.B.A., B.Com., B.A., or B.E. should be given, along with personality characteristics expected. The compensation package can be given. Above all, the advertisement should be drafted in such a manner that it is motivating enough for a suitable prospect to apply.



**BOOTS
PHARMACEUTICALS**

Requires
TRAINEE MEDICAL REPRESENTATIVES

(Anywhere in western India)

for its pharmaceutical Divisions – 'BOOTS' and 'MAGNUS'.

We are a multinational company, engaged in the manufacture and marketing of a wide range of pharmaceutical specialties. As part of the expansion plan, we wish to select bright and energetic youth (between 20-25 years of age) interested in a career in pharmaceuticals selling.

A degree in Science or Pharmacy, good command over-written and spoken English, and willingness to travel extensively are basic requirements. Experience of one to two years is desirable, though not essential. Female applicants meeting the above requirements will be considered for vaccines in Mumbai.

Selected candidates will be paid a stipend during a one year training period. On successful completion of training, they will be absorbed as Medical Representatives. The Company offers excellent working conditions and good career opportunities to the right persons. The compensation package is attractive, comparable to the best in the industry which at the start exceeds Rs. 60,000/- per annum (excluding retiral benefits and traveling allowances).

Interested candidates should send in handwritten applications giving all details of education, family background, experience (if any) age and languages know along with a recent photograph within 10 days to:

The Manager – Human Resources Development
Boots Pharmaceuticals Limited.
17, R. Kamani Marg, Mumbai – 400 038

Fig. 22.1

The more the advertising reveals, the more it serves as a qualitative screening device. The information given in the advertisement affects the quality and quantity of the applicants.

Well known companies prominently feature their name and logo in advertisements. Smaller companies may give a box-number advertisement.

The positioning and scheduling of the advertisement and its size must be carefully considered.

Since large retailing organisations and professional distributors also tap the same sources of recruitment, the companies find it difficult to recruit. Besides the sales is no longer considered a lifetime job. There is stress involved with an early burn-out. Salespeople find it difficult to adapt to less physical conceptual jobs like marketing. Beyond a certain age, managerial jobs are ruled out. Tactful outplacement or offering distributorship to ex-salesmen is a way out. It is better to prevent a burnout by proper career planning. Sales is no longer location specific. Salespeople from one area are in demand from other areas either in India or abroad.



Chapter



Selecting Sales Personnel

Selection can be just one step process of interviewing the prospective candidates or can be an elaborate process consisting of several steps. Each step in the selection process acts as a filtering device which weeds out the unsuitable candidates. The candidates who survive the selection process are given appointment letters. Each selection step also generates information that facilitates the final selection. The number of selections steps and the order in which they are used differ from company-to-company. Both the information needs and costs involved affect this decision. Selection process is considered successful if it improves the chances of getting the right people selected. No selection process is however fool-proof. There is a possibility of the right candidate getting rejected and a wrong getting selected.

SELECTION OF PERSONNEL

Selection is the process of offering jobs to one or more candidates from among those who have applied for jobs in the organisation. The experience and qualifications of the applicants are considered and evaluated to pick out man or men best suited for the organisations' requirements. Judgement for selection should be made very carefully to establish the "*best fit*" between job requirements and candidate's qualifications.

But before an attempt is made, the personnel executive must acquaint himself with the company's personnel policy. It is important because whatever decisions are made regarding the selection of personnel it must be within the framework of selection policies of the company. If the company's policy is to provide employment opportunities to the '*sons of the soil*' then the personnel executive must select or

hire, from among those who would be available for employment from the place or region. Similarly, the company may have a policy to provide employment opportunity to the sons and daughters of its employees then first it must be made sure that preference is given to the employee's ward. The list may be extended endlessly. However, it would be sufficient to emphasise that the selection policies will guide the selection process and delimit the discretion of the management.

SELECTION PROCESS

The selection of unskilled and semi-skilled workers is not a very difficult task, but it becomes necessary to use sophisticated selection procedures for the selection of supervisory and higher level personnel and for selection of personnel for special jobs. Now, the selection procedure differs from one organisation to another and also within the same organisation depending on the situation and needs of the organisation as well as the level for which selection is done. Moreover, the selection process to select lower-level workers is least expensive; while the selection of top-level employees would be much more expensive because it requires the use of complicated selection tools.

The following procedure can be considered as a systematic selection procedure for the selection of middle level personnel:

1. Reception of applicant
2. Application blank
3. Selection test
4. Interview
5. Inspection of past career
6. Primary selection
7. Final selection
8. Medical check-up, and
9. Placement.

For lower level employees, the following procedure may be adopted:

1. Reception of applicant
2. Application blank
3. Interview
4. Final selection
5. Medical check-up, and
6. Placement.

The following figure shows different types of selection process with different stages in each process. We see that the process involves the use of one or more selection techniques.

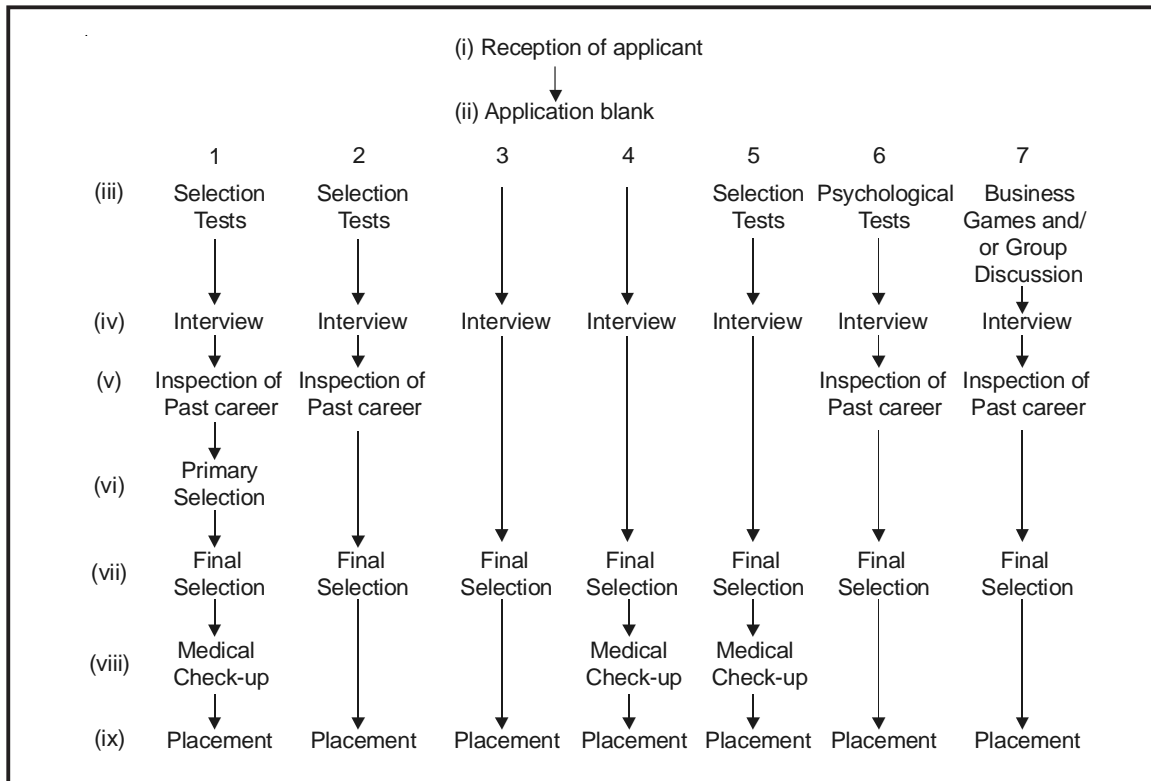


Fig. 23.1 Selection Procedure

At each stage, a number of applicants would be eliminated and finally the required number would be there at the placement stage. Here, we will discuss in brief each of these stages:

1. Reception of Applicant: The selection process begins with the reception of applicant. The candidate will form his first impression about the firm by the reception he receives and the saying that *'the first impression is the last impression'* is too familiar to be mentioned. There may be a receptionist to receive the applicant, who will gather certain basic information about the candidate by asking the applicant short questions. This can be considered as a preliminary interview, which a receptionist only takes to decide whether to issue application blank to the applicant. Such an interview reduces the work of recruitment officer. Certain number of inefficient candidates may be eliminated at this stage. There may be a well-furnished reception hall with a number of magazines, newspapers, etc.

2. Application Blank: It is an application form, which is composed in a manner so as to gather all the relevant information about the candidate. The application blank helps the interviewer in interviewing the candidates. It should not be too long and complicated. Asking irrelevant questions in the application blank is not going to benefit the applicant or the firm in any way. Generally, the application blank covers the information relating to the candidate such as name, address, age, marital status, educational qualifications, experience, present salary drawn and references. Other items on application blanks vary considerably from one organisation to another organisation and from job-to-job depending upon the requirements of an organisation and also the job. The interviewer gets preliminary information from the application blank, which helps him a lot.

3. Selection Tests: The basic assumption underlying the use of tests is that individuals differ in their job-related abilities and skills, and that these skills can be accurately and adequately measured for comparison. Various types of tests, such as performance tests, intelligence tests, attitude tests, personality tests, psychological tests, etc., are used in the selection of personnel depending upon the type of job and the level in the organisation. Many companies, particularly, the public sector enterprises widely use written test for the selection of the staff. At this stage also certain number of candidates with poor performance in the tests, are eliminated.

4. Interview: Nowadays, selection of any employee without his interview can rarely be observed. Interview is used so much widely that ordinarily recruitment or selection is interpreted as interview. Every employer wants to see and to talk with everyone, who is being considered for a job. The interview has been described as '*the conversation with a purpose.*' The main objective of the interview is to obtain additional information over and above that given in the application blank and to compare the information obtained in interview with the information given in the application blank so as to find out any serious inconsistencies that may exist.

5. Inspection of Past Career: Mostly in application blank itself the name of the former employer and references of one or two reputed persons are given. The validity of information given by applicant can be judged by getting reports about him from his past employer. The adverse report of the former employer should be considered thoughtfully. However, it should not be forgotten that it can be periodically written. Favourable report will increase the possibility of selection.

6. Primary Selection: If a candidate is found to be proper after the above-mentioned long procedure, he will be selected on probation period. During this period, a candidate gets the real on-job experience.

7. Final Selection: If the performance of a candidate, during the probation period, is found satisfactory, he is assigned a particular job or duties. It should be remembered that the final selection is the work of a line manager and not of the personnel manager. Personnel manager acts only as an adviser and final authority regarding the final selection rests with the line manager, because, after all, he is the person who is responsible for the work of a new recruit.

8. Medical Check-up: Medical examination can be done before or after the selection process is over. Physical fitness is highly necessary for many jobs. For example, in a coal-mine perfectly fit physical condition of the labourer is a must because of the hazardous working conditions. Medical examination is helpful to both parties — the employer and the employees. Sometimes, the candidate can find out his suitability for a particular job by medical examination. The advantage to the employer is obvious. If the employee is perfectly fit, productivity will increase, rate of absenteeism and labour turnover rate would decrease. Therefore, most of the industrial units nowadays insist upon medical examination.

Thus, the selection process ends and the final stage in the process of recruitment, *i.e.*, placement, takes place.

SELECTION TECHNIQUES

There are a number of techniques which are used for selection of personnel. Different industrial units adopt distinct selection techniques. The selection technique is greatly influenced by the kind of employees to be selected. The duties, authority and functions of the position for which selection is to be done should also be considered while selecting a technique for selection of personnel.

The earlier attempts were directed towards the development of pseudo-scientific techniques, such as phrenology (wherein it was assumed that the strength of each mental faculty was indicated by certain bumps on certain parts of the skull), physiognomy (which shows a correlation between the facial features of an individual and his behaviour pattern), graphology (study of the relationship between handwriting and personality of the individual). The beginning of 20th century saw a change in the management's thinking, whereby more and more organisations started trying more scientific and rational techniques of selection. Some of these techniques are:

- | | |
|-------------------------|------------------------------|
| 1. Application Blank | 2. Interview |
| 3. Physical Examination | 4. Business Games |
| 5. Group Discussions | 6. Role-play |
| 7. Interaction Analysis | 8. Different Types of Tests. |

1. Application Blank: In a sense, the application blank is a highly structured interview in which the questions are standardised and determined in advance. A well-prepared application blank can provide important information which may help the interviewer. Although an application blank may look simple, its simplicity may be deceptive. It tests the applicant's ability to write and organise his thoughts and to present facts.

Dr. George Terry has said that an application blank should contain two types of information:

- (i) The information for the recognition of the applicant, and
- (ii) Other information which can be helpful in selection.

After the receipt of the application blank, its examination is necessary. If all the applicants are called for interview, without examining the application blanks, it would serve no purpose, except the wastage of time, money and energy.

Incomplete applications and the applications received from unqualified candidates are rejected, this eliminating a few candidates at this stage. Sometimes, the applicants exaggerate their capabilities, making the application blank meaningless. Application blank may also contain wrong or useless questions. Therefore, a personnel manager may find it difficult to evaluate correctly the information given in the application form. The questions must be simple 'yes' or 'no' or very short.

Many a time, weighted application forms are used as a preliminary screening device. By careful study, such items as age, education, dependents, earnings and previous experience may be found to be closely correlated with a success in the job for which the candidate is applying. Each factor is weighted with some points, e.g., education may be allotted 10 points. Then, the points for pass class, second class, first class, etc., would be decided. A candidate with distinction in a qualifying examination may be

allotted 10 points. Now the total of all the points earned by a candidate would be made. Those getting less than the level desired by the firm will be rejected and the rest will be called for selection tests. The application blanks varies from one organisation to another organisation and sometimes in the same organisation, but no one avoids the use of it. On the other hand, it is widely used by generally all the organisations for the selection of personnel. Generally, the application blank contains the following information:

(a) *Personal Details:* Under this heading, we find items like date of birth, marital status, sex, height, weight, address for communication, etc. Little empirical evidence is found to suggest that this information can help predict the applicants' behaviour on the job. The study of Naylor and Vincent¹ on a sample of women clerical workers has shown that age and marital status did not have any significant impact on absenteeism. However, they found that there was a positive correlation between the number of dependents and the absenteeism rate.

(b) *Educational Qualifications and Experiences:* Say around 20 years back just a school final certificate or a college degree was enough qualification to get a job. This situation, however, does not exist any more today. The prospective employer looks at the overall academic performance of the candidate and above average academic qualifications has become an important criteria for a job. Again not much research data are available to prove one's academic background can predict one's performance on the job. It is also true for the past experience of the applicants. The general feeling is that the past experience can be an indicator of the applicant's further performance. But Anand's² study has found no relationship between past work experience and academic performance at college.

(c) *References:* This differs from organisation to organisation. In some cases, it just requires the applicant to furnish a few names who could be contacted by the employer to verify the validity of the information. In other cases, it refers to the letter of recommendations written by persons known to the applicant, other than his relatives. One problem that is commonly associated with this section is to ascertain the validity of the information. Seldom the teachers of the previous employer of the applicant, from whom the information about the candidate is sought are negative in nature.

The other factors that one should remember while using the application blank are:

- (i) A little is known about the predictability of the items that are included in an application blank.
- (ii) It is also not easy to determine what items should be included and how much weightage should be assigned to them. This is more disturbing when one tries to bring objectivity.
- (iii) It is not proved how far the items included in the application blank help predict on the job behaviour of the applicant. If some of the items are not used to make selection decision, then what moral right the organisation has to ask for such information.

2. Interview: The objectives of the interview are to match people and jobs. But within this overall objective, we can identify the specific objectives which should guide the interviewer in conducting the employment interview.

Whether the applicant is ultimately employed or rejected, the interview should serve as a means of creating a good feeling towards the company. The employment interview should be an occasion for

¹ Naylor and Vincent, *Predicting Female Absenteeism, Personal Psychology*, 1959.

² K.K. Anand, *Selection for Management Education*, I.I.M. Ahmedabad, 1970.

giving job and company information in order that the applicant may have a factual basis for accepting or rejecting employment, it offered. The employment interview should provide the interviewer with an opportunity for obtaining from the applicant, data which are relevant to the employment and placement decisions and are not available from other sources, *e.g.*, his training, work history, interests, etc. The interview should help to establish a friendly relationship between the employer and the applicant and should motivate the good applicant to work for the company. In actual practice the interview in most of the cases fails to satisfy all the objectives.

<i>Interviewer's Guide</i>	
A. Work History	D. Appearance and Mannerisms
Reasons for choice of jobs	Dress
Relations and attitude towards superiors on previous jobs	Poise and bearing
Reasons for changing jobs	Speech and voice
Career goals	Facial expression
Type of work liked best	Neatness and cleanliness
Method of obtaining previous jobs	Nervousness
Progress (salary increases, promotions, etc.) made	E. Early Home and Family Background
B. Personality and Social Adjustment	Father's/Mother's occupation
Marital status	Did parents live together or were they separated?
Present interests and spare time activities	Number of brothers and sisters
Spouse's interests and outlook	Attitude towards father, mother and siblings
Financial responsibility	Economic situation of family
Emotional stability	Activities, hobbies and interests when young
Emotional maturity	Social contacts, friend
His personal goals in life; level of aspiration	F. Education
Attitudes towards work associates, towards authority	Did he actually graduate from high school college?
Sincerity	Courses taken, major area of concentration
Initiative	Reasons for choice of major course area
Perseverance	Rank in class
C. Health	Courses liked best and least and reasons
Past and present health problems	Extra-curricular activities
Observe physical limitations	Method of financing higher education.
	Special recognition and honours achieved.

Fig. 23.2

The interview consists of direct interaction between interviewer and the applicant. The interviewer can determine certain personality traits such as alertness in conversation, presence of mind, manners and poise but the character or honesty cannot be judged from the applicant's face. In the employment situation, interviewer tries to make the best possible judgements or predictions using every piece of information which can be brought to bear on the decision at hand. This means that the process offers

job descriptions and job qualifications statements plus personal history data, test scores, reference and work history checks in addition to whatever information has been obtained from the interview. However, in the interest of accuracy and efficiency, sources of information have to be limited to those that are important in the overall decisions and are dependable.

The following figure shows what an interviewer is required to examine about the candidate for interview.

(a) *How an interview should help?*: If the interview is handled properly, it can be a powerful technique in securing accurate information and getting access to things otherwise unavailable. If it is not handled carefully, it can be a source of bias, restricting or distorting the flow of communications. Their famous psychologist Bingham and More have gone in “*How to Interview*” the fine suggestions as to how an interview should be held. The suggestions are as under:

- (i) Determine the objective of the interview.
- (ii) Prepare a list of abilities of a candidate to be interviewed.
- (iii) Plan out the whole process of interview.
- (iv) Form a habit of viewing the interview from the viewpoint of interviewee.
- (v) Try to eliminate the effect of your prejudices.
- (vi) Create an atmosphere in which the candidate can reply your questions conveniently and without any complex.
- (vii) Be a good listener. Remember that when you speak more, you will hear less from the applicant and so will know less about him thus marring the sole purpose of interview.
- (viii) The interview should go on as determined. Do not encourage detraction.

(b) *Interviewing Techniques*: Insofar as the measurement of aptitudes, proficiency and interest is concerned, psychological tests have proved to be more dependable and efficient source than the interview. But only an interview provides the relatively unique opportunity to view, probe and judge the candidate with regard to personal and social adjustment traits and to evaluate his interests, aptitude and motivation. No doubt, it is very difficult to determine the validity of interview method, but it is true that a pre-validated standardised interview procedure can help a lot. Generally, the following interviewing techniques are used:

- (i) **Standardised interview**: It combines direct and indirect questions relating to the applicant in four major areas: Work history, family history, social history, and personal history. This technique is considered to be much more accurate than less standardised interview. The interviewer makes the total of the score obtained and subtracts the score for the unfavourable answers. Unstandardised interview is little more than a casual, social conversation without direction, purpose, control or recognisable terminal point and it does not help the interviewer or the applicant. A rather simple format for standardised interview can be readily prepared.
- (ii) **Non-directive interview**: This technique makes the minimum use of direct questions. Generally, the short questions with ‘yes’ or ‘no’ answers are avoided, but broad general questions are asked to the candidate. The interviewer stimulates the applicant to discover his problems himself and to decide his own course of action. A person is more likely to act upon

a solution that he works out himself, because it is acceptable to him. It is interviewee centred because the discussion and interests are determined by the interviewee. The interviewer only stimulates the interviewee to talk about himself. The freedom allowed to the interviewee to talk about himself reveals applicant's real personality.

- (iii) **Stress interview:** Under this technique, pressure is created on the interviewee deliberately to observe the performance of the interviewee under stress. Such interviews are useful to select the personnel for the jobs, requiring emotional balance. It helps to demonstrate important personality characteristics which would be difficult to observe in tension free situation.
- (iv) **Group interview:** Here, a group of applicants is assigned a topic for discussion. No leader of the group is nominated, but observers are assigned the duty to attend the discussion for the purpose of evaluating the performance of candidates for that group. The observers see that who assumes the leadership during the discussion and how the other candidates react. This is the recently developed technique and is used to find out suitable candidates who would lead others. But its validity is not high. Only the standardised or patterned interview has been known to show high validity coefficients with success on the job.
- (v) **How to make the interview more effective?:** The following points should be considered to increase interview effectiveness:
 - (i) *Information about the interviewee:* The interviewee's file containing the application blank, reports of reference checks, physical examination findings, test scores and preliminary interviewer's notes, should be prepared. From a review of the file, the interviewer determines:
 - (i-a) Does the applicant meet the minimum standards set for each hurdle in the selection process? He must satisfy himself in this regard before proceeding with the interview.
 - (i-b) What background factors and personal qualities must be explored? If all these are satisfactory, then the bulk of the interview time will be devoted to giving job and company information to the applicant. If the subject is border line case, the task of the interviewer becomes more complex, since he will be searching for evidence which can be used as a basis for recommendation for or against employment.
 - (ii) *Job Information:* Considerable information in form of job specifications and job descriptions is necessary if the interviewer is both to give information and make valid judgements with respect to applicant's qualifications. Job description is obtained from job analysis. Job analysis means the details of what the worker does, *i.e.*, what a worker does, how does he do this, what are the qualifications or skills required for doing the work, working conditions required, etc.
 - (iii) *The structure of the interview:* Properly structured interview helps in making assessments of personnel qualities as well as in the synthesis of all available data in arriving at overall predictions. Unstructured interview does not help either the interviewer or the interviewee. The questions must be properly planned to obtain required information.
 - (iv) *Qualities of interviewer:* Haphazard interviewing by untrained interviewers fails to serve the purpose. It does not provide necessary analysis to predict future job success. For

increasing the effectiveness of interview, the interviewers should be properly trained. The qualities of a good judge in the interview situation call for wide social and professional contacts, considerable reading of literature, specially books on psychology. Guided by a shrewd, careful observer, the interview, unstructured in character and more in the nature of a probing conversation, could be a powerful instrument for obtaining information. However, the greater the amount of discretion allowed to the interviewer, the more it is necessary to have a high level of competence. The following points should be considered so far as the qualities of interviewer are concerned:

- (iv-a) He should prepare a plan for the interview.
- (iv-b) He should have adequate job knowledge.
- (iv-c) He should have adequate information on the applicant's background.
- (iv-d) He should ensure schedule interviews for the efficient use time.
- (iv-e) He should ensure that interviews are held in private.
- (iv-f) He should put the applicant at ease.
- (iv-g) He should allow the applicant to talk freely.
- (iv-h) He should avoid unnecessary or useless questions.
- (iv-i) He should adjust the level of his language to the language of the respondent.
- (iv-j) He should control the interview properly.
- (iv-k) He should be aware of his own prejudices and should try to avoid their influence on his judgement.
- (iv-l) He should avoid any suggestion of discrimination.
- (iv-m) He should know how and when to close the interview.
- (iv-n) He should record the facts during the interview and should give his impressions and judgements immediately thereafter.
- (v) *Active listening*: Listening is more than refraining and speaking. A listener must show by his behaviour that he is trying to understand, that he accepts the person as well as what he says.

For a listener to indicate doubt, surprise, disagreement or criticism, places him in the role of a judge or a critic; for him to express agreement, pity or even sympathy, places him in the role of a supporter. As a judge he stimulates defensive behaviour and as a supporter he stimulates dependent behaviour.

The active listener's behaviour includes a posture indicative of attention, a friendly facial expression, patience and acceptance of pauses. Certain vocal expression, may rightly be included under listening. ('Uh-Huh', 'I see', 'I understand', 'Do you want to tell me about that?'). Even if the interviewer is directly asked to express an opinion, he can avoid entering into a discussion, by saying "would you like to tell me how you feel about it".

- (vi) **Reflecting feelings:** Although listening is an easy skill to describe, it is a difficult one to follow. Associating with people is a give and take relationship in which one person alternates talking and listening with another person. But here, one is expected to give up a well-learned manner of responding to another person and merely listen to him. It is difficult because one has to inhibit the tendency to respond by speaking.

This principle suggests that interviewing skills should permit one to replace his advice giving responses with some kind of a useful verbal response. The method of responding to feelings by restating or reflecting them effectively satisfies this requirement.

Reflecting feeling seems awkward at first but supplements the benefits of listening and at the same time makes it necessary for the counsellor to speak. However, in order to reflect feelings properly an interviewer must listen carefully and selectively. Selective listening means that one pays attention to and looks for certain things in a speech; allowing factual material to fall into the background. Inconsistencies are accepted — what is meant by what is said and not the words used to say, becomes important.

The method of reflecting feelings is analogous to the interviewer serving as a selective mirror. He mirrors or restates some things that are said to him and allows other things to pass.

Facts, incidents, justifications, chronology of events, where a person went and what he did, are relatively unimportant. But how a person feels about these things is important. These feelings must be reflected so that they can be seen and viewed in a different setting. The interviewer helps to get a more objective view of his feelings.

This is diagrammatically shown below.

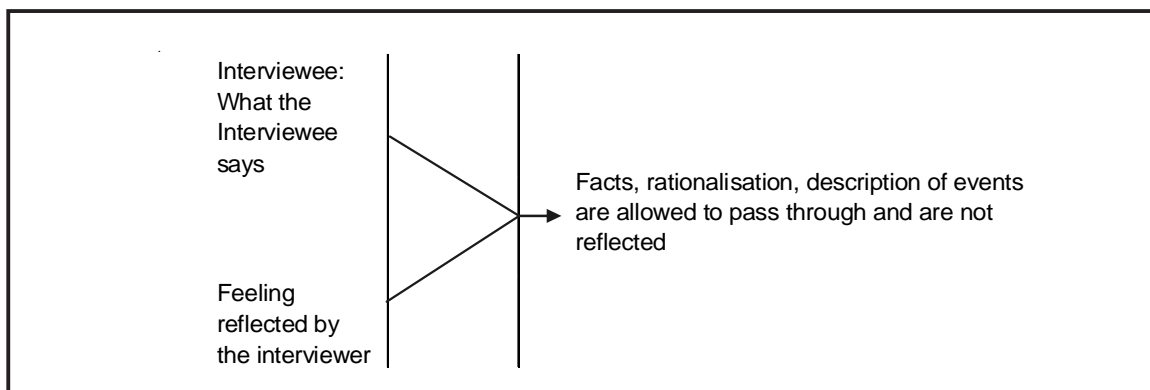


Fig. 23.3

It must be stressed that the applicant will speak frankly and freely only when the situation is permissive and the interviewer is accepting and understanding. However, the act that interviews have a purpose or objective of their own introduces some conflicts. (Employment manager wants to screen candidate and hire the best, the applicant's objective is to get himself hired and to defeat the function of the screen).

In any interview requiring cooperation, care should be taken to find a mutual interest and this becomes the meeting ground for discussion. General curiosity and interests may also be aroused for obtaining cooperation.

(c) *Employee evaluation form*: This form is based on the assumption that ‘the best indication of what an individual will do in future is what he has done in the past. The interviewer is thus called upon to rate each application for seven different factors; namely — previous experience, training, manner and appearance, sociability, maturity and leadership capacity. He follows this with an overall summary of the interview which indicates clearly the extent to which the applicant’s experience and total composite of traits and abilities qualify him for the job in question.

The use of the evaluation form requires interviewers to commit themselves on paper and support these rating by facts obtained from the interview conversation. This becomes a permanent record for the personnel file and provides valuable reference material at such time as the employee is considered for transfer, promotion or discharge.

It is often stated that the three major objectives of an interviewer are: (a) To get information about the applicant, (b) To give information about the company and the job, and (c) To make a friend.

The average time per applicant is found to vary from 20 to 30 minutes. It is necessary to give the form a trial run to ascertain the degree to which each of the listed characteristics is necessary for satisfactory performance on the various jobs and to iron out irregularities in the procedure.

The employee evaluation form has been devised for rating the applicant’s suitability for a specific job. Its efficient use is, therefore, dependent upon the availability of a rather job specification.

The information should include a description of the duties of the job, the conditions of work, qualifications required, experience and training, desirable personality traits, degree of automation, extent to which such specialised abilities as intelligence, speed and accuracy are essential. Rate of pay and normal lines of promotion should also be on hand.

Whenever possible, the interview should be supplemented by the use of employment tests, since the interview is a subjective device.

In the measurement of personality characteristics, the interview is still a very reliable instrument for the industrial situation.

How to Use Employees Evaluation Form?

The “Master of Ceremonies” Techniques:

Most interviewers suffer from two setbacks:

- (i) They conduct interviews without plans, and
- (ii) They use the same stereotyped questions for successive interviews. In this technique, we try to obviate these faults through a planned conversational approach.

Sequence of the Interview

For the most part, the areas listed for investigation can be taken up in the following sequence:

1. Work Experience,
2. Training,
3. Personal History.

Winning the Confidence of the Interviewee

Almost every applicant experiences a certain amount of physical tension at the beginning of an employment interview. This is occasioned by the fact that the individual is, on the one hand, anxious to get the job and, on the other hand, finds it difficult to discuss his qualifications with a perfect stranger.

Under the pressure of heavy hiring schedules, many interviewers forget the usual courtesies and thus disturb the mental balance of the interviewee by working mechanically. The usual sequence is to start with the work history; then a description of school training and experience; and lastly, the attitude of the interviewee.

A very frank attitude during the discussion of the work and school experience wins his confidence and makes him less reluctant to talk about his personal history.

How Much of the Evaluation Form to Use?

This will depend on two factors:

- (i) The importance of the job to be filled, and
- (ii) The amount of time which the interviewer has at his disposal.

It is obvious that for an executive job one will have to go in for more details than for low level jobs.

How to Evaluate Each Factor on the Form?

The first three factors consisting of previous experience, previous job training, his manager and appearance should be rated in accordance with the requirements of the job for which the applicant is being considered. The three remaining factors, *i.e.*, emotional stability, maturity and leadership capacity should be rated as separate phases of his personality development and not necessarily in accordance with the requirements of any specific job. Each trait may be rated on a scale which may consist of a number of points but usually it consists of above average, and below average scale. When the interviewer intends to indicate an extreme rating, a check may be placed on the extreme end of this scale to indicate a superior candidate.

How to Record Information to the Point?

The interviewer should not hesitate to record information of purely an objective nature while the interview is in progress. But any information which is of very personal nature to a subject and which is in a way indicated to qualify for the job, must be recorded only after the interview is over.

INTERPRETATION OF ITEMS ON EVALUATION FORM

1. Work Experience: A man's work history ordinarily represents a major portion of his life's experience and as such, not only provides the indication of his ability to do a certain job in question, but also supplies many clues to his sociability, emotional stability and his general capability. The manner in which a man works is often the best source of information as to personality strengths and weaknesses.

To start the flow of conversation about the work experience some such, casual, informal remark as the following often suffices, "I see by your application here that you are working with the XYZ company. Suppose you begin by telling me in detail just what you do there." The interviewer may find it necessary to interrupt occasionally to get more specific information, such as exact duties performed, type of supervision, material used and any special responsibilities. The advantages of allowing the applicant to discuss first his present or last job are several, *e.g.*,

- (i) When given a topic with which he is most familiar, the applicant usually talks freely.
- (ii) The applicant's present job is frequently the best indication of his suitability for work with the company.
- (iii) The present job often represents a level of achievement with which it is possible to compare earlier jobs from the stand point of occupational progress.

As the applicant relates his job history, the interviewer mentally checks his experience against the job specification requirements of the work for which he has applied, mainly in relation to what he did, how he did it. The work history items may show similar job duties, material working conditions and degree of supervision, etc.

It may also be useful to check why he left his past job and why he intends joining the present position. This approach may eventually reveal that one or more of the reasons listed below played a part in his leaving his last job.

- (i) Incompetence on a particular job
- (ii) Quick temper
- (iii) Inflexibility
- (iv) Wanderlust
- (v) Poor personal habits
- (vi) Friction with supervisor
- (vii) Dissatisfaction with job duties, wages or working conditions.

2. Personal History: Personal history factors are considered as appraisals of his personality make-up which may be obtained by the interviewer by

1. Observation, and
2. Inference

One may observe evidence of an aggressive personality, for example, by noting the carefulness of speech, manner of response to questions, and general attitude during the interview. But to reach a decision on a trait like emotional stability it is necessary to ascertain whether the individual is a stable person from an accumulation of such evidence as reaction to failure, job stability, relations with supervisors and normal adjustment to personal life. An inference needs the support of findings from a number of sources showing the same trend. It is indirect approach. Observation, on the other hand, often results in an impression that registers after talking with a person only a few minutes. It is impossible, however, to appraise the more subtle personality traits in this manner.

These may consist of:

1. Favourable, Unavoidable Mannerisms?
2. General Appearance Satisfactory?
3. Evidence of Cultural Background?
4. Voice and Speech Acceptable?
5. Physical Qualifications Adequate?
6. Appears Nervous, High-strung?
7. Any Physical Disabilities?
8. Appears Aggressive, Self-confident?

