

Sales and Distribution Management

Third Edition

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Preface to the Third Edition

From the time the first edition of the book was published in 2005 and also later revised in 2012, there have been tremendous changes in the market scenario and the way business is done. This edition of *Sales and Distribution Management* brings in updated content which has been revised to suit the changing needs of its readers.

There have been tremendous changes in the sales and distribution management domain. A major impact has come from technological changes. New technology applications have resulted in multiple changes in the sales and distribution management processes. Internet technology has given birth to an entire e-commerce world. The majority of advertising pie now comes from the e-commerce space. Companies need to change their business models and develop omnichannels to manage their business.

Faster, precise and larger databases and decision support systems have emerged to augment managerial decision-making. This has happened both at back end with more effective supply chain management practices and softwares and at the front end with customer relationship management solutions. This has immensely contributed in more prudent decision-making by managers who are using database management systems, integrating the sales and distribution with mega databases, using geographic information systems in mapping territories and allocating sales quota more scientifically. Emergence of aggregators like Ola, Swiggy, Zomato, etc. on the Internet market space has altered the way many businesses operate in India. So there was a demand to update the content and bring in the latest changes in the business world.

The book includes a complete chapter on e-commerce and distribution channel management which explains various aspects of e-commerce management such as listing the advantages and types of e-commerce, e-service quality, ideas of psychological contract violation and value proposition, and the revenue models in e-commerce. We have tried to bring in more scientifically proven metrics to measure sales performance.

New cases studies on companies like Amazon Go, Flipkart, Ola, and Swiggy will help students realize the current business challenges in both offline and online world. New sections on omnichannel distribution and customer journey mapping have been added to enrich the existing text. There is a balanced presentation of the concepts of sales and distribution through theoretical concepts and illustrative examples.

We are thankful to the students and faculty members who have used and appreciated the earlier editions of the book and inspired to update content. We are sure they will find the new edition refreshing and embedded with new knowledge derived from our teaching, research and consulting practices. As authors, we are always open to receive feedback from you and also supplement your learning teaching practices.

Tapan K. Panda
Sunil Sahadev

PRAISE FOR THE SECOND EDITION

The text book is written in clear, simple English and is highly indigenous with lots of Indian examples and case studies. The module flow is continuous and smooth.

– Dr R. Satish Kumar, IFIM Business School, Bangalore

It is extremely user friendly from the perspective of an average student.

– Ms Pooja Kudesia, Jagan Institute of Management Studies, Jaipur

The book is comprehensive and covers almost all the topics taught in 'Sales and Distribution Management' at various B-schools. The book has been able to include application/practice part to a great extent besides all the theoretical concepts.

– Dr Neeraj Pandey, National Institute of Industrial Engineering (NITIE) Mumbai

Table of contents provides adequate coverage. The book is quite detailed with some relevant case studies.

– Ramendra Singh, IIM Calcutta

PRAISE FOR THE FIRST EDITION

I liked the case studies associated with each chapter of the book.

– Prof. Chitra Bagchi, Heritage Institute of Technology, Kolkata

The Indian orientation is this title's major strength.

– Prof. D. M. Sezhiyan, National Institute of Technology, Tiruchirappalli

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Preface to the First Edition

Sales and distribution management, as a composite function of marketing, focuses on the development of a sound sales and distribution strategy, the management of marketing channels, and sales force management in a business organization. Rapid changes in technology, a higher level of customer orientation, the globalization of business, and increasing competition have made sales and distribution management critical for the success of any business enterprise.

Traditionally, the key challenge to the marketer was to develop methods and practices to enhance the productivity and efficiency of the sales force. The focus was on the individual's performance rather than on the processes involved in the enhancement of this performance. Over time, sales and distribution management has evolved into a key area of marketing expertise and knowledge. Today, the marketer faces the challenge of formulating strategies and methods for improving the selling approach, which include sales force downsizing, the application of information technology, the enhanced use of telemarketing, key account management, use of independent sales organizations and sales representatives, electronic data interchange, and cross-functional team selling.

The business environment in India is very different from that in developed countries. In the pre-liberalization era, for example, significant restrictions on consumer goods in the form of licences and high import tariff discouraged manufactures from investing in a wide range of industrial and consumer goods. In the absence of a wider range of products, marketers earlier found it difficult to exploit the benefits of economies of scale in sourcing of goods.

As a result of economic liberalization in the 1990s, there was a spurt in consumer demand. Further, the growth in income levels also generated a demand for high-quality and expensive products. Many business organizations responded to these developments by expanding their sales and distribution operations in the Indian market.

In India, the industry structure of sales and distribution is characterized by the presence of a large number of channel intermediaries. While wholesale trading dominates the distribution sector, personal selling is largely the norm in sales organizations. Organized retailing and franchising as innovative modes of selling have also witnessed growth in the recent years with foreign and Indian retail majors becoming active in the market. The activities of firms in this sector contribute 6 to 7 per cent of total employment, as opposed to 14 to 20 per cent in Western countries.

Existing books on the subject approach the study of sales management and distribution management as distinct disciplines. However, this book adopts an integrated approach to the study of sales and distribution management in view of the need for a textbook on the subject as a composite course in the MBA curriculum today and its important role in building successful business organizations.

About the Book

This book is primarily aimed at students enrolled in the MBA/PGDM programme. Given its practical orientation, the book will also be a useful resource to practising company executives and other professionals active in training and consultancy.

It also covers the application of technology and cross-functional integration in the area of sales and distribution management. The book presents the complexities involved in managing the third 'P' of marketing, namely, place.

The text has a process and customer orientation focus in sales and distribution management in the context of Indian business organizations. It achieves this through cases on Indian business organizations operating in varied fields, such as manufacturing, services, information technology, and fast moving consumer goods.

Pedagogical Features

A unique aspect of this book is the large number of illustrations and examples from the Indian context. It contains cases of major Indian business organizations such as MRF Tyres, Hindustan Unilever Limited, SAS India, Blow Plast India Limited, Videocon International Limited, Anchor Switches, Siffco Agro Chemicals Ltd, and CK Rotors Pvt Ltd. These cases will help students to apply theoretical learning to the Indian business environment and understand the constraints and opportunities present in managing the sales and distribution function.

Concept review questions are given at the end of each chapter on major topics dealt with in the chapter to test the students of their understanding of the main concepts covered in the chapter. The chapter-end project assignments and critical thinking

questions will not only help students to understand the practical aspects by conducting field studies but also encourage them to think beyond concepts and appreciate areas that require further comprehension.

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He thanks his students who have provided valuable insights into the operations of their own companies, which proved to be very useful while presenting illustrative examples in the book. In this context, he would like to especially thank domainb.com for being kind enough to permit him to use case studies as practical insights in this textbook.

The authors especially thank the editors of Oxford University Press, New Delhi, for their editorial support and encouragement to complete the book.

Tapan K. Panda
Sunil Sahadev

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Introduction to Sales Management

LEARNING OBJECTIVES

After reading this chapter, you will be able to

- understand the concepts of sales management
- learn about the evolution of sales management
- explain the importance and functions of sales management
- understand the types of personal selling and the types of salespeople
- differentiate between selling and marketing
- understand the sales management process and modern-day sales activity
- get an overall idea of current trends in sales management

INTRODUCTION

This chapter will introduce students to sales management—its concepts and practice in business organizations. It will explain the meaning of sales management and its fundamental principles. The other chapters in Part I will further analyse the sales management process.