Employee Evaluation Form for Interviewers

Name Job Considered For

Interviewer Date

Instructions

Rate the adequacy of the applicant's work experience, training and manner and appearance only as they apply to the job for which he is being considered. For your aid in writing summary, mark as check in-box before question items to which responses are favourable and a cross where responses are unfavourable. Mark only those items which have a bearing on the requirements of the particular job in question. Place a check on each line to indicate your estimate of how well applicant satisfies the requirements of the factor being considered. Note brief facts which substantiate your decision in space below each line.

I. Previous Experience:

Below Average/Average/Above Average

- A. Similar job duties?
- B. Required hand and machine tools?
- C. Same type of materials?
- D. Similar degree of supervision? (No work experience)
- F. Shown development on the job?

II. Training

Below Average/Average/Above Average

- A. Sufficient formal school education? (H.S. Grade and six months business college)
- B. Best liked or least liked subject related to job requirements? Best liked subjects: Commercial-also best grades in these subjects.
- C. Required mechanical, mathematical or other specialised training? Did not want to go to regular because he did not like many academic subjects.
- D. Required 'on-the-job' training?

E. Any special training since leaving regular school?

III. Manner and Appearance

- A. Favourable, unfavourable mannerisms?
(Gestures, facial expression, speech?)
- B. General appearance satisfactory?
(Features, poise, dress, personal hygiene)
- C. Evidence of cultural background
(Speech, courtesy and interest)
- D. Voice and speech acceptable?
- E. Physical qualification adequate?
(Height, weight, stamina)
- F. Any physical disabilities?
- G. Appears nervous, high strung?
(Seems a bit timid and ill at ease)
- H. Appears aggressive, self-confident.

Below Average/Average/Above Average
(Very well dressed, wears expensive clothes, rather attractive, appears to have good taste)

(Seems a bit timid and ill at ease)

IV. Sociability (Team work)

- A. Any job experience requiring special team work?
- B. Participated in school social activities?
- C. Taken part in community affairs?
- D. Engaged reflect liking for people?
- E. Appears friendly, the kind of persons who can get along with others?

Below Average/Average/Above Average
(Social contacts limited, like participation in school affairs)

(Association restricted to a few close friends)

V. Emotional Stability

- A. Friction with former supervisor?
(“Chip on shoulder” or “sour grape” attitude)
- B. Unsound reasons for leaving the job?
(Incompetence, quick temper, inflexibility)
- C. Unsatisfactory job stability?
(Easily dissatisfied or discouraged)
- D. Reasons for leaving school?
(Reaction to failure, frank or defensive)

Below Average/Average/Above Average

(Let business school because I did not care for the type of boys that went there. Present life lacks proper contact with opposite sex.)

E. Difficult adolescent period? (Parents divorced, all work no play, etc.)	(Mother believes that there will be plenty of time to get good girl for marriage I get a little older.)
F. Lonely, poorly balanced life now? (Inadequate social contacts, etc.)	
VI. Maturity	Below Average/Average/Above Average
A. Work after school or summers? (Earliest contribution to family income)	
B. Decisions dominated by family? (Leans on family for moral support).	(Has had no opportunity to learn what work is really like. Extremely sheltered life. At father's suggestion applied for work to contribute to war effort.)
C. Ever lived away from home? (Had to make own way)	
D. Ever handled more than one job at a time? (Economic drive).	(Eventually hopes to work in father's office. Stays 16 miles from plant — no common carrier.
E. Good sense of responsibility? (Considered transportation, wages, hours, family in making change of jobs, how much life insurances)	Has not considered how she will get back and forth from work)
F. Why did he apply for work here? (Any logical occupational goal).	
VII. Leadership Capacity	Below Average/Average/Above Average.
A. Ever had leadership experience (In school, former job, community)	
B. Does he want to be a leader? (Why?)	
C. Seems like natural leader type? (Dominates or inspires confidence, respect.)	
D. Reasonably aggressive, self-confident and self-sufficient?	

INTERVIEW SUMMARY

(Though as well-prepared as others without experience, yet he is not ready to work under pressure in a salesman pool — not sufficiently emotionally matured. Inclined to believe that the candidate does not really want to work but that “his family has decided that he should do something”. Because of sheltered life, he probably would have considerable difficulty adapting himself to work closely with many of the employees in the salesman pool).

3. Physical Examination: Physical examination is also a form of selection technique. It can be a nominal affair in certain executive and administrative positions, whereas it could be a rigorous examination for technical or manual jobs.

The necessary physical requirements could be determined on the basis of the job the applicant is supposed to perform. For certain types of jobs like in army or the personnel working in a steel mill may be required to meet exacting physical standards. Besides having an effective manpower, a physical examination can also help prevent communicable diseases. Also it saves management from paying compensation many times for sickness or accidents which may be caused by pre-existing ailments. Maisal questioned the validity and use of his selection tools. According to him, physical fitness cannot guarantee that the employee will not meet with an accident. However, from the safety angle use of this selection tool could be useful.

4. Business Games: This is mainly used for managerial selection. It was first developed by the armed forces and was finally adopted by the business circle. It is essentially a decision-making exercise. The participant is put in a hypothetical situation and is required to act as he would act in a real situation. It is assumed that a manager's success depends on his decision-making ability and his ability to understand and communicate the objectives and policies of the enterprise to his subordinates. The ETS and Bell Company have developed in 1959 the in-basket game which provides certain information such as the history of an organisation and job description of particular position, etc. This is done with a view to giving the participant a 'feel' of the real life situation.

5. Group Discussions: The essential feature of these technique is that instead of interviewing the candidates separately the interviewees are brought together in group of 6-8 persons for informal discussion and the selector observes and evaluates them. There are two types of group discussions, one where the group is given a problem to discuss and the individual member is free to choose his own approach to solving this problem. In the other type, each individual is allotted an initial position and supplied with supporting informations to defend his own position.

Advantages of this method are that decisions can be made within a very short time, and the selector can very well evaluate the candidate's personality or leadership qualities.

6. Role Play: This technique is useful while trying to measure the problem-solving abilities of the candidates. It is useful for the selection of upper level personnel.

7. Interaction Analysis: It is used to study the interactions emerging out of the role play as well as in their group discussions to study the interpersonal interaction, orientation and counselling skill.

8. Different Types of Tests: Different types of tests are used in the selection of personnel by many companies. The possibility of prejudice by the interviewer or supervisor can be eliminated by using this technique. Moreover, this techniques uncovers certain qualifications and talent that would not be detected by interview or application blank or other techniques. The test may be descriptive or objective. The descriptive type test is used by many companies to fill the administrative positions. It is used on the assumption that such type of tests give important clues about certain abilities. It is normally designed to measure the ability such as organising, comprehension, power of expression, and the use of language. It attempts to measure the candidate's ability to assimilate analysis and evaluate the subject-matter.

Normally, this type of test contains the following types of questions:

- (a) Questions that call for the applicant's point of view.
- (b) Questions that seek to measure the explanatory power of the applicant.
- (c) Questions seeking an analysis of the relationship of various factors.
- (d) Questions that call for a commentary on a statement or, suggestion from the candidates.

One severe limitation of such test is the high degree of subjectivity in evaluating the test. The subjectivity increases sometimes because of the tendency on the part of the examiner, to evaluate with reference to previous judgements.

The other types of test is the objective type which does not need explanatory answers. Such type of tests are often time-bound. There are many kinds of objective type test. It may be either "fill in the blanks" type or "true or false answers" type or matching or multiple choice type test.

One great advantage of such type of test is that a large number of questions can be asked and can be answered, in a short period of time. The second advantage is that examiner's bias is also reduced. Both the types of tests are useful and both have their limitations. The decision whether to use descriptive type test or objective type test should depend upon the nature of the job for which the selection is to be done and the position in the organisation hierarchy.

The basic assumption underlying the use of tests is that individuals are different in their job-related abilities and skills and that these skills can be accurately and adequately measured for comparison. The following types of tests are also used depending upon the skills and abilities to be measured:

(a) *Intelligence Tests*: Certain tests are prepared to measure common sense, receptivity, memory, etc., of the candidate. These tests are known as intelligence test. Oral or written tests are used. Few examples of questions in such tests are as follows:

Answer

- (a) 1, 3, 6, 10, 15, 21..... , (28, 36)
- (b) 10, 19, 37, 73, 145, 289, (577, 1153)
- (c) In a pond, the population of fishes doubles itself everyday. If, on 10th day there are 10,000 fishes in the pond, on which day there would be 25,000 fishes in the pond? (8th day)

Sometimes drawings, pictures, wooden or plastic models are also used in such tests. Now professional expert can only develop accurate and reliable intelligence tests. Moreover, such tests are very expensive and burdensome. Therefore, most of the companies use short paper and pencil tests to have rough estimates of the IQ (*Intelligence Quotient*) of the applicant. But it should be noted that psychologists differ on the concept of 'intelligence.' The companies use these tests under the assumption that intelligent people (bright, alert, and having fine memory), can learn any job very quickly in comparison to those who are less intelligent.

(b) *Performance Tests*: It is the simplest and most practicable type of tests. The applicant has to show his ability on the job itself. Here, the performance of the applicant is measured on the job itself. For example, when the job is a technical one to be performed on a machine, the applicants are asked to perform the same on the machine and the performance of each of the applicants is compared with every other to find out the most suitable candidates.

In the same way candidates for typing job are asked to type some paragraphs and their speed, accuracy, neatness, etc., are measured. The main advantage of such test is that one can know, how the candidates will perform, when they would be employed on the job.

The main drawback of such test is that it can be used for jobs which need physical work. But it cannot be used for selection of the managerial personnel. Certain skills cannot be measured by such tests.

(c) *Aptitude Tests*: They are designed to know whether the applicant is interested in the job and to measure the potential ability of the applicant to learn a new job. Psychologists have developed aptitude tests for various types of jobs. But aptitude tests do not measure motivation and therefore, such tests are supplemented by interest and personality tests.

(d) *Analytical Tests*: Here, the skills required for the successful performance of the job are singled out. Then, different tests for each skill are taken. At the end, the results of different tests are taken together and the applicant is evaluated. Hugo Munsterberg, a German Scientist, used analytical tests for the selection of telephone operators. He found that the things which will be detected by three months' training, can be detected in a few minutes with the help of analytical tests.

(e) *Personality Tests*: These tests are used to assess an individual's motivation, adjustment to the stress of everyday life, capacity for interpersonal relations and self-image. These are expressed in terms of relative significance of such traits within the person as self-confidence, ambition, decisiveness, optimism, patience, fear and distrust. The most popular personality tests are also of the pencil-and-paper type. In management jobs, these tests are valued very much because most of the managerial jobs require ability to deal effectively with the people and such tests help to find it out. However, some observers consider such tests superficial, easily faked and misleading, while others consider that these tests reveal a well-rounded picture of the applicant's personality.

(f) *Situation Tests*: These tests are used to measure performance and to assess personality of the candidate. Thus, they serve the purpose of performance tests as well as personality tests. Generally, such tests are used to observe how the applicants react to stressful but real-life situations. Several candidates for managerial positions are presented with a problem that requires group collaboration. Observers see who are successful in exercising and gaining acceptance of their leadership skills. Observers see how each candidate reacts within the group and how he leads others.

(g) *Psychological Tests*: Sometimes, it happens that though a person possesses all the skills and qualifications required for successful performance of a job, he would not be able to perform the job efficiently due to his certain habits or characteristics. For example, a person may be a most suitable candidate for the post of a store-keeper, but he may be a chainsmoker. Such person cannot be selected for the post of a store-keeper, in the stores department where highly inflammable materials are stored. Thus, these tests are used to measure such type of personality dimensions such as likes and dislikes, habits, hobbies, etc. The test must be job-related and must be capable of measuring what it is supposed to measure. The test must predict the performance of the candidate in real work situation.

In India, the common problem is the availability of such psychological test, because most of the psychological tests are developed in foreign countries. The general evidence shows that it was first developed in the public school of France around 1900. It was developed by the French Academicians to

enable the educators to separate students who lagged behind their classmates. Prof. Alford Binet was the man to develop for the first time such an objective test. Since then these tests have gone through several developmental phases and used extensively as a selection instrument in the USA and other European countries. However, in India there is clearly a lack of such tests.

The attempts to modify these tests to make them more useful under Indian conditions have proved to be of little use in this country mainly because of the failure of translating the themes and cognitions from English to any of the regional languages in India. Prof. M.S. Saiyadin of IIMA has suggested three alternatives, which are available to the managers. First approach, is to choose a sample that is proficient in English. This approach, however, poses a great limitation because of the job requirement and the shortage of managerial manpower. The second approach, is the use of language proficiency test and the third alternative — is to develop one's own test. This may prove to be very time-consuming and costly, but in the long-term it may be a very fruitful endeavour.

Conditions for Effective Use of Tests

1. The test should be properly prepared.
2. The test should be job-related.
3. If possible more than one test should be used.
4. Capable and experienced person should handle the tests.
5. The reliability and validity of any test should be accepted before it is used as a selection tool.
6. The test should be reviewed periodically.
7. The dangers and limitations of different tests should be kept in mind.

Fundamental Principles of Test Construction

The following principles of test construction should be strictly followed to increase the utility value of test technique for the selection of personnel. The fundamental principles include:

1. Validity
2. Reliability
3. Standardisation, and
4. Evaluation

1. Validity: Any type of test, which is to be used, should have validity, *i.e.*, it should *actually measure*, what it purports to measure. If it fails to serve the purpose, it has no meaning. The validity of a test is determined by the relationship between the test results and some criterion of efficiency on the job. If the test's results fall short of the expectations to a great extent, it can be said that the level of validity of the test is very low. The coefficient of correlation has become the most widely employed index of validity. A coefficient of +1.00 signifies perfect correspondence, while 0.00 indicates no relationship at all. Validity may be content validity, concurrent validity, construct validity or predictive validity.

Validity of a test can be measured by two procedures, which are supplementary to each other. In the first procedure, the employees of the unit, who are already on the job and who are known for their ability, administer the test. If the employees known as most efficient get the highest score and the least efficient employees get the lowest score, it can be said that the test has validity. The second procedure

is employed to supplement the first one in checking the validity of the test. Now, the follow-up studies of the performance of the candidates who have been selected through the test is made. Only after employing both these procedures, one can say whether the test used is valid or not.

2. Reliability: This is also a very important principle. Reliability means the consistency with which it serves as a measuring tool. If a test is reliable, a person taking it at two different times should make substantially the same score both the times. No test is of value in personnel work unless it has a high degree of reliability. Reliability can be measured by any one of the following three methods:

- (a) In the first method, the same group is given the same test at two separate times and the test series scores obtained at both the times are compared and correlated.
- (b) In the second method, two or more different but equivalent forms of the same test are given and the resultant test scores are compared or correlated.
- (c) The third method is known as “Split-half” or “odd even” method. Here, the items are divided and scores obtained on one-half of the items and correlated with scores on the other half.

3. Standardisation: Now, the test items or the questions should be standardised. The process of standardisation includes the scaling of test items in terms of difficulty and establishment of norms. To be of functional value in a test, each item must be of such difficulty as to be missed by a part of the examinees but not by all. That is, no item should be of discriminatory value which is answered either correctly or incorrectly by everyone. Items should not be very simple, so that everyone can correctly answer them. If it is so, the test would serve no purpose. Secondly, since the items of different degrees of difficulty will discriminate between persons of different degrees of ability or achievement, it is essential that the items be well distributed along the difficulty scale.

With some experience, it may be possible to build a test which can at once result in a good distribution of score. If a large number of items is collected and careful analysis is made of the test results of each item, the items may be graded as to their difficulty and a test battery can be created for future use. Whenever a particular examination is to be held, we can select from our test battery the proper number of easy, intermediate and difficult items and form a reasonably balanced test.

4. Evaluation: The evaluation of test results depends upon many factors. Sometimes, technical considerations are also given weightage. Various items are assigned different weightage or marks. Total score is to be calculated taking into account the weightage of different items. Thus, evaluation of test results also possess several problems.

One method of evaluation is such, in which usually passing marks are fixed in terms of the requirement of an organisation, *i.e.*, number of vacancies to be filled. This is the most commonly used method of selection. The candidates are given rank on the basis of scores or marks obtained. There is nothing like pass or fail. If ten vacancies are to be filled, the first ten candidates are selected and if only two vacancies are there, only first two candidates are selected. Thus, here the number is fixed, whatever may be the standard of the candidate. In the public examination, it is not so. In every public examination, passing standard is fixed. Suppose there are two units X and Y, and ten candidates have appeared at the selection test in each unit. Now unit X requires only 2 candidates while unit Y requires five candidates. The following table shows that in case of unit X candidate will be with 59 marks and in case of unit Y last candidate will be with 40 marks.

Table 23.1: Table showing marks obtained by applicants

<i>Unit X</i>		<i>Unit Y</i>	
<i>Sr. No. of Candidates</i>	<i>Marks Obtained</i>	<i>Sr. No. of Candidates</i>	<i>Marks Obtained</i>
1	60	1	45
2	59	2	44
3	55	3	42
4	50	4	41
5	45	5	40
6	40	6	39
7	35	7	35
8	32	8	30
9	30	9	28
10	25	10	20

Another method is interpretation in terms of percentiles which gives the examiner a complete picture of his test results and yields much finer divisions than the rough two-step scale resulting from the use of the critical score. Moreover, it is equally adaptable to all test scores and is a convenient, though somewhat inaccurate, method of reducing the scores of a number of separate tests to a common basis. This method is not much in use.

Now, the test should be centrally scored. It is desirable in the interest of uniformity. This happens usually whenever a central personnel agency exists. Now for the purpose of best ratings, two or more examiners should be assigned the work and they would work independently. If any marked differences between the ratings by the two examiners exist, the differences should be reconciled.

If the test method is handled properly for selection and placement, it brings many advantages to the management. It improves the matching of traits and job demands. It decreases the training expenses because the number, who fail to complete the training, is reduced and the training time required by those selected is also reduced due to better selection. The incidence of failures on the job is also reduced. Thus, on the whole, the cost of selection, placement and training are reduced. Morale is improved through increased job satisfaction of correctly placed employees. Labour turnover is reduced and productivity increases.

Induction and Placement

When a new recruit is formally assigned his duties and educated about his work, the selection process comes to an end. The general tradition is such that supervisor or the immediate boss of the new recruit takes him to the place of work explains him his work, and also informs him about the history, development and traditions of the company. He is also explained the opportunities for promotion and the promotion policy of the company. He may also be introduced to his colleagues. The necessary facilities, such as bathroom and canteen would also be shown. The hours of work and time of recess are also made known to the new recruit.

The selected employee on being placed is inducted in the industry by acquainting him with the overall organisational structure, aims and objectives, his place in the organisational set-up, his reporting authority, his responsibilities, etc. He is given a feel of the organisation. He is introduced to his superiors, peers and subordinates. This makes him comfortable, and puts him at ease. No employee should be asked to start his job without proper induction.

QUALITY OF SALESFORCE

Nortel's salesforce is made up of 35 engineers and its best people can earn as much as Rs. 30 lakh a year. When brand names are commoditised, the buyer takes a call on the basis of the best salesperson. In IT big deals are struck. The company thus wants to be sure that the salesperson is absolutely trustworthy. Integrity, rather than technical knowledge, becomes the most sought after quality in a salesman. The best salespersons rarely give discounts. They bring in high revenues as well as high margins. Asian Paints has a salesforce of 500, out of which 100 sell to institutions and builders. But the rest interact directly with customers. They are extremely choosy in selecting these salespersons. They put a premium on intelligence and ability to learn. Those who cater to institutional sales must have better communications abilities. Asian Paints have a variable compensation system. On an average 25% of a salesperson's salary is incentives, though this goes up to 50% for star performers. The attributes for selection vary as per the territories. In areas, where they have a high market share they need people who can provide smooth service. In areas, where they have low market share, they need aggressive people who can generate demand. Rural market happens to be the biggest challenge for salespersons.

Qualities of a Salesman

A successful salesman is a diehard optimist, with a positive attitude to face the real world of selling with its stresses and strains.

A successful salesman never procrastinates he does what he has to now.

A successful salesman motivates himself by putting positive slogans into his subconscious mind, *e.g.*, Mohammad Ali, the World Boxing Champion, called himself the 'greatest'.

A successful salesman is not apprehensive of failure. He never avoids networking, calls and contacts on the basis of fear of getting rejected. He takes the change in his stride.

A successful salesman is imaginative enough to see the products and services through the eyes of the prospective customer.

A successful salesman has infectious enthusiasm. He is focussed and persistent.

A successful salesman never distorts the truth, does not lie and is sincere to the core.

A successful salesman has photographic memory. He remembers names and anniversaries. He remembers names every time he meets his customers.

A successful salesman is a good listener.

Outsourcing Sales Function

Many markets are now experimenting with outsourcing their sales function. Nestle handled its water business Pure Life by outsourcing sales team from a staffing firm. It, therefore, could move out of this business easily. Pepsi entered Aquafina 25-litre jar business by using temporary sales staff. Lever also outsourced 120 sales officers for appointing dealers and distributors. FMCG companies have adopted the idea of using sales temp. These can be hired and fired easily. Such temps are put on specific tasks, *e.g.*, new product launches, geographical coverage, sampling and consumer promotions. Cadbury has two-tier system — own salespeople in the metros and outsourced ones in the mini-metros. The outsourced staff may not have the quality and dedication. Precisely for this reason, the companies utilise the services of sales staffing service companies. Outsourcing is used in a big way in secondary sales function. As they are not employees of the company, control is a problem area. Sales temps also face differential treatment at the company. Temp staff are taken on short-term renewable contracts. The letter of appointment is issued by the staffing firm. They are given perks like insurance, PF. They are either on commissions or salary or a combination. The staffing firm provides the preliminary training. Some temps who are good can be given regular employment later. Companies prefer well-trained ready-to-work temps, thus avoiding the training costs. While moving amongst the companies, they are expected to be reskilled.



Chapter



Sales Training

The main idea behind training is to extract the best out of a candidate in terms of performance on the job. Of course, experience is still the best teacher, but it runs a very costly and time-consuming school. Training cuts short the time required to learn on the basis of experience. Training also supplements what one learns by experience. Training helps to reduce the sales personnel turnover ratio. It is observed that new recruits generally get demoralised and leave or are too ambitious and leave. Veterans generally continue with the organisation. These veterans were initially helped by the sales training to build their career. Training improves the effectiveness of the salespersons. In many organisation, though considerable effort goes in recruiting and selecting the right people, training is neglected to a large extent. It should be appreciated that there is a great potential of improving effectiveness of salespersons if both recruitment and selection and training are simultaneously considered seriously. In fact, training inputs marginally contribute to effectiveness more than the improved recruitment and selection process.

Selling is ultimately a relationship exercise — relations with the customers and trade. Trained salespeople are in a better position to maintain these relations.

The belief that salespeople are born and not made was very strong to begin with. Salesmen were just hired, and sent to the field. Sales managers believed that once in water, they will learn how to swim. They expected them to learn the hard way.

Though innate skills are present, appropriate training refines these skills further. Salespeople, both born and made, do benefit from sales training. Training is now considered supplementary to experience, though not as a substitute.

TRAINING PROGRAMMES

A variety of sales training programmes are developed. The first is the programme of induction training for the fresh appointees. Later, there are specialised short-term and long-term programmes. These can be arranged periodically, depending upon the training needs. Some companies not only train their own salesforce, but also arrange training programmes for the distributor's salesforce. Some programmes are designed to create selling faculty. There is a great need for trainer's training. Each programme has different aims, and the contents of the programme reflect these aims.

Creation of a sales training programme is a five-step process. The acronym best describe these steps is called ACMEE. Each training programme has certain aims. These aims determine its contents. The contents are delivered through a variety of pedagogic methods such as lectures, conferences, case studies, business games, etc. A training programme must be executed properly. Finally, each programme is evaluated for the results it achieved. Thus, ACMEE stand for aims, content, methods, execution and evaluation.

AIMS OF THE TRAINING

In general, all sales training programmes have the goals like improving sales performance, improving productivity of salespersons, imparting product knowledge, improving communication skills and so on. But these general aims should be converted into specific aims which can be operationalised. While deciding specific aims, general aims are analysed and the efforts to achieve them are reviewed. The objectives of training are to provide the following types of information to the salesmen:

- (i) Knowledge of the company
- (ii) Knowledge of the company's products
- (iii) Knowledge of the customers
- (iv) Knowledge of the sales and other procedures
- (v) Training in the *art of selling* or salesmanship

Training aims are derived ultimately by identifying the *training needs*. We come to know about these needs through initial training programmes and further on-going training programmes.

IDENTIFICATION OF TRAINING NEEDS

Initially, the sales training programmes are based on job specifications, the background of individual who is being trained and the sales-related marketing policies.

Job specifications provide clues to those areas which must be emphasised in training. Perhaps, all those who are selected may not possess qualifications and characteristics expected of them. To illustrate, a medical representative who is B.Sc. in chemistry or life sciences must be trained in the essentials of pharmacology after being inducted. We should also consider how a salesperson allocates his time?

Which activities take up most of his time, and which activities are neglected? The answers provide us the guidelines for training. We can observe a salesperson on the job, and decide his training needs. We should also assess which selling approach is the most effective. Others then could be trained to adopt this approach.

Though the difference between what a job specifies and what a person possesses provides guidelines for training, sometimes such individual differences are not easy to pinpoint. All trainees can be given an identical training programme to save on time and money. Some organisations keep training modules with element of flexibility, so that individual-tailored programmes can be accommodated.

Our sales-related marketing policies shape our training programmes. The product mix and product-line handled determine the training needs. Technical products are sold by persons grounded in their technicalities. Non-technical products are sold solely on the basis of selling techniques. Each organisation has a different marketing mix and promotion mix. It affects the initial training programme. Less promotion calls for intensive training. Promotion through heavy advertising calls for coordinated approach between it and the salespersons.

Training needs keep on changing and so they should be identified continuously. The change in environment is mostly responsible for the new training needs. Feedback from the field also provide guidelines for training. Job descriptions and specifications and sales performance are constantly matched to know the gaps.

CONTENTS OF THE TRAINING PROGRAMME

Both aims of the programme and the training needs identified provide us the guidelines about what the training programme should contain. The first training modules are general in scope and are much broader. The programmes continued later are shorter. Initial programmes cover all dimensions of the selling job. Continuous programmes cover specific dimensions to compensate the deficiencies observed in the experienced salespersons. Contents differ from organisation to organisation. Each organisation has a specific product-line or lines and cater to one or more markets. The selling and marketing policies are also different. The appointed persons may have different backgrounds. The training philosophy may be different keeping in mind the organisational culture. All these points to the need for developing programmes for the individual companies. No two companies can have identical programmes. Though the emphasis on different topics of contents may differ, most organisations have some general topics in their curriculum. The four dimensions of any training programme are product knowledge, sales techniques, markets and organisational information.

PRODUCT KNOWLEDGE

Any organisation would expect the salespeople to become acquainted with the products it makes and markets. Those organisation which have technical products put more emphasis on product knowledge. But routine products require a passing acquaintance with the product. A salesperson should be clear about a product, its applications, its uses, its shortcoming and should know how it helps the customers. Good product knowledge puts self-confidence into a salesman.

Each salesman must understand what values the product offers to the customers. He should know what the buyer expects. He should be able to match a buyer's expectations and the products of the company.

Those organisations which market technical products provide hands-on training to their salespersons. They expect the trainees to know the operations and production management in general about these products. They should have the capacity to demonstrate the use of the product. But technical knowledge should not be too elaborate. It should be just sufficient to facilitate selling.

A salesperson should be intimate with the competitive scene. He should know the product profiles, of the competitors products. The merits and demerits of the competitive products must be understood. This gives the salespeople the necessary cutting edge. They can put their sales presentation in proper perspective. Knowledge about competitive scene should be imparted continuously. It should duly acknowledge the changes in the marketplace.

SALES TECHNIQUE

Salespersons must be trained in the sales techniques. There is one school of thought which considers only the right selection of candidates and the product knowledge imparted are enough to make them successful on the job. In short, a presentable, educated person conversant with product-line makes a successful salesman. However, most of the experts feel that some training in sales techniques is essential. A salesman must be taught how to sell.

MARKETS

A salesman must know the market like the lines on his palm. He should know who his customers are, what motivates them to buy, what their needs are and what their paying capacity is. He should know both the customers and their buying behaviour. If these things are not covered in the training, the salesperson takes a long time to acquire this knowledge. Some of them may not come to know the vital details about the market, in spite of being the field for a number of years. As markets are dynamic, training in this area should be continuous.

COMPANY INFORMATION

A salesman must know what is the mission of a company, what its marketing objectives are, and what are its sales-related marketing policies. A salesman must be conversant with the pricing policies to answer the queries raised by the customers. A salesman must also know the exchange policy, the after-sales policy, the credit policy, the maintenance policy and the customer relations policy of his company.

When induction training is given, a salesman is taught how to take the order, how to process it, how to send the necessary reports and how to handle the customer enquiries. Each organisation devises its own specific contents of induction training programme.

Induction also informs the salesmen about the personnel policies related to the sales department. They should know about manpower planning, recruitment and selection methods, compensation plans, incentive systems, promotional policies, retirement benefits, perquisites available and so on. All this informs the salesman what his prospects are in the organisation and it boosts up his morale.

A salesperson must be aware of corporate history, the contributions the company is making towards social causes, the place of the company in the industry, and the relations it maintains with its public. A good corporate image and a sense of mission, instil a feeling of pride in the salesperson, and provides him a direction.

Though background training about the company is essential, too much time should not be wasted while doing so.

TRAINING METHODS

There is a wide variety of training methods. A company has to choose either one or generally a combination of these methods. The methods chosen should be consistent with the training needs and the contents of the training programme. Thus, if a company wants to inform what is its policy on holiday plans, just the lecture method followed by audio-visual presentation would be sufficient. A training in sales techniques may require demonstration and role play method. The methods chosen must communicate the desired contents in the most effective manner.

There are two methods in vogue for training sales representatives: (i) On-the-job methods, and (ii) Off-the-job methods.

On-the-Job Methods

Here, the principle of learning by actually doing is used.

On-the-Job Training

Here, the SR has to accompany the sales supervisor and perform the selling job in his presence. He is made aware of the problems in practical situations, and is trained by the supervisor by suitably briefing before and after each call. Sometimes, the supervisor himself demonstrates what he preaches. He gives oral and written explanations to the SR being trained. Taperecord may be used to give voice training.

Demonstration and Examples

The supervisor does the detailing, and explains later why, how, and what he is doing. Demonstrations are supported by lectures, visuals, discussions, etc.

Off-the-Job Methods

Here, training is not on the field, as a part of everyday activity. It may be conducted in a classroom of a company's training centre. An outsider organisation may be involved to impart such training.

Lectures

These are delivered on specific topics by qualified trainers/instructors. It is the most widely used method to teach theory and concepts. The lectures are supplemented by group discussions, question-answer sessions, film shows, case-studies, role-plays, etc.

Conference Method

According to a well-decided plan, a conference is held to discuss problems and to pool different ideas to tackle these problems. Buzz sessions divide participants into small groups. These report back to the whole groups with their inferences and questions. It makes the participants learn from each other and to reduce dogmatism. They also help in modifying attitudes and in developing conceptual skills.

Seminar

Here a paper is presented on a topic which is later discussed. The paper is authored by a trainee SR.

Case Study

A real or imaginary situation is presented to a group. The group is asked to identify one problem, and discuss alternatives to tackle them. Each alternative is analysed to arrive at the optimum decision. The trainer only guides the discussion. It promotes analytical thinking and develops problem-solving ability. This method is more suitable for supervisory/managerial training.

Role Playing

Here, the trainees have to enact a role which is given to them, *e.g.*, one trainee becomes a medical practitioner and another trainee details before him. The role players have to quickly respond to the emerging situation. It is a method of human interaction.

Programmed Instruction

It has two important components:

- (1) Step-by-step series of bits of knowledge, each bit/unit building upon the previous ones.
- (2) A mechanism of presenting the series and to check trainee MR's knowledge.

Programmed learning is done through a manual or independent worksheets. It is primarily used to teach factual knowledge such as Pharmacology, Biology, etc.

Training in Pharma Industry

Many organisations like Glaxo have a heavy budget for training and development in various areas. The pharmaceutical companies lay a lot of emphasis on sales training, which they usually perform through an in-house training department. Most companies conduct their programmes both through internal and external trainers.

Games

In this method, teams of trainees are formed to meet, discuss and arrive at decisions concerning sales management, sales forecasting, budgeting and such other activities. These games can be relatively

simple, permitting rapid decision-making to be effected or extremely complicated, entailing long and detailed analysis of trends in costs, sales and inventories. Moreover, the requirement that decisions are made as a team provides the trainee the experience of working in a small group.

The business games are used for a variety of reasons, the primary one being the opportunity to learn from experience without paying the price that would result from wrong decisions made in real life. These are exciting and powerful educational tools with numerous applications in problem-solving, research, managerial decision-making and executive testing and selection.

Distance Education

This method uses the correspondence, instructional material in sales training. Companies send regular instructional materials to their salespersons about their products, new products and their applications. This method is also useful to train the representatives employed by the distributors. This method is useful for widely scattered trainees. Periodically, they are called for training at a centralised place and trained by the traditional methods like the lectures and case studies. Developing software or instructional material for correspondence courses is the most challenging task. It is also necessary to motivate the salespersons to study the material and complete the assignments in time. Face-to-face discussions and personal contact programmes are regularly arranged. This method is a supplementary selling method.

EXECUTIVE TRAINING AND DEVELOPMENT

Concept of Executive Development

Executive development can be defined as *“the attempt to improve managerial effectiveness through a planned and deliberate ‘learning process’, which seeks to develop in managers certain attitudes, skills and knowledge, which would ultimately modify and prepare the executives to adapt themselves to the change. Thus, in a broader sense executive development becomes one of the tools of organisational development and is aimed at increasing the effectiveness of the organisation.”*

Managerial effectiveness is the most crucial element in the organisational effectiveness. In fact, efficiency of any organisation depends directly on how well its managers are trained to plan and execute the plans effectively. Thus, identifying and evaluating the differences of managerial effectiveness and making an earnest endeavour to ‘develop’ these skills are of critical importance. An effective team of managers is of paramount importance for the survival of the organisation. Interest in management development is high partly because of the acute shortage of managerial manpower and partly because of the growing feeling that management is a profession which can be mastered through special training.

Rapid industrial expansion after the Second World War and separation of management from ownership (as in corporate form of business) resulted in the necessity for evolving a system of executive training and development.

The distinction between *“Managerial Development”* and *“Managerial Training”* should be noted. *“Managerial Development”* refers to the learning process, whereas *‘Managerial Training’* refers to the programmes developed to facilitate this learning process.

The vitality of business enterprise is largely dependent on the men who manage it. The generation of dynamic leadership, which can build great enterprises, is the need of the hour. At the top, nothing but the very best is needed for the survival and growth of any organisation.

The diversity of individual private units choose different patterns of training the executives. However, certain general conditions are applicable to all the organisations.

The first necessity of executive development is 'right thinking.' Right thinking about anything means looking at best in our situation as well as what we may need in future. It should be seen whether it can be developed in our executive seeing the capacity of the man, his capacity to face challenge and assume responsibility and his knowledge.

One of the important tasks for the manpower is to assure that required number of managers with required type and amount of skill would be available to the organisation in future. Other objectives may be to better the performance of managers at all levels and throughout their career; and encourage them to develop as individuals and assume responsibilities.

A few major functions can be cited for development of managers:

1. The senior manager should have clear understanding of the nature of his subordinates and company policies and objectives regarding the executive development.
2. Formal classroom training should be given to the managers when such a necessity is felt.
3. In management, the managers should, to a greater extent, manage by experience and research rather than by tradition or routine.

There are some ideas prevalent in the business world, which oppose the concept of executive development. They can be listed as follows:

1. Why train and develop managers? It is better to buy them.
2. Executives are born, not made.
3. Personnel executive should take care of the people and their development.
4. All the concept of executive development should be left to a training specialist.
5. Let us follow the routine.
6. Executives are too busy. There is no time to develop them.

Principles of Executive Development

1. The first cardinal principle upon which a management development programme should be based is that 'all development is self-development', which means executive development depends upon the inner motivations and basic abilities of an individual. Therefore, a systematic recruitment for executive positions is the basic principle of executive development.
2. Individuals differ in their aptitude. The individual differences in aptitude and quality should form the basis of executive development.
3. It is more of an education rather than imparting a particular skill because all executive development programmes are intended to broaden the outlook of the people and capacity of judgement.

4. Learning can be fostered when proper organisational climate exists. Thus, conducive organisational climate should also be provided.

THREE TYPES OF TRAINING METHODS

There are basically three types of training methods: (1) the *telling* method, (2) the *showing* method, and (3) the *discussion* method.

Telling Method

It is the oldest form of communication by means of lectures. It could prove to be boring. But it is quick and effective.

Showing Method

Here, the trainer shows or demonstrates. It is more or less like role playing or actual doing. He takes the salesmen to customers to train them. The salesmen watch him do it. The whole thing is later discussed.

Discussion Method

Here, the trainees participate by asking questions, clarifying doubts and discussing case studies.

SALES TRAINING

Sales training has become the in-thing these days. Maruti has a huge sales training budget. Reliance acquired NIS, a Delhi-based sales training institute. Companies like Godrej, M & M, Eveready has set up sales academies. LG organises training workshops. Bharti treats training expenses as investment. In industry, there is an attitude shift towards sales training. HLL trains stockists' salespeople. Gillette has a national sales training manager at its headquarters with regional trainers to assist him. Gillette is also outsourcing to outsiders. Retail has become more fact-based and customer-focused. This is reflected in training. In Marico, there are senior sales managers and regional sales development managers. The sales organisation itself has been restructured to meet the needs of different channels — modern trade, retail in large towns and small towns.

Though internal training departments are used, there is no aversion to using outsiders who bring in a fresh approach. Insiders are buttressed by outside specialists. There is a high rate of attrition these days, as services do poach on the staff of FMCG sector. There should be a sourcing model, say a sales academy to meet the shortage caused by attrition.

Corporates have higher stakes in training. First, there are corporates who undertake sales training as a reaction to boost up their sagging sales. Second, there are services sector employees who require a new skill set like telecoms, petroleum companies, etc. Then thirdly, some companies feel the need of training due to changed market conditions.



Chapter

25

Execution and Evaluation of Sales Training Programmes

Execution of a training programme is not just matter of pedagogy. It is also concerned with administrative skills of planning the programme and house-keeping. We have to consider what our training philosophy is, what our infrastructure for imparting the training is, how we schedule our training programmes and what pedagogic tools we use.

TRAINING PHILOSOPHY

Training brings about a change in behaviour. When the behaviour changes on account of training so that a standard response is generated or a programmed response is generated, it constitutes one philosophy of training. Another philosophy attempts to generate situation-related response by developing analytical skills of the trainees. Here, the response is individualistic.

The philosophy chosen depends upon the nature of the organisation. Standardised response selling is more routine. Analytical skill development training is more appropriate for highly market-oriented organisation operating in competitive environment with a fairly complex product-line.

Approach towards career advancement in the sales department also influences the choice of the philosophy. Those with analytical skills are better suited to carry out the higher responsibilities of an executive post in future.

The quality of the prospects also determines the philosophy. Low-level low-positioned individuals as prospects would need conditioned-response philosophy. Highly placed individuals at higher levels do need insightful analytical approach.

Each philosophy has its own aims, contents and methods. Door-to-door selling of routine products require conditioned response. Selling in prestigious supermarkets may need analytical skills. The quality of the trainees also influence the training philosophy.

In both the approaches, the training material is different. In conditioned-response approach, the kit is standardised. It is a canned talk. In analytical approach, the kit facilitates the development of the analytical skills.

It is easier to evaluate the standardised response approach. The evaluation of analytical approach is more subjective and judgemental.

TRAINING ORGANISATION

To begin with, all fresh recruits are given induction training. Here also at times, a new appointee can be directly placed on the job to learn for himself under the supervision of an able superior. This could be because of an insufficient number of appointees to form an induction batch. Later, it requires systematic evaluation of the training needs to decide who should be given continuous training. Deficiency in performance and good performance may both lead to some training programme. As the person attains seniority in the organisation, he is given further training inputs to cope with increasing responsibility. The convenience of both the trainer and the trainee is also kept in mind.

Initial sales training is mostly a line function under sales. In some companies, the personnel department handles this function. Even then, the sales personnel are always consulted. Induction training which is common for sales and appointees of other functional areas is better handled by the personnel department.

A big organisation runs a staff training college and an executive training college. Senior executives can be deputed to outside organisations like the IIMs for training. Large organisations appoint a sales training director. He conducts training with the assistance of some line executives. In smaller organisations, though no separate training institute is created, sales executives shoulder the responsibility of training. Those organisations which have training institutes have full-time and part-time faculty. As sales training requires intimacy with the selling environment, organisations prefer insiders for training rather than outsiders.

Trainer's training is a very crucial consideration. There are specialised programmes to train the trainers. Trainers should have thorough knowledge of the corporation, its mission, its objectives, its product-line, its markets, and its broad policies. Trainers must understand the selling task and the selling skills. If they are not drawn from the field, they should be acclimatised to the field experience. Those who are already trained trainers should teach the would-be trainers. It is expected that the trainer should have a good combination of administrative experience and the teaching skills. The difficulty is to get such persons. Those who are good administrators are poor teachers, and those who are good teachers have no administrative experience. The trainers should be able to plan the training programmes and the software needed for it.

Outside experts are used for sales training. Generally, they are good to impart training in sales techniques — prospecting, selling communication, sales presentation, telephone selling, meeting objections,

closing the sales, etc. Outsider experts have their own independent training organisations or are university professors. These faculty members do put in an impressive performance to remain in business.

TIMING OF THE TRAINING

New recruits are trained in groups. Some however, believe that first they should be directly put on the job. It shows that on the job training is sufficient to sell. It also means that when a few individuals are hired, it is economical to put them directly on the job rather than arrange a formal training programme. This, however, is not valid when highly complex, technical products are to be sold. The initial formal training for them is a must.

When a large number of persons are recruited, it is better to arrange group training. It means lower training costs per person. Though formal group training is cost-effective, it should be supplemented by individualised field training. Group methods are useful to teach product knowledge, corporate history and philosophy, market information and theoretical essentials of selling. Sales techniques are however, best mastered individually in the field. It is necessary to have judicious combination of both the group and individual training.

Initial sales training is timed to the recruitment programme, keeping in mind the expansion and desertions. It might be necessary to arrange a few such programmes in a growing organisation. In a small company, initial sales training is not held frequently.

Changing environment and the newly emerging needs make training a continuous process. It is necessary to impart knowledge on product innovations. It is also necessary to train the trainees in refined methods of communication. Training continues as long as the person is on the job. Though an organisation keeps the salespersons informed of the new developments through bulletins and house journals, it is necessary to call them to formal training when a sufficient of knowledge pertaining to one area accumulates. There are refresher training courses.

There are certain deficiencies which cannot be rectified through formal training. Under such circumstances, these are remedied through on-the-job training.

It is necessary to keep an yearly schedule of refresher and retraining programmes. It improves the effectiveness of the salespersons.

SITE OF THE TRAINING PROGRAMME

There are two options — conduct training at a centralised location by transporting the trainees there or conduct training in a decentralised manner in the region or district as here the salesperson has to work. Centralised training though costly because of boarding, lodging and transportation of trainees is effective because it has sound infrastructure. Decentralised training is conducted without any direct supervision of the higher-ups, and so the training could be half-hearted. Until a company has exceptionally good decentralised set up, initial sales training should be at central locations. Continuous retraining courses could be either centralised or decentralised, depending upon whether it is economical to transfer the trainers or the trainees and where the instructional talent is located.

PEDAGOGIC MATERIAL

Good instructional materials and training aids constitute the very foundation of a training programme. These differ from company to company and programme to programme. These are related to the aims, contents and methods adopted. The following materials are generally used.

Manuals

In group training, these workbook type training manuals are used. A manual summarises the contents covered, gives case studies, and leaves space for self-assessment exercises, working out problems, and game — or role play type material. Manuals also provide what the company stands for and what its products are? It also outlines its major policies and thrust areas. It is necessary to be selective while preparing the manuscript. If the editing is not tight, too much trivia may occupy valuable space. Manuals are useful during the training session itself, and later as reference book. Loose-leaf format permits additions and deletions.

Printed Material

Company catalogues, price-lists, product brochures, handouts of important topics, trade-related textbooks, business magazines are given as printed material. Company published material supplements what has been covered in the training programme. A company subscribes to trade-related and management-oriented magazines to keep the field force updated. Manuals are further supplemented by textbooks, though they are hardly read during the course of training. They may be used later as references.

Training Aids

These aids convey audiovisual impressions. Most commonly used aid is the blackboard. These days overhead projectors showing transparencies are slowly replacing the traditional blackboard. Here, time is saved as tables and diagrams are pre-prepared. Still the blackboard holds its own place. Imagine how a session will be conducted if there is power failure. Blackboard has immense possibilities of writing and rewriting. It captures points that emerge in the discussion. All other aids supplement the blackboard, but cannot ever replace it.

Video-players or CD-players or CD-ROMs or projectors are also used these days. They are good to explain cases and technicalities. A movie is very graphic and gives effective demonstration. It is, however, expensive to get or make suitable software. A company can show a live session of sales presentation, and then discuss the pluses and minuses of the situation depicted.

Audio equipment is also used in sales communication training. It can also help in improving linguistic skills. A salesperson can tape his own voice, and later play it back, and learn voice modulation and phonetics. Audiocassettes of various management experts are used to impart information on different topics.

ISDN has made possible videoconferencing and virtually removed the disadvantages of decentralised training.

Advance Assignments

These are prescribed mainly to save precious time. A company can ask the trainees to read in advance certain topics and cases. A trainee does homework and comes prepared. All assignments must have clear instructions of what is expected. A trainee becomes motivated when his synopsis is discussed, and is accepted as an important input for further discussion. Advance assignment can be designed both for the individual and the group. Advance assignments keep the trainees on their toes all the time, even off-campus.

EVALUATION OF TRAINING PROGRAMMES

It measures how effective the training was. A training programme has three costs — time, money and effort. This investment must pay back. It is, however, not so easy to measure how far the programme contributed to the effectiveness of the individual. Yes, the effectiveness of the programme itself can be measured. What we can do is to match the aims expected and the results achieved. But such follow-up is mostly ignored results may not be immediate they may show later on. Certain indirect criteria are chosen. How long an induction trained person takes to be on par with the veteran salesperson? We can compare the performance levels of those who are trained and those who are not. If records of pre-training and post-training performances are meticulously maintained, and are converted into market-shares, it will be a great help in evaluation. But sales results are not just because of training. There are many other factors at work. How to isolate these is a moot point.

Yes, a programme can be measured for effectiveness by giving a written examination to trainees based on its contents. Trained persons are put in the field and are observed by experienced supervisors. They record the difference if any after training. They also let the company know how far the trainee is applying the knowledge acquired in the training programme to the field situation. Customers can be questioned about the effectiveness of the salespersons.

All these approaches are not fool-proof. Evaluation is done both during the course of the training programme, and after it is over. Mostly retention tests are used. Role play can be used to test communication skills. Ratings can be given during group discussions, case analysis and role-plays. Though subjective, these rating provide incentives to the trainees. It is also necessary to evaluate the trainers' performance. This is, however, a debatable issue. Some feel that trainees lack the competence to evaluate the trainers. Still programme comment sheets are fairly common. Some companies ask the feedback from the trainees after a certain period of time, when they return to their jobs.



Chapter



Motivation and Morale of Salespersons

INTRODUCTION

All of man's actions are guided by his cognition, *i.e.*, his apprehension, his awareness and his anticipation but when someone asks why he acts at all, then he is primarily asking the question of motivation or precisely what is in his mind and what activates or motivates him to act in a particular way. Managers often ask: "Why are people not more productive, when we pay them good wages, provide good working conditions and excellent fringe benefits and job security?" Yet, people do not seem to be willing to put forth more than the minimum effort. The commonly-held belief is that individuals will work for an organisation if they are paid well but then, we often find people working for the church or for the Salvation Army, where they do not get any monetary compensation. Thus, there must be something more than monetary compensation or job security which impels individuals to work in one way or the other. The answer lies in understanding their motivations.

The central task of a manager is to make people work for the attainment of the organisational goals. They may not necessarily work for the organisation. Thus, the manager must first understand the factors that modify or condition their behaviour and such factors must be built into the organisational design. Hence, the study of motivation is of crucial importance. He must understand that his prime responsibility is of creating and maintaining an organisation that works effectively. It is, therefore, important that he motivates his employees so that his subordinates work for the organisational goal attainment. Action is the beginning of everything in business as no human activity can take place until the individual is willing to perform that activity. Therefore, what he does will depend to a large extent on how much and why he wants to act. Because of this, the study of human motivation becomes complex.

In order to satisfy human needs, an incentive must be present in the organisation that would serve as a satisfier. The manager must be concerned with making effective use of the incentives that would stimulate employees to be more productive. There are positive as well as negative incentives that can be found in an organisation. Positive incentives which Herzberg calls Positive K I T A are money, security, recognition and competition. What is called “Rabbe Hypothesis” is which puts stress only on money and security as incentives. There are also negative incentives such as punishment, threats of dismissal, reprimand, demotion, etc.

WHAT IS MOTIVATION?

Motivation is the will to do and is concerned with the why of human behaviour. For the last five decades or so, motivation has been getting a great deal of attention from professional managers and has become an area of incisive study.

According to Berelson and Sterier, motivation consists of “*all those inner striving conditions described as wishes, desires, drives, needs, impulses, etc. It is an inner state that activates or motivates.*” More specifically, the term, “*Motivation*” is called “*intervening variables.*” Intervening variables are internal and psychological processes which are not directly observable and which in turn account for the behaviour of individuals. Thus, quite often, we try to measure a person’s motivation by observing his behaviour.

As all actions have their roots in the needs of the people, a logical step, therefore, to understand the concept of motivation and its managerial applications would be to begin with understanding the human need behaviour.

Understanding Human Needs

Behaviour is basically goal-oriented. In other words, the behaviour of an individual is generally motivated by desire to attain something. He may not be consciously aware of the real purpose of his action. Many a times, we wonder why we do a certain thing. The reason for our action is not always apparent to the conscious mind. The drives that motivate the distinctive personality are, to a considerable extent, sub-conscious and therefore, not easily amenable to examination and evaluation.

Sigmund Freud was one of the first to recognise the importance of subconscious motivation. He believed that people are not always aware of everything they want and hence much of their behaviour is affected by subconscious motives or needs. In fact, Freud’s research convinced him that an analogy could be drawn between the motivation of most people and the structure of Herzberg. A significant segment of human motivation appears below the surface where it is not always evident to the individual himself. This may be due to lack of effort by the individual to gain self-insight. Yet, even with professional help, for example, psychotherapy, *i.e.*, understanding oneself, may be a difficult process, yielding a varying degree of success.

The basic unit of behaviour is activity. Human beings are always doing something or the other — walking, talking, eating, sleeping, working, etc. In many instances, we are doing more than one activity or a combination of activities. This raises some important questions. Why does a person engage in one activity and not in another? Why does he change his activities? How can we, as managers, understand,

predict or even control the activities that a person may engage in at a given point of time? To predict behaviour, managers must know which motives or needs of people evoke a certain action at a particular time.

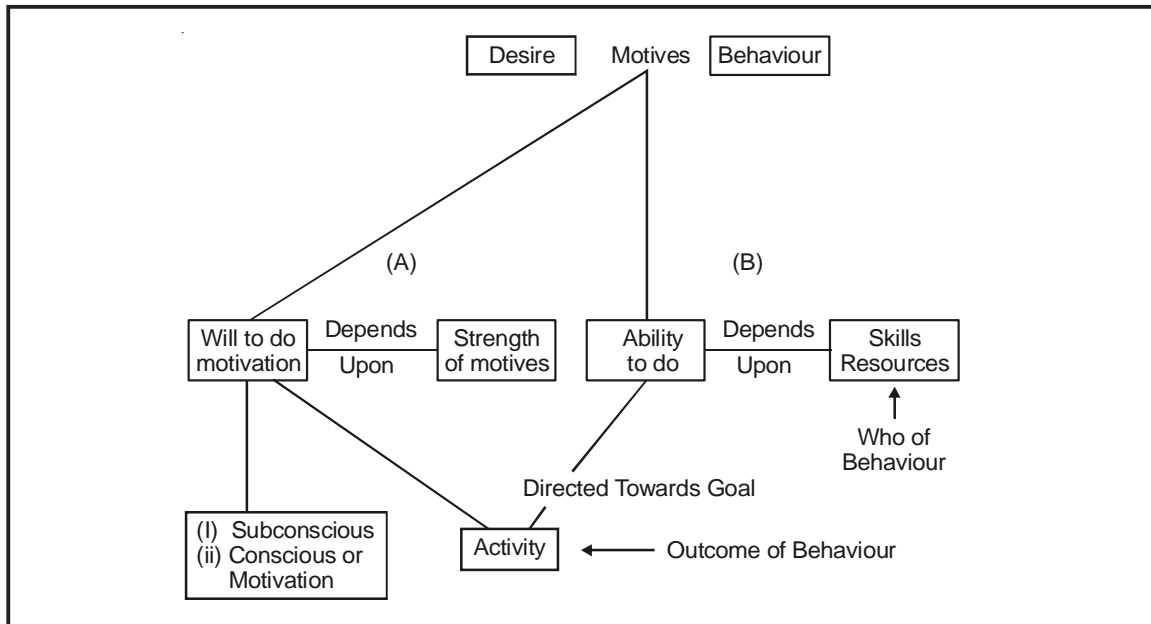


Fig. 26.1

Motives of Wants and Goals

People’s activity differ not only in the ability to do, but also in their will to do or motivation. The motivation of a person depends on the strength of his motives. Motives are sometimes defined as needs, wants, drives or impulses within an individual. Motives are directed towards goals which may be conscious or subconscious.

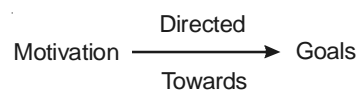
Motives are the why of behaviour. They arouse and maintain activity and determine the general direction of the behaviour of an individual. In essence, motives or needs are the mainsprings of action. Need or motive is something within an individual that prompts him to action.

Motives are generally classified as primary and secondary. Primary motives are those which serve some biological functions. For the organisation, they are termed as physiological needs such as water, air, etc. Secondary motives are largely social in nature, *i.e.*, they represent the needs of mind and spirit rather than of the physical body. They develop as one matures, *e.g.*, rivalry, self-esteem, sense of duty, self-assertion, a sense of belongingness and receiving affection. These are the ones that complicate the motivational efforts of managers. Management planning, therefore, should consider the effect of any proposed action on the secondary needs of employees.

There are as many wants as the individuals who possess them. They depend on the individual’s psychological state of mind and his constant interactions with tangible and intangible objects. Wants and goals of an individual constantly develop and change with his experience. Wants or desires are usually

perceived as positive forces that impel a person towards certain objects, whereas fear, threats and adversities are perceived as negative forces, repelling an individual from certain objects or conditions. Each of these negative or positive forces has different emotional accompaniments. However, both the forces are responsible for initiating and sustaining behaviour. Many authors have used the term “motive” to define both types of forces.

Goals are outside an individual. They are sometimes referred to as “hoped for” rewards towards which motives are directed. These goals are often called “incentives” (not in the monetary sense) by psychologists. Managers who are successful in motivating employees are often providing an environment in which appropriate goals are available for need satisfaction.



The goals for which individuals try in order to satisfy their wants are multitudinal. For any given want, there may be more than one appropriate goal. When goals are not fully appropriate to the satisfaction of a certain want, then the individual may try and find substitute goals. Becoming a good doctor or manager may be a primary goal for many people in the fulfilment of their wants or for a higher status in society. If a person, however, is unable to become a doctor or a manager, he can choose any other socially approved substitute goal. He may then seek to become a good lawyer or a good engineer.

An individual’s wants and goals emerge as a result of his psychological organisation. This is beside the fact that an individual acquires a new set of wants as a result of experience.

Wants and goals are like the Siamese twins, the one cannot exist without the other.

THE ACHIEVEMENT MOTIVATION THEORY

An example, of different types of needs predominant amongst individuals is provided by David C. McLelland working with Harvard University. He tried to detect changes in motivation. He detected three socially-developed motives in different individuals, *i.e.*, affiliation, power and achievement. Of these three needs, he found the need for achievement to be the most important to a nation’s economic progress. He maintains that every man has an achievement motive to some extent, but some people are constantly more oriented towards achievement than others. Most people will put more effort into their work if they are challenged to do better or if some valid reason for exertion is pointed out to them, but the achievement-motivated person is likely to outstrip all others in his zeal to improve his performance when he is challenged to do so. He tries harder and demands more of himself, thereby, he accomplishes more. Quoting past researches, he made it clear that *“a person with a high need for achievement is more self-confident, enjoys taking carefully calculated risks, researches his environment actively and is very much interested in concrete measures of how well he is doing.”*

What is noteworthy about his work is the assertion that he makes, that achievement motivation can be developed. This runs counter to the position taken by contemporary psychologists, that developing a ‘deeline’ drive such as an achievement motive in an adult is difficult, if not impossible.

An experiment that he carried out with a large US Corporation has shown that achievement motivation could be developed through a well conceived and deliberate learning process. Other similar experiment conducted in India first at SIET Institute, wherein all 52 members participated and later in a similar training programme conducted in Mumbai for 32 salaried executives from a variety of small to large firms have shown that the achievement motivation can be developed with the help of such training programmes even in a developing country like India. In both the cases, he and his associates have found that two-thirds of the participants had become unusually active.

David C. Mclelland has, however, accepted the fact that though the knowledge acquired at present is useful, it is still very crude from the theoretical stand point. We must, therefore, discover precisely how to influence motivation and use that knowledge for human betterment.

Characteristics of Persons with Strong “Need to Achieve”

Whatever their field of activity, people with a strong “need to achieve” have a desire to attain excellent standards of performance.

Research studies, laboratory experiments and life-histories of such people, collected over the past 15 years, show that people with a strong “N.Ach” (need to achieve) have the following behavioural characteristics:

1. They formulate a concrete goal (or goals).
2. They formulate the concrete goal in such a way that it stretches their abilities and efforts.
3. They do not select the impossible or too difficult goals, nor do they play safe by selecting too easy ones. That is, they select moderate risk goals.
4. They have or develop a strong, internal commitment or involvement with the goal.
5. They like to take personal responsibility for the outcome. That is why they prefer activities where their efforts can affect the outcome, rather than where the outcome depends on chance factors. They also do not try to shift responsibility on to or blame the “circumstance.”
6. They actively explore their environment to create opportunities for achievement, rather than passively wait for chances to come their way. In fact, given the same environment, where most others see only difficulties and obstacles, people with strong “N.Ach” are able to “see” possibilities and opportunities in addition to seeing the problems.
7. Persons with strong “N.sAch” often experiment with novel activities in order to reach the goal. They often play the role of “initiators” rather than “pawns,” and are both energetic and improvisatory in their efforts.
8. They try to anticipate possibilities of succeeding. They also try to anticipate possibilities of failure and then try to do something about the obstacles which can cause failure. As they take necessary action to deal with the possibilities of failure, they develop a growing sense of confidence in their ability to plan for or meet with each situation as it comes.
9. They seek and use help. One clear characteristics is that they prefer to seek help from “experts” rather than from “friends.” They try to help in order to overcome both external “blocks” as well as internal or personal “limitations.”

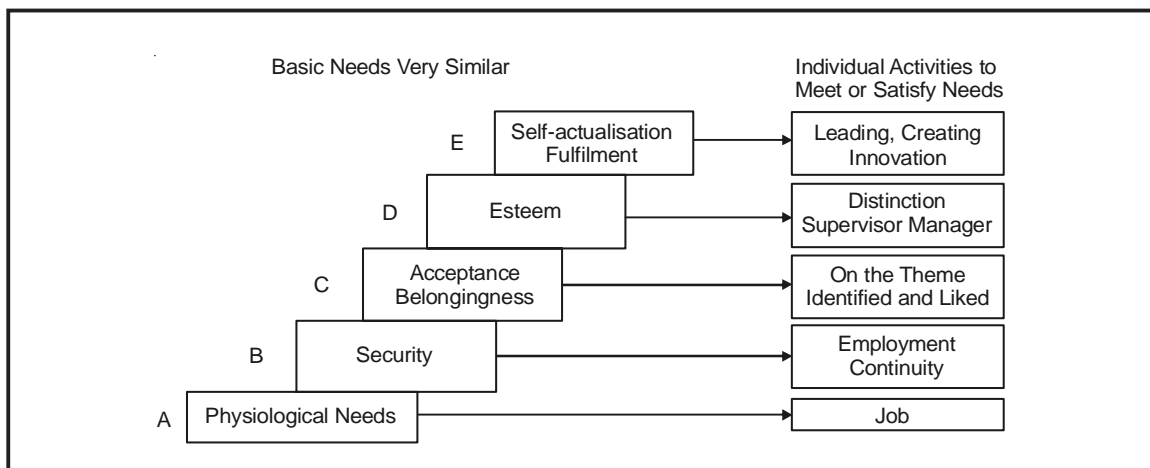
10. They derive maximum satisfaction from the achievement itself and less from other factors like recognition, money, etc.
11. When they succeed in achieving their moderately-challenging goal, they experience positive feelings of joy, thrill and satisfaction. When they fail, they experience, feelings of disappointment, sadness, etc., but they do not indulge in self-condemnation. They try to learn from their experience.
12. They are effective learners from feedback experience. They try to see whether they had set the goal too high to be realistically attainable, whether they employed the right methods, whether they should change their behaviour with regard to goals or methods. They are able to change on the basis of experience-based learning. Success experiences stimulate them to try for a little higher standard and a little better performance. They show stamina and perseverance in striving for “doing better each time.”

MASLOW'S THEORY OF NEED HIERARCHY

We have already discussed Maslow's Need Hierarchy model elsewhere in this book. We discuss it here again so as not leave any gap in our understanding of motivation.

Maslow advanced three important propositions about human behaviour:

1. Men are wanting beings. Their needs are unlimited and as soon as one need is satisfied, another appears in its place, and this continues from birth to death.
2. A satisfied need is not a motivator of behaviour; only the needs which are not satisfied are capable of motivating individuals.
3. Needs of men develop in a sequential order and are arranged in a hierarchical order. Fig. 26.2 illustrates the concept.



Source: Adapted from A.H. Maslow, *A Theory of Human Motivation*. Psychological Review, Vol. 50 (July 1933).

Fig. 26.2 Needs in Hierarchical Order

Physiological Needs

At the lowest level of this need hierarchy are his physiological needs such as hunger, thirst, etc. When the physiological needs, are thwarted, they assume great importance. Consider a man who is very hungry he may not like to think of status or prestige but would like to find means and ways by which he can satiate his hunger. Maslow in fact referred to the potency of needs. Thus, when the physiological needs are very potent, psychological needs are pushed into the background. In such cases, the individual may be motivated by physiological needs.

Security Needs

When the physiological needs are satisfied, the next level of needs emerge to motivate him. These are the security needs. An individual would like to work for the organisation to ensure continuity of employment. Security needs assume great significance in an organisation where the individuals finds himself in a dependent relationship and where he fears arbitrary deprivation. Arbitrary actions of management which show favouritism and discrimination can be strong motivators of the security needs in the work-life relationship.

Social Needs

When an individual's first two level needs, *i.e.*, physiological and safety, are relatively satisfied, then the social needs become an important motivator of his behaviour. He then seeks acceptance by the group and strives for affection and belongingness.

Quite often, managers perceive this only as a threat to the organisation. As a result, they try to exercise tight control. They constantly see that such informal groups do not emerge and actively try to break-up existing groups. When the individuals find that their social needs and even the security needs are threatened, they may become resistant, antagonistic and non-cooperative thereby defeating the organisational objectives.

Esteem Needs

The next level of needs are perhaps of the greatest significance both to the organisation and the man himself. When the physiological, security and social needs are appreciably satisfied, the esteem needs emerge. These needs include those for distinction, achievement, status and independence.

Unlike the other lower needs, esteem needs are rarely satisfied. They are largely insatiable. In a conventional type of management, managers give little attention to these aspects of human motivation which if properly utilised can yield high organisational performance.

Self-actualisation Needs

On top of the individual's needs hierarchy is the need for self-realisation. It is one of the needs discussed by *Maslow* about which little is known to the behavioural and social scientist. This is mainly because people try to satisfy these needs in many different ways. It is, therefore, extremely difficult if not impossible to pinpoint or identify the self-actualisation needs. Once the other lower level needs are completely or partly satisfied, the person tries to realise his own potential. Though the identification of these needs are not easy, there are at least two motives which seems to be related to it. They are acceptance and competence.

Comment

When the lower level of wants are adequately satisfied, the person moves to a higher level and the lower level of wants become less important in his total system of wants. Once the lower level of wants become less potent, the individual is free to realise his higher level of wants which increase in number and variety. Fig. 26.3 shows the nature of progressive changes in relative saliency, number and variety of needs.

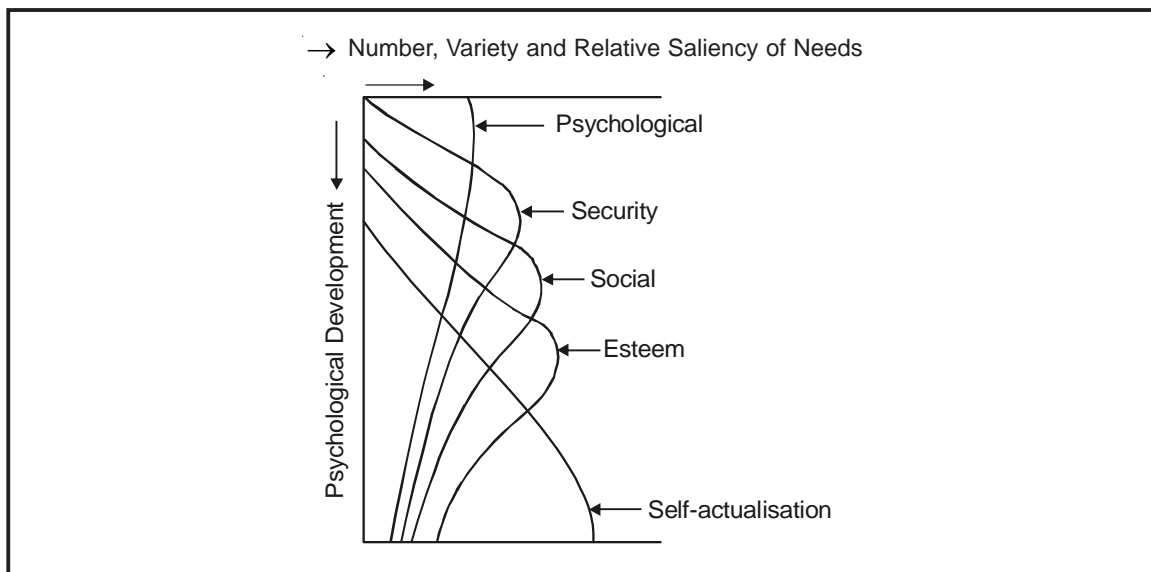


Fig. 26.3 Progressive Change in Number, Variety and Saliency of Needs

Maslow's theory suggests a way to understand the nature of human motivation. Nevertheless, it is more general than specific. Certain other qualifications which are added to this theory must also be taken into account.

First, a person may try to satisfy his higher level needs even before his lower needs are satisfied. Second, a person's action can seldom be attributed to a single need. Any act is likely to be caused by several needs at different levels.

However, a general understanding of Maslow's theory may help managers to make some assumptions of what will motivate individuals.

THEORY OF "X" AND THEORY OF "Y"

Douglas Murray McGregor tried to analyse the conventional conception of management's task and came up with a set of propositions which he called theory "X". Further, on the basis of his analysis, he came up with a new theory of the task of managing people with a clear emphasis on human nature motivation. He termed it as theory "Y".

Theory "X"

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of his characteristic of dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort towards the achievement of organisational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all.