EVOLUTION OF SALES MANAGEMENT

Let us look at some of the fundamental marketing concepts that have guided the growth of sales and marketing as a discipline.

Marketing Concepts

The marketing concepts are the major domains of knowledge in marketing theory. They represent the business principles that govern the function of marketing. A modern concept of marketing talks about customer orientation, though customer orientation is easier said than done.

This is because organizations have to realign their business processes, manpower, and information systems in order to listen and execute what a customer says or intends to say to a marketer about his/her evolving need structure. These concepts make a student realize that customers do not buy products and services merely for the utility value but for obtaining values higher than what is embedded in the physical product.

Customers buy for the reasons of satisfaction, which is a measure of the product or service performance in relation to the perceived expectations of the consumers from that product or service. These dominant ideas of marketing make us believe that marketing means understanding customer needs and demands, and responding to their evolving needs and demands through better product or service offers.

This is essentially the reason why many organizations that care for their consumers are so successful in business.

Therefore, marketing involves understanding of a consumer's evolving needs, understanding the competitive product offerings, and then delivering products or services better than what is available in the market. Let us look at various concepts of marketing and their value propositions.

There are five different marketing concepts practised by business enterprises to conduct their marketing activity:

1. Production concept
2. Product concept
3. Selling concept
4. Marketing concept
5. Societal marketing concept

Production concept

The production concept has its origin in the production orientation. The basic tenet of the concept is that customers will choose products and services that are widely available and are of low cost. Therefore, managers try to sell a higher volume of goods at low costs and through an intensive distribution strategy. This seems a viable strategy in a developing market where market expansion is the crucial survival strategy for a business. Companies interested in reaping the benefits of scale economies pursue this kind of orientation. It is obvious that these companies cannot deliver quality products and suffer from problems arising out of their impersonal behaviour with the customers.

Product concept

The product concept has the proposition that consumers will favour those products that offer high-quality attributes such as quality, performance, and other innovative features. The managers focus on developing superior products and improving the existing product lines over a period of time. The innovations in scientific laboratories are commercialized, and consumers get an opportunity to know and use these products.

This is called 'technology push model'. The problem with this orientation is that managers launch innovative products without properly understanding and analyzing the needs of the customers. Many a time it is observed that the innovative products enter a market before the market is ready for the products. Innovative products are launched without educating the customers about the innovation and the probable benefits that the customers hope to get from it.

Sales concept

The sales concept proposes that customers, either an individual or an organization, will not buy enough of an organization's products unless they are persuaded to do so through selling efforts. Therefore, organizations should undertake selling and promotion of their products for marketing success. The consumers are typically inert and they need to be goaded for buying products by converting their inert need into a buying motive through persuasion and selling action.

In a modern marketing situation, a buyer has a number of options to choose from and a customer is also fed with a high dose of advertising. So, often there is a misconception that marketing is all about selling. According to this approach, a customer will certainly buy a product after enough persuasion and if dissatisfied, will not speak about it to others. However, in reality, this does not happen and companies pursuing this concept often fail in the market.

Marketing concept

The marketing concept proposes that the reason for success lies in a company's ability to create, deliver, and communicate a better value proposition through its marketing offer, in comparison to its competitors, for its chosen target market.

The marketing concept is an elaborate attempt to explain the phenomenon that rests on four key elements: target market, customer need, integrated marketing, and profitability.

Companies are interested in increasing their returns on investment. Instead of spending on a mass undifferentiated market, they have started to look for specific markets best suited for their products, and then accordingly design a marketing programme that would catch to the taste of this target market.

The next important act is the understanding of the needs of the customers in that target market so that a suitable marketing offer can be designed. Needs are the inner state of felt deprivation. They can be defined or undersigned. It is difficult to understand the unspoken needs of the customers.

Marketers use various sophisticated techniques of consumer research to understand customers' needs. It is important to understand and act upon the needs of customers because the effort executed to keep a customer satisfied is almost one fifth of the effort expended to get a new customer. The whole organization has to be integrated to this mantra of customer satisfaction. As a result, businesses need to develop an integrated approach.

The integration has to start at the marketing department level where various key marketing functions such as product design, distribution channel selection, advertising and promotion, customer service, and marketing research should be integrated with the common marketing goals. Marketing culture should be adopted by other departments of the enterprise also. While external marketing targets customers outside, internal marketing targets customers inside an organization, which can be trained to serve the customers better. The ultimate goal of any business house is to maximize profits. Figures 1.1 and 1.2 summarize the differences between sales orientation and marketing orientation.

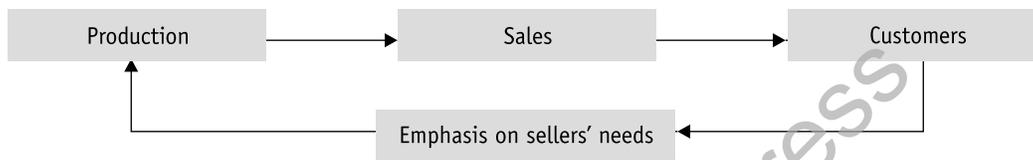


FIGURE 1.1 Sales Orientation

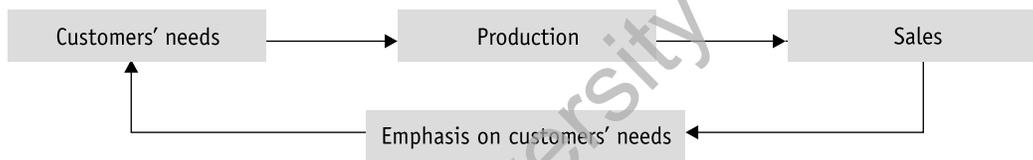


FIGURE 1.2 Marketing Orientation

Today's world not only looks at profit but also tries to benchmark the efforts and costs required to achieve this level of profit. In this situation, profitability of an enterprise through efficient marketing activities is the key success criterion. This profitability is now treated as a by-product of creation of superior customer value and better understanding of customer needs.

Societal marketing concept

The societal marketing concept proposes that an enterprise's task is to determine the needs, wants, and intentions of a target market and to deliver the expected level of satisfaction more effectively and efficiently than the competitors in order to preserve or enhance the consumers' and society's well-being.

Social marketing, often termed as cause-related marketing, utilizes the concepts of market segmentation, consumer research, product concept development and testing, and communication to maximize the target adopters' response.

Excessive exploitation of resources, environmental deterioration, and customer movements in particular have necessitated the recognition of relevance of marketing to the society. Marketing, therefore, must be a socially responsible or accountable activity. The societal concept holds that a business organization must take into account the needs and wants of the consumers, and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as society's well-being.

The relational paradigm that governs the sales function works in cases where a customer's interest is accorded higher priority in comparison with the product or the business domain. Sales organizations are designed and technologies are adopted to make them more customer-responsive.

THE NATURE AND ROLE OF SALES MANAGEMENT

The basic function and role of selling is to generate sales and earn revenue for an organization. Today's selling approach, of course, also highlights maintaining good customer relationship, managing the profitability of a firm, managing customer complaints, and building brand value in the eyes of the customers.

Though the above statements give a simplistic view of sales management's role in an organization, there are complex processes, systems involving a whole set of principles, strategies, techniques, and personal skills to cover different facets of the sales function.

The job of a sales manager is not only to organize sales but also to carry out man-management functions such as guiding and leading a set of people to achieve sales targets. Therefore, the functions of a sales manager can be classified into two aspects: personal selling and sales management. Personal selling entails personal communication between a seller and a buyer for the purpose of determining and satisfying the buyer's current and latent needs.

It involves an individual salesperson or a sales team to establish and build a profitable and symbiotic relationship with customers over time through multiple transaction cycles. In this process of building a relationship, a salesperson must determine a buyer's needs and influence or persuade the buyer to purchase his product with the assurance that the product or service will satisfy the buyer more than the competitor's products.

Sales organizations are increasingly becoming dependent on the sales force due to various reasons. Sales managers at higher levels are responsible for strategic decisions, such as organizing the sales force, determining the sales force compensation structure, forecasting long-term sales, and overall controlling of a sales organization.

The role of a sales manager in an organization has become strategic and formidable. He/she is looked at as a combination of an accountant, a planner, a personnel manager, and a marketer at the same time (Figure 1.3). However, his/her prime responsibility is to augment the sales force by augmenting the sales closing process.

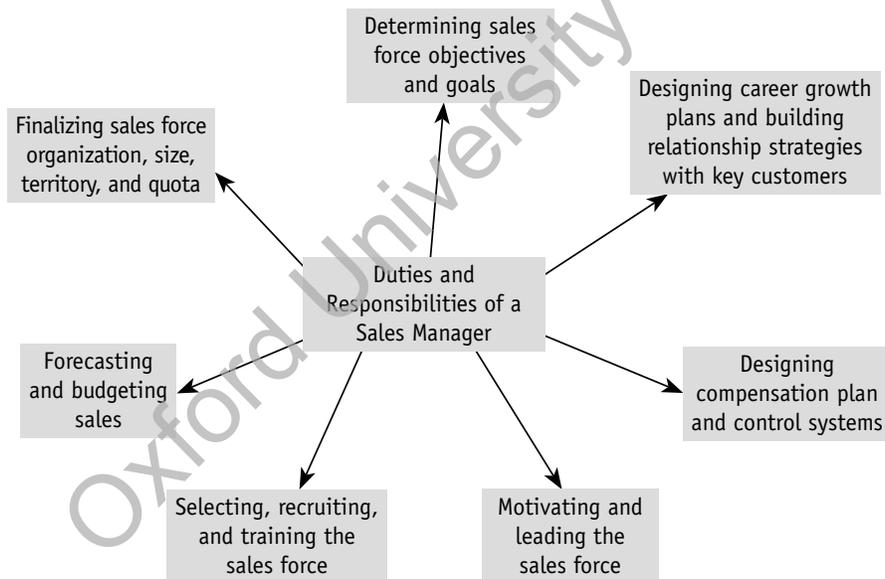


FIGURE 1.3 Responsibilities of Sales Manager

TYPES OF PERSONAL SELLING

Personal selling can be broadly classified into industrial, retail, and services selling. The approaches that a salesperson takes in each of these categories vary despite similarities in the sales function. Selling of a ball bearing is different from selling of a consumer durable, such as a vacuum cleaner, or a beauty product in a retail showroom.

These differences are linked to a customer's choice behaviour, the importance the customer gives to the purchase, and the risks involved in buying a product. When someone purchases a ball bearing that is fitted to a machine whose value is in millions, his/her seriousness in decision making, information collection on various brands of bearings and their specifications, and the time taken to arrive at a decision differ from a customer deciding on a brand of shampoo.

In the latter case, the customer pays less as the risk involved in buying is less and also the time taken to reach a decision is less. Therefore, the selling approaches are bound to be different in each of the buying situations.

Industrial Selling

Industrial selling is basically termed as B2B selling but in a traditional business model, it is categorized as the manufacturing sector selling. These are grouped into four categories on the basis of consumer base. The first category is *selling to resellers*. A reseller is a wholesaler or a retailer or an intermediary who buys finished goods and resells them to the end-users. Companies such as Hero Cycles, T Series, and Sunshine chemicals sell to the resellers. The objective of a salesperson in such a case is to gain larger shelf space and higher point-of-purchase display so that the products can reach the ultimate consumers rather quickly.

The second category of industry sales is *selling to business users*. This means the output of one producer enters into the production process of another producer to manufacture a final good for the consumption of the end-users. The salesperson of the first firm tries to sell the goods to the second firm which, in this case, is a business customer.

For example, IBM sells Intel Pentium processors which are used by Compaq or HCL Infosystems to make computers for the final customers. Companies such as Tata Refractory produce bricks that go to other manufacturers involved in hot metal technology, who use these bricks in their production process. Other examples of firms that sell to business users include producers of heavy machinery, ball bearings, fork lifts, and electrical cables.

The third category is *institutional selling*. These institutional customers use the products in their daily operations. Companies such as Xerox in photocopiers, Johnson and Johnson in surgical equipment, and Reynolds in office stationeries sell directly to institutions for institutional consumption. A salesperson sells to the ultimate consumers but the product is used in providing support to the buyers' business rather than in producing the buyers products.

The fourth category is *selling to governments*. In most countries, the government is the leading buyer. There are many companies, such as Escort Rites, that sell only to governments or to government undertakings. A salesperson's ultimate consumers are the employees of the government. The procedure in government buying is different from the procedures involved with the other institutional buyers.

Retail Selling

The second category of selling is called retail selling. Retailing is defined as all the activities directly related to the sale of goods and services to the ultimate consumers for personal or non-business use or consumption. The primary difference between retailing sales and industrial sales is the actual location of the sale.

In a retailing environment, a customer approaches a seller, which is quite different from industrial selling where a seller seeks a customer. A retailer usually sells directly to the ultimate consumers. The retailer purchases from the industrial seller in large quantities and sells them in smaller assortments according to the demand of the consumers.

Retail selling is effected at the level of a retailer, a dealer, or even a wholesaler who carries out retailing function for large buyers. Shopper's Stop, Big Bazaar, and Crossroads in India are examples of large retail stores. In the US, there are even larger retailers, such as K-Mart, Wal-Mart, and Tiffany, that are either selling a whole range of products to the consumers or specializing in a particular category.

Services Selling

Services are activities or benefits provided to consumers. The areas of services like the product areas are quite diverse. There are four unique characteristics that distinguish products from services. Services are intangible in nature. They cannot be touched, seen, tasted, heard, or felt like physical goods.

Services such as insurance, airline, and travel are intangible in nature and they are manifested through a source object. Unlike products, services cannot be separated from their sources and hence cannot be stored for future use.

They are produced, sold, and consumed at the same time. When you travel in a car you enjoy the services related to the car and it varies depending on which



Retail Selling



Services Selling

car you are driving and the related benefits associated with the car. Services are less standardized and uniform in nature than the products.

Physical products may look similar due to the same manufacturing process and technology but services are a set of unique experiences. Hence, services cannot be standardized.

Today, services in hotels are standardized due to various dimensions attached to a service definition. These dimensions are physical in nature. For example, when we see a five-star hotel, we standardize the services by linking it to certain facilities in the organization. Services are very individualized because of their intangible nature.

As we have mentioned earlier, services cannot be stored or inventoried. If a ticket in a flight is not sold for a circuit, the sale for that seat is lost for the trip and one cannot sell it the next day as the next day will be another sale. In case of a physical product, however, the product can be sold another day for consumption. Some services are termed as retail services, such as hotel room service, transport, and some of them can be quite similar to industrial selling such as insurance, banking, and real-estate sales.

TYPES OF SELLING

The diverse nature of buying situations demands a diverse pattern of selling function. Selling process varies according to the nature of selling task. Figure 1.4 explains different types of selling practised in the industry. Selling task is classified as order takers, order creators, and order getters. Order takers respond to the already committed customers.