Theory "Y"

1. The experience of physical and mental effort in work is as natural as play or rest.
2. External control and threat of punishment are not the only means of bringing about effort towards organisational objectives. Man will exercise self-direction and self-control in the service of the objectives to which he is committed.
3. Commitment to objectives is a function of the rewards associated with their achievement.
4. The average human being learns under proper conditions not only to accept but to seek responsibility.
5. The capacity to exercise a high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.
6. Under conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilised.

MOTIVATION — HYGIENE THEORY OR HERZBERG'S TWO-FACTOR THEORY OF MOTIVATION

In 1959, Herzberg, Maysner and Snyderman reported research findings which suggested that man has two sets of needs:

- (a) His need as an animal to avoid pain, and
- (b) His need as a human to grow psychologically.

These findings led them to advance a "Dual factor theory of motivation." Since then, the theory has caught the attention of both managers and psychologists. Management training and work motivation programmes have been evolved on the basis of this theory.

The dual-factor theory of motivation was inferred from a study of needs satisfactions and the reported motivational effect of these satisfactions on 200 engineers and accountants.

The first set of interview asks them to recall a time when they had felt exceptionally good about a particular job, the reasons for their feelings of satisfaction and whether this feeling of satisfaction has affected their performance, their personal relationship and their well-being.

In the second set of interviews, the same subjects were asked to describe incidents in which their feelings about their jobs were exceptionally negative and cases in which their negative feelings were related to some events on the job.

Conclusion

Hypothesis I

Herzberg and his associates concluded from their interview findings that job satisfaction consists of two separate independent dimensions:

1. The first dimension related to job satisfaction, and
2. Second dimension related to job dissatisfaction.

These dimensions are not two opposite ends of the same continuum, but instead represent two distinct continua.

Based on These Two Dimensions

1. Those job characteristics that are important for and lead to, “*job satisfaction*” but not to job dissatisfaction are classified as “*Satisfiers*” or “*Motivational Factors*”, namely:

- | | |
|--------------------------------|---------------------|
| (a) Achievement, | (b) Recognition, |
| (c) Advancement, | (d) Work itself |
| (e) Possibility of Growth, and | (f) Responsibility. |

2. Those job characteristics that are important for and lead to, “*job dissatisfaction*” but not to job satisfaction are classified as “*Dissatisfiers*” or “*Maintenance or Hygiene Factors*”, namely:

- (a) Company Policy and Administration,
- (b) Technical Supervision,
- (c) Interpersonal relations with Supervisors,
- (d) Interpersonal relations with Peers,
- (e) Interpersonal relations with Subordinates,
- (f) Salary,
- (g) Job Security,
- (h) Personal Life,
- (i) Work conditions, and
- (j) Status

According to the theory, “*Satisfiers*” are related to the “*nature of the work itself*” and rewards that flow directly from the performance of that work. And it relates more or less to self-actualisation and self-realisation in their work, while “*Dissatisfiers*” are associated with the individual relationship to the context or environment in which they perform the work. Satisfiers are called **job-content factors** and dissatisfiers are called **job-context factors**.

But recognition and achievement work in both the directions, *i.e.*, they can lead to job satisfaction as satisfiers as well as job dissatisfaction as “*dissatisfiers.*”

Hypothesis II

The second major hypothesis is of the dual-factor theory of motivation is that, “*The satisfiers are effective in motivating the individual to superior performance and effort, but the dissatisfiers are not.*”

In his most recent book, Herzberg (1966), advances the following analogy to explain why the satisfiers or motivators affect motivation in a positive direction. When a child learns to ride a bicycle, he is becoming more “competent”, increasing the repertory of his behaviour, expending his skills — psychologically growing. In the process of child’s learning to master the bicycle, parents can love him with all zeal and compassion of the most devoted mother and father. They can safeguard the child from injury by providing the safest and most hygienic area in which to practise. They can offer all kinds of incentives and rewards, and they can provide an expert instructor. But the child will never, never learn to ride the bicycle unless he is given a bicycle. The hygienic factors are not a valid contributor to psychological goals. Creativity will require a potentially creative task to do.

MORALE

All those who work in an organisation have a set of attitudes covering the entire spectrum of human behaviour. Managers as leaders are deeply concerned about the morale of the group they lead. Morale is an elusive term some equate morale with job satisfaction, whereas some treat them as two distinct concepts. Are morale and job satisfaction both related to an individual? Some think morale is related to a group. According to one school of thought, morale can also be related to an individual. It can be described in terms of an employee’s feelings toward his work. It is in short, a matter of work satisfaction. To Guion, morale is the degree to which individual needs are satisfied and the degree to which the individual desires satisfaction from his total job. Considered in relation to an individual, the feelings consisting of morale are assumed to be workers’ needs.

As a group phenomenon, morale is concerned with group values. What are de-emphasised are the working conditions and what are emphasised are the feelings of group cohesiveness, interest and mission. In other words, job satisfaction and motivation are related to the individual and morale is essentially a group phenomenon. To McFarland, morale is the level of favourable or unfavourable attitudes of the employees collectively to all aspects of their work. Attitudes are predispositions and express what the employees, feel and think.

Morale and Productivity

It is generally believed that morale and productivity are positively correlated. Of course, there is no absolute relationship, meaning thereby an increase in morale may not lead to a proportionate increase in productivity. Of course, there is positive relationship between the two. The following diagram illustrates this relationship.

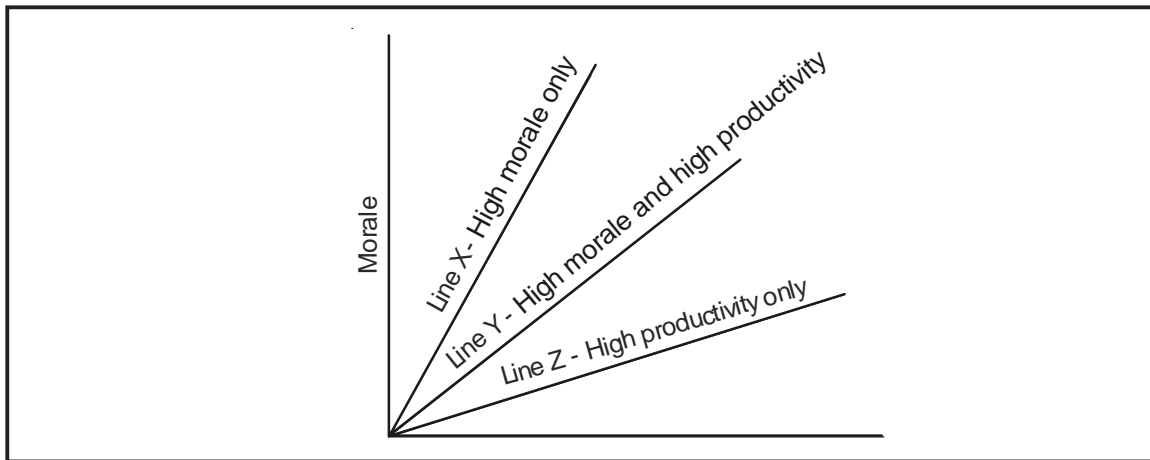


Fig. 26.4 Productivity

Morale has been defined in terms of attitudes of the employees. Between productivity and morale, there are other intervening variables. The following diagram illustrates this:

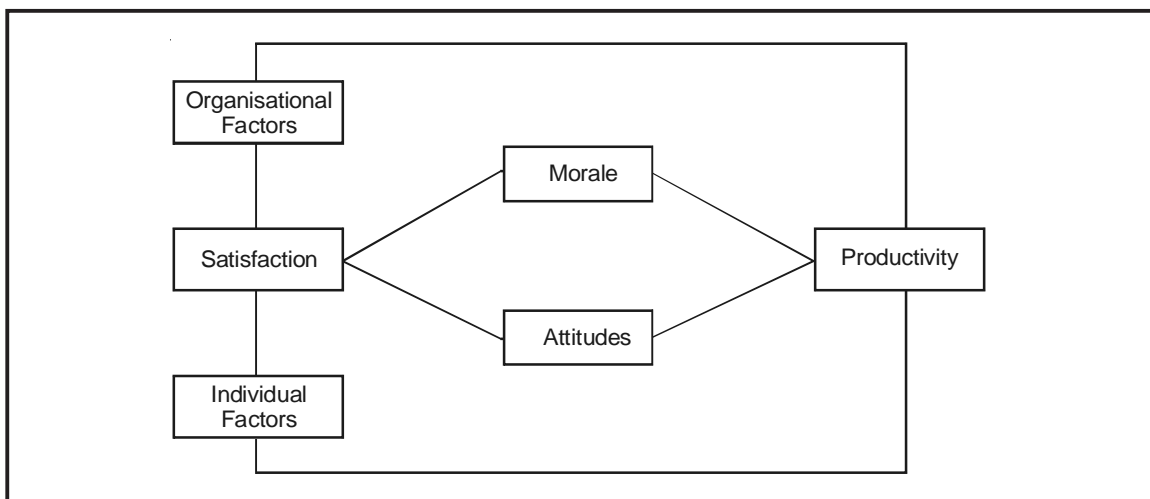


Fig. 26.5

Productivity in other words is affected by four factors (organisation, individual, attitudes and morale) of which morale is one, may be an important one. It is possible to achieve high morale and high productivity (line 2), though certain other factors may not allow this to persist for long. For higher productivity, high morale may become a contributing factor however, high productivity itself may be a causative factor for high morale too.

Morale Boosters

Morale building is a continuous process and is ensured by sound management policies giving due importance to the human factor. Cultivation of favourable attitudes is a good morale booster and so is an

important characteristic of management process. Morale is contagious. Organisational design affects morale considerably. Participatory management style is a morale booster. Job enrichment is another morale booster. Morale building cannot neglect the resolution of conflicts. Morale can be improved by being alive to time keeping and attendance records, employees turnover ratio, and fatigue and monotony in the jobs.

IMPROVING PRODUCTIVITY OF THE SALESFORCE

Salesforce is a major item of expenditure and an organisation is within its rights to expect adequate returns. We can improve returns by emphasizing productivity of salesforce.

Identifying the 'Perfect Customer'

A salesperson is expected to make a certain number of calls, and this has a focus on quantity rather than quality. We can target sales effort to smaller number of *better* calls. Customers are classified into four categories where A stands for excellent, B for good, C for fair and D for poor. A salesman can devote more time to A or B customers, sometime on C and no time on D. It is a matter of targeting call rates on better promising prospects. There is less wastage of time. Customers are classified by using a large number of criteria and it helps us to identify a *perfect* and a *next to perfect* customer, which facilitates more productive and effective selling.

Understanding the Customer's Decision-making Unit

In organisational selling, we hardly sell to an individual. We have to deal with a number of stakeholders. They could be 'deciders', 'influencers,' 'users' and 'gatekeepers'. Each of them contributes to selling. Some obstruct the selling process, while some others aid it. A good salesman knows the internal working of the organisation, and the roles people play in it.

There may be many members in the decision-making unit. All of them cannot be contacted. We have to decide what ingredient of promotion mix will be used to address to these different individuals. We use ingredients other than personal selling for less important and not easily accessible individuals, *e.g.*, direct mailings, exhibitions, conferences, etc. It is a case of integrated marketing communication where the decision-making units receive right information in a cohesive manner in the cost-effective manner, and where selling is restricted to the most important and decisive members of the customer's buying team.

Capitalising on Internal Information

A firm has a gold-mine of data from which relevant data can be ferreted out for the benefit of the salespersons. Salespeople themselves are the 'eyes and ears' of the organisation. They may have some information which can greatly benefit the organisation. If the managers have no eye for such gems, they will be lost. An organisation must encourage a feedback system that provides snippets of information which can be valuable to others in the selling profession.

Learning from the Star Performers

A sales team consists of high-fliers at one extreme and sloggers at the other. Though all work for the organisation, some are producing outstanding results, whereas results do not easily come to others in spite of hard work. Salespeople are classified on the basis of performance into *stars* (10 per cent), *good* (next 20 per cent), *adequate* (next 30 per cent) and *problem children* (the rest of 40 per cent). We can learn our lessons from stars — how he/she behaves, communicates, manages time and makes a sales presentation.

The Fire

A salesman must have fire in his belly to keep working at a high, enthusiastic level, even during difficult times. This distinguishes a good motivated salesperson from a non-achiever.

Visualisation

A successful salesperson visualises success. He sees himself as marketing a sale. He sees himself as countering the objections raised. He see, himself taking the order. Never does he visualise him as failing. His positive visualisation helps him succeed.

Perseverance

You may be motivated, but you have to combine the motivation with perseverance. A setback should not deter you from trying again, or else goals are never achieved.



Chapter



Compensating Salespersons

Money, as we know by now, is not the only motivator. It has relevance till our physiological needs are satisfied, and some of the security and safety needs. In satisfying our higher needs like self-esteem and self-actualisation, it declines in importance. According to Herzberg, money is a hygiene factor, the presence of which avoids job dissatisfaction. However, it has no motivational force otherwise.

Sales compensation plan is, however, integrated to the motivational aspects. Any compensation plan has to provide a fair living wage, should be related to performance and should reward the efficiency. It also provides a mechanism to integrate our personal goals and the organisational goals.

Appropriately designed compensation plan is beneficial both to the company and its sales employees. It optimises the cost of reaching the sales goals, and profit objectives. When efficiency and effectiveness are rewarded, the morale is high.

Compensation plans are catalysts for motivation. They do not replace the proper motivational plans. As we know, man does not live by bread alone. Each individual likes to achieve something, likes to excel and likes to belong. It is necessary to design the compensation plans properly, and then administer them properly.

In established companies, compensation plans are already installed, and it is then only a question of review and revision of the already existing plan. Most changes are minor in nature, *e.g.*, paying more bonus, putting more incentives and so on. Major changes are not effected as there is a tendency to resist them. Far-reaching changes are to be introduced in phased manner, by taking everyone into confidence. When morale of the salesforce is very low, it calls for an overhaul of the entire sales plan. While new markets are being tapped, we may require drastic changes in the compensation plan.

Characteristics of a Good Compensation Plan

1. A compensation plan must provide a living and fair wage. It should ideally give a secure income; as monetary difficulties prevent the employees to put in their best.
2. It should be integrated to the motivational programme.
3. It should be fair and should ensure equal pay for equal work.
4. It should be easy to understand. Each employee should be in a position to compute his own salary.
5. It should be flexible enough to accommodate changes in salary as per performance.
6. It should be economical to administer.
7. It should further the objectives of the sales organisation.

How Compensation Plans are Designed?

First of all, the nature of the job is understood. Sales job descriptions are systematically developed and constantly revised. How other functions affect the sales job is also examined. Sales objectives are also examined and sales-related marketing policies are studied.

JOB EVALUATION AND COMPENSATION PLANS

The widely accepted financial incentives to employees in most of the organisations are conceptualised as wages and salaries. Obviously, monetary incentives are meant for the satisfaction of primary needs as well as the secondary needs. As individuals, organise mainly to fulfil their personal needs it is important that they are compensated fairly. The very first problem in wage and salary administration is the setting up of the base compensation for jobs, assigned to individuals. To keep organisation running and to attract and retain required personnel, there should be methods available to rate jobs for equitable reward. Job evaluation is the method used for comparing all the jobs within the organisation and for obtaining internal and external consistency in wages and salaries.

JOB EVALUATION

There is considerable ambiguity among the terms job evaluation, job analysis, job description and job specification. Job analysis is the collection of data and the critical evaluation of the operations, duties and relationships. Job description is the written record of duties, responsibilities and requirements of a particular job. While job specification, is written statement showing the aptitude, qualification, experience, etc., that would be necessary to perform a particular job. Another result of job analysis is job evaluation. The concept of job evaluation has altogether different meaning. Strictly speaking, job evaluation is the method of precisely fixing the relationships between jobs and wage rates. In the simplest words, job evaluation is the rating of jobs according to their worth.

Different authors have dealt with the definition of the term in their own way. To define it in a concise manner, we can say “job evaluation is the systematic, analytical scrutiny of all the jobs in the organisation, with a view to compare all the jobs among themselves and to rate them according to the requirements.” The main purpose of job evaluation is to maintain the consistency in wage rates, *i.e.*, a senior salesman should be paid more than a junior salesman.

The rationale behind job evaluation is to reward employees fairly, which helps the organisation to attract and retain them. On the part of employees, it provides them the motivation for the betterment of performance and their effectiveness. Equitable compensation relates to the problem of attracting and retaining employees which motivation directly refers to the monetary and non-monetary incentives.

Equity and justice coincide according to natural law. It is clearly experienced that the greater the feelings of equity, the more will be the equilibrium. When the employee receives compensation, his equity perception is affected by two factors: (1) Effort-output ratio; *i.e.*, what are the inputs given by employee in terms of physical and mental effort, training, education and how he works and finishes the task and how he is rewarded. Thus, compensation to the work accomplished by employee has great impact on the future performance and it also shows an impact on the mental adjustment. If numerator is low and denominator is high, *i.e.*, if the ratio is low, it leads to dissatisfaction which results in low performance, less effectiveness and low productivity. On the other hand, a high ratio can also lead to overall dissatisfaction arising out of overpayment. Employee will feel guilty and try to work more to show that he actually deserves. So, equity concept balances these two extremes and accordingly gives a rational basis to workout the wages and salaries. (2) The comparison of above ratio with other person’s ratio with whom he has direct contact.

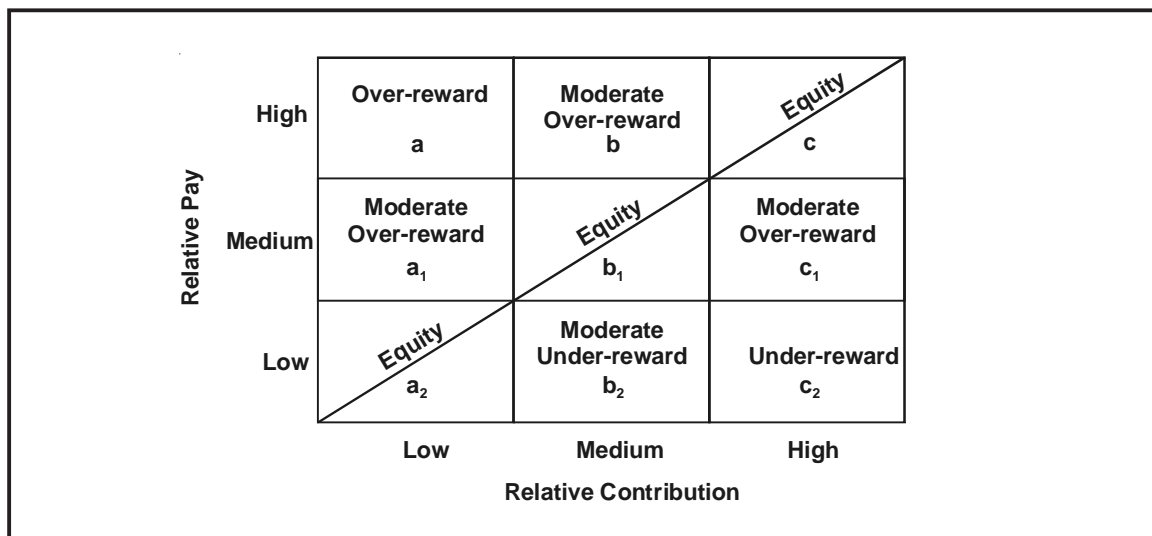


Fig. 27.1

The dynamics of contribution and pay may clearly be understood from Fig. 27.1.

Cells, a_2 , b_1 and c would result in perception of equity. While remaining cells show a feeling of disagreement. Apparently, there should be lower level of satisfaction in cells c_1 , b_2 and c_2 than equity or

overpaid cells. Generally, cells a , b , and a_1 would lead to guilt and discomfort which induce employee to work more to reduce imbalance. So, in general, groups under a , b and a_1 cells are less dissatisfied than group under cells c_1 , b_2 and c_2 . Individuals in cells b , a_1 , c_1 , b_2 are more satisfied as they are near equity line. Even any change in working condition, or environment change would not raise productivity of dissatisfied group. Herzberg concluded that the pay is not the motivator of employee behaviour. However, the equity concept, indicates that more-often-than-not, it (the problem) is not the inability of pay to motivate but it is problem of improper design of a wage plan.

'Earth is round', the same way, we have come at the point where we left the discussion of job evaluation. So, job evaluation is that system which decides the equitable compensation to the employees by keeping in mind the common wage structure of industry. Job evaluation always intends fair reward with an aim to raise productivity, efficiency, etc. There is every possibility, in practice, that after application of the system some may get high pay, while others may not. This fact, however, does not undermine the importance of job evaluation. It would, therefore, be useful to discuss various techniques available for job evaluation. But rather than going straight to that point, what type of role trade union plays in carrying the system, should also be seen.

Contribution of Trade Union to Job Evaluation

Trade union is an organised group of employees who come together to strengthen their bargaining position and to put group efforts towards realisation of management goals. 'Trade unions' of workers, supervisors, etc., exist but generally, in India workers' union is more common phenomenon.

Workers, who have main objective to fulfil their personnel needs through organising and rendering services, expect a reward in terms of money. So, directly, trade union is concerned with job evaluation.

Usually, workers carry a biased view when analysing the role of management, *i.e.*, management is our boss and boss is always concerned with how to cut the benefits given to the workers and in turn reduce labour cost. Obviously, one of the objectives is to cut the costs. However, an understanding of the healthy relation between management and trade unions helps to ease the cut-off rate idea.

Economic and other motivational factors lead people to work. Economical needs motivate people to work to get something in return for the service rendered. So, establishment of the fair wage rate is necessary and as such union's attitude toward job evaluation is very significant.

The only weapon in the hands of trade union is collective bargaining, which the union thinks is taken away by applying the job evaluation system. In India, collective bargaining, which is mainly brought to the fore to deal with wage fixation, the application of job evaluation lessens the chance for unions to gain strength as they feel it would defeat the very objective of the existence of trade unions.

Some unions argue that job evaluation weakens the bargaining strength and makes it impossible to work out adjustments matched to individual needs. It is interesting to note that the concept of job evaluation is well-recognised among unions even before management has given serious thought to this system. Unions agree that the jobs having the same requirement should be given equal wage and thus believe in equity centred approach. So, job evaluation for trade unions is merely a systematic framework for negotiation. It reduces grievances and disputes.

Well-designed job evaluation helps business firm in more than one way.

- (a) Being a systematic process, job evaluation fixes the wage rate for each job.
- (b) It is considered to be simple as it is easily understood by all.
- (c) It establishes the equitable wage rate for all the jobs, according to the job requirements.
- (d) Company training programme, placement, recruitment selection and long range manpower planning always follow job evaluation.
- (e) It enables company to get data for incorporation in local wage surveys to establish job classification.

All these contribute to healthy, sound and equitable wage structure in organisation. But in practice, the role of trade union varies from outright opposition to complete participation. In many cases, unions involve and provide full participation. In such case, local unions select members who are trained by management and form a joint union-management committee to work out and install a job evaluation system.

The main reason for unwillingness on the part of trade unions is that they feel it is not their job. There is always dispute among the members to settle status.

When several unions exist in an organisation, it becomes even more difficult to apply this system. Thus, one of the primary objectives of job evaluation is to devise a fair wage structure that workers would accept. So relation between two parties are significant and depends on how flexible management is towards its policy. Thus, for the success of any job evaluation system it is absolutely imperative that the system gets the support of unions.

TECHNIQUES OF JOB EVALUATION

Many techniques are used for the measurement of jobs. All forms of job evaluation are designed to enable management to determine how much one job should be paid as compared to others.

Basically, all systems of evaluation can be classified under two broad categories:

(1) Non-quantitative, (2) Quantitative. Simple ranking and grading are placed in non-quantitative category while point system and factor comparison methods are under quantitative category. The most widely used method is point system and the least is ranking system. One company can apply two methods for two different types of jobs. But, generally, all the four methods are useful and real effectiveness of any method would depend on how best they are applied. *Thomas Atkinson* and *Wendell French* tried to inter-correlate these four systems and found inter-correlation to be as high as 0.94.

(a) Simple Ranking: This method is widely used in small organisations. Being a very simple and not expensive method, it also consumes less time and promises enough potential in its usefulness.

Before actual ranking, brief job descriptions of all the jobs are taken. Then a job-evaluation committee is asked to place all the jobs in the order of their relative worth, without any other consideration. In the beginning of process, the highest and lowest jobs are determined which serve as the benchmarks for the ranking of the remainder. The second method is the paired comparison techniques in which each job is to be compared with all other jobs.

Once the comparison is done, jobs are arranged according to their worth. In this technique, the main idea is to rank jobs in order of their worth. The simplicity of this method is rather deceptive.

The defect of the simple ranking method are great:

- (i) Simplicity is one of the disadvantages as it tends to make measurement somewhat crude.
- (ii) Measurement of whole job, *i.e.*, all the factors affecting the job are not considered.
- (iii) Absence of predetermined yardstick leads to personal bias.

The end product of this method is a list of jobs, in order of their worth, *i.e.*:

<i>Rank</i>	<i>Job</i>
1	A
2	B
3	C
4	D
5	E

Here, the main assumption is that the difference between A and B is equal to that between B and C, which does not always hold good. To avoid this limitation, key jobs are selected and plotted on the graph against the money value of these jobs. Then remaining all jobs are relatively compared with the key jobs and the money worth of these jobs is determined.

(b) Job Grading: In ranking, we do have predecided scale of values, but here there is one yardstick consisting of job classes. In this approach, job factors approach is not considered. Jobs are rather measured as a whole.

A scale of values consisting of grades and grade descriptions is prepared. Job grades are determined for a category of jobs. From this, the grade descriptions are prepared which should be broad enough to include several jobs. Such grade descriptions cover job descriptions as well.

Two approaches are used in preparing grade descriptions which help to create a single scale of values for measuring the worth of a job. For example, in an enterprise, job A and B are of similar nature and job X, Y, Z are of similar nature. Another, approach is to give grade definitions by a committee in advance. Such definitions are then compared with some known key jobs.

When the yardstick is established, the next step is to read out job description, the grade description and allocating the jobs to one particular grade. The jobs falling under the same grade get the same wage scale.

No doubt it is an improvisation, yet this method suffers from some defects:

- (i) Being broad generalisation of jobs, there are chances of dissatisfaction among certain group of jobholders.
- (ii) Grading system requires multiple-system because grading of clerical job may be quite different from that of operative jobs.

But besides these defects, this method is otherwise simple and inexpensive. One benefit of this system is that the grading arrives at a series of clauses.

Point System

This system is widely used in job evaluation. It is quantitative and analytical. A detailed approach is hammered out to derive a balanced wage structure with least dispute among employees. This method consists of the following steps:

- (a) Select job factors or features.
- (b) Prepare yardstick of value for each job factor.
- (c) Decide the value of all the jobs against the predetermined yardsticks.
- (d) Build a wage survey for selected key jobs.
- (e) Design the wage structure.
- (f) Adjust and operate the wage structure.

(a) Selection of Job Factors

Ranking system and grading system measure job as a whole. This is the first approach which breaks down jobs into several essential or salient characteristics. The number of characteristics vary with the organisations. A job factor is defined as a specific requirement levied upon the job holder, which he must endure. To say, if a person occupies a position as a supervisor, he is expected to work, to supervise, to motivate employees. Thus, he has to put some physical effort, besides mental, his responsibility is much more than that of a worker. Job factors are generally enumerated as follows:

- (1) Effort
- (2) Responsibility
- (3) Skill
- (4) Working conditions.

These abilities are inputs of employees for which they get compensation. There can be many subdivisions within each of these factors.

<i>Skill</i>	<i>Responsibility</i>	<i>Effort</i>	<i>Working Condition</i>
Education	Equipment or process	Physical effort	Work condition
Experience	Material or product	Mental effort	Hazards
Initiative	Safety of others Work of others		

Usually, the number of such subfactors are kept at 10 or 11. But the more the number of subfactors, the greater will be accuracy due to detailed specification. The measurement of skill is achieved by taking ingenuity. Responsibility refers to the accountability for the time and value of things. Effort refers to the putting and applying physical and mental efforts on the job. While working conditions obviously deal with what one may call safety precautions.

These factors are decided from the job contents. But job contents alter as technology and level of automation change in the organisation. In other words, job evaluation system should change with the change in technology. As the degree of automation is increased, the job evaluation should give more weightage to higher education, higher responsibility and higher mental efforts.

The new concept is suggested by Elliott Jacques. It takes into account the various key factors that will tell on the overall performance of a job.

In spite of several job factors only one factor 'time span of discretion' is used. The actual meaning is this — the longest period of time during which employees are allowed to work without any supervision by superior. Allowance of work includes the exercise of discretion, initiative, judgements. Thus, clearly the time span of discretion is weighted in respect of responsibility, which is common for all the jobs. The essence behind this approach is that those employees who enjoy equal time span of discretion should be rewarded equally.

(b) Construction of the Yardsticks

The construction of yardsticks is done by deciding the total points assigned or to be utilised in a system. The most important decision to be taken is what proportion of total points to be allocated to skill, effort, responsibility and working condition. That is to say, a decision is taken if the total point in system would be 1,000, then what could be the percentage contribution of each factor.

The determination of this will depend upon the nature of the organisation, *i.e.*, an enterprise with high automation technology should assign more points for responsibility since the manual skill is translated into machine skill. But generally, skill is given more weightage than responsibility, efforts and working conditions. If we decide 1,000 points for a system, then it could be divided as:

<i>Factor</i>	<i>Number of points</i>	<i>Percentage</i>
Skill	500	50
Responsibility	200	20
Effort	150	15
Working condition	150	15
Total	1000	100

Skill and responsibility will vary with the situation. Assignment of points to the various factors is subjective. After the yardstick is developed the composition of points and degrees of the particular factors are worked out. For example, let us consider that of the total value 140 points are allocated to education. Then a seven-point scale could be developed as follows:

Education

- | | |
|--|----|
| 1. Read, write, add and subtract | 20 |
| 2. Two years high school or equivalent | 40 |
| 3. Four years high school or two years Univ. or equivalent | 60 |
| 4. Four years high school plus 2-3 years trade training | 80 |

5. Four years high school plus 4 years trade training	100
6. Two or three years college plus 4 years trade training	120
7. Four years college degree plus 4 years trade training	140

This type of job evaluation manual is prepared by outside agency or by the industrial engineering experts of the company. To prepare a manual is a tiresome and time-consuming process. So, most of the companies like to use ready-made manual prepared industry wise by external agencies. Here, the defect is that the agency prepares manual keeping in mind the industry as a whole and because of this, company may find some deviations in factors or degrees. But this manual is the best guide for most of the companies.

(c) Evaluation of the Job

Evaluation of job demands the construction of reliable yardsticks and detailed job specifications. Now, the process of evaluation is very simple. The process consists of reading the job specifications carefully and comparing the information with the degree on yardstick and placing it accordingly. Adding up all the points, give the points worth of that job.

In reality, a committee is appointed to evaluate jobs. The participants should have familiarity with the job to be rated. The degree of familiarity has impact on —

- (a) Adaptability
- (b) Decision-making
- (c) Mental work
- (d) Working conditions
- (e) Managerial requirements.

The more detailed the job specification, the higher are the chances of accurate rating. Thus, job specifications do much and they are preventive tools to check in case of any differences of opinions among the members of rating committee.

(d) Wage Survey

Once jobs have been evaluated and all the points have been summed up, the next step is placing of all evaluated jobs according to points in terms of money. This is the point when rated jobs are translated into monetary values. To conduct wage survey the existing rates are taken for comparison. The main purpose of wage survey, is to find out the fair rate for various jobs in order to establish the entire wage structure. Selection of key jobs whose duties are clearly defined, not unstable and mostly represent all level of jobs worth, is the very first step in building a wage survey. For the wage survey, two types of samples are needed. First, sample of key jobs and second, a sample of firms in the labour market. Jobs require different personnel, in terms of skill, ability, etc., and thus it varies from local to regional level. Selection of sample of firms should be from those firms which operate under similar market conditions.

The job content and available data are carefully analysed and averaged out, and this way the rupee values of jobs are prepared and plotted on the chart.

By plotting key jobs against their existing wages, we get a wage-trend line which lies close to all the jobs plotted on the graph. The wage-trend line should be drawn in such a way that it covers most of the points. Those which lie below the line should be paid more to come on the line of best fit. But, simultaneously the authority and responsibility should also be increased in line with the wage increase. And as all those which are above the best fit line cannot be paid lower than the existing wage rate, all such rates should be frozen.

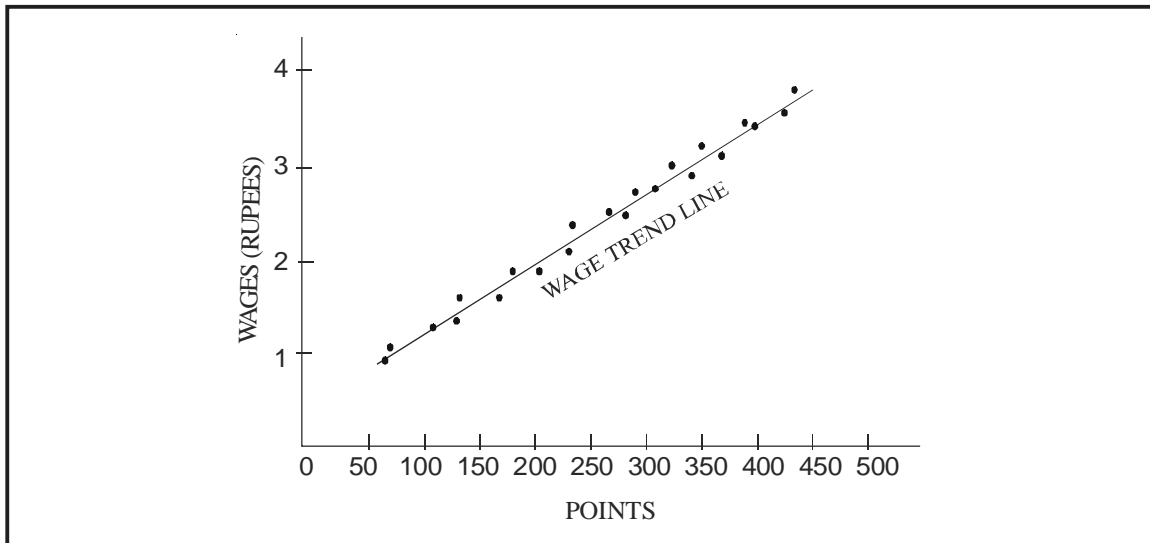


Fig. 27.2

If we want to know what are the deviations, slopes of X-axis and Y-axis are taken. To calculate accurately and to forecast, regression analysis can be applied, in which one is dependent variable and another is independent. From this regression, the expected value of Y can be obtained, when X is known.

(e) Designing the Wage Structure

In construction of wage structure, similar jobs are grouped and treated as a job class. All the jobs, which come under that job class are paid same wage. In the point system, suppose, 120 points to 150 points make a job class. In such case, all the jobs which fetch total points between 120 and 150 would carry the same monetary compensation. The purpose of grouping of jobs is, to facilitate wage administration.

Factors affecting the designing of the wage structure are:

- (a) **Labour market condition:** If supply of labour is higher than demand, the wage would be relatively low.
- (b) **Economic condition of the country:** That is, if the standard of living is high, it calls for higher wage.
- (c) **Wage structures** of other firms in the same industry directly affect the company's wage structure.

- (d) **Sometimes**, even though the competitors pay relatively higher wage, due to weak collective bargaining power of the trade union, management may settle wage at a relatively low rate.

(f) Adjustment and Operation of Wage Structure

These factors lead to adjustment in the wage structure. All wages should be paid within limits which is given by the standard set through a wage structure. A cardinal principle of wage and salary administration is that wage rate shall not be cut, as a result of installation of job evaluation. So, red circle rates should be placed at proper place by means of appropriate measurement. Adjustments in the total rate structure should also be akin to the percentage increment in order to maintain equitable relationship.

Factor-Comparison System

Improved method of ranking system is known as factor-comparison system where job factors are compared rather than the whole jobs. It consists of the following steps:

- (a) Selection of job characteristics.
- (b) Selection of key jobs.
- (c) Determination of correct rates of key jobs.
- (d) Ranking of key jobs under each of job factor.
- (e) Allocation of correct rate to each key job.
- (f) Evaluation of all other jobs.
- (g) Designing, adjusting and operating the wage structure.

The first three steps are quite similar to that of point system. While the fourth one, is the ranking of all the key jobs to a particular factor at a time. For example, suppose job A, B, C, D, E constitute key jobs. They are ranked in such a way, that one factor is considered at a time.

<i>Skill</i>	<i>Responsibility</i>	<i>Effort</i>	<i>Working condition</i>
A	B	D	D
B	A	C	E
C	C	E	C
D	D	A	B
E	E	B	A

After preparing this table, the key jobs are to be rated in money worth. How much worth should be given to job A or say skill factor is determined by the evaluation committee.

The following table gives the yardstick for determining the rate in Rupees for each factor.

<i>Correct Job Rates</i>	<i>Skill</i>	<i>Responsibility</i>	<i>Efforts</i>	<i>Working Condition</i>
A 20.00	A12.00	B8.50	D2.50	D3.00
B18.00	B7.00	A5.50	C2.00	E2.80
C14.00	C5.20	C4.40	E1.80	C2.40
D10.00	D3.20	D1.30	A1.50	B1.50
E7.00	E1.40	E1.00	B1.00	A1.00

When we have constructed a yardstick, the next step is to compare other jobs against these factors. That is, if job Z is to be evaluated, then how much skill is required. If it is similar in skill to A (Rs. 12.00) and responsibility similar to C (Rs. 4.40), efforts similar to B (Rs. 1.00) and working condition is similar to E (Rs. 2.00) then the value of job would be equal to $12 + 4.40 + 1.00 + 2.00 = \text{Rs. } 21.00$. The last step of adjusting, operating wage structure is somewhat similar to the preparation of wage structure under the point system.

Human Relations and Job Evaluation

Job evaluation is technically not simple, but rather a complicated system because of the involvement of human beings. The emergence of job evaluation is, directly referred to the grievances and difference about existing wage rate among the employees. High degree of reliability is necessary and can be determined, but validity of the process can be determined only through employees' satisfaction. Job evaluation is not only a scientific process, but it is an analytical and systematic approach. Consequently, we must be concerned with employee and labour union reactions.

The second problem which comes from job evaluation is that it lessens the grievances more rapidly. It is argued on this point that there is always some confused conditions in the organisation which becomes more clear and distinct, as job evaluation gives clear definition of wage structure.

And finally, the most common platform for the conflict between management and workers, is in relations to skill, responsibility, efforts, working conditions and the compensation for these factors. The solution to this problem is that management has to be flexible.

To conclude, we can say that though the conflict between the employer and the employee cannot be totally eliminated, it is possible to minimise it if both employer and employees agree to the usefulness of job evaluation methods in fixing the worth of a particular job.

Job Evaluation and Sales Positions

We evaluate the relative worth of any job and call it job evaluation, this is inevitable in any organisation. If a pharma company decides that the new sales manager must be paid more than the production manager, their jobs must be evaluated. Job evaluation has been resisted in the sales area. The main argument is that sales are influenced more by external factors than the internal factors. Salespersons are known to do job hopping very frequently. They have greater mobility.

If a company has a formal job evaluation plan for the whole organisation including the sales department, the sales executives must have a say in the plan. Even when sales jobs are excluded from the job evaluation programme, the sales executive should evaluate sales jobs relative to other jobs in the company. This will ensure that sales jobs do not become unattractive compared to the other jobs in the organisation. Such preparation is also useful when the sales jobs are formally included in the job evaluation programme.

Compensation in Neighbourhood and Industry

We have to consider what others are paying in our neighbourhood and what the industry in which we are operating is paying to its sales staff. If we want to depart from these plans, we should know their advantages and disadvantages. In a formal job evaluation programme, due consideration must be given to the general pattern of compensation. If our compensation plan is not in line with the industry, it is certainly a matter of concern.

Compensation Level

It is necessary to decide the average compensation level. We should see whether we are paying enough to get the type of talents we want. We should also consider what our paying capacity is, that in turn depends upon our earning capacity. It is necessary to consider the total cost of salespersons put together. The sales volume required to break even at different cost estimates can be calculated.

Two companies from the same industry operating in similar environment may have different compensation plans. The productivity of salespersons in these organisations may differ. Sometimes there is over-compensation in another company. The management may not know the true worth of the individuals. Sometimes, it is felt that the individuals are easily replaceable. In some companies, sales boys are blue-eyed favourite chaps of the management.

Compensation Elements

A compensation plan has the following basic elements:

1. Fixed element (salary or drawing account) to ensure stability and security.
2. Variable element, *e.g.*, commission, bonus, profit-sharing arrangement.
3. Perks or fringe benefits, *e.g.*, LTC, medical benefits, pensions, etc.
4. Reimbursement of expenses like newspaper subscription, academic fees for children, etc.

In all companies, each element may not be present. Management has to select a mix of elements that suits their selling practices. In what proportions these elements are adjusted is a matter of policy. The range of fixed to variable component varies between 60:40 to 80:20.

Company's Needs and Problems

A compensation plan must take into account the special needs and problems of the company. In a company, some product-lines may be neglected. Commissions on such lines can be increased. Salesmen may bring small orders. Incentives can be given for large orders. If sales promotions at dealer level are to be encouraged, suitable commissions to sales staff must be paid. We can formulate plans to set new business and new customers. We can produce plans to allow marketing feedback. However, if there are

other methods to overcome the problems, it is better not to tinker with the compensation plans every now and then.

Consultation of the Salesforce

If salespersons have grievances rooted in the compensation plans, they should be encouraged to express these grievances. While revising the plans, we should try to redress these grievances.

Pre-testing

A tentative plan is written down and is pre-tested. Comparisons can be made between the existing plan and the proposed plan. Plans are extrapolated to future periods. Plans are revised to remove their deficiencies. The new plan is implemented after it is explained to the concerned employees. They should be convinced of its fairness and logic. Each employee must understand the plan. Training and education must be given if necessary. Follow-up is given and further revisions made whenever necessary.

Basic Principles of Compensation

<i>Principle</i>	<i>Effect</i>
Pay enough	You will energise your salespeople.
Pay too much	You will throw money away. You will turn salespeople into loafers who can get by on fewer sales.
Pay too little	You will drive your best salespeople away

The crux of the matter is how much is enough, too much or too little.

According to Zoltners, Sinha and Lorimer, the following principles of compensation should be observed.

- ★ Decide the proportion of budget that can be allocated to pay the salespeople
- ★ Decide the proportion of salary vs. incentives and bonus components.
- ★ Decide the variable performance based component.
- ★ Bonuses and incentives should focus on achievement.
- ★ Make a simple to understand plan.
- ★ Build on past successes as you keep an eye on your future sales needs.
- ★ The compensation plan should be *consistent* with the company strategy, *compatible* with the related programmes and *consequential* in changing the sales results.
- ★ Decide the performance criteria properly. They should be objective, measurable, fair, adaptable and understandable.
- ★ Commission plan is okay for those salespeople who work independently to make sales happen.
- ★ Bonus plans give managers flexibility needed, for instance to reassign territories.
- ★ Set sales goals that build excitement.
- ★ Keep track of the current compensation trends. Especially the competitor's pay plans, industry norms.

TYPES OF COMPENSATION PLANS

We have already seen the four components of the compensation plan. These can be combined in several different ways. Let us ignore the reimbursements and perquisites. What remains essentially leads to three basic compensation plans — straight salary, straight commission and a combination of salary and the variable element.

Straight Salary Plan

In this plan, a salesman is given a fixed sum as a salary at regular intervals of say a week, a fortnight or a month irrespective of his performance. It is a compensation for the services he rendered during this period. It is one of the simplest method, and very popular. Of late, however, its popularity as the sole salary plan is on the wane. It works fine for a company marketing industrial products. It is not so suitable for a fast moving consumer goods (FMCG) company. These days most firms combine straight salary with a variable element, this plan is most logical. Sometimes, results of the sales job are not visible immediately. A salesman may be selling educational or technical products. In such situations, this is a good plan. Here much more than selling, a salesman has to perform non-selling tasks of advice and counselling.

Order-takers, trade salesmen, distributors' salesmen are put on straight salary plan.

This plan allows management to exercise financial control. It is most accommodative plan. It elicits salespeople's cooperation. It provides a stable income to salespersons. The supervisor schedules and plans the itinerary. The salespersons are relieved of this burden. Salespersons understand the plan very well on account of its simplicity.

There is, however, no incentive to salespersons to excel. They tend to do an average job. They may miss out on business opportunities unless specifically directed to do so. It does not reward efficiency and productivity. It over-compensates poor performers. Sometimes, the productive people leave the organisation out of frustration. There are consequently costs of recruitment, selection and training. It acts adversely on companies during recession, and does not benefit the companies during boom, as salesmen are not encouraged to exert more.

While administering straight salary, the relative performance is considered, which however is difficult to measure. Management has to be clear what actually it considers performance, and how it defines its degrees. Such appraisal may allow management to develop performance-linked salaries. One method is to consider the ratio of selling expenses to the total sales. This is, however, a too cost-oriented approach. Appraisal should be based on job description.

Salespersons must be appraised on several dimensions — sales goals, cost goals, goals assigned for each duty. Final appraisal is the sum of these individual ratings. Average persons are entitled to draw average salary. We can reward above-average persons, and pay less to below-average persons. Appraisal should be reviewed continuously. Corrections are made according to the improvements or declines related to performance.

Straight Commission Plan

Pay should be linked to productivity. This is the basis of the commission plan. Here, there is a direct link between the remuneration and the sales performance. In its pure form, this plan is also as simple as the straight salary plan. Several considerations, however, influence the companies to make their commission plans complex. Commissions can increase with increase in sales, and decrease with decrease in sales. There can be different products, product categories, customers served, and seasons in which sales are generated. Such elaboration makes the commission plan complex.

Straight commission can be paid expecting first the salespersons to spend their own money. Advances may or may not be given. Sometimes, commissions are paid and also the expenses of job. Here also, advance can be made or not made against earned commissions.

Straight commission plans are not very popular. Such plans are useful when selling is more important than non-selling tasks. Orders are the most sought-after thing. Such plans are common in book trade, hardware, textiles, wholesale medicines, insurance policies, shoes, securities and so on. Straight commission plans are also popular with office furniture and equipment companies.

Commissions are very powerful incentives to exert harder. It rewards the hardworking salespersons. Commissions may provoke non-performers to leave. But those who continue have sound bank balances to show. Commissions allow better financial control. Compensation becomes literally a variable expense, it also allows flexibility. We can ask salespeople to concentrate more on highly profitable products by giving more commissions.

A person working on commissions is not, however, under the total control of the company. They simply send orders. Their reporting or territory servicing is very poor. They employ high-pressure selling techniques. Unless differential commission system is used, the salespersons tend to promote low-margin easy-to-sell products rather than high margin difficult-to-sell products. Correction through differential system means more record keeping. Checking records is an arduous task. The system may cause a sense of insecurity amongst many. Motivating them is quite a challenging task.

On what basis commissions must be paid is to be decided. It depends on the policy of the company. Sometimes, it is the sales volume and sometimes it is on collections. Sometimes, commissions are paid on despatches or billings or payments. Commissions can be paid on gross margins or net profits.

Drawing account method is a variation of the straight commission method. Each salesperson's individual account is maintained. Commissions are posted towards the credit side, and withdrawals are posted towards the debit side. Individual salespeople can make withdrawals against accrued commissions and against anticipated commissions in future. This account then resembles salary account. The danger is overdrawn. Only hardwork may fetch more commissions to reduce this indebtedness. Greatly, overdrawn account means, such an amount of hardwork that the incentive to exert is lost. Grossly overdrawn accounts may provoke salesmen to leave the job.

Companies take care of this by allowing a certain minimum guaranteed withdrawal plan. Overdrawals are expected to be paid back. Minimum guaranteed withdrawals are set rather conservatively. Overdrafts are difficult to recover legally, unless there is an agreement where these are treated as personal loans. Courts consider non-payments of overdrawn amount as a normal business risk. In spite of tight agreement which gives right to a company to recover the money overdrawn, if the salesperson does not have the money to pay back, of what use is this agreement.

Combined Salary and Incentive Plan

Majority of compensation plans are combinations of salary and commission. Here a *basic salary* provides him the basic necessities of life. *Commission* in addition makes him enjoy life. The effort is to maximise the advantages of both, and minimise the disadvantages. As we know only the salary means no incentive to put in more work. Only the commission means weak control over the salesforce. When these two are wisely mixed, it seeks to attain both control and motivation. The real benefits come from how the management actually administers the plan. If not properly executed, we may come across the weaknesses of both the plans put together.

These plans generally are favoured as they are motivational and provide a sense of security. Management can direct the salesforce even for the non-selling tasks like reporting. The plan has more flexibility as it has both the fixed and variable components. Management can change the territories, which is very difficult in the straight commission plan.

Combination plans have certain demands. It involves more clerical work, more record-keeping and complications. Sometimes, the commission element is so low that it is not a sufficient enough incentive. When incentives are increased, the salesmen tend to neglect those activities for which there is no direct payment. Thus, the ratio between the basic salary and the incentive component is critical.

Bonus

This is an altogether different concept. It is considered in India as a deferred wage — wage that is not paid right now but is deferred to a future date. Another school of thought considers bonus as a part of profit. Bonus payment is governed by Payment of Bonus Act. Even when there are no profits from which bonus can be paid, organised workforce claim bonus as a matter of right once a year. Here, bonus becomes *ex gratia* payment. Bonus, thus, becomes an additional financial reward. Bonus can be linked to productivity and promotional activity. Bonus appears with any three payment methods in combination.

Fringe Benefits

These constitute almost 25-40 per cent of the compensation package. They have no relationship to job performance. Some are statutory benefits like ESI subscriptions, PF contributions on the part of employees and workers' compensation. Most fringe benefits are, however, voluntarily introduced to be considerate to workers and to be competitive in the industry.

Fringe benefits lack the motivational force. They take care of safety and security needs. Some take care of prestige needs like giving a corporate Amex card, contribution to membership of a prestigious club, etc. Some fringe benefits which are given to all irrespective of performance help prevent job dissatisfaction, but do not necessarily lead to job satisfaction.

Companies are becoming more and more innovative in introducing a wide variety of fringe benefits. Some fringe benefits are related to time like paid leave, maternity leave, study leave, etc. Some are part of retirements, including the golden handshake at the time of voluntary retirements. Some are related to insurance cover and medical needs. Some fringe benefits are in the form of organisational contributions. Miscellaneous benefits include car and car allowance, laundry allowance, hardship allowance,

entertainment allowance, secretarial services allowance, housing, tax counselling, child care, servant allowance, social events programmes, transfer allowances, etc.

Cafeteria approach to fringe benefits means a combination of statutory benefits and traditional benefits. Out of the rest, the employees select a few based on credit points. Employees can then choose the benefits which suit their needs.

Psychic Wages

Some non-financial incentives make a salesman satisfied. These are his *psychic wages*:

1. Make the salesman like you.
2. Respect his personal ego.
3. Praise him when praise is due.
4. Allow him to participate.
5. Set a good example.
6. Give him emotional security.
7. Show him, how he would benefit from his performance.

APPENDIX I

ALLOWANCES

In direct salary method, basic pay and DA are paid. Dearness allowance takes care of the rising prices to some extent depending upon the neutralisation percentage provided. Dearness allowance is linked to consumer price index (wholesale). Though DA is a hedge against inflation, it is taxed as income. Thus, it never fully compensates the employee against the rising prices. Other usual allowances are HRA: House Rent Allowance and CCA: City Compensatory Allowance. In both these components, a percentage of basic is chosen, and a ceiling is put. Salesmen also receive Travel and Entertainment Expenses. TA has the following components for travelling salesmen:

- (i) at headquarters with some TA.
- (ii) away from headquarters and back to headquarters (with no overnight stay).
- (iii) away from headquarters and overnight lodging and boarding.

All these allowances are budgeted and controlled in accordance with the salesman's route and cycle of travelling. The salesman has to submit documentary evidence for reimbursement.

The basic pay and allowances are subject to revision from time-to-time. They increase with promotion of salesman from grade-to-grade.

The basic pay plus usual allowances plus other earnings means the gross salary of the salesperson. After deducting PF component, income tax, other statutory contributions, loan payment instalments and union subscriptions, from the gross pay, what the salesman gets is called Net Pay or take-home pay.

APPENDIX II

FACTORS AFFECTING COMPENSATION PACKAGES

Some factors have a major influence on the structure of the compensation packages.

PLC (Product Life Cycle)

The selling effort put in has a relationship to the stage of the PLC. Compensation is related to the selling effort.

At the introductory stage of the product, aggressive detailing is necessary. The SRs have to travel a lot, and meet many customers to convince them. They should be able to counter objections and are expected to be up to date in their product knowledge. At this stage, SRs need adequate compensation to keep them motivated. The direct salary may be on the higher side. It may not be necessary to introduce indirect benefits at this stage.

At the growth stage, the SRs have to sustain the tempo of sale. They have to work with renewed vigour. They have to explore new opportunities. This is the right stage for the introduction of incentive schemes.

At the maturity stage of the product, the SRs do expect a respite from the dull routine. Other indirect benefits like training programme at an exotic locale, foreign trips and promotions are needed at this stage. Mature products do need dealer support and so SP schemes are introduced. SP schemes are introduced for customers too. Regular increases in salary and perks are given as per schedule.

At the decline stage of the product, fresh incentive schemes are introduced.

The PLC as related to compensation package is illustrated below:

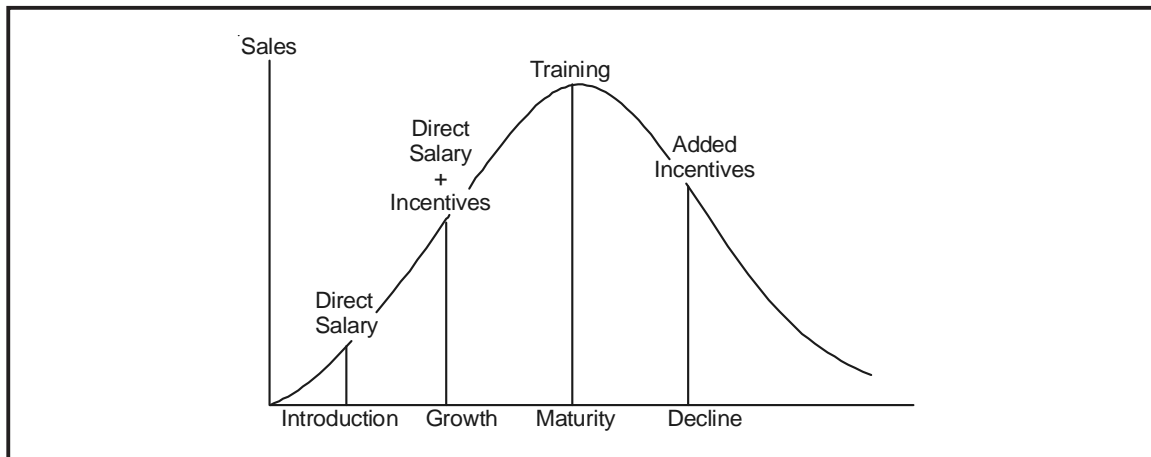


Fig. 27.3 Compensation-related PLC

Demographic Characteristic and Compensation

It is interesting to learn that demographic characteristics do shape preference for a particular compensation package. The family's size, age of the SR, life cycle of the SR play an important role. There cannot be any generalisation, and depends largely on the individual SR. The following table classifies demographic characteristics and related compensation package.

Age	Life Cycle	Job Preference	Compensation Package Preferred
20-28	Bachelor	High risk. High reward. Aggressive company.	Straight Commission or Incentive
28-35	Married with young children	Establish company. Job security	Basic Component High + Incentive
35 and above	Married with growing children	Stability.	Straight Salary (preferably)

Source: *Marketing in India*, by S. Neelamegham

Criteria for Designing a Compensation Package

The paying capacity which in turn depends upon the earning capacity of a particular firm decides the compensation it can afford to give to its SRs. The budget is set for the compensation of the SRs.

The current trend amongst the competing companies in particular and other companies in general also decides the compensation.

The complexity of the job and the motivational scheme of the company are two other criterias for deciding the compensation plan.

HRD is the main aim of any compensation scheme these days.

Motivation of SRs

Motivation is the willingness to work for an objective. It is ideally a process that goes beyond achieving the company's objectives.

SRs are the field-force not amenable to control like the factory workers. They have to be self-motivated and go-getters. What they will encounter in the marketplace cannot be predicted beforehand. Effective detailing, therefore, is a creative task. SRs should be highly motivated and committed.

How to get such SRs and how to retain them? It is a challenge to the HRD and the marketing department of any company. An SR may get demoralised by frigid response he may get from a particular customer. Sometimes, there are more disappointments than success. The problem is further complicated by the fact that his immediate superior — the field supervisor — is geographically separated from him. An MR may feel isolated in such a situation, his frustrations may surface due to hardwork entailed, extensive travelling undertaken, and a separation from kith and kin for days together. On the top of it all, he has to compete with his own colleagues in terms of targets. He also compares his position with that of his counterparts working in other competing firms. All this makes it necessary to understand his motivational needs.

Motivation and Needs

The study of motivation begins with the study of human needs. If needs are studied, evaluated, predicted and satisfied, we can create motivation, as we are aware of our aspiration. To overcome that, we *exert a little bit to* satisfy these needs to achieve our goals. The motivation process is given diagrammatically hereunder:

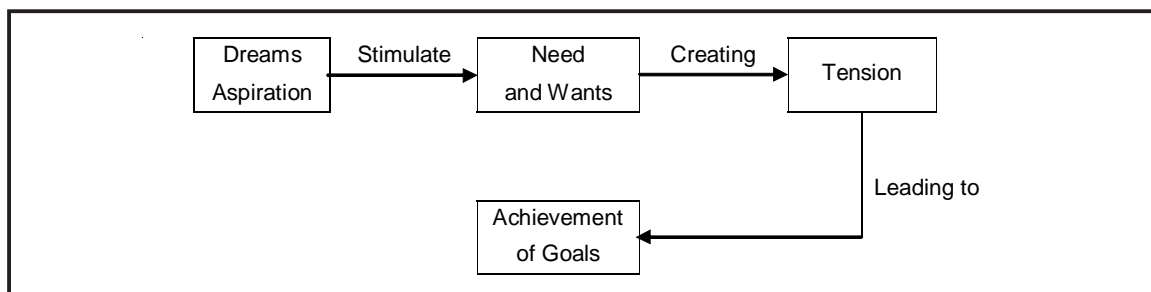


Fig. 27.4 Motivation and Needs

Each SR has different types of needs, goals and problems of his life. The sales manager has to assess each of the SRs in terms of his needs before applying the principles of motivation.

Abraham Maslow has put human needs into five categories:

1. *Physiological needs* of food, clothing, shelter and sex.
2. *Safety needs* which protect us physically and psychologically from threats, dangers and deprivation.
3. *Social needs* of belongingness or acceptance as a part of society.
4. *Ego needs* of enhancing our image, esteem, respect and achievement. SRs in general having ego needs.
5. *Self-actualisation* needs to realise one's full potential, to develop fully, to fulfil the existence and to grow to out limit.

The needs of SRs do not remain as they are for all time. They keep on changing as they grow in life, career and age. To motivate them, these shifts must be understood.

Apart from financial benefits, the following eight factors are effective in motivating the salesforce:

1. Individual meetings with supervisors to discuss job problems and career.
2. Regular escorting by the superiors in the field.
3. Merit-based promotions.
4. Participation in setting sales quotas.
5. Meetings/conventions of sales staff.
6. Sales contest/competition.
7. Rewards for higher turnover.
8. Fear of dismissal/unemployment.

The most important factor that emerges is the get-together of sales staff and the superiors.

Some non-traditional factors affecting the motivation of SRs are discussed below.

Job Clarity

If an SR understands as to what is expected of him, he is highly motivated. The goals must be intelligible to him. He must be rewarded when he puts in performance.

Sales Quotas

Targets or quotas act as motivators when they are set in a fair manner, and are realistic. They need not be set too high that they become unattainable, and need not be set too low that they fail to pose a challenge to the SR. It is better to involve the SR in setting up his quota. However, the sales manager has to keep the overall marketing objectives of his company while setting the quota, which is ultimately his responsibility. Quotas can be set in terms of rupee sales, unit volume, product type, margin or selling effort. The attainment of quota should be generally associated with some financial benefit.

Meetings of Superiors and SRs

Meetings prove to be great motivators. SRs meet the superiors at H.O., at conferences and the field. These meetings offer opportunities to improve motivation. The superiors understand each SR fully during the course of a meeting. They can understand the emerging frustrations and can sort them out. This is indeed an open style of management. The salesforce benefits from the experience of each SR. Marketing efforts are most successful when management adopts an open-door policy. It gives a feeling to the SRs that most of their problems will be solved to their satisfaction.

Sales Contest

It proves to be motivator. It compels the SRs to attain a higher level of performance. It may have other objectives like making a slow-moving product move or get new customers. Sales contest may prompt the SRs to do cheating by holding up order, so as to qualify in the contest. Contests are competitive, where one SR is pitted against the other.

Conferences

Conference is a mechanism of group motivation. SRs get an opportunity to articulate, to participate and to gain a sense of belonging. They are morale-boosters. All companies are now using conferences to motivate their SRs.

Autonomy

Each SR must be given autonomy and discretionary powers to make him effectively discharge his responsibilities. Lack of this has a negative impact. SRs can be given freedom to decide their call pattern, customer services, etc. This satisfies them psychologically, it gives them a sense of power.

Positive Effect

Admiration, positive feedback, warmth and understanding — all this leads to higher performance. There should be an element of sincerity in all this. Informal groups can be strategically used to promote a conducive climate.

Leadership Style

Superior's managerial style has a great effect on each SR's motivation. The leadership should inspire the SRs. Images and expectations must be instilled into the minds of SRs in such a way that they exert to live up to these. Audio-visual personations are used to achieve this. Certain corporate myths and success stories are created and perpetuated.

Rewards and Recognition

Most of the techniques like quotas, conference and contests have short-term effect on motivation. The long-term and lasting effect is given by a reward and recognition system. Titles are conferred on SRs. (SR of the month/year). Personal letters signed by superiors are sent. House journals mention their names and certificates are given. SRs have self-esteem and self-respect needs which must be satisfied. It shows how he is considered important enough for the management.

Persuasion

Here SR is rationally convinced how a higher performance is in his own interest. They are on to the side of management, and do not feel that something is being imposed on them.

Financial Incentives

Financial incentives are great motivators. These satisfy the lower level needs of SRs. A poorly administered financial plan may invite unions to organise SRs. This has already happened.



Chapter

28

Management of Sales Expenses

There are two approaches to the management of the sales expense — allow salespeople to spend their own money to meet sales expenses or reimburse their expenses either in part or on full. Both these approaches have their own implications. A salesperson who spends his own money for expenses is not under strict management control. But when there are reimbursable expenses, management exercises sufficient power on the activities of the salespersons. In other functional areas of business, there are expenses of marginal nature. But in sales, there are considerable expenses. Reimbursement and control policies therefore are vitally important, and they need special attention of the company. Sales expenses differ from industry to industry as a percentage of the total compensation plan. Generally, they range between 25 per cent to 50 per cent of the total sales compensation. In other words, a salesman with a salary of Rs. 1 lakh annually is likely to spend between Rs. 25,000 to Rs. 50,000.

Sales expenses have relationship to the selling style. Where just calling on customers is expected, the expenses are on the lower side. Mostly, the customers called are technical experts, who allow a very short interaction with the salespeople. That explains the low expense rate. If new products are to be sold or products are to be sold in new markets, the selling expenses tend to be high, as the sessions of selling take a long time. In industries where technical or capital goods are sold to other business customers, the number of parties called are few, but the time spent on each is very long. It is a ripe situation for heavy entertainment expenses. But the routine trade order takers move around a lot, meeting a large number of prospects, and thus spend more on travel expenses, and lodging-boarding and less on entertainment.

Expenses must be kept under control. The trade off is between being too liberal and too stringent. Liberal approach encourages people to tap most of the business opportunities, but it also affects the

profit level. It is better to err on the liberal side, however. Control policies differ from organisation to organisation. Some organisations set apart a particular sum in their budget for sales expenses. This sum is related either to the total operating expenses or the total gross profits on sales volume. In other organisations, sales expenses are controlled in a general manner — there is expense reimbursement policy and verification of expense reports.

EXPENSE POLICIES

Some organisations like insurance companies in India put salespersons on straight commission plans. They follow 'pay-your-own-expenses' policy. Here, management is saved to bother of checking the expense statements. The only safeguard adopted is to keep commissions at such a level that they are able to spend on their own. There is a tendency in some salespersons to squeeze expenses. This is not in the company's interest. They tend to save on expenses by putting up in inferior hotels, taking frugal meals, curtailing travel expenses and expenses on laundry, and avoiding entertainment expenses as far as possible. These persons also resist management control. They plan their own itineraries. They plan their own calls and they neglect non-selling activities. They do not chase customers, fearing these will entail additional expenses. They are interested in large accounts and tend to sell product-lines of other companies to the same class of customers.

Instead of pay-your-own expense policy, most of the companies adopt reimbursement policies, which becomes a debit entry on the Profit and Loss Accounts of the company. Sales expenses are affected by the nature of the products and industry, the size of the territory, the competitive scene, the travel mode allowed and the calibre of the salespersons.

Reimbursement should cover the expenses fully for those activities which are part of the salesperson's duties. It is also necessary to reimburse all expenses when the salesperson is on outstation duty.

While reimbursing, the prevailing economic environment must be considered. The living standards of both the salespersons and the customers he attends to, must be considered. Will it not be ludicrous to see a Tata sales executive dining at a third rate restaurant and staying at a budget hotel? A person who meets top consultants must be given expenses commensurate to keep up the same lifestyle. In one and the same company, there can be payment differentials, considering the class of customers attended to. Payment differentials are also necessary because each territory has its own needs of servicing. Reimbursement should be reasonable. It should be economical to implement the reimbursement policy. It is better to avoid overeconomising; lest it affects the selling efficiency. Perhaps, they will have to incur some expenses from their own pockets, if management is too stringent. Policies are thus made reasonable, though the enforcement do require a sense of responsibility, honesty, and integrity on the part of the players involved.

METHODS OF REIMBURSING

Flat Expense Account

A particular periodic sum is handed over to the salesperson to meet his expenses. How to allocate this sum to different items of expenditure is left to the discretion of the salesperson. A flat sum saves the company the hassle of account keeping, and verification of these accounts.

As flat sums are predetermined, they can be easily budgeted. Salespersons have the autonomy to spend as they please out the flat sum. Thus, there are no heart-burns on individual expense items. It gives salesperson a sense of direction — they get self-directed. All they need are some guidance from the management about routing and scheduling.

Flat expense accounts are suitable where, exact amounts of expense are not required to be changed frequently or where management keeps on reviewing the expense allowances. Flat expenses must have an element of flexibility, imagine a situation where a salesman loses sales opportunities just because his flat expense is not enough to tap them.

Though simple in concept, it has its own weaknesses. There are salespeople who are tight-fisted in spending money, they consider savings from expenses as an additional income which they use for their personal needs. This can be overcome by close supervision.

Flexible Expense Account

Most widely used method of reimbursement, it reimburses all allowable expenses incurred and reported to management. Here management estimates the probable expenses and puts them into *allowable* and *non-allowable* categories. Salespersons are educated about these categories. A reporting system is installed for reporting expenses periodically. These reports are checked, and verified before reimbursement.

The following diagrams illustrate the reporting forms.