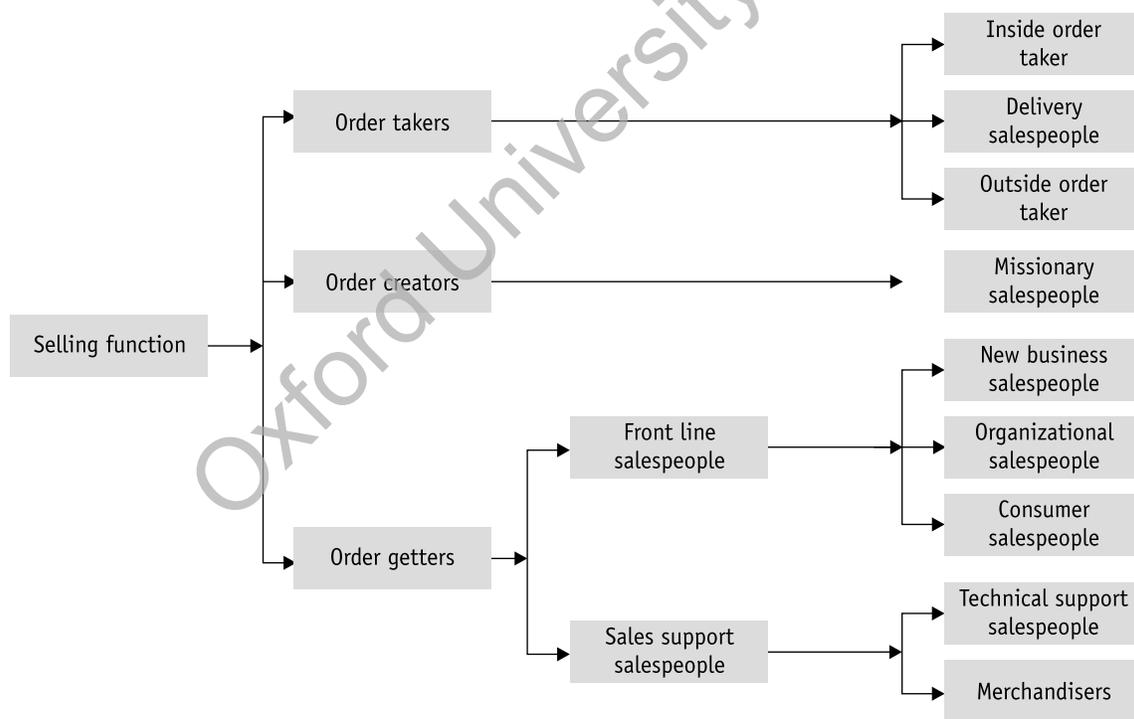


FIGURE 1.4 Types of Selling

The accounts executives in an advertising agency are of this nature. They perform only client servicing function and take the release orders from the existing clients. The order creators do not directly receive orders since they talk to specifiers rather than customers. The order getters attempt to persuade customers to place an order directly. The order takers are classified into three categories.

These are inside order takers, delivery salespeople, and outside order takers. Order creators are missionary salespeople. Order getters are front line salespeople consisting of new business, organizational, or consumer salespeople, or sales support salespeople or merchandisers. Both type of order getters operate in situations where a direct sale can be made.

Order Taker Salespeople

Inside order takers are the retail sales assistants. A customer chooses a variety of products from the range available in a store without the presence of a salesperson. A sales assistant's role is to complete the transaction. He/she receives payment and passes the goods to the consumers. This is done in superstores such as Wal-Mart, Big Bazaar, and other chain stores.

In telemarketing, the salespeople take the order over phone and deliver products at the customers' addresses. The job of *delivery salespeople* is to deliver the products to the customers. The salespeople that deliver milk, newspapers, magazines, and pizzas can be called delivery salespeople.

They do not try to sell products or increase the consumption level of existing customers, however, winning and losing of orders is dependent to a great extent on the reliability and promptness of the delivery salespeople.

The *outside order takers* visit the customers regularly and their primary concern is to respond to the customer calls rather than seek new customers. They do not deliver anything at the customer's place. They make sales call and take orders from the customers. The salespeople from Eureka Forbes are included in this category.

Order Creators

Missionary salespeople are the sales staff who normally do not close a sale but persuade the customers to promote a seller's brand. Medical representatives, for example, do not make direct sales as the doctors do not buy the medicines personally but prescribe the medicines to the patients. Therefore, the medical representatives are called missionary salespeople. In this kind of selling, the objective is to educate and make the people aware of the product rather than closing a sale.

Order Getters

These are the set of people whose objective is to persuade the customers to make a direct purchase. They are the front line salespeople who go door to door to sell products. The function of new business salespeople is to persuade new buyers and non-users to buy a company's products and services.

The executives in charge of business development in any advertising agency come in this category. They always look at people who have previously not used the services of the agency. They undertake prospecting and convert the leads into final sales.

Organizational salespeople are the industrial sellers who try to establish and nurture a long-term relationship with organizational buyers. The selling job involves team selling where a cross-functional sales team, sales and technical support staff joined together, does a sales presentation.

The *consumer salespeople* comprise the door-to-door salesperson who sell spices, eatables, encyclopedia, insurance, and other personal products for individual consumption. The second group of order getters provides sales support to the front line salespeople.

The *technical support salespeople* support the front line salespeople when the product is technically complex or it needs negotiations demanding financial attention of the company. They go as a part of a key account management team or temporarily for a particular business deal. The *merchandisers* provide sales support in retail and wholesale selling situations.

Orders are negotiated nationally and sales to individual outlets are supported by merchandisers who give advice on display, execution of sales promotion programmes, and help in displaying the point-of-purchase material, checking the stock levels, and maintaining contact with store managers. This kind of sales support staff is found in a more organized retailing environment.

DIFFERENCE BETWEEN SELLING AND MARKETING

Generally, managers use 'marketing' and 'selling' as synonyms, though there is a significant difference between the two concepts. It is necessary for a successful marketing manager to understand the differences between the two. Selling has always suffered due to dubious business practices by a few where the value promised and the product delivered did not match when the customer actually used the product or the service.

This tarnished image could only be corrected if a customer could be persuaded by a marketer to buy the product again. Organizations seldom make profit from one-time buying of the first-time customers. So they have to rely on the repeat business to generate profits.

Most of the selling efforts of well-organized marketing organizations are directed towards keeping a large number of customers loyal and reducing the number of transactional customers. Market intelligence provides feedback to the organizations and informs the firms about the major reasons behind the customers' dislike for a particular product.

This information makes a company redesign its marketing programme so that the dissatisfaction of the customers is reduced or higher consumer benefits are provided to the customers. Effective selling is not about half truths or overrated claims.

Selling has a product focus and is mostly producer driven. It is the action part of marketing and has a short-term goal of achieving market share. The emphasis is on price variation for closing a sale where the objective can be worded as 'I must somehow sell the product to the customer.'

This short-term focus does not take into account planning for building up a brand in the marketplace and winning competitive advantage through a large set of loyal customers. The key objective of any sales activity is maximizing profits through sales maximization.

When the focus is on selling, a businessman thinks that after production is complete the task of the sales force will start. It is also the task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are employed to meet the goals and customers' actual needs, and satisfaction is taken for granted. Selling converts the product into cash for the company in the short run.