<i>Travel Expense Statement</i>					
Name: _____		File No.: _____			
Address: _____		Destination: _____			
Purpose of Travel: _____		Date: _____ From _____ to _____			
Travel Mode					
Onward Journey					
Mode of Transport	From which place	To which place	Date of Journey	Amount	
Return Journey					
Mode of Transport	From which place	To which place	Date of Journey	Amount	
Accommodation					
Name of the Hotel/ Lodge	From which Date	To which Date	Days stayed	Rate Per Day	Amount

Boarding Expenses								
Date	Whether Guest Included (Specify)	Amount	Date	Whether Guest Included (Specify)	Amount	Date	Whether Guest Included (Specify)	Amount
Miscellaneous Expenses								
Date			Miscellaneous (Explain)			Amount		
Date _____						Sign _____		

<i>Sales Expense Report</i>	
Name of the Salesperson: _____	File No.: _____
Address: _____	Date: _____
Description of Expense: _____	

Date: _____	Place: _____
Amount Spent (Support by Vouchers) _____	
Justification for the Expense _____	

Date: _____	Sign.: _____
Approved _____	Date: _____

Sales report can now be filed with ease through PCs and laptops.

Miscellaneous expenses could be porterage charges or coolie charges, postage, telephone, stationery charges and laundry charges. Entertainment expenses are reported in sales expense report.

Flexible expense account, as the name itself indicates, provides flexibility. It allows the organisation to tap marketing opportunities fully. This method is fair as it takes into account the differences in

different markets. It enables management to exercise greater control over routing and scheduling. Salespersons have to pay equal attention to both selling and non-selling tasks.

The only drawback of this scheme is its administration. It is costly to implement it. It takes time to check expense sheets. Besides, it increases the clerical record-keeping work of sales executives. Perhaps, they may not be cut out for that. Sometimes money is spent without any restriction. There may arise some disputes over this. Some padding is also observed in submissions.

Honour System

This is a liberal system where all sales expenses are reimbursed in full against report of the total expenses, without asking for a detailed break-up of these expenses. It reflects the faith management reposes in its salespersons. As this system is easy to administer, it simplifies procedural aspects when used alone or in combination with any other method. It provides sufficient funds to develop the territory, provided the salespersons use the amount judiciously.

This system does not allow management to control the salesforce tightly. The judicious use of money cannot be guaranteed. Some tend to over-spend. Some use the amount in non-productive activities and some misappropriate the funds.

Even when honour system is installed, there should be control over the total expenses. A ratio of maximum selling expenses to sales can be used as a control tool. The trends in expenses should be carefully observed. Any sudden spurt must be looked into.

Expense Quota

This plan controls the total expenses of the salespersons, but allows variations in periodic reimbursements. The management sets up an expense quota considering the needs of the sales territory and the sales potential. Sales quota gives an upper limit or ceiling on the total expenses in a particular time period. This plan enables quick reimbursement of periodic claims, despite the variations from period-to-period. The ceilings restrain the salespersons, and they keep within the limits set.

In this scheme, the salespersons are allowed to control the expenses. This is its major weakness. The success of this scheme depends on how good the forecasts are. Salespersons are likely to restrict their activities at the end of the budget period, considering the meagre balance left in the quota account.

REIMBURSEMENT OF VEHICLE EXPENSES

We have to reimburse vehicle expenses to salespersons, when they are on expense accounts or quotas, and are using their *own* vehicles to move around. Vehicle expense reimbursement becomes complicated, as three types of costs are involved in the operation of vehicles. Fuel costs, oil and lubricating agents' costs and tyres costs are variable costs which vary with the mileage travelled. Insurance of the vehicle, government taxes constitute fixed costs. Depreciations or obsolescence depend on the age of the vehicle and its usage. They are semi-variable expenses. Expenses for different *makes* of vehicles and different *models* vary. Expenses also differ from territory to territory, depending upon the road and traffic conditions. All these complexities prompt companies to settle down for a *less exact* basis of

reimbursement of vehicle expenses, rather than insisting on the *exact* basis. Most companies use the flat mileage rate system. Some opt for graduated mileage rates, fixed vehicle allowances periodically or a combination of vehicle allowance and mileage rate.

Fixed Mileage Rate

Here, a particular rate is fixed for one kilometre of travel, and this becomes the multiplying factor for the total kms travelled. This mileage rate is so set that all expenses of running and owning the vehicle are covered. However, this should also be economical for the company. This system is easy to administer. Mileage travelled are recorded, and flat rate per km is applied. This system is suitable when a small geographical territory is being serviced.

This system does not take into account the cost of operation of different makes and models of vehicles, and also the territorial differences. Management also keeps on changing the flat rate, taking it upward or downward.

Graduated Mileage Rate

Here, there are different rates for different slabs of kilometres. Say one rate up to 5,000 kms, less than that between 5,000-10,000 kms and even lesser for above 10,000 kms. There is appreciation of the fact that long distance travel is economical. In this system, it is difficult to arrive at different slabs of mileages where the rate will change. This system considers the territorial differences in a broad manner. Still it fails to recognise cost differentials amongst different *makes* and *models* of vehicles. This system is suitable when salespeople cover large geographical territories, and travel long distances.

Fixed Periodic Vehicle Allowance

Here, a particular sum is paid as vehicle allowance, say per day, or week, or month considering how the salespersons use their own vehicle on company's duty. Here usage, rather than mileage, is given importance. Perhaps, the system is not favourable to salespersons serving large territories, unless their allowance is fixed on the higher side. If there is uniform allowance, morale may suffer. This allowance is suitable when most of the territories are more or less the same and the vehicles used are more or less the same.

Combination of Fixed Periodic Vehicle Allowance and Mileage Rate

Periodic vehicle allowance is combined with a mileage rate in this system. The vehicle allowance takes care of fixed and semi-variable expenses, and the mileage rate takes care of the variable operational expenses of the vehicle. Here, it is appreciated that all expenses are not a function of usage. Companies using this system may create a depreciation reserve, and may allow salespersons to buy new vehicles out of these reserves. In fact, these reserves are the withheld portion of expenses. This system is an incentive to salesperson to replace their old vehicles.



Chapter



Sales Meetings and Sales Contests

A man works beyond the normal call of duty if there is enough motivation. Achievement-oriented individuals have a desire to excel. They exert more to get a sense of achievement. Majority of salespersons, however, need motivational programmes, especially where their social needs are fulfilled. They are also conscious about their career growth. Sales meetings and sales contest are two such motivation tools.

When we perform any job, we expect to derive satisfaction out of it. But it is equally true that if there is job satisfaction, it leads to a better job performance. But high degree of satisfaction may also lead to lethargy. Several companies, therefore, plan programmes which make the salespersons strive towards higher goals. Maybe, there is some amount of job dissatisfaction. That by itself may lead to improvement in performance, who knows?

Mostly, efforts are made to concentrate on job performance, rather than on job satisfaction. It is to be seen 'how to get the best out of each'.

SALES MEETINGS

Sales meetings have communicative as well as motivational value. Sales job is a field job. Meetings provide a forum to interact with the employer. Ideas and views can be articulated. It also provides a stimulus to scale greater heights.

Planning of Meetings

A meeting is planned with certain objectives in mind. The meeting must have an agenda to discuss. We have to decide how the meeting will be conducted and held. The whole exercise is reviewed with reference to its results.

Objectives

Broadly, meetings are for communication and motivation. Specifically, meetings can be held when a new product is being launched, or repositioned. It is possible that new research on buyer behaviour of our product is now available. We have to communicate this research data to the salespersons. It is possible that salespersons have shown deficiencies in the field in the light of the supervisor's report. We have to discuss how these deficiencies can be rectified. It is more like a training session. A company may formulate new sales policies or may set new sales goals. These must be explained to the concerned employees. A common thread runs through all meetings. How to make salespersons favourably inclined towards the sales programme? This alone leads to better job performance.

There are many other specific objectives. We may expect an improved reporting system or we may decide to acquaint the salespersons with our promotional programmes. We may teach them time management and we may provide them inputs of inventory management for the better service of the customers.

We have to keep our objectives realistic and attainable. We have to do a proper cost-benefit analysis — how much it will cost to hold a meeting, and whether results will justify these costs.

Agenda

Agenda carries the topics of debate, discussion and dissemination. In fact, we are here deciding the contents of the meeting. The agenda is derived from the objectives of the meeting. For instance, Amex is planning to introduce a credit card with balance transfer facility from other credit cards at a concessional rate of interest. The card is also charging lower rate of interest on the outstanding balance after opting for revolving credit. This move on the part of a strong competitor alerts other card issuers in the market. Certainly, it is a matter of anxiety. Thus, they may plan a meeting to inform their selling persons what Amex is up to, and how they are going to meet the challenge. The agenda, therefore, would be: New credit card from Amex, the likely market response to it, and the approach we will take to overcome this challenge.

Methods

Both, the objectives and the agenda decide the method used to conduct the meeting. Here, we have to keep in mind the venue and the time of the meeting too. Local meetings are held at short notice. They last for a short time and are participative in nature. Regional meetings or national meetings are held once a year or twice a year, they last for a couple of days. Here, we can use a variety of methods — lectures, group discussions, debates, etc.

Execution

The time and the venue of the meeting are predecided. The speakers or the seminar leaders are also decided beforehand. The seating arrangement is also decided. It should facilitate communication. Mostly,

meetings are held in classroom pattern, with rows and columns for benches. We can depart from the conventional classroom. When there are small groups who hold brainstorming sessions, round-tables are preferred several such roundtables constitute a workshop. There can be an inverted U-type seating arrangement. The seating arrangement could be square-type also. In herring-bone arrangement, the participants seat in two columns, where each row is slightly inclined.

A meeting must have good audiovisual arrangement. The participant must be provided stationery and writing material. The tea-breaks and lunch-breaks must be properly timed. The start and close of the meeting must be regulated.

Evaluation

Often neglected, this component does indicate whether the meeting was effective or not. Evaluation is done against the criteria of the objectives set. Generally, the participants are asked to give their feedback, for which a special form may be designed. Different types of meetings would have different types of evaluation forms.

National Sales Meetings

Here, all the salespeople converge at one centrally located place or company headquarters. The venue can be rotated amongst different cities. It goes without saying that this is quite an expensive proposition. However, such a meeting is necessary when there are comprehensive wide-ranging policy changes. These meetings are attended by the top and important executives. Their very presence is inspiring. It provides an opportunity to salespersons to interact with one another. Such interactions prove rewarding. They come to know about the common problems encountered. Such meetings acquaint the salespersons with the office and administrative staff.

A large congregation itself has a salutary effect on group morale. Sometimes, such meetings are supplemented by plant visits. Salespersons then come to know about the production aspects.

Such meetings have their drawbacks as they are costly. It is difficult to collect all salespersons, without affecting the sales function. It is possible if, the sales have a seasonal element. The routine work is disturbed.

However, the advantages of a national meet far outweigh the disadvantages.

Regional Sales Meetings

Companies prefer to hold the regional sales meetings rather than the national ones. Here the salespersons of a particular region meet at a particular place. Headquarter executives travel to this place as it is more economical. Headquarter executives get a chance to learn about a region and its unique problems. As the gathering is small, there is closer interaction. Regional meetings are, however, not within the reach of all top executives, some may keep away for various reasons. This dilutes the importance of the meeting. As the size of the meeting is small, there is no widespread enthusiasm. It is necessary to conduct several such regional meetings in a decentralised fashion. This leads to a tendency to economize. In such meetings, there are no celebrity speakers, and top executives are generally absent. The total costs of several such regional meetings may exceed the costs of holding one national meeting. The overheads of each meeting cannot be avoided.

Resentment Against Meetings

Executives oppose sales meetings as they feel that such meetings do not justify the costs involved. What good these meetings do qualitatively of course, cannot be measured. But they are morale boosters, no doubt. Another objection to the meetings is on account of physical absence of the salespersons from the field, which affects the working of the sales department. There is also resentment against the meetings on account of pressure it puts on executive time. Such meetings also bring together doubting Thomases.

Local Sales Meetings

Such meetings are conducted frequently, say weekly or fortnightly by the field supervisors. The atmosphere is not formal therefore, salespersons can seek clarifications freely. They get an opportunity to express their views and also get to know one another. It fosters team spirit.

New Options

ISDN has made it possible to hold sales meetings by videoconferencing without assembling the persons at one particular place. Closed circuit TV meetings are broadcast live to other venues. Telephone-conferencing is also possible amongst a few persons. Meeting literature or cassette can be sent to the mailing address of the salespersons. Demos can be arranged by travelling vans which move from place-to-place. They carry the salespersons and the trade people along with them.

SALES CONTESTS

Each salesperson is covered by a compensation plan. To induce him further than a fair day's work, companies arrange sales contests either to improve sales volume or to improve profitable sales volume or to improve both at one and the same time. Sales contests have motivational force.

Each contest is designed with some objectives in mind.

Contest Objectives

These contests try to induce the salesperson:

- (i) to sell more
- (ii) to sell more profitable lines
- (iii) to sell to new customers
- (iv) to promote slow-moving items
- (v) to promote new products
- (vi) to induce repeat purchase
- (vii) to arrange product displays
- (viii) to arrange dealer contests

(ix) to promote seasonal products

(x) to overcome off-season slack

Contest Format

Contest theme is chosen innovatively. It could be made an interesting game. 'Get 100 New Customers' — this could be a direct theme. A bank manager can be asked, to seek a specific amount of additional deposit. The theme could be made innovative, for instance 'Be a crorepati' by seeking new insurance business worth a crore. Contest themes should be topical.

Contest Prizes

A contest prize could be in cash or in kind or as a special honour or privilege conferred. A combination of prizes are kept, say a travel plan as the first prize, and some merchandise as runner-up prizes. Some contests give an option to salespersons to choose their own prizes. Cash prize, unless substantial, means little in terms of achievement, since it merges with the cash earned as part of the salary. Merchandise prizes are superior, since they are a permanent record of achievement. Travel awards allow a salesman to escape from the routine and mundane, and he thinks it is well-deserved. If spouse is included in travel plan prize, it becomes sweeter. Special honour can be conferred on the salesperson, say make him a 'member of chairman's club' entailing certain privileges.

Prizes should be sufficient to ensure greater participation. Improvement in performance from whatever level it is at present will be a good criterion for winning a prize. The reward will be commensurate with improvement. Sometimes the goals set are so high that many do not participate, thinking that they are out of their reach.

Duration of the Contest

Contest can have as short a duration as one week or as long as one year. Generally, most run for one to four months. The duration should be such which sustains the interest in the contest. There is no sanctity to any period. The contest theme should remain relevant, say Christmas contest will last for four weeks of December. The contest period should be sufficient to realise the objectives of the contest.

Promotion of the Contest

Contests have become commonplace and salespersons must be made enthusiastic to receive them. Contest announcement can be dramatised. During the progress of the contest, we should think of ways to keep the interest alive. Communication channels are kept open. Different groups or regions or zones can be made to compete with each other. Participant's family is kept informed, especially the spouse. Contest should remain a topic of discussion even at home. At periodic intervals, the contest should be rejuvenated.

Evaluation of the Contest

Pre-contest evaluation and post-contest evaluation are the two opportunities for the management. The former is preventive, and the latter curative. If we anticipate weaknesses, these can be avoided. If our feedback provided us new insights, future contest can be improved upon.

Contests are not a cover for the basic weakness in the recruitment and selection of the salesforce. A contest may achieve its purpose of sales improvement to be called successful. However, it fails if the sales are just borrowed from the previous months or succeeding months to the contest period. This is called bunching of effect. A successful contest should cover up at least its own cost. It should give a fair chance to everyone. It should boost up the morale of the salespeople.

Objections to Sales Contests

Some think contests are just stupid they do sales bunching and their effect is transitory. They weaken the team spirit. The goods are dumped on dealers during the contest period. There is no sense in arranging contest when the sales staff is being compensated properly.

A well-designed contest should try to overcome all these objections. The only legitimate objection to contest could be a short-supply situation. In industrial marketing, sales contest are not so useful, except when they have the capacity to wean the business away from the competitors. In industrial marketing, contests have other objectives, say for instance cost reduction or improved reporting or customer service. Complex, technical products are, however, sold after great deal of negotiations, and contests are hardly called for.

SALES DISPLAYS

Retailers do have facilities for displays, though mostly in urban areas. To attract the customer traffic, many FMGC products are displayed in retail shops.

Displays are in-store presentations. There may be relevant information accompanying the display. The products on display arrest attention and increase the interest of the customers in them and this leads to sales. Displays have become a part of a retailer's atmosphere and have great promotional value.

SRs have to help the retailers when the products are displayed. They have to motivate them to arrange the display.

Display perform the following functions —

- (i) products are exposed extensively.
- (ii) products look better.
- (iii) products invite attention and kindle interest.
- (iv) product information is highlighted.
- (v) facilitate a sale transaction.
- (vi) impulse products get additional sales.
- (vii) remind customers about their buying intentions.
- (viii) ensure product security and storage

Displays, to sum up, have a three-fold task —

- (i) To motivate the passers-by to stop and take notice of the product, and then to motivate them to step in.
- (ii) Once to passers-by are in, what is emphasised is the product exposure irrespective of whether they buy or not.
- (iii) Those who come as buyers are motivated to buy a larger quantity on the strength of a smart display.

Displays help the manufacturing organisation as well as the retail outlet. They project a retail outlet and a product's personality. They create an ambience, provoke a desire, and trigger a mood. They are thus silent.

Display Aesthetics

SRs or the retailers or both of them who design the displays follow certain aesthetic principles. Some of these are given below:

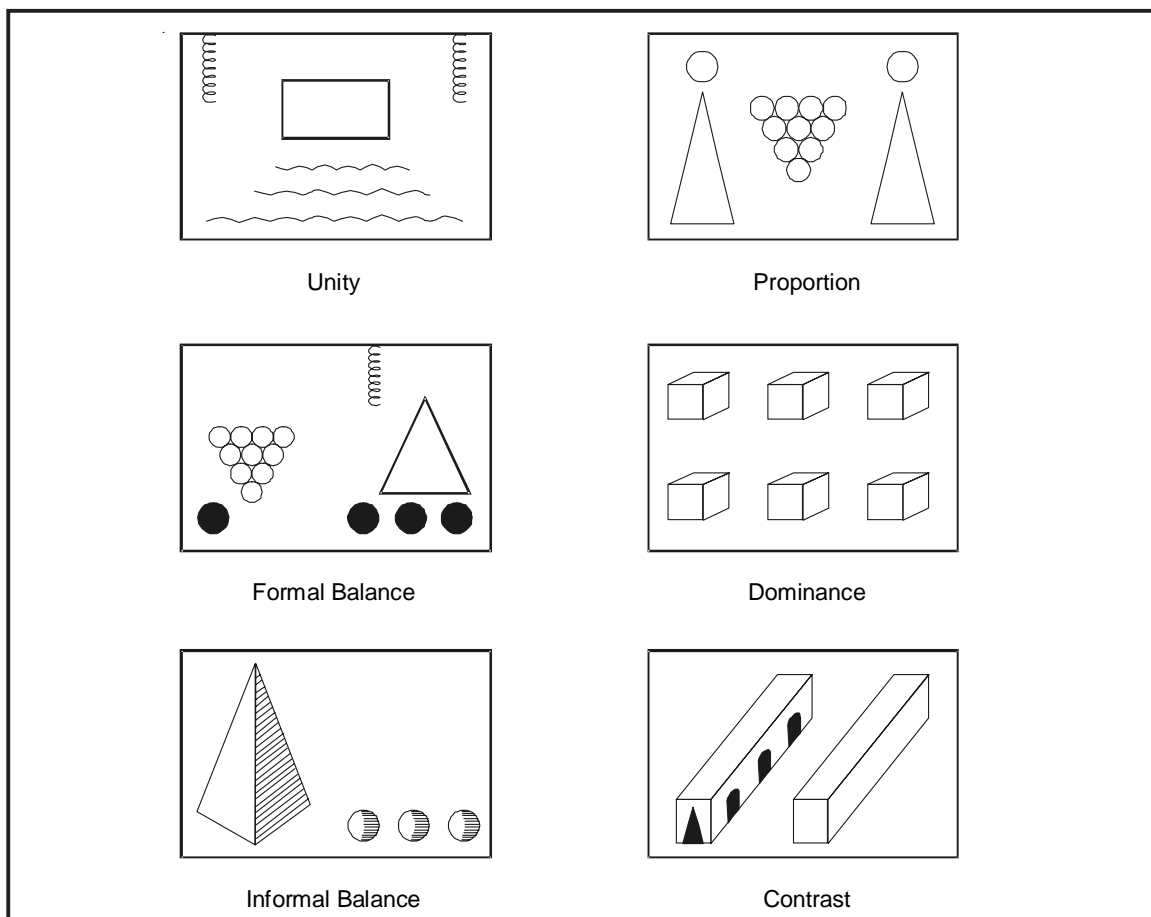


Fig. 29.1

Unity gives a unified whole appearance to different display units. *Balance* leads to harmony amongst them. *Formal balance* means just opposing the right and left by the same weight, height or number. It is symmetrical. *Informal balance* leads to a novel attempt, and hence attractiveness which is due to asymmetry. *Proportion* is related to the relative sizes of display units. *Dominance* means a specially prepared larger size product/pack, e.g., a Vicks bottle or a tonic bottle larger than the original. *Dominance* can also be achieved by special effects. *Contrast* uses differing light shades, product offering and product of different sizes, different colours, etc.

Popular Display Patterns

Popular display patterns are given by the following figures:

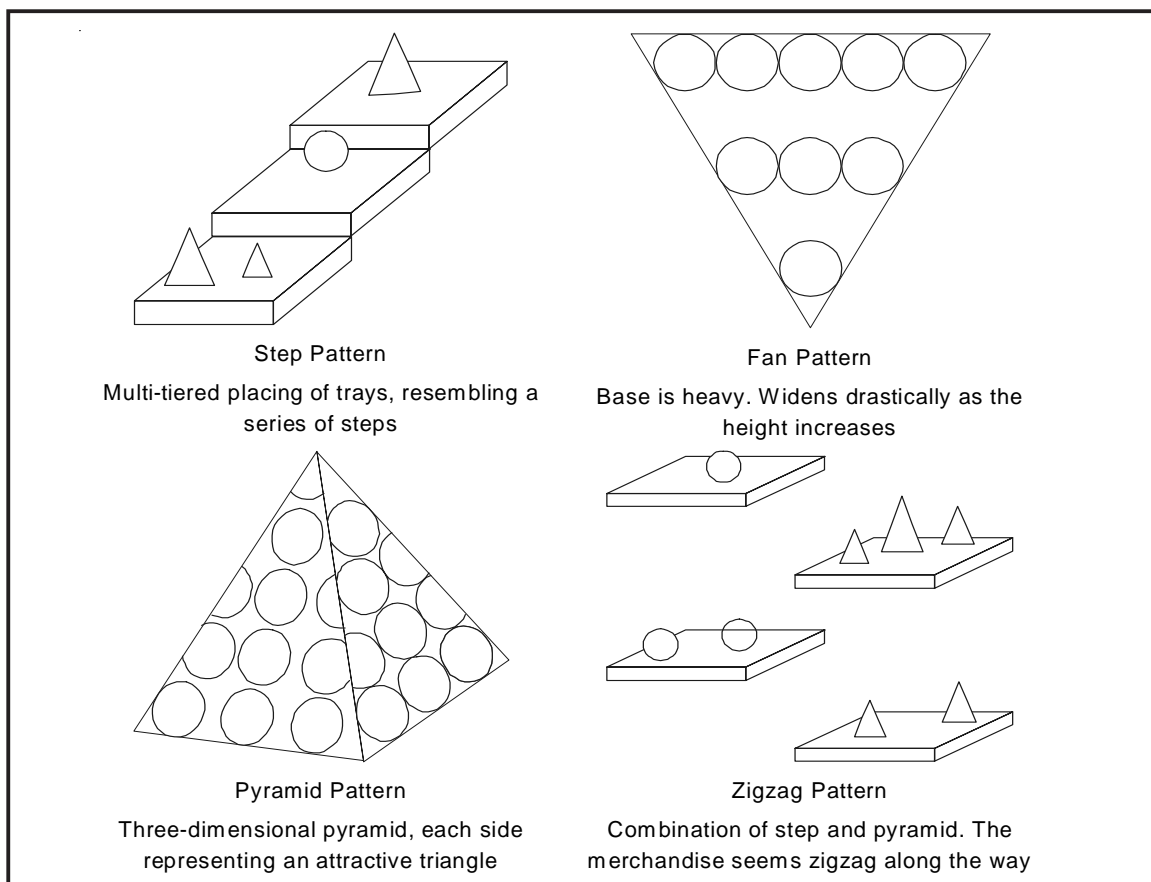


Fig. 29.2 Display Patterns

Types of Display

The displays are traffic builders and raise the sales of displayed items and other items too. How to display effectively is the main problem these days. A good display is a creative task. The basic displays are classified in the following table:

<i>Display Type</i>	<i>Remarks</i>
Assortment Display	Wide variety of merchandise put on display. <i>Open variety</i> : The customer can try the product. <i>Closed variety</i> : Products are enclosed in glass windows or are pre-packed.
Theme Display	They create proper atmosphere. Theme related to a national, international or local event; or festival. Many more creative themes can be identified, <i>e.g.</i> , ethnic image to promote herbal cosmetics.
Lifestyle Displays	Focus on AIO: Activities, Interests and Opinions of target audience.
Rack Displays	Products (mostly household) are neatly hanged from a rod. They can be mobile too.
Ensemble Displays	Focus on selling a concept rather than a product. It is suggestive selling. Mannequins are used.
Unit Displays	Unit looking similar are displayed as a unified whole.
Classification	Depth and width of product-line exhibited.
Dominance Displays	Arranged on product basis. Products are placed vertically on walls, floors or allover.
Videotape Displays	The pre-recorded tapes are used to talk to shoppers.

Managing Displays

Displays are to be planned and executed properly. Display planning involves utilisation of space, economising, ensuring maximum exposure, aesthetics and how they suit the existing layout, and changes to be made.

Execution of displays involves ensuring adequate stock of items being displayed, area allocation, display materials and fixtures, advertising the retail outlet where display has been arranged and training of staff. While executing the display, the windows used, the signs used, the lighting used, and the ambience created are to be attended.

Display management should have an element of creativity. Maybe, outside experts are of help here. The displays are changed. It has of course the budgetary constraint.

Displays at retail chemist shops can be arranged by them on their own or with the help of the SRs of the company. The displays sponsored by the company must be sold to the chemists. Their co-operation is of utmost importance. The chemists should be convinced about the objectives of the display, and should be trained and motivated.

Why Retailers Show Part Interest

Maybe, the rewards are not attractive. Perhaps the space available and the display requirements do not match. There is the monotony of repeating the same pattern time and again. SRs or the company do not help the retailer in arranging the display, retailers are not given the infrastructure like the display material and kits.

Suggestions to Retailers

1. The visibility must be ensured. The preferred position is the front door.
2. The display should give an opportunity to inspect the product physically.

3. Displays hung from the ceiling should be low enough.
4. Displays should not conceal the merchandise.
5. Displays should be well-illuminated.

Motivating the Retailers

The sponsoring company can motivate the retailers by:

- (i) providing display fixtures and materials (on special terms).
- (ii) by promoting the retailer in cooperative advertising.
- (iii) by organising a display contest.
- (iv) by showing one chemist effort to others through a photo or video clipping.
- (v) visit of mystery shoppers who evaluate the displays and reward the outstanding ones.

To illustrate, Food Specialities Ltd., and Vicks Vaporub have succeeded in establishing their brands by motivating chemists/retailers and by hiring out premium display windows.



Chapter

30

Controlling Salespeople — Evaluation and Supervision

Management process starts with the planning function. In the overall business plan, goals are set for different functional areas of business. In the marketing area, there are certain goals of growth, profits and market share to be achieved. Sales function derives its goals from the overall marketing objectives. In order to achieve the sales goals and objectives, a sales plan is designed and implemented. Sales programmes are the operational aspects of this sales plan. Ultimately, we have to see whether the performance standards set are being achieved or not. This is the controlling aspect. It has three dimensions set for the standards, measure the performance of the individuals, compare it with the standards, and see if there is any deviation. Last but not the least, we have to take the corrective action. The first three dimensions make control static, and the action-oriented part makes it dynamic. Without action, the other activities of control have no meaning. Corrective action puts the sales function on the right course.

What does action actually amount to? It may mean revising the policy and the plans. It may mean either increasing the level of objectives or reducing it. It may mean revising the criteria for performance measurement. It may mean taking steps which contribute to the attainment of objectives.

Planning, organising, staffing, directing and controlling constitute what is known as the management process. Some authors put it into three basic elements — planning, integrating, and controlling. It is not necessary to carry out the managerial functions of planning to controlling in a linear sequence. It is in fact a circular process.

All decisions as to what is to be achieved — standards of performance — are set in the planning function. Planning provides a direction to the sales function. The strategies guide us as to how we can travel on the directed path.

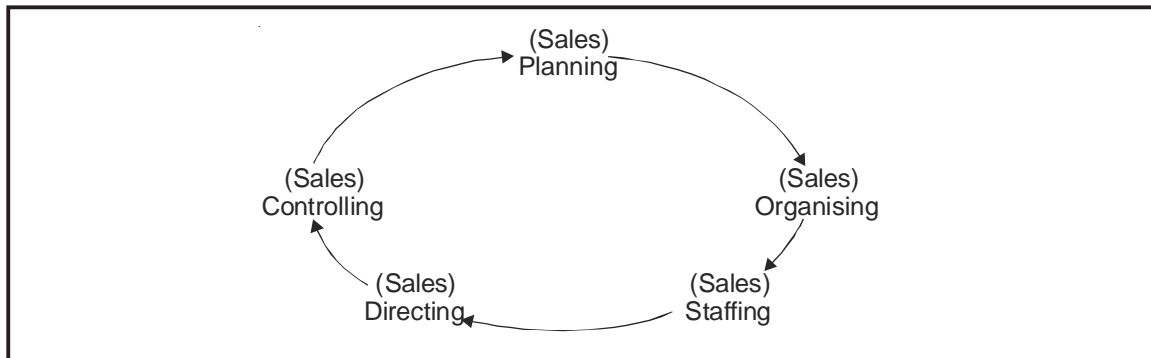


Fig. 30.1 Circular Management Process

All the performance standards are to be achieved through the sales organisation. The capability of the sales organisation itself affects the standards set. Sales plan and a derived sales programme must be coordinated with the sales efforts. To begin with, we exercise the first three aspects of control. In the dynamic control function, management brings about the necessary changes in the planning, organising, staffing and directing process and their coordination with each other.

SETTING STANDARDS

We have taken into account the nature of the selling task to set these standards. In short, it calls for sales job analysis. We then get objectives, duties and responsibilities and other aspects from the job analysis. Some companies have to obtain more and more business from the existing customers. Some have to obtain sales growth from new customers. Sales standards in both these situations will be different. Promotion strategy also affects the setting of standards. We have to formulate standards for the key result areas (KRAs) and activities carried out under each KRA.

A bank manager must be evaluated in terms of deposit growth as well as growth in advances. A computer salesperson is evaluated in terms of sales and advice he renders. A credit card company measures both the growth in the number of cards in circulation and the card spend per card. Thus, setting performance standards calls for a deep understanding of the market. We have to consider the total market or sales potential and the contribution that each territory could make. Customer classification should be done properly in terms of their potential. Selling expenses necessary to achieve these standards must be taken account.

Sales plans are revised in keeping pace with the changing environment. Sales plans are revised for their suitability to the changed environment. We have to correct the plans depending upon the capability of the salesforce and their working conditions. Performance standards must be aligned with the overall business environment and corporate plan.

Sales Objectives and Performance Standards

Each organisation has some specific sales objectives which are derived from the overall marketing objectives. Performance standards are so set that we realise our sales objectives. Thus, we can say that

to have an additional sales of Rs. 100 crore, we have to secure 100 new accounts. In other words, the sales objective is broken down into an operational objective. The extent of reconciliation of these two show our performance.

All organisations consider the total sales potential, of which a particular level is to be achieved by way of sales volume. Sales department considers sales volume as the starting point because the attainment other objectives is possible if we realise this objective. A standard is, therefore, set for sales volume performance. To realise a certain amount of profit, we will have to set standards for all those factors which affect the profit level, say for example, sales expenses, sales mix, calls made, call frequency, cost per call and the order size. Growth objectives are set with reference to the capability of the salesforce, and the overall fundamentals of the economy. It is necessary to keep our marketing policies and programmes adapted to the changing environment to realise the growth objectives. It is also necessary to upgrade the skills of the salesforce. Standards to measure growth are then set in terms of sales to existing customers and new customers, calls on new customers, sale of new products and improvement in sales effectiveness by coverage.

Performance standards are quantitative defining both the magnitude and the nature of performance. These standards are measurable. These standards reflect the expectations of the management in terms of performance. Everyone should be clear about what is being measured and how. A particular level of sales volume show the total performance of an individual salesperson. But what if the salesman indulges in unprofitable sales? Sometimes we get the present sales at the cost of the future sales. In some fields, sales occur at a future date as a result of selling efforts taken today. There are many variables of sales which are beyond the control of an individual salesman, *e.g.*, differing promotional support, differing potential of sales territories. It is, therefore, necessary to consider other performance standards, over and above the sales volume standard.

Performance Standards (Quantitative)

<i>Standard</i>	<i>Definition</i>	<i>Remark</i>
Sales Quotas	Sales target assigned to a specific SR (in terms of rupee value of units). Based on sales forecasts.	Most widely used. Shows desired levels of performance for sales volume, gross margin, NP and expenses.
Net Profit Ratio or Gross Margin Rate/Territory	NP to sales ratio. Gross margin to sales ratio.	Decided for sales territories. Attain higher sales or reduce expenses. Salespeople concentrate on profitable products.
Sales Expenses Ratio	Selling expenses to sales volume (Some companies include indirect and direct selling expenses) (Some companies use only direct expenses on which SRs have control).	Manage the ratio by controlling expenses or by making sales or both. May show low profits, despite a good ratio.
Sales Converge Effective Index	$\frac{\text{No. of customers}}{\text{Total prospects in one assigned territory.}}$	How an SR covers his territory.
Account Penetration Ratio	Percentage of accounts from which orders are secured by a salesperson.	Measure to evaluate a salesperson.
Call Frequency Ratio	$\frac{\text{No. of sales calls or a particular class of prospects}}{\text{Total prospects in that class.}}$	Direct sales effort accounts that lead to profitable sales.