Marketing as a concept and approach is much wider than selling. It is dynamic in nature as the focus is on the customers rather than the products. While selling revolves around the needs and interests of a manufacturer or a marketer, marketing revolves around that of a consumer. It is a process of meeting and satisfying the needs of the consumers. Marketing consists of all those activities that are associated with product planning, pricing, promoting, and distributing the products or services.

The task commences with identifying consumer needs and does not end till feedback on consumer satisfaction after the consumption of the product is received. It is a long chain of activities, which comprises production, packaging, promotion, pricing, distribution, and selling.

Consumer needs become the guiding force behind all these activities. Profits are not ignored but they are built on a long-term basis. Mind share is more important than market share in marketing. According to Prof. Theodore Levitt, 'The difference between selling and marketing is more than semantic. A truly marketing-minded firm tries to create value satisfying goods and services which the consumers will want to buy. What is offered for sale is determined not by the seller but by the buyers.'

The seller takes his/her cues from the buyer and the product becomes the consequence of the marketing effort, not vice versa. Selling merely concerns itself with the tricks and techniques of getting the customers to exchange their cash for the company's products, it does not bother about the value satisfaction that the exchange is all about. On the contrary, marketing views the entire business as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs.'

The differences between selling and marketing are summarized in Table 1.1.

TABLE 1.1 Differences Between Selling and Marketing

No.	<i>Selling</i>	<i>Marketing</i>
1.	Emphasis on product	Emphasis on consumer needs and wants
2.	Company manufactures the product first and then decides to sell it	Company first determines customers' needs and wants and then decides on how to deliver a product to satisfy these wants
3.	Management is sales-volume oriented	Management is profit-oriented
4.	Planning is short-term oriented, in terms of today's products and markets	Planning is long-term oriented, in terms of new products, tomorrow's markets, and future growth
5.	Stresses needs of a seller	Stresses needs and wants of buyers
6.	Views business as a goods producing process	Views business as a consumer satisfying process
7.	Emphasis on staying with existing technology and reducing costs	Emphasis on innovation in every sphere, on providing better value to the customers by adopting a superior technology
8.	Different departments work as highly separate watertight compartments	All departments of a business operate in an integrated manner, the sole purpose being generation of consumer satisfaction
9.	Cost determines price	Consumers determine price, price determines cost
10.	Selling views customers as the last link in business	Marketing views the customers as the very beginning of a business

Seven common elements which distinguish marketing-based companies are:

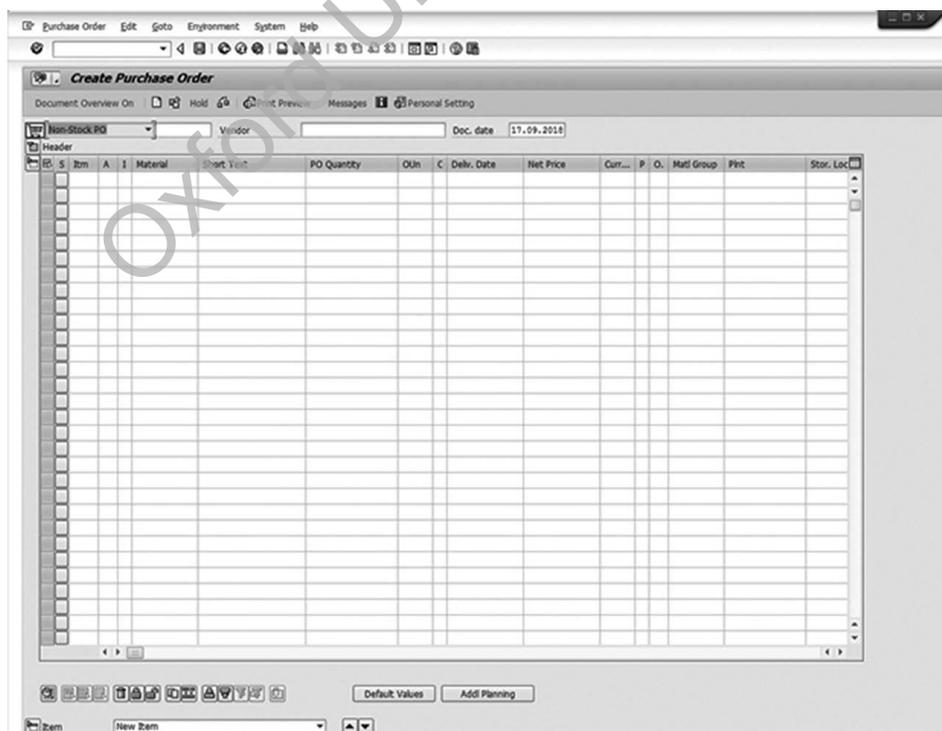
1. They use market share, rather than volume, as the primary measure of marketing success (although if they ignore the cost of acquiring share, profits will be unsatisfactory),
2. They analyse and use market segmentation principles,
3. Marketing-based companies research the process of monitoring customer needs, usage, and trends as well as competitive activity,
4. They evolve a structure or process of coordinating all non-marketing functions towards the achievement of marketing goals,
5. They have set of specific marketing goals and targets,
6. They follow a corporate style and culture where marketing plays a key role, and
7. They follow a market-based business concept that provides a unique value to the customers.

Therefore, selling is inward-looking. It persuades customers to take what the manufacturer has got, in which product development is detached from marketplace. Only when the product is ready, there is a search for a market and customers to persuade. Marketing is outward looking, trying to match the real requirements of the customers. The company looks for a marketing opportunity and creates products as a solution to the customers' problems.

THE MODERN-DAY SALES ACTIVITY

A modern sales job does not stick to the stereotyped classifications of the functions, as explained in the preceding section while distinguishing between sales and marketing. It includes topics such as marketing research, consumer behaviour, and strategic planning for long-term sales gain and for establishing enduring relationship with customers. Today, a salesperson spends only one-third of his sales time on the actual selling function.

They are conducting more of marketing functions such as territory analysis, sales research, market planning, and sales promotion. Salespeople are spending more time on tele-selling, fixing appointments for sales call, and checking the orders and payment patterns which are not part of the core, face-to-face selling function. They provide services to key and national accounts for building future business, travelling to a client's location, administration, and internal meetings.



Example of an SAP Screen

The sales activities and functions are regularly changing. Today, companies are trying to automate sales reporting and forecasting systems and they are opening up gateways for communication flows through systems applications and products (SAP) platforms (see image for example of an SAP screen). The speed at which information and market intelligence reports are generated for quick decision making is higher compared to yesteryears. The salespeople are carrying out different kinds of sales activities at different stages of the selling process.

For example, when a medical representative makes a call to a doctor he is not only providing services to the doctor but also helping the doctor increase his knowledge level on new products. At the same time, he is also collecting marketing intelligence about the type and nature of diseases affecting patients at different points of time.

The level of sales activity that a salesperson does also varies from country to country. In a developed market, a salesperson spends more time on sales presentations whereas in a developing market, he has to do more prospecting to generate leads and make them qualify as prospects. The daily activities of the sales staff are not constant or stagnant, rather they present greater challenges at every point of time to the sales representatives.

THE SALES MANAGEMENT PROCESS

The sales management process in any organization involves three interrelated and dynamic set of decisions and processes. Sales management is the process of attaining sales force goals in an effective and efficient manner through planning, staffing, training, leading, and controlling organizational resources. Any organization with a substantial sales force needs to plan and manage the sales management process and accomplish goals through resource utilization and people management.