Calls/Day	Norms set taking into account the territory.	To know whether calls are too many or too few.
Average Cost/Call	Different norms set for different classes of customers.	Importance of making profitable calls.
Multiple Quantitative Measures	Market share Sales quantity Sales value No. of calls No. of orders Value of orders Value of orders/calls Gross margin Selling expenses Sales margin Average inventory Average credit W.C. locked-up Marketing RoI (Direct sales margin) Working capital New Product performance No. of customer complaints competition.	A few are selected. Weightage given.

Qualitative Performance Standards

The selling effectiveness team spirit engendered, goodwill earned for the company and cordial trade relationship are some of the qualitative performance criteria used by an organisation. These criteria affect the sales results in the long-term. Precise definition of these criteria is not possible, and they are subjective so to say. Some objectivity can be introduced by suitable rating along a scale against properly broken-down factors.

Qualitative performance is judged by the executives. Job descriptions are a great help in designing the qualitative criteria.

Measuring Actual Performance

It is necessary to record the actual performance so that it can be compared against the performance standard set. To do this, management has to identify the sources of information and the information needed. It can then collect the needed information from these sources. It may be necessary to develop additional standards to take care of additional information that may be generated.

Sales records and expense records are the two basic sources from which performance data can be obtained. The data from these sources needs processing, say classification, tabulation, etc. Reports come upwards from the managers, supervisors and salesmen. Sales forecast data also comes handy for performance measurement. Information can also be obtained informally through personal observation.

Need and Objectives of Monitoring

Two most important methods of monitoring are:

- (a) Through sales reports.
- (b) Through field visits by the supervisors or field sales managers.

The details required in reporting vary from company to company. A company with a large number of SRs and wide geographical market needs more detailed reporting than a company with a few SRs enjoys in planning/scheduling his sales effort, the greater is the need for detailed reporting.

SALIENT FEATURES OF A REPORT

- (i) The report should be concise.
- (ii) It should be in a printed format, where a check-mark (?) should suffice as an answer rather than lengthy writing.
- (iii) Information collected must be amenable to analysis and interpretation. All information which is of no use should not be generated.
- (iv) A copy must be retained by a salesman.

Contents of a Sales Report

A variety of sales reports has been designed by different companies. However, many of the following components are to be commonly found in the reports of all organisations. These components are:

(a) Work-plan Component

Usually for a week (or a month) in advance, the SR is expected to submit his schedule or work-plan. Here he list the doctors he is going to call on, the chemists he is going to visit and the routers he'll take. He also lists the non-selling tasks he will undertake this reports helps the SR himself, and the company too which keeps track of his whereabouts. It also helps to evaluate the SRs achievement against the plan made.

(b) Progress Report

It is a report on the day-to-day work done. It is prepared after each call or collectively for calls made during a specific time period. It provides information about company's position in each territory and for each account. The progress reports indicates the response of doctors of different categories and the extent of competitive activity.

(c) Expense Component

SRs are given reimbursement of expenses incurred, or else they may be put on expense account. Most reports have an expense component to keep a check on the nature/extent of his expenses.

(d) Complaint and Adjustment Component

This component is related to the specific complaints the doctors/the chemists have in relation to the company, its products, its policies and the detailing of the SRs. Attending this component improves the products, services and distribution.

(e) New Business or Potential Business Component

Here, the SR informs the new doctors won over recently and those who have the potential of becoming our patrons in future. It gives the information about the prospecting capability of an SR.

(f) Lost Business Component

We may lose certain prescribers who start prescribing competitive products. We have to consider the improvements in product, service and training of SRs to take care of this component.

Sales reports are thus good controlling tools. They become the basis for discussion and debate. These are also useful for developing the manpower. Field sales reports provide information to measure performance. They also provide additional information for performance appraisal, sales planning, customer feedback and competitive scene.

Need and Objectives of Monitoring

The sales manager has to know whether SR is putting in the sales effort on expected lines. A monitoring system of SRs consists of field visits by supervisors and periodic reporting. It is a formal feedback system. It controls the sales effort. It forms and input in appraisal of the SRs. *Reports are the basic tools used for monitoring SRs.* The sales manager comes to know from these reports how the SRs are performing. A good monitoring system enables the management to take decisions to improve sales performance. Even an SR individually benefits from regular monitoring since he gets a change to compare his present performance with a corresponding performance in the past. It is a method of self-evaluation. A good monitoring system serves the following purposes:

1. It facilitates market research.
2. It facilitates the decision-making of a sales manager.
3. It facilitates the performance appraisal of SRs.
4. It facilitates the corrective action, in case there are deviations.
5. It facilitates the planning of an SRs work.
6. It is a mechanism to record consumer/doctor's reactions and complaints.
7. It is a mechanism to record competitor's activities and matters of topical local interest.
8. It facilitates the building up of a good database.

Salesforce Automation

Companies such as Ranbaxy and Gillette use IT for their far-flung salesforce to access their secure intranets from remote locations to file their daily reports so that they can update the ERP everyday. *iWays* can be moved up to the next level of usage.

Number of Reports

An organisation should decide the optimum number of reports. Selling reports are prepared on daily, weekly, fortnightly or monthly basis. They take a lot of time and time is a precious commodity for the best people. It is, therefore, necessary to keep the number of reports in check. Reports are reviewed continuously to determine whether the information they provide is relevant for our needs. A new report must be justified in terms of its need. If information is available through other means, management can do so, instead of getting it through the field sales reports. Reports found faulty and useless are discontinued.

Reports should be concise and should generate the desired information. The forms should be easy to carry and generally have provision for duplicate carbon copies. Reports should not tax the salespeople with too much clerical workload. The arrangement should be such that synopsis become easier. These should facilitate the transfer of the *operative* information to other means, so that retention of the original records may not always be necessary.

What amount of detail a report should contain is dependent on the nature of the business. A large organisation with an all-India nature may require more detailed reports. A smaller company may not require such detailed reporting. The more the autonomy enjoyed by the salesperson, the greater is the need to have detailed reports. Salesmen on commission may submit less detailed reports. Even the calibre of the salesperson is the deciding factor. If salespeople are seasoned, management can be content with less detailed reporting. It is believed that they will exercise self-control in their work.

COMPARISON OF STANDARDS SET AND ACTUAL PERFORMANCE

When we compare the actual performance against the standards set, it is called evaluation. It is here that judgement plays an important role. It is understood that a common set of standard would not work especially amidst such diversity as geographical variations in territories, differing sales potentials of different territories, the effectiveness of the salesforce, the customers attended to and the competition faced. We will have to devise separate standards for different territories.

However, how can we accommodate the variations in the customer profile and salesforce effectiveness. When two salespeople work for one and the same accounts their individual performance may differ. Appraisal of salespeople is both quantitative and qualitative. Some salespeople may not live up to the quantitative norms, but may be doing yeomen's service to the company by building customer rapport, and trade relations. Thus, the subjective element in evaluation plays a great role, sometimes, appraisal becomes a tool for counselling. A salesperson who was good previously may falter now. We should probe the reasons. We must exercise our judgement and guide the salesman properly. It is also necessary to review the standards perhaps, they may not have been set correctly. It is not possible to isolate the effect of selling effort on the output achieved, especially when there are a host of other factors operating which influence the final output. Some companies do venture into experimental methods of research by setting up control groups and test groups.

Action

The dynamic part of the control process is to take suitable action. When the standards are met, no action is necessary. If they are not met, we may have to improve the performance or revise the performance or revise the objectives and strategies or lower the standards themselves.

Supervision

Supervision method is also extensively used to control the salesforce. Its ultimate aim is performance improvement. A supervisor is a link between the salesforce and management. He has to build up good rapport with his working team he observes the working of salespeople and he reports about their activities to the company. He suggests how to overcome the problems. He clears the role ambiguity he informs the salespeople about the changing nature of environment and company policies. He solves the actual problems faced in the field. He takes suitable action on behalf of the management to align the standards and actual performance.

What amount of supervision is called for? Perhaps neither too much, nor too little. It is difficult to spell out the precise quantum of supervision. But supervision is necessary when sales turnover rate is high, customer dissatisfaction is more, order-to-sales ratio is low, total calls made are less, sales expenses to sales ratio is high. A low morale also indicates the need to have effective supervision though the above mentioned factors show that something is wrong with supervisory method, it cannot, however, be solely attributed to faulty supervision. There may be other factors. Cultural change in the organisation also calls for a review in supervision. An organisation with a highly educated salesforce cannot strictly adhere to the traditional autocratic supervisory style. Supervisory style thus depends upon who are being supervised.

Supervision can be exercised by office persons such as branch managers or district managers or field supervisors. In other words, executives can be assigned an additional responsibility of supervision or a specialist supervisor can be appointed. A small company exercises supervision through its top executives or their assistants. In a decentralised company, a branch manager or district manager undertakes the responsibility of supervision. It may be noted that field supervision is only one of the functions of the branch manager. He has to look after many other activities and so tend to neglect supervision.

Sales supervisors are mainly drawn from the field salesforce. They do require a shade more than more salesmanship. They should be able to act as a friend, philosopher and guide to the salespersons. They should be able to train the deficient persons. They should be able to serve the interests of both the management and the force. They should have good HR skills. They should have an ability to deal with the problems faced in the field. They may be expected to do some selling themselves, in doing this, they act as role models to the salesmen. This job is quite an onerous task and does not command commensurately high salary. But still many aspire to the supervisory positions, which can be used as a launching pad for the higher level jobs.

Performance Evaluation of Salesmen

Salesmen are generally evaluated on the basis of sales volume they generate. Such single-criterion evaluation creates many problems for the organisation.

First, the salesmen try to reduce the prices of the product to generate more sales. They try to extend the credit period of the customers. They neglect the new accounts as it calls for investment of time and effort. They want early deliveries, and so go to the extent of bribing the production people to effect the early deliveries of their ordered output. The less active accounts suffer indifference. It becomes difficult for the company to introduce new products. The salesmen are not open to any suggestions which do not result in increased sales volume.

It is, therefore, advisable for the company to introduce multiple measures to evaluate the performance of the salespeople.

Improving Performance Measurement of Salesmen

Salesmen are evaluated individually. However, sales activities are grouped in terms of industry, customers served or products promoted. The salesmen are to be evaluated in each such group. A salesman's net contribution to the organisation's sales targets must be known. How to evaluate performance of salesman selling a product mix? Each product of the mix contributes differently to the profitability. How to compare performances of different groups, as the composition of the job is different in different groups? We cannot compare apples and oranges or chalk and cheese. The actual performance data can be misleading. Such data can be useful when selling conditions are similar.

Performance measurement can be standardised by using standard deviation as a measure of variability. The seemingly incomparable data can be measured against the same yardstick. It allows sales managers to make direct comparison of dissimilar sales effort.

The S.D. is a statistical estimate of the amount of variation or dispersion from the mean or average of the group. One has to subtract the average of a group performance from the individual score and then divide it by the S.D. for the group. The result is the standardised score of the salesman. It is so adjusted that it can be directly compared to another of his performance measures. This is called Z score of standard score technique.

$$Z \text{ score} = \frac{P - M}{S.D.}$$

Where, P = Raw performance measure for a salesman

M = Mean raw performance for the sales group

S.D. = Standard Deviation of raw performance measure for the sales group.



Chapter

31

Sales Budget

A budget is a financial plan. In sales budget, resources are allocated to achieve the sales forecast. It spells out what each one will sell, and how much. It also spells out what and how much will be sold to the different classes of customers. A budget is an estimate of sales either in units or value and the selling expenses likely to be incurred while selling. It, thus, enables a net profit forecast on the basis of the selling operations.

The following diagram outlines the role of the budget in the overall promotional context.

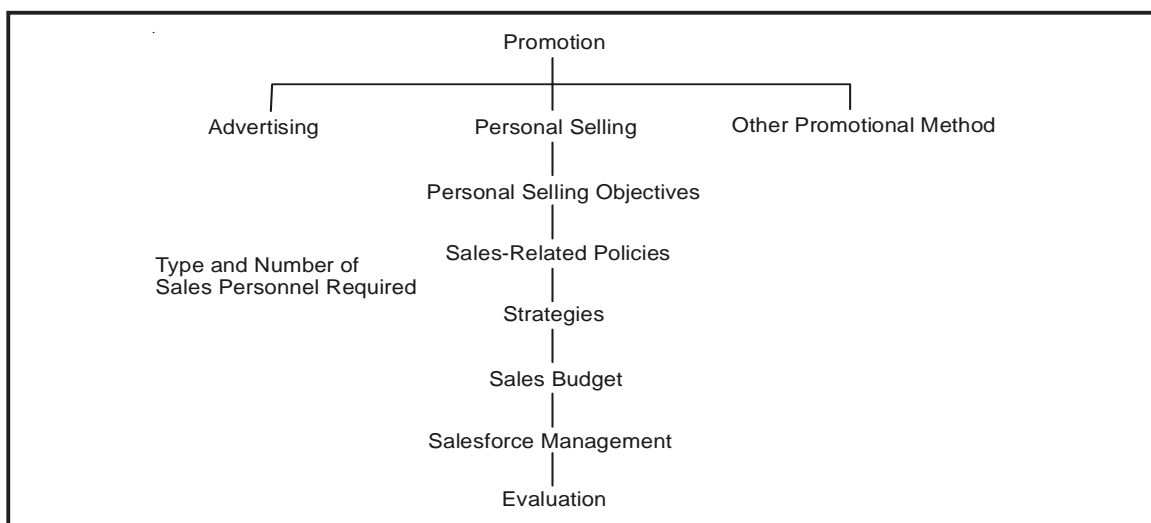


Fig. 31.1 Budget in Overall Promotional Context

BUDGETS: WHAT FOR?

Budgets are a tool of control. Once the budget is accepted in terms of estimated sales, expenses and profit figures, the actual results are measured, and compared against the budgeted figures. The variances are noted, which could be either favourable or unfavourable. Information Technology has considerably simplified the comparison process. Daily reports of the actual and budgeted figures can be obtained. The management is able to take corrective action.

Budget is an instrument of planning. Sales forecast indicates where the business could reach. Budgetary process actually helps the organisation to travel to this destination. Budget shows as how to spend money to achieve the targeted sales. Budget also anticipates a particular level of profit. We have to reach the targeted sales in such a manner that the targeted profits are also achieved. Budget actually does this. Alternative sales plan can be developed, and one is chosen which suits the company's overall sales objectives.

Format of the Budget

The following diagram gives a quarterly sales budget.

Sales Budget (Quarterly)									
Item	January			February			March		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Sales									
Expenses									
Salaries									
Commissions									
Bonus									
Medical									
Retirement									
Travel									
Lodging									
Food (Boarding)									
Entertainment									
Office Expenses									
Mail									
Telephone									
Miscellaneous									
Promotions									
Samples									
Catalogues									
Price-lists									
Visuals									
Advertising									

Source: *Professional Sales Management* by Anderson, Hair and Bush (p. 104).

Fig. 31.2

The above diagram projects the sales and sales expenses. The sales volume could be further elaborated region-wise or account-wise.

<i>Region</i> <i>Product</i>	<i>East</i>	<i>West</i>	<i>North</i>	<i>South</i>
X				
Y				
Z				

Fig. 31.3 Region-wise Sales in Units or Value

<i>Class of Accounts</i> <i>Products</i>	<i>A</i>	<i>B</i>	<i>C</i>
X			
Y			
Z			

Fig. 31.4 Account-wise Sales in Units or Value

Each company selects its own sales volume break-up to facilitate analysis.

Budget is a short-term exercise that tries to optimise business profits. In the long-run, business may have profit maximisation goals. A budget tries to optimise profits by accommodating customer service activities and incurring expenses to acquire new business. If the sales volume is to be increased by, say Rs. 10 crore, sales management has to decide how this could be achieved. We may have to rope in new customers. Those expenses are also included in the budget. All activities are converted into rupee estimates, e.g., travel activities. Here, we have to multiply the estimated volume of performance of each activity by its cost. Standard costing methods can be used here. Historical costs can help us in estimating the cost of an activity.

BUDGETARY PROCESS

In many organisations, the sales are the key variable for formulating budgets of the other departments. Thus, raw materials are purchased in accordance with the sales estimate leading to the purchasing budget. Production is planned in accordance with the sales and purchase budget. Finance is arranged in accordance with the requirements of production and other departments. Human Resources are deployed to realise the overall planning requirements. Thus, the starting point becomes the sales budget. It generates other budgets like the inventory budget, purchase budget production budget and so on. Sales budget becomes a major input for the financial plan in terms of working capital requirement, capital expenditure planning, cash-flows and fund-flows and administrative expenses. Production is planned in units, whereas finances are planned in monetary value.

Planning can be top-down or bottom-up. In top-down plan, the plan flows from the top, and is broken down for smaller units. In bottom-up plan, the departments and units set their own goals, which are aggregated at the top. In sales budgeting some organisation adopt top-down approach in which the goals are set by the immediate higher level. Some organisations follow bottom-up approach where each level in sales right from the salesman put forward sales and profit objectives. Bottom-up style is more participatory. Thus, our planning style should have some shades of the bottom-up approach.

Budgetary procedure thus works upwards in the sales organisation. The lowest level in the budgetary process is a profit centre — say a business district. Here the district level budgets are made. They are aggregated to make the regional budget or divisional budget. Divisional budgets for different product groups make-up the corporate sales budget. This is integrated to the overall marketing budget. At each level budget gets approval before it is submitted for aggregation upwards. The final budget of the company contains several other departmental budgets. The approved budget is later passed down for implementation.

A sales manager has to argue before the marketing manager for his due share of funds. The marketing manager in turn tries to argue his case before the top management.

Budget are used after approval for controlling. Each budget has quotas or standards. Against these, management has to measure performance. Budget progress reports are prepared periodically. Proper and timely corrective action is taken. Sales performance is broken down by products, package sizes, territories or customers.

Variances can be on account poor performance of the sales group or poor territorial servicing. Budgeted figures can be revised to keep pace with the changing environment.

Sales budgets can go wrong due to changed environmental conditions. Due to significant differences in the number of units sold, significant differences can occur in the estimated expenses especially the variable expenses. Thus, the sanctity of the budget is lost. Still the budget serves as a useful guideline.

FLEXIBLE SALES BUDGETS

Erroneous budgets on a continuous basis calls for re-examination of the whole process of sales planning. May be, our forecasts should be redone. Though forecasts are useful and accurate for purposes of production planning and expense planing in most cases, some companies go wrong in forecasting. In such a situation, it is better to adopt alternative budgets.

Flexible budgets score over traditional budgets by making use of standard costs (historical/judgemental) for different revenue forecasts. Continuous monitoring in terms of standard ratios then become possible.

To illustrate, we can spend on samples Rs. 10 for every Rs. 100 sales or a ratio of 0.10. If the company spends Rs. 800 on samples for Rs. 4,800 worth of revenue, the ratio rises to 0.20. Here, some curtailment of expenditure will be necessary.

All these adjustments are necessary in a dynamic and changing market.



Chapter

32

Sales Quotas

Sales quota is a goal in terms quantity given to a sales representative, or a group of sales representatives over a period of time. Sales quota may be assigned to a region, territory, branch office. It may be assigned to a distributor too. Sales quotas are the tools of planning and control. They have motivational potential and serve as basis for awarding incentives.

Sales quotas are based on sales forecasts and sales potentials of different markets. The more accurate the data used in formulating the sales quotas, the more effective the quotas become.

Sales effort is controlled by using quotas, it helps in appraisal and it helps in controlling expenses. Quotas provide a quantitative performance standards. Quotas are used as performance criteria in sales contests.

Sales forecast is the first step in setting up quotas. It leads to the sales budget. In the budget, there is a provision for setting quotas as performance standards.

TYPES

There are four types of quotas —

- (i) Sales volume quota.
- (ii) Financial quota.
- (iii) Activities quota.
- (iv) Combination of the above.

Sales Volume Quotas

These are most widely used. These are set for a sales representative, or for a product line, or for a geographical area or for a distributor. These quotas may be a combination of any of the above mentioned units. Sales volume quotas may be —

- (i) units of products to be sold.
- (ii) rupee sales (money value)
- (iii) or both

Sales volume quotas are set on an overall basis and on the basis of each product. The combination of these two enables some companies to set quotas on point basis — points are awarded for a certain level of performance measured in terms of units and rupees for each product.

To illustrate, a company might set 1 point for each 1,000 rupees. Simultaneously, product A's unit sales may attract 3 points and product B's unit sales may attract 5 points.

Unit sales volume quotas are suitable in a market with fluctuating prices, or high unit prices. Rupee sales volume quotas are proper for SRs selling multiple products.

How sales volume quotas are set:

Past Sales	: Percentage increase in the market is determined and added to the last year's quota. The last year should be a typical year. Alternatively average of three previous years may be taken, and then the expected growth is added.
Total Market Estimates	: The company determines the total market size for a year. The volume quota is derived from it.

Financial Quotas

These quotas are set to gain a desired NP (net profit) and to control sales expenditure. SRs have to spend their time on profitable products to improve NP. Expense quotas make the SRs conscious of keeping their expenditure within reasonable limits. Expense quotas may demoralise the SRs and so are used only as supplementary quotas. The inputs of SRs differ from territory to territory.

Activity Quotas

SRs have not only to generate sales, but develop the market too by doing certain activities for which quotas are set —

- ★ Number of distributors/dealers called on.
- ★ Number of new customers visited.
- ★ Number of calls for recoveries of dues.
- ★ Number of customers called on.
- ★ Number of institutions called on.

Combination Quotas

Depending upon the marketing situation and nature of the product, some companies set quotas which combine some types given above. Rupee sales volume and activity quotas are combined in a large number of pharma companies.

Procedure for Setting Sales Volume Quotas

Sales volume quotas are based on the territorial sales potential. This method is appropriate when the potential of a territory is used while designing territories and bottom-up approach of sales planning is adopted.

Sales volume quotas can be based on the total market estimates. This is so especially when territorial sales potentials are not known and top-down planning approach is adopted.

Sales volume quotas can be based on past sales experience or executive judgement or to compensation plan. Some organisations allow their salespersons to decide their own sales volume quotas.

Combination Quotas and Point System

Here, we take a combination of sales volume and activity goals. There are four dimensions of a selling job. They are assigned weights according to the judgement of management as regards their significance. The following illustration may be considered.

Sales Representative: Shri. Arun Kale

	<i>Quota (Rs.)</i>	<i>Actual (Rs.)</i>	<i>Per cent Quota</i>	<i>Weight</i>	<i>Quotas × Weight</i>
Sales Volume	1,00,000	90,000	90	3	270
New Customers Secured	10	8	80	3	240
Calls on Prospects	60	60	100	1	100
Sales Promotion Displays	100	90	90	1	90
				8	700

$$\frac{700}{8} = 87.5$$

Sales Representative: S.S. Chherawalla

	<i>Quotas (Rs.)</i>	<i>Actual (Rs.)</i>	<i>Per cent Quota</i>	<i>Weight</i>	<i>Quota × Weight</i>
Sales Volume	80,000	60,000	75	3	225
New Customers Secured	40	36	90	3	270
Calls on Prospects	70	98	140	1	140
Sales Promotion Displays	150	135	90	1	90

$$\frac{725}{8} = 90.63$$

Equal weightages can be assigned to the activities instead of different weightages. However, all activities are not of equal importance. In our example, Arun Kale is rated 87.5 and S.S. Cherawalla is rated 90.63. Combination quotas distill the essence of different activities in a single figure. Salesperson may find this method difficult to understand. Some activities may get disproportionate attention, say displays are emphasised more than prospecting.

FULL-LINE QUOTA

Here quotas are assigned for the product-line sold, say consisting of 3 products, X, Y and Z. X and Y may be low-margin item. Management sets quotas and assigns weights commensurate with the selling effort required.

Salesperson: Shashikant Patel

<i>Product</i>	<i>Quota (Rs.)</i>	<i>Actual (Rs.)</i>	<i>Per cent</i>	<i>Weight</i>	<i>Per cent × Weight</i>
X	100000	100000	100	1	100
Y	100000	100000	100	1	100
Z	50000	20000	40	2	80
				4	280

$$\frac{280}{4} = 70.00$$

Salesperson: Quasar Chunawalla

<i>Product</i>	<i>Quota (Rs.)</i>	<i>Actual (Rs.)</i>	<i>Per cent</i>	<i>Weight</i>	<i>Per cent × Weight</i>
X	1,00,000	80,000	80	1	80
Y	1,00,000	85,000	85	1	85
Z	50,000	50,000	100	2	200
				4	365

$$\frac{365}{4} = 91.25$$

Quasar has performed better because he has sold a high-margin product Z much more than Shashikant.

Good quotas are accurate, fair and attainable. Salespersons accept the quota system when they are whole-informed about its, when they participate in the process and performance is continuously monitored. Quotas are not suitable for many industrial marketing situations. Aversion to statistical tools also influences acceptance of the quota system. Quotas put too much emphasis on selling, though there are quotas for other activities too. Quotas are also not useful in short supply situation. What may be required is rationing the supplies.



Chapter

33

Sales Territories

The idea behind the creation of sales territories to match the sales opportunities with the selling effort. A salesman is given a group of similar customers and prospects for servicing. This assignment by itself facilitates the planning and control of the sales operations. Each territory has its own strong and weak points and management can use these strategically. Sales planning is with respect to the territories created. In a heterogeneous market, a territory is comparatively more homogenous. A territorial division also brings out an element of effectiveness in the sales operations. It also helps the appraisal of the sales effort.

Conceptually, a territory may represent:

- (i) a particular geographical area mostly.
- (ii) a group of customer accounts or prospects, *e.g.*, hospitals and institutions.
- (iii) a market.
- (iv) an industry, *i.e.*, pharmaceutical formulation units are a territory of bulk doing manufacturers.

Considered operationally, a territory represents a customer grouping. Though most of the companies emphasise geographical territories, some companies with technical style of selling ignore this basis and assign salespersons to a particular customer grouping. Even in geographic territories, ultimately a salesman deals with a customer grouping. Geographical territories also do not matter much in insurance selling, property selling, selling in shares and securities and automobiles. In all situations when the salespersons are internal order takers, geographical territorial division does not matter. Only when the salespersons are external order getters, there is scope of geographical territorial division.

Specialised salespersons also call for non-geographical territorial division. Small companies and companies with innovative products also avoid geographical division.

Majority of companies, however, have adopted geographical territorial division. While assigning a territory, we have to consider the service requirements and cost of providing the service to the customers. Geography influences both of these. Even within a geographical division, there are groupings of customers and the division just for the sake of administrative convenience.

Companies deal directly from their headquarters with some important customers providing bulk of business. Such accounts are not assigned to any salesmen. These accounts are called *house accounts*.

Sales territories are established to achieve the following goals:

- ★ To cover the market properly.
- ★ To deploy the salespeople effectively.
- ★ To service the customer grouping efficiently.
- ★ To evaluate the sales representatives.
- ★ To facilitate higher productivity in selling and marketing effort.
- ★ To control selling expenses.
- ★ To coordinate personal selling and advertising.

Factors Which Determine the Size of a Territory

- (i) prospect density or the number of prospects in the specified area.
- (ii) the extent of ground to be serviced.
- (iii) possible volume of sales.
- (iv) frequency of visits necessary.
- (v) intensity of selling effort required during each call.
- (vi) ease with which one can travel within the territory and the mode of transport available.
- (vii) the inventory turnover at the retail level.
- (viii) whether it is easy to sell the product or difficult.

As a rule, the smaller the territory, the better it is for travelling, and the greater the depth of selling effort. Salespeople, however, would like to have as large a territory as possible. But smaller territories are serviced intensively.

DESIGNING SALES TERRITORIES

A company has to establish a geographic control unit. For a multinational company, this could be a country. Then for a national company, it could be a region or zone consisting of one or several states. There can be further units in terms of cities or districts. Trading area representing a natural flow of trade can be chosen as a control unit.

After establishing control unit, we have to determine the sales potential of each control unit. The units are then combined into tentative sales territories. These can be further refined by making suitable adjustments.

It is now time to consider the number of territories assuming an average salesforce. In other words, we have to consider the contribution of each salesman to the total sales potential. Experience is best guide here.

There are two basic approaches —

1. Market Build-up Approach
2. Workload Approach.

Market Build-up Approach

Consider a company selling sonography machines or diagnostic equipments like CAT Scanners. In this approach, we shall estimate the present users and potential users of our product. We shall also estimate their consumption capacity. Aggregating we get the total market potential. We shall then decide how much share of this total market our company desires to have. That gives us the sales potential.

Sales potential of the whole market is then broken down territorywise. It is then given the necessary marketing back up.

To illustrate, the total market for sonography machines may be 5,000 units, out of which Maharashtra accounts for 1,000 units, which is 20%. This organisation finds it desirable to dedicate its 20% selling efforts to Maharashtra. There may be three categories of hospitals and nursing homes using sonography machines — A, B, C. We then decide the number of call frequency and call number to achieve amongst each category of A, B, C institutions. Areawise total sales calls are calculated. Each representative completes a certain number of calls. Total calls required leads to the number of representatives required in that area. Sales territories are designed so as to equalise the sales potential and the workload for each territory.

W.J. Talley's Workload Approach

Territories are created in terms of workload of MRs. The steps involved are:

- (i) Customers are grouped into categories.
- (ii) Optimum call frequency for each category is estimated.
- (iii) Present and potential customers are then located geographically and arranged categorywise.
- (iv) Number of customers in each category is multiplied by the desired call frequency to get a total number of calls.
- (v) Geographical control unit is then established. It gives adequate workload to each SR.

TERRITORY SHAPE

Territorial shape affects both its coverage and the selling expenses. It facilitates time management and stimulates salesforce morale. There are three widely prevalent shapes the wedge, the circle and the clover leaf.

Wedge-shaped territories are suitable for urban as well as non-urban areas. It starts from a thickly populated urban centre. Many sizes of the wedges are possible. Two neighbouring wedges can help equalize the travel plan by balancing urban and non-urban types of calls.

Scattered customers call for a circle shaped territory. The salesman remains at the centre of the circle or near to it. It makes possible optimisation in frequency of calls. He is far more in the vicinity of customers than a salesman in a wedge-shaped territory.

Randomly located accounts call for clover-leaf type of arrangement. Each clover-leaf represents a week's work. A salesman is at home every weekend. Such arrangement is common in industrial marketing. It is also suitable for extensive marketing.

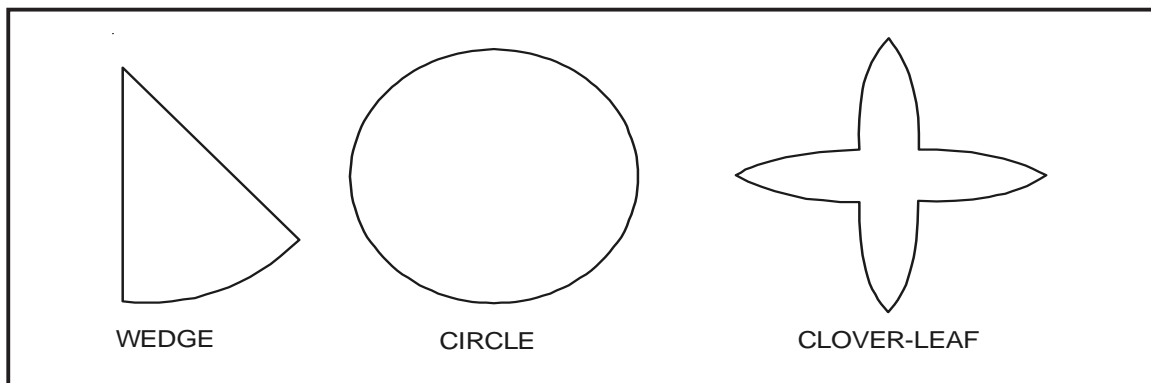


Fig. 33.1 Shapes of Territories

TERRITORIAL ADJUSTMENTS

Different territories have different problems of overage and so require different selling efforts and expenses. We cannot assume that all territories are uniform. Some territories are difficult to cover, almost bordering on *hardship area*. Some metros have greater sales potential than the entire region. In territory optimisation, we tend to seek equalisation of additional sales per rupee of sales expenses amongst all territories. Therefore, we consider both the coverage difficulty and sales potential. Variations in coverage difficulty leads to variations in workloads. It is necessary to estimate the largest possible workload, that does not cross the limit of the desirable workload. This is a constraint on territory's geographic limit. Workloads amongst salespeople differ keeping in mind their individual abilities. We have already discussed the workload method while discussing the size of the salesforce. The same concept is used for territorial adjustments which is called redistricting. Still, Cundiff and Govoni put redistricting in a seven-step process.

1. Estimation of how many customers there are, where they are located and what type of customers they are in each tentative territory.
2. Estimation of time duration of each call.
3. Estimation of travel time taken between calls.
4. Decide call frequencies.
5. Computing the number of calls possible in a given time period, Adjust for different classes of customers.

$$\text{Number of calls/day} = \frac{\text{Average time per call} + \text{Average time between calls}}{\text{Number of working hours/day}}$$

6. Correction for the number of calls possible in a given time to accommodate the desired call frequencies for different classes of customers and prospects.
7. Correction on the basis of feedback given by salespeople who have serviced the territories.

ASSIGNMENT OF TERRITORIES TO SALESMEN

Just as each territory has a different sales potential and coverage difficulty, each salesman has different ability to service a territory. It is also true that salesman showing brilliant performance in one territory may show dismal performance in some other territory. Performance is also related to the customer profile, and dyadic interactions. We have to match the sales opportunities and the talents available with us. The assignment should be such that the best comes out of each individual salesman. In different organisations, there is different amount of discretion available to the management for this assignment. Some companies continue the *status quo* and 'no-transfer' policy for years together. Territorial adjustments are made to accommodate the manpower available. Here, territories are built around the salesmen. Some companies keep on shuffling the salespersons amongst the territories to attain an optimum mix. It is better to attain a golden mean between these two extreme positions.