The sales management process covers three interrelated steps—formulation of a strategic sales programmes, implementation of the strategic sales programme, and evaluation and control of sales force performance. Figure 1.5 explains the steps and their meanings.

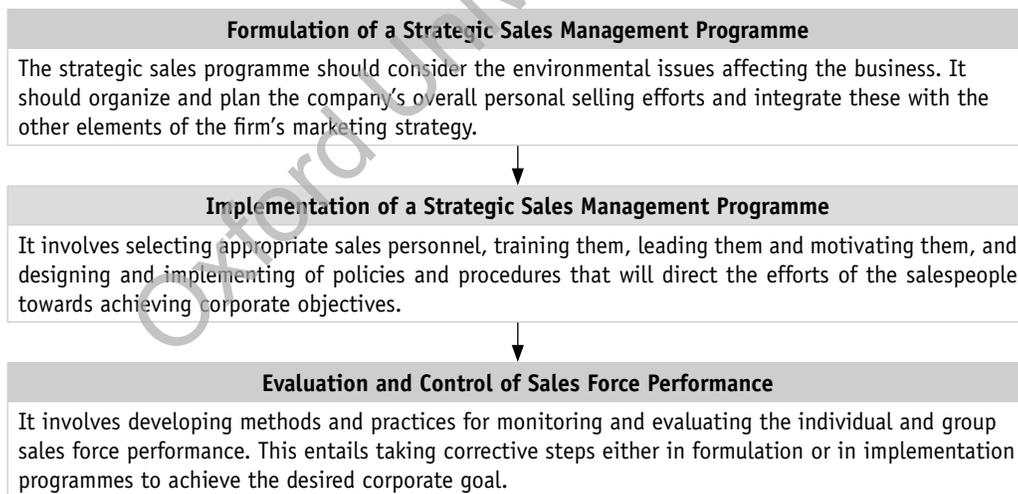


FIGURE 1.5 The Sales Management Process

Formulation of a Strategic Sales Management Programme

This is the beginning of a scientifically designed sales management programme. The sales planner must take into account the influences and constraints imposed by the external environment. The demands of the potential customers and the strategic moves of competitors are two important external environmental factors that a sales manager should take into account. The strategic sales management process formulation is summarized in Figure 1.6.

The other environmental issues taken into account include the legal and political environment, social and cultural environment, the technological and natural environment, and the prevailing economic environment. The organizational environmental factors help in determining the nature of a sales programme. Human and financial resources, the level of capacity utilization, and the

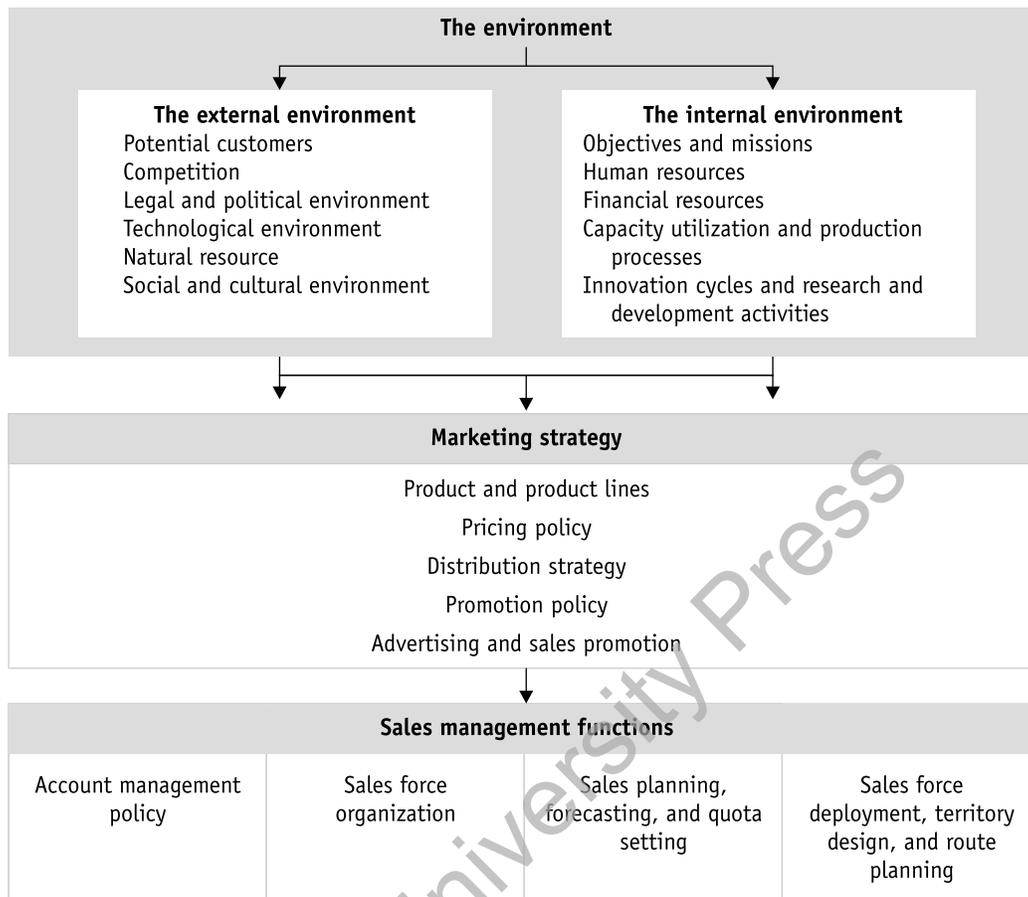


FIGURE 1.6 Formulation of a Strategic Sales Management Programme

innovation cycles prevailing in the environments can help and decide a company's ability to pursue particular types of strategies such as staying in the same market or expanding the market. There are five key decisions that a sales manager needs to take at this stage.

1. The sales manager should decide on how the personal selling efforts can best be dovetailed to the company's environment and integrated with other elements of the marketing strategy. This decision is set to explain the firm's personal selling strategy.
2. The next decision is to find out and decide in what way the potential customers can best be approached, persuaded, and serviced. This means deciding the kind of account management policies the firm should adopt. This is essentially the decision related to sales approach.
3. The third decision is the organization of the sales force to call and manage various types of customers as effectively and efficiently as possible. This is related to the design of sales organization suitable to the market.
4. The fourth decision is related to the level of performance each member of the sales force is expected to attain during the planning period under consideration. This involves decisions related to forecasts, quota, and budget-setting.
5. The fifth decision is related to the deployment of the firm's sales force in the light of the account management policy and demand forecasts. The decision involves deciding on the sales territories and allocation of these territories to the salespeople.

A sales programme must be carefully integrated with other marketing strategies. Personal selling is only one of the tools of sales promotion strategy, which is a part of the core marketing strategy. The sales manager should decide what kind of sales promotion strategy the firm should pursue in view of the firm's product offerings, competition in the market, the available distribution strategy, and the prevailing pricing policy. These decisions will influence the personal selling objectives and organizational deployment of resources to personal selling efforts.

Implementation of a Strategic Sales Management Programme

Implementation of the strategic sales management programme involves motivating people and directing their efforts and energy towards the achievement of the corporate goals. A sales manager needs to understand the reasons behind the behaviour of people and their level of commitment towards the organizational goals. There are five factors that influence the job performance and behaviour of salespeople.

The ability of the salespeople to achieve the desired level of outcome is always influenced by the environment in which they operate. On many occasions their job behaviour is influenced and sometimes constrained by the environmental factors such as the situation in the market, the level of competition, the market demand for the category, and the condition of the economy in providing consumption power to the end-users.