ROUTING AND SCHEDULING SALESPERSONS

These are the tools of planning which facilitate the location of the salesmen out in the field and communication with them whenever necessary. A route plan according to a timeframe improves territorial coverage. A map is prepared of the travel plan. When we introduce the element of call frequency, we have a by-product called scheduling. Call schedule however goes beyond journey planning. Correction is made in routing and rerouting is done for achieving the desired call for frequencies and to accommodate new customers.

Routes and schedules are constantly revised to account for changed physical conditions and market environment.

Routing and scheduling reduce wastage of time. It also helps achieve better order book position.

Scheduling must leave some scope for time-cushioning considering the requirements in the field.

What amount of detail must go into routing and scheduling depends upon the nature of a company's business.

Routing and scheduling are also good control tools. They control a salesman's movement and expenditure. Reports are checked to see whether routing and scheduling is being followed or not.

Sales Territory Performance

A number of factors are considered to assess the performance of a sales territory. The major determinant is, of course, the market potential. There are other factors too. The analysis should be standardised, so that the different territories could be compared.

Each sales territory requires a sales man who completes a task there. A sales territory is a geographical area or a specified group of customers, or products/products lines or any combination of these.

Territory's performance is a composite emerging from territory potential, territory workload, salesmen characteristics, company standing in the territory and other influences. Davis and Webster discuss these in their book *Salesforce Management* (Ronald Press, New York, 1968). The conceptual model is illustrated in the following diagram.

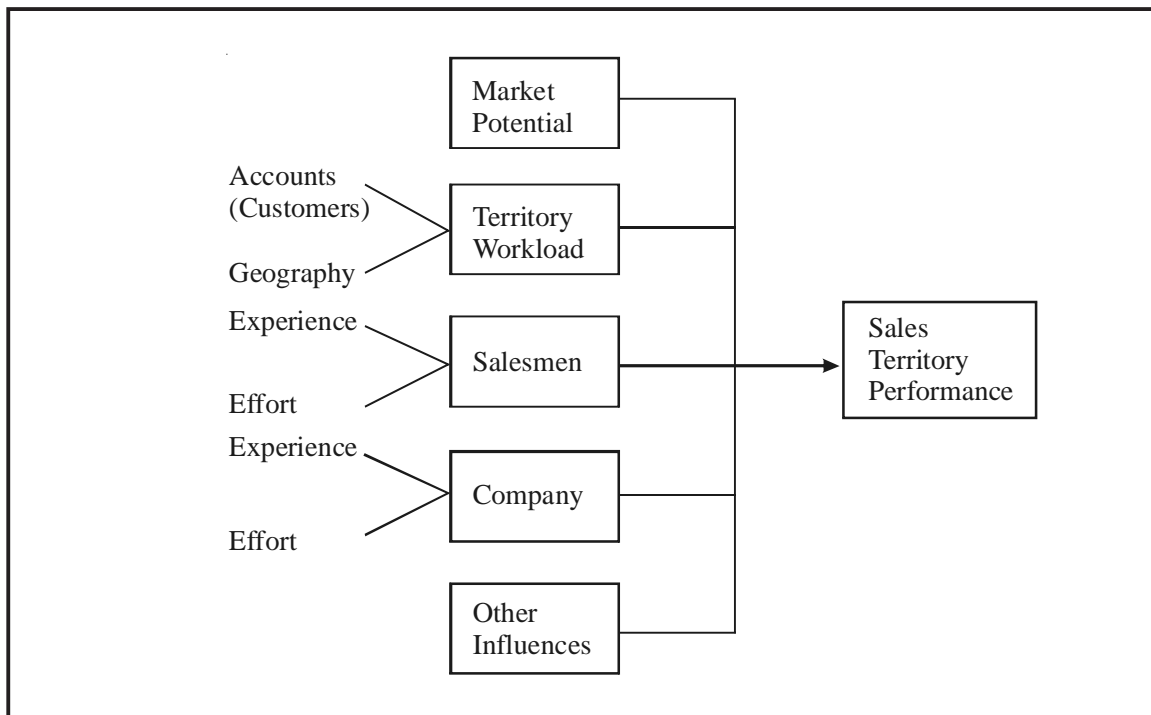


Fig. 33.2 Sales Territory Performance

The company effort consists of promotions, feedback, quality of supervision and distribution. The contribution of different factors will vary in each company as the selling situations are different.

A general relationship of these composite variables can be stated as:

$$T = f(P, W, S, C, O)$$

Where, T = Territory performance

F = function

P = Territory Potential

W = Workload

S = Salesmen characteristics

C = Company standing in the territory

O = Other influences.

The states of each component will lead us to sales performance in a territory. However, the exact relationship cannot be specified. Performance is partially determined by the salesmen. Research findings support this premise.



Chapter

34

Sales Control and Cost Analysis

SALES CONTROL METHODS

There are three methods in vogue —

- (i) sales analysis
- (ii) marketing cost analysis
- (iii) sales management audit.

Sales Analysis

Here we examine sales volume:

- by territory
- by SR
- by customer
- by product-line

The underlying principles is that the trends of aggregate sales volume hide more than they reveal the ground realities.

Mostly, the Pareto's principles 80-20 operate. 20% sales generated by 80% orders/customers/products/territories. Conversely, 20% of the selling units account for 80% of volume.

The volume is like an iceberg — it reveals 10% of market but hides 90% of it.

Sales analysis, therefore, is a must.

Sales Analysis by Territory

Sales are scanned territory-wise. The assumption is that quota allocation to each SR was based on each territories potential. The territorial challenges may affect sales adversely.

Territorial Sales Analysis

<i>Territory</i>	<i>Quotas</i>	<i>Actual</i>	<i>Value in '000 Rupees Performance</i>
East	1650	1700	103%
West	1500	1500	100%
North	1780	1740	98%
South	1700	1840	108%

Adaptation: *Professional Sales Management*, R.E. Anderson (Page 483), Hair and Bush.

The North region is the only deficient region. All other regions met the quotas or exceeded them. Why is there a shortfall in North? It can be further investigated.

Sales Analysis by SR

Let us take North. All performing SRs are considered, may be 8 SRs are working. Some four have either achieved their quota or exceeded it. Others might have missed. One SR is far below the expected quota.

North Territory: Sales by SR

<i>SR</i>	<i>Quotas</i>	<i>Actual</i>	<i>Performance as % of Quota</i>
Sharma	190	186	98%
Sadhu	230	234	102%
Singh	220	218	99%
—	212	220	104%
—	216	214	99%
—	220	224	102%
Rajan	260	212	82%
Reddy	232	232	100%
	1780	1740	98%

Sales Analysis by Product-line

May be an SR is a poor performer. Even then his performance should first be analysed in terms of product-lines.



<i>Product line</i>	<i>Quotas</i>	<i>Actual</i>	<i>Performance as % of quota</i>
Antibiotics	44	46	104%
Anti-inflammatory	56	56	100%
Antacids	60	12	20%
Antidiabetics	52	50	96%
Ointments	52	50	96%
	260	212	82%

Shri Rajan has done well, except the product-line of antacids where he has achieved only 20% of quota allotted. Perhaps, a customer-wise break-up may throw further light on Shri Rajan's performance.

Sales Analysis by Customer



<i>Product-line</i>	<i>Quota</i>	<i>Actual</i>	<i>Performance as % of quota</i>
Doctors (Dispensing)	4	4	100%
Big Hospitals	2	2	100%
Nursing Homes	2	2	100%
Retail Chemists	48	0	0%
Govt. Depts.	2	2	100%
Canteens	2	2	100%
	60	12	20%

One important segment, *i.e.*, retail chemists account for his poor performance. May be, the competition has effected a price but and promoting their brands has become lucrative. Shri Rajan has to seek the assistance of his sales executives.

Marketing Cost Analysis

At what costs the sales volume? Here sales are not enough, but sales at budgeted profits are.

Marketing cost analysis involves a detailed examination of the costs (organisation and administration of the sales/marketing) and their impact on sales volume. Here, a good accounting system is a great help. The following merit attention.

- ★ Profit/rupee of sales.
- ★ Profit/segment, channel, territory, product pack, SR, etc.
- ★ Cost of goods/rupee of sales.
- ★ Average cost/orders.
- ★ Sales volume and turnover of receivables.

- ★ Stock turnover.
- ★ Profitability related to turnover.
- ★ Enquiries generated/call or direct mail.
- ★ Total operating/functional cost: productwise, regionwise, etc.
- ★ Sales/call ratio.
- ★ Expense/sales ratio.
- ★ PC (Profit Contribution)

Sales Management Audit

The previous two techniques — sales analysis and cost analysis — are operational. The third audit technique is strategic. Audit is comprehensive, systematic, independent and periodic audit of sales policy, objectives, strategies, organisation and procedures.

It examines the basis of sales function. It examines the integration of sales to the changing environment.

The following deserve special attention:

1. Adequacy of selling objectives.
2. Sales integrated to promotion and marketing.
3. SR force: Its size and work-norms.
4. Personnel aspects of SRs.
5. Quotas, budgets, territories.
6. Quality of SRs appraisal. Training and development.
7. Productivity of SRs.
8. Sales planning and control system.
9. Commercial procedures — SP used.

The audit is an evolving field. An outsider may be appointed to take a detached view. Sometimes, audit may suggest a change from a line system to product management system. Sometimes, a change in distribution policy may be necessary. Some sales functionaries might be superfluous and redundant. Audit may bring out these redundancies.



Chapter



Case Studies

CASE: APPEARANCE OF A SALESMAN

It is the packaging that matters both for the products and the individuals. How we dress influences what others think about us. A salesman has to be presentable — slovenly appearance puts a stamp of failure on him. Carelessness in dress habits is construed as carelessness in work habits. It is a sign of a loser.

Not only the right dress speaks volumes about us, it also boosts our own morale and confidence. Shabbily dressed man is on the defensive. He finds that his inadequacies get multiplied. The secret of a successful salesman is hidden in his wardrobe. It makes us exude an air of confidence, and carry us as people of substance.

Of course, all that glitters is not gold. Many talented people have simple dress habits. They want their true worth to be recognised, and do not depend upon external factors like the dress habits. In the selling profession, however, we cannot emulate the simple-dressed millionaires. We should be at least smartly dressed.

Investment in good outfits pays in the long-run. It helps us project a positive image. We should be careful about the quality of fabrics and their stitching. Poor fabrics lose shine, and look shapeless. Though good outfits cost a little more in the beginning, they are economical in the long run.

Our dress should be consistent with the type of projection we want to make. A door-to-door salesman has a different appearance from the sales engineer selling a complex product. We should dress

in a way that makes us belong to a class from which the buyers come. When we deal with secretaries who act as filters while accessing the executives we have to dress better than them.

Salespeople wearing suits must select 'classic' suits. The fabric could be worsted suiting. Colours should be sober. Shirts should be full-sleeve, and buttoned up. There should be a formal tie. The dress should reflect the dress habits of a target audience. While selling to the farmers, we have to keep our dress simple enough. We can adapt to the local surroundings. A banker looks ridiculous in cowboy outfit. A stockbroker should have a formal look. We should never give an impression that we are mocking the dress habits of our customers.

We should choose clothes depending on our anatomical features. We have to underplay our obese anatomy. We have to look authoritative by choosing suitable clothes if our stature is physically small.

It is necessary to avoid '*haute couture*' unless we are selling designer clothes and accessories. We cannot overemphasise the importance of a good fit. Much thought should be given to the choice of a right tie. It must make a statement for us. A tie should go well with the shirt. Silk ties are the best. Ties should reach our belt buckle.

We should choose simple but trendy accessories. The watch should be aesthetic as well as functional. Attache cases are used to hold our essential material. Pens should reflect good taste. Cheap ball point pens of throwaway type should not be handed over to the client to sign the order form. It is better to have a simple black umbrella. Business cards should be modest, and in elegant lettering.

Some salespeople have to be on the selling job even off campus. They may strike a sale deal on sports ground. They should select good but stylish sportswear for such off office situations. We should be too conspicuous by our dress in a formal gathering. Cuff-links should not be too expensive.

Hair should be well-groomed. It should not necessarily be short. It should, however, be not too long. Glasses should be of good quality. There should be a handkerchief available in breast pocket. We should avoid see-through shirts; and socks that show legs when one sits down. Goatlike beards are not liked. So, also pencil-like moustaches. Plastic briefcases show poor taste. Shiny hair look awful. Hair should be free from dandruff. Hankies should not be coloured. Leather-jackets and black raincoats are to be avoided. Contemporary salespeople do not use suspenders.

Issues

Is it necessary to dress well to sell well? Describe a medical representative that you have seen. Could you advise him to be better dressed? In what way?

CASE: PROMOTION IN HEALTHY LIVING COMPANY

Healthy Living Company is a pharmaceutical company. They have a team of dedicated medical representatives. All of them aspire to become sales supervisors, managers, and officers. There are many instances of salesmen-started business growing into big companies, *e.g.*, Nirma, where the owner-salesman one day comes to head the firm as its chief executive.

It is, however, observed that all salespeople cannot become successful managers. A brilliant reporter may not become a good editor. The point is that the skill required for both the jobs are essentially different.

Healthy living knows that a sales manager today faces complex responsibilities. He has to be a good team leader. A salesman operates on his own. It is not possible to transform oneself into a team leader all of a sudden. A sales manager has administrative and office duties. A salesman is in the field.

Many salesmen may not like to swap the challenge of selling task for an administrative post. There are others who would love to accept the challenge of a new job.

Healthy living wants to decide how to assess those who would not object to the shifts in attitude and habits required to be a successful manager.

Issues

Advise this company how it can identify the sales manager material amongst its own salesforce.

CASE: SUVIDHA'S INCENTIVE PLAN

Incentives

Suvidha Home Appliances Company pays its salespeople well. They are on expense account. Their promotional prospects are bright. They get an opportunity to travel to exotic places as a reward for their service. Many salespeople draw five figure salaries.

Suvidha has thought about an incentive plan to keep the salespeople motivated. It has started to think of ways and means to compensate salespeople without increasing their tax liability. It has thought of providing the salespeople a catalogue of household items which can be obtained by redeeming the points earned by them on the basis of performance. It will provide good opportunity to salespeople to point out to others with a great degree of pride what they have achieved by showing the household item, and then explaining how they won it.

They also want to introduce a travel plan, because a travel to beautiful locales, home and abroad is an ultimate dream of many people. Travel plan scores over reward redemption scheme because a reward that is repeated does not have incentive value, whereas a travel plan, though repeated, keeps up its incentive value. Travel plan is also a family affair.

Issues

Can you think of some more incentives for Suvidha's salespeople?

CASE: SELECTION OF A HOTEL

Some consider a hotel to be just a dormitory where one can hire a cot for an overnight stay. To others, a hotel is a five-star delux hotel like the Taj. We cannot judge a hotel by the labels attached to it.

A luxury hotel may not have any luxury except an attached bathroom. A grand hotel may be a euphemism for an old hotel. Some hotels are just concrete boxes. Some hotels take pride in offering convention halls for seminars, lectures and conferences. We shall have to compete with these delegates for the room-service. Some directories offer guidelines about hotel services. A good hotel for a salesperson is one which provides facilities to him so that he can conduct his business with ease. It has good communication facilities, and message-relaying systems. A room has a writing desk, its temperature should be controlled. Beverages like tea, coffee and alcohol should be easily available. TV reception should be in a language the occupant understands. If there is a good multi-cuisine restaurant attached, it is a bonus. It should make for you 'a home away from home'. A good hotel should treat us as human beings, and not just as account numbers.

Issues

A company wants to finalise a list of good hotels which can be patronised by its salespeople. What advice will you give? A company like Navneet Prakashan provides dormitory accommodation and dining facilities to the trade people. What is your opinion?

CASE: JET LAG

Many companies have entered into foreign markets and have foreign ties. Salespeople continue to travel abroad frequently, and back to India. When we fly long distance, a peculiar problem of jet lag characterised by buzzy head, strained eyes, general fatigue and disorientation arises. This affects the performance level. This is due to the disturbance in the biological clock of the body. Jet lag can be countered by having long sleep after a long distance flight. It is also necessary to have enough rest and sleep before we leave. Even aboard plane we can snatch a few winks of sleep. Emplaned passengers should eat sparingly and should take plenty of fluids, except alcohol which should be taken in moderation. It is easier to cope with a long day than a short night. It is better to travel during day time. On long, distance travel, we can take a short break. We can ask our doctor if he advises something like Melatonin to synchronise our bio-clock.

Issues

Do you have any tips to counter jet lag?

CASE: FAIRS, MELAS, CARNIVALS

These options are being tried to boost up sales in a sluggish market. Consumer fairs in Delhi are very common. They attract several lakh customers. Most of the organisers of the fairs are selling consumer traffic. In fairs, there are business deals too. To begin with, fairs are aimed at prospecting and identifying new customers. They also help build the relationship with existing customers. These days mostly these events are sales-driven. Buyers expect better deals at these events. These events also tap the fence-sitters. They also provide an opportunity to potential buyers to see the product before they

buy it. This is good for niche marketers; who cannot use costly mass media. Consumer goods companies traditionally participate in the fairs. These days service companies also participate in them. There are tie-ups with financing companies, and limited one-day carnivals can be arranged. These events also generate substantial enquiries for durables. These events are cost-effective media. Marketers book orders, and pass on these to the trade. The cost-benefit analysis of such events still have not been possible scientifically.

Issues

A computer company wants to participate in a fair. Is it fair enough? How should it go about it? What should be done to make the participation successful?

CASE: CENTRAL PRAKASHAN

Where a Hindi Film Song is Born?

It is born in smoke-filled music rooms and high-tech recording studios.

Immortality in Print

A modest printing press in Grant Road gives the song an immortality in print. Central Prakashan has been publishing booklets of Hindi film songs for the last 25 years or more. They have captured in print, the passion and pathos of Saigal, Geeta Dutt, Rafi and Lata among others.

Management

They are a team of four brothers operating from office on Pawwalla Street — a veritable kaleidoscope of old-world charm and sleazy social clubs. The brothers have inherited the business of their father who ran the show single-handedly. Fida Ali Burhanpurwalla who expired in 1992 had migrated to Mumbai from Burhanpur in the 40s, and soon took to street-hawking selling wares from pins and ribbons to Hindi song booklets. Near the present Dreamland cinema, he set up a stall (erstwhile Krishna). He sneaked into the hall during the intervals to sell the booklets printed by Playhouse Publisher. In 1948, he started his own publishing house with an impressive name: Central Pictures Merchant. His HQ were a small-tin shade near Krishna cinema.

First Booklet

Central's first booklet was for Kishor Sahu's *Sindur*.

Work Schedule

Pay a quick visit to the film distributor's office in the Naaz compound. Get a sketchy storyline and the ornamental lyrics. Print them, rolling out 5,000 copies.

1950s and 1960s

This is the golden era of Indian film music. It brought luck and money to Fida Ali. Pavements of Khetwadi and Girgaum, Mohammedali Road and Byculla and Dadar were dotted with stalls selling the

song booklets printed by Fida Ali's treadle machine. The publishing house had by 60s printed 350 song booklets, and distributed them to all major towns/cities. The venture was renamed Central Prakashan and was housed in their own place on Pawwalla street.

Diversification

Besides song booklets, they also printed sacred Hindu scriptures.

Present Position

Audio cassettes have hit the quaint song booklets market. Yet, they have shown no sign of fatigue. The 94th issue of *Cinema Sangeet* — a collection of the year's popular numbers is already out. Incidentally, its first issue was brought out in 1952.

Issues

Central Prakashan is a successful marketer of film song booklets. What role can personal selling play in enhancing its marketing strength?

CASE: SELLING EXPERIENCE

It is a world where product features introduced as innovation are copied within no time by others. Most of the products have more or less the same price in one product class, when they have a particular quality level. This parity makes us think of 'selling the experience' along with the product. While dealing with a bank, a customer carries back a memory. This take-back memory is just not restricted to a smiling counter-clerk. Memorable experience can be created by a fusion of diverse disciplines like sociology, anthropology, and ergonomics. In a restaurant, chicken tikka is more or less the same everywhere. But the ambience around differs from restaurant to restaurant. In one and the same restaurant also, customers can experience chicken tikkas in different ways. They have relaxing properties along with beverages when served near the swimming pool. Inside, they add a relish to the mainstream meal. Our strategy should be to enhance the experience of each group. Car buying can be made a pleasant experience with no hassle-treatment, and a variety in selection. Shoppers' Stop is not just content selling ready-to-wear outfits. It sells the experience.

Issues

Think of different products where experience is sold.

GODREJ - GE: SALES ORGANISATION

Come September, 1998! And Godrej-GE adopted a new marketing and sales structure. The begin with, they had a salesforce for refrigerators. But when washing machines were introduced, it was observed that this salesforce was not too keen to promote these. Later, ACs were also introduced. The company created two separate sales divisions, one for refrigerators and one for washing machines and ACs.

Refrigerators were just for cooling initially. Later, they came to be used to preserve food, processed food, branded items, meat, poultry and vegetables. The lifestyle changed. Eating habits changed. The sales pitch needed modification. Dealer salespersons also needed sales training. Consumer shifted from 165-litre basic models to models more in capacity and better suited for their needs. Similarly, the same consumer now started replacing the maid with a washing machine. Appliance dealers came up on the scene in the metros. Thus, a need was felt to have a unified single force to sell appliances to the appliance dealers.

Marketing supervised sales previously. The two have now been separated. Marketing will be concerned with research, innovation and planning. Sales will be after improving volumes, and do sales promotion in collaboration with the dealers. By combining fridge and washing machine salesmen, there will be one point of contact between the dealer and the company. The ratio of sales of different appliances can be decided by the salesforce.

This salesforce will also be useful to market other diversified products which this company proposes to introduce.

Issues

Discuss the rationale of separating the marketing and sales organisation.

CASE: A SALESMAN vs. SALES MANAGER

Ramesh is an efficient medical representative in a pharma company. His record of performance is brilliant. His contacts with the doctors in his territory are good. He got a rapid promotion, and became a sales supervisor. His team produced good results. Later, he was made a regional sales manager. Somehow his performance started declining. His supervisors feel he is abrasive and irascible. Medical representatives feel he sets too high targets. Ramesh tries hard to survive in the sea of the turbulent world of selling.

Issues

What has gone wrong? Ramesh as an individual is a good performer. How can we explain to him? how to become a good team leader? What about the training of first and second-line sales managers?

CASE: SKILLS OF A SALES MANAGER

Salesmanship can make your mood upbeat if everything goes well, but may sink you down with depression even if there is a slight decline in performance. A salesman interacts with so many persons, especially the prospects and trade. But essentially, he works as an individual. Besides, a salesman is deprived of a cosy family life. He is, thus, vulnerable much more to the pressures of the job. A sales manager, thus, should be supportive to salesman in his job. He should always empathise with his problems. Though strictly speaking, his relationship with the salesman is professional he should also be friendly with him at the same time. There can be so many reasons for the decline in sales. A sales manager has to motivate his team to work against all odds. He should have conceptual skills.

Issues

There can be a salesman who thinks he is not cut out to be a sales manager. Temperamentally he is a salesman, and enjoys doing his job. In the process, he denies promotion. What should be the company's approach?

CASE: MARKET SURVEY OF INDIA'S CORPORATE TRAVEL AND ENTERTAINMENT (T&E) PRACTICES

This survey is conducted by AmEx. Business-related travels are worth \$400 billion worldwide today. One out of 12 jobs is travel-related. Corporate travel business grows at the rate of 10 per cent per year in India. It is expected to be around \$3 billion by 2000. AmEx survey will be conducted twice every year. This survey was conducted by IMRB on behalf of AmEx. The sample constituted 600 respondents from 400 companies.

AmEx recommends steps to be taken to save on T&E costs. T&E is the second largest expense head after salaries. It is a controllable expense. AmEx survey finds that though a majority of companies have written travel policies, they are not communicated properly. Travel arrangements are to be made through a single travel agency, but there are always violations of this rule. Negotiated rates with hotels and car rentals are not availed of. Penetration of corporate cards to charge travel-related expenses is just 30 per cent. Majority of the companies give cash advances. Some 50 per cent companies ignore compliance with the written travel policy with respect to hotel and car rentals and use of designated travel agency. AmEx recommends more use of corporate cards, travel arrangements through a single agency, negotiated rates and rational expense processing. All this may lead to savings in travel-related costs.

Issues

As a sales manager of reputed corporate organisation, put in writing your travel and entertainment policy.

CASE : A SALES SUPERVISOR

Prakash was a sales supervisor with a stationery company with around a dozen salesmen reporting to him. He led a Bohemian lifestyle and was fond of good things in life. Prakash had been appointed a supervisor on the strength of his seniority. He lacked the other qualities of a supervisory position. When he was a salesman, he was on blackslapping terms with some of his customers while some others felt intimidated by him. He obtained results by hook or crook. As a supervisor, he treated his subordinates as his minions. He expected the subordinates to pander to his ego and keep him in good spirits. He wanted to be wined and dined at the cost of his subordinates. His selling effort was minimal. He wanted his subordinates to foot the bill of his journeys. He wanted them to provide him a pack of cigarettes every now and then. At the end of the day, he wanted a treat with a sumptuous meal and liquor.

Such behaviour on the part of Prakash had its negative effect on his subordinates. They got demoralised. Some left out of disgust. A few who continued in absence of an alternative opportunity worked resentfully. All this affected sales adversely.

Prakash was identified as the key to the problem. He was replaced by a new supervisor. But what went wrong because of Prakash would not be so easy to mend.

Issues

Could the subordinates have corrected the behaviour of Prakash? What steps can the organisation take to undo the damage caused by the tenure of Prakash?

CASE : RUDE TO THE HILT

Desai was working with a multinational company as a salesman, and had a presentable personality. But his conversation lacked finesse. Desai could meet his targets. He was appointed a supervisor though, his communication skill left a lot to be desired. Desai became more abrasive after being put on new assignment. He treated his subordinates roughly. He was not open to discussion, and wanted his way. He was not polite to the customers. This made them hostile to the company and its products. Desai could not handle his authority for the benefit of the organisation. Ultimately, the company got rid of Desai. Desai found another job as a salesman in some smaller organisation. Still he wonders what went wrong with his previous assignment.

Issues

Was it possible to correct Desai? What precautions are to be taken while offering promotions to salespeople?

CASE: TIME MANAGEMENT

Samuel was a supervisor who led his salesmen by setting example. Some 12 people reported to him, of which three were outstanding performers, six average, and two poor. Most of the sales was contributed by the average performers. Samuel, however, liked the smart performers, and was indifferent to the average performers, as they were doing just what was expected of them. He tried to bring the poor performers up to the mark by spending a lot of time in training them. But this left the average performers neglected.

As there was disproportionate allocation of time, it affected sales. Samuel could see the problem in time and rectified the situation by devoting time even to the average performers.

Issues

What are the essentials of time management? Can we structure the work so that routinised work receives less time? How can time be saved by not being spent on non-productive work? What devices help save the time?

CASE: McDONALD'S

McDonald's serves 45 million customers everyday in 28,000 restaurants in 120 countries. Interbrand puts a value of \$ 25 billion on McDonald's brand. Its logo of Golden Arches is most widely recognised symbol. McDonald came to India five years ago (1996). It has friendly, informal hassle-free ambience, and is conducive to fun-making for the kids. McDonald's in its advertising in India targets the Indian father, a decision-maker in his own right. Its new positioning is that caring dads take the families to McDonald's to have a great time. It is a welcome and affordable family restaurant committed to values of quality, fun and excitement. It wants to strike an emotional bond with the family. It has the latest food processing technology and supply-chain in place. It is aiming to set up a chain of 80 restaurants by 2003. It has currently 30 restaurants most of which are in Mumbai and Delhi and one each in Pune, Jaipur and Mathura. It wants to register its presence in South. By 2005, it wants at least 100 restaurants. It wants the consumers to the concept of drive-through restaurant. It wants to set-up such restaurants on high ways, including one on Mumbai-Pune highway. It wants to be price competitive by setting up more outlets. It evaluates Indian food habits and introduces innovative new products. Product launches happen every year, but menu vision is outlined every three years.

Issues

Comment on McDonald's selling styles.

CASE: A WOMAN SHOPPER

Traditionally, a woman took care of the household chores, and the man trudged to the market to buy goods to satisfy the needs of the household. It was only during the 'melas' that womenfolk participated in shopping. Otherwise, shopping mainly remained an exclusive male domain. It is to be appreciated that the buying list was decided by the man considering the requirements of the household. He even decided to buy the personal products like the bangles, sarees and petticoats for the lady. A lady was kept away from the market. She was in a sense kept in a protected environment. Some manufacturers and traders then realised that there is an opportunity to sell the personal products like clothes, bangles, bedsheets, etc., to the lady directing by taking these products to her doorstep. It was like the 'market' coming to the lady. The lady shopping at home became an accepted thing. Men continued shopping outside, but now they carried the lists prepared by the housewife. The lady decided and man ran an errand. Ultimately, women ventured out of the market place accompanied either by children, or menfolk. India has a long history of being chauvinistic as far as shopping is concerned. As more and more women come out to shop, the market will be a different place.

Issues

Comment on the evolution of a woman shopper.

CASE: TYAGRAJAN'S CAREER

Tyagrajan was a mechanical engineering student at IIT, Mumbai in the early 1980s. He was attracted by commercial decisions, and not by engineering design. He did his MBA from IIM-A in 1985. His first job was that of a sales manager at Pond's India. He was not fascinated by the staff functions of brand and product management. He wanted to be out in the field, and Pond's allowed him full freedom. The company's culture was action-oriented and put emphasis on the line function. Though now at a mature age, he understands the importance of brands, back then it was just wishy-washy shiff. He was associated with western region office in Mumbai and was on the road in M.P. The star performer was Pond's talcum powder, commanding up to 90 per cent market share in some areas. He interacted with the salespersons, stockists and veterans of this trade. He spent six and half years at Ponds.

He then joined Citi and in 1994 he left Citi to join GE Capital. GE started Gecis in 1997 and laid the foundation for the Indian BPO industry. Tyagrajan, along with Raman Roy and Pramod Bhasin pioneered the basic call centre concept, providing in-house BPO services. Later Gecis became Genpact, and independent company, and BPO became the buzzword.

Issues

What personality characteristics stand out in Tyagrajan? Why was he attracted to sales?

CASE: WOMEN IN INSURANCE SELLING

India allowed private insurance companies in 2000, dismantling the monopoly of the LIC. These companies tied up with foreign partners who now hold a maximum of 26 per cent equity stake.

Currently, there are 22 firms who compete in the market of 1.1 billion people. The insurance penetration is very low – 4.1 per cent in 2006-07.

Previously, the sector was male-dominated. The opening up of this sector helped break the gender barrier. Insurance in rural India is being sold by hard working women who are good at sales and persuasive skills and make ideal insurance agents. In rural areas, even micro-insurance can be sold.

An estimated 2.5 million people serve as insurance agents across the country (IRDA). Women make up around 25 per cent of the total sales force in a life insurance market worth an annual Rs. 2.2 trillion or 4.4 per cent of the GDP at the end of March, 2009.

At state-owned LIC, women account for 26 per cent of salesforce. At Max New York Life Insurance and Aviva Life Insurance, women make up 33 per cent and 25 per cent of the salesforce. In future, the male-female ratio could be 50:50.

Issues

Which other areas of economy have women in the salesforce? How do sales manager women in the salesforce?

CASE: INSURANCE SELLING

The Swarup Committee recommends that insurance agents or advisors be disallowed from loading commission on to the policyholder's premium. The agent's advice is biased in favour of the insurance company rather than the buyer to earn the commissions. India's life insurance industry collected annual premiums of over Rs. 2 trillion through sale of new policies and renewal. The first year commissions are up to 40 per cent of the premium amount. The second year and third year premium are 7.5 and 5 per cent respectively. The Swarup Panel's recommendations are designed to combat rampant mis-selling of financial products in India. Mis-selling by India's 3 million financial advisors can harm the interests of about 188 million investors.

A large number of policies lapse which is a major bane. One main reason for 'lapse' is the selling of an unsuitable policy.

Issues

How insurance selling is different? What is mis-selling? How the agents should be compensated?

CASE: DINESH KESKAR, BOEING SALESMAN

Dinesh Keskar (55) is now Delhi-based. He is a Boeing employee. He is on his third assignment to India, and has been relocated from Seattle to Delhi.

He first serviced Indian market in 1988-89 and made frequent trips to India. His second stint to India was between 1995 and 1999. Then he was based in Mumbai.

He sells planes and components. The component business is worth \$1.7 billion (around Rs. 8,500 crore). Boeing has set simulators for Air India and there is a research centre in Bangalore.

Keskar hails from Rajkot and is born of Maharashtrian parents. He is a mechanical engineer from Visvesvaraya NIT. Later he completed MS from University of Cincinnati, US and a Ph. D in aero-space engineering where Armstrong was one of his professors. He joined the Langley Research Centre at NASA. He worked for 18 months and joined Boeing. He moved to Seattle in 1980. In 1984, he completed Executive Potential Programme. He then became conversant with aeroplane selling. He completed his M.B.A. in 1987 to get into a selling career.

He took a lead for Boeing over Airbus. In 1987, he came to India for the first time. Air India was to be convinced to buy Boeing 747, and this deal took three years to complete. On 14th Aug, 1991, Madhavrao Scindia, the then aviation minister signed it. It was Keskar's first sale worth \$700 million. The next opportunity came when private airlines were allowed entry in 1993. He realised that the pilots and engineers for these fledgling airlines must be trained locally, and he set up facilities here. Boeing trained about 400 people. The start-up airlines preferred then the Boeing planes, as these could be repaired and maintained by the locally available trained staff. Jet bought 10 planes in 1966. Private airlines solely depended on Boeing till 2000.

Before striking a deal, Keskar studies the requirements of an airline fully and bids, only to get success. In 2005, he won an Air India deal of 68 new planes — a deal worth \$ 11.6 billion.

Issues

What is the difference between selling planes and selling fast moving consumer goods?



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