In many situations, the condition of the economy influences the organizations so much that their demand pattern is moderated by the end-user demand. In organizational selling, the demand of the secondary industry is influenced by the income level and purchase intent of the end consumers, hence affecting the sales performance level of the sales staff in the primary industry.

Other elements of the marketing mix, such as the perceived quality of the product, the pricing policy followed in the market, and the level of promotional support, also influence the sales performance of the people in an organization.

A salesperson should be clear about his job profile and the methods he should follow to execute the desired role in the organization. Any ambiguity in the job description and expectations and demands of other people from the salesperson, within or outside the organization, may create role confusion.

A salesperson's job is defined by the roles and expectations of the sales manager, the marketing manager, his family members, and other employees in the organization. The salesperson's ability to understand these roles will decide his performance level. This is termed as role perception in the organization. He has to face conflicting situations in the organization while executing his job. For example, he may have to handle a customer who is very price sensitive and enjoys hard bargaining whereas the company policy may not permit him to close the sale with a bargain. His ability to handle situations like this will decide his success level.

The performance of a salesperson is also influenced by his ability to perform the job. Personal characteristics, personality traits, level of intelligence, and analytical ability to comprehend the selling situations will decide his success level in the sales field. No matter how much a salesperson tries, he will not succeed unless he has an aptitude for selling.

As different kinds of selling demands different kinds of role expectations, a person successful in a particular job may fail in another role in the same or a different organization. Even when a salesperson has the aptitude to sell, he may lack the skill required to carry out the specific job. The salesperson should have adequate knowledge about the product market conditions, competitor product information, and should also have the knowledge about and training of closing a sale through effective presentation.

A mere commitment to the job may not bring a highly motivated sales force to the organization. The salespeople should be motivated enough to stay committed to the job and contribute incessantly. A salesperson's motivation level is related to his expectations of rewards from the organization at different levels of performance and the practice of rewarding people in the organization. People stay committed due to the expected rewards in financial terms, job enrichments, or promotions.

Sales managers use various policies and procedures to influence the ability of a salesperson to sell more. They can also influence the aptitude, skill levels, role perceptions, and motivation of the sales force. Implementation of an effective sales management programme involves designing of policies and procedures to recruit the right kind of people, training them and helping them acquire adequate skills to perform better, and motivating them to achieve higher than their normal commitment levels. The policies should be the guiding force in deciding what kind of job behaviour and performance is desired from each salesperson and how they can be shaped and directed towards achieving organizational goals.

A sales manager should decide what kind of aptitude is required for performing the selling function and then should go to develop the recruitment and selection criteria to ensure that the right kind of people with right ability and capabilities are hired for the enterprise. A salesperson improves his skills and ability to sell by practice and through experience.

But it is not prudent to leave him on the field to learn by trial and error as it may affect the company's reputation. Good companies develop training modules to train the new sales force before they go on the field. In many companies, the salespeople are trained regularly to increase their knowledge regarding the emerging global competition and the application of technology in the selling function.

Therefore, training is an ongoing process to upgrade the knowledge and skill level of the sales force. A sales manager should decide what kind of selling skills and knowledge are required for selling the products, and then design sales training programmes and introduce them for enhancing the efficiency level of the sales force.

After the training programmes are over, the sales staff needs to go and work in the field. In many instances they face conflicting situations and need guidance in executing their duties. So in situations like these the sales managers need to develop effective supervision policies and procedures so that the salespeople can obtain advice and guidance from the management. A supervision policy should give enough freedom to the sale force to apply creative selling skills in realizing a sale.

A salesperson's level of motivation is a function of his intrinsic desire to be successful and the extrinsic desire to obtain rewards from the organization for a given level of job performance. A sales manager should determine what rewards are important and desirable by the sales force and develop motivational plans and compensation mechanism to reward the successful salesperson.

A compensation programme involves financial and non-financial rewards. The non-financial rewards programme includes recognition programmes, promotions to better territories or management positions, or opportunities for personal development. Figure 1.7 explains the steps and process involved in the implementation of a strategic sales management programme.

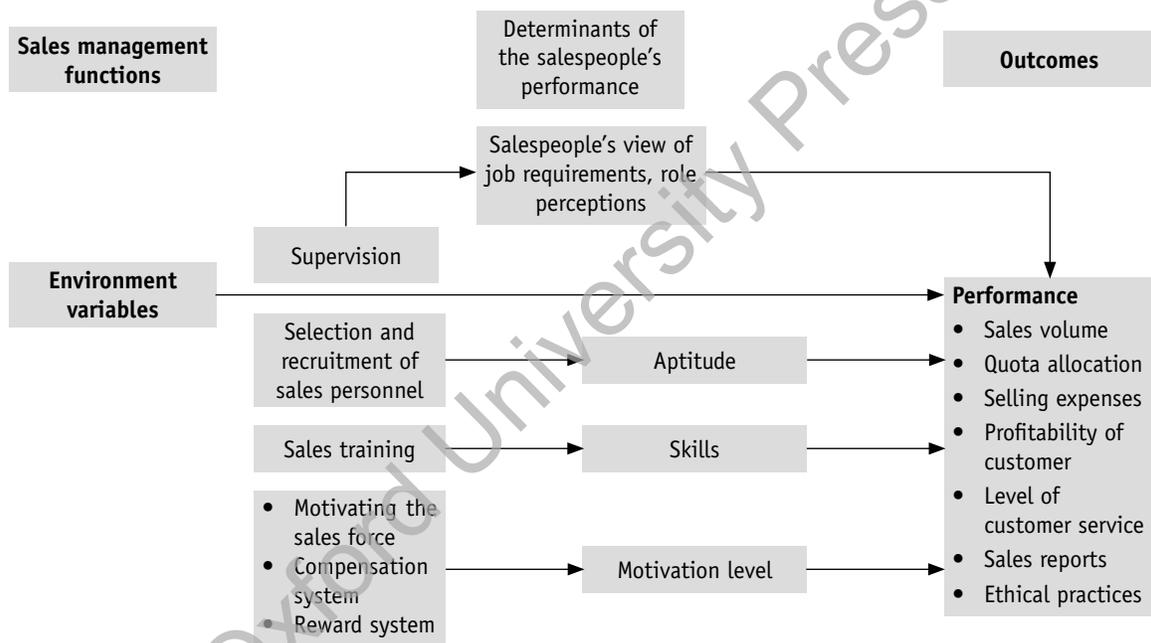


FIGURE 1.7 Implementation of a Strategic Sales Management Programme

Evaluation and Control of a Strategic Sales Management Programme

It is necessary to have an effective control and evaluation system to implement a reward system in a sales organization. The performance of every salesperson should be measured and evaluated. Many organizations have a well-structured reward system based on the sales performance. Wipro's consumer product division uses a structured performance measurement system based on all the activities of a salesperson in the organization, which includes the sales calls made, prospecting done, and information collected on market behaviour, and the annual sales volume and customer satisfaction index generated by an employee in the area or territory of operation.

It is important on the part of a sales manager to monitor the overall sales management programme to check its level of achieving the desired level of marketing goals set in the marketing strategy. A successful sales programme also needs monitoring as the environment undergoes changes faster than expected.

Hence, a sales manager needs to keep a tab on the changing landscape of competition, the entry of new players in the business, changes in the economic conditions of the country, changes in the consumer profile, consumer intention in buying a specific brand again and again, and effectiveness of all other components of the marketing programme.

Changes on above variables may make a successful marketing programme redundant and the company may lose the market share. Therefore, overall performance of a sales programme should be measured frequently and compared with the intended

planned activity. If observed and monitored carefully, sales managers can make timely interventions to adjust the strategy to the changing market conditions.

Several performance dimensions can be measured and evaluated. Data collected on sales volume, market share, profitability levels, cost of customer acquisition, the quality of service expected and provided to the customers, timeliness, and truthfulness of the call reports help a sales manager to take correct decisions regarding the future course of action. There are three major variables measured for evaluating and controlling a sales force. Companies conduct sales analysis, cost analysis, and behavioural analysis to monitor sales programmes.

Each salesperson's sales volume can be monitored and measured against the quota allocated to him. These sales figures can be broken by territory, by product line, by customer types, and results can be compared with quota and forecasted sales in these areas. This method is called sales analysis.

Similarly, cost analysis can also be undertaken in organizations by the sales managers. The costs can be evaluated on the basis of an individual sales man, territory, product line, and customer type. When these data are combined with the sales analysis, a sales manager can find out not only the profitability on segment to segment basis but also the overall customer profitability.

Cost analysis poses a challenge of distributing the administrative costs and overheads on sales accounts and among salespeople or product lines. The third kind of analysis is called behavioural analysis. Thomas Bonama proposed the behavioural evaluation model for the performance evaluation of the salespeople. The ability of the salespeople to achieve a certain level of sales is sometimes beyond the control of a sales manager due to the level of competition and nature of economic condition prevailing in the country. Therefore, salespeople's actual behaviour should be evaluated with the sales volume and profit generated by each one of them. There are various techniques such as self ratings, supervisor's evaluation, self appraisals, field observations, and survey of customer satisfaction used in behavioural analysis. Although sales analysis is a traditional method of performance evaluation, many modern organizations use a combinatorial method of performance evaluation.

EMERGING TRENDS IN SALES MANAGEMENT

The field of sales management is changing according to the changes in the area of personal selling. These emerging trends are affecting the business practices and orientations in the organizations. We will now discuss six emerging trends in the field of sales management in the following paragraphs. The six emerging trends in sales management process is presented in Figure 1.8.

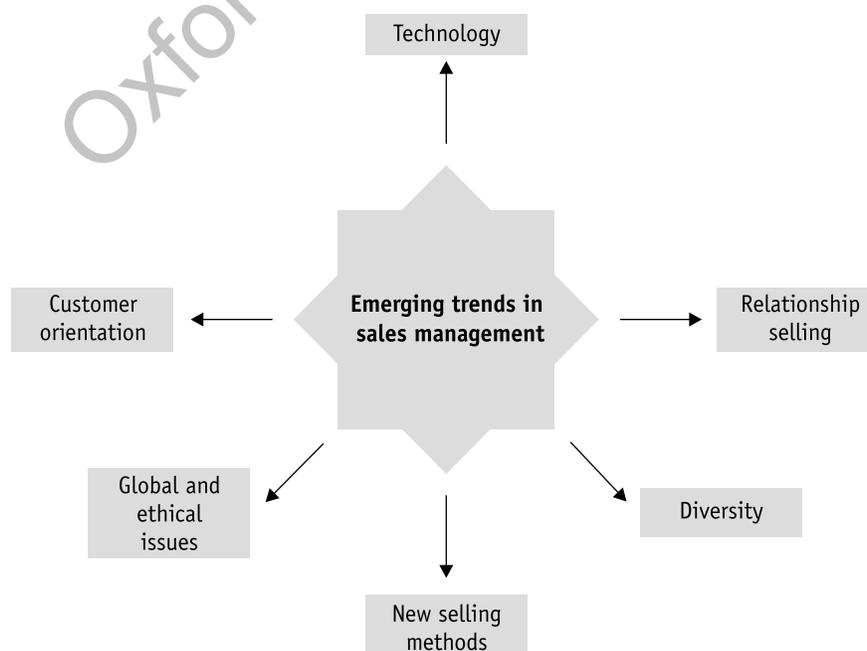


FIGURE 1.8 Emerging Trends in Sales Management

The most important is the customer orientation in Indian organizations. Structures, systems, and processes are designed around customers to give them high value products and services, deliver more satisfaction to the customers, and retain customers for a longer period.

This proposition is completely different from the concept of transaction relationships in traditional sales management. The traditional sales management was more product-driven, whereas modern sales management is more oriented towards mapping customers' needs and delivering products to satisfy customers' needs. Service, quality, and low cost have become customer expectations.

Buyers change suppliers more often if they are dissatisfied with the quality of support and service provided. Brand loyalty is no longer assumed and salespeople must work hard to keep a hold on their customer base. If an organization wants to remain in business for a long time, it must practise it while providing high quality goods or services. Customer orientation requires a higher level of commitment from sales resources to ensure that customer needs and wants are met satisfactorily. This added commitment means that resources must be stretched or new methods of sales effort and services be found.

This kind of customer orientation demands exploring newer methods and techniques of selling. The traditional selling process of individual salesperson calling on an individual buyer is fast disappearing in many industries. It is observed that in the late 1980s and 1990s, many organizations started using non-traditional methods of selling such as telemarketing, key accounts management, part-time sales force, team selling, and Web-based e-selling techniques.

A company such as Baze.com started selling through Web-based platforms whereas companies such as Videocon used sales teams to make sales presentations.

In the industrial sector, software companies have turned to cross-functional selling for the sale of enterprise-wide solutions. A cross-functional sales team comprises people across all the functions, such as sales, marketing, finance, operations, and human resource, so that a holistic picture of customers' problem can be snapped and solutions can be developed for them.

A company such as priceline.com in the US uses a Web-based sales model and practices reverse auctioning as a successful method of selling. In a traditional auction model, people quote high for a deal, whereas in priceline.com, the customers go for the lowest prices and a deal is struck by matching the offer of sale of the customers.

This non-personal form of intermediation is found in many sectors such as hotel, travel, and airline industry in the US. Companies such as Cummins Engineering also develop teams with sales and technical people as members to take note of customers' requirements and develop solutions or customize the product offer to match customers' problems.

The basic objective of reorienting the selling strategies is to build relationship with customers. This has changed the selling process from transactional selling to relationship selling. It implies that the selling-buying process is a continuous stream of transactions rather than a single business of exchange.

The long-term association between buyers and sellers becomes the focus of business with the customers. It is observed that keeping a satisfied customer is more profitable than gaining a new customer.

The cost of acquiring a customer is increasing day by day, whereas if one is able to retain the profitable customer, it has a unique advantage in business. Companies rely more on retaining customers than acquiring new customers through a process of relationship selling and customer relationship management programmes.

Data from customer interactions are collected and mined to find out implications for customer decision-making, and relationship programmes are built around the new found customer intelligence. Companies such as HCL technologies in India appoint full-time employees at the client's place for solving any problems relating to computer hardware.

GE and other leading players have opened back office operations in India to attend to customer complaints and route them to appropriate channels for faster redressal through call centres and real-time interaction points on the Web. Most of the Indian software companies also appoint sales and maintenance staff at clients' project sites to solve any immediate problem.

All these are part of relationship selling where the existing customer is taken care of in a better way and profits are generated by retaining the customers. Many firms launch customer loyalty programmes such as the Jet Airways programme on Extra Miles for the frequently flying customers. A relationship selling strategy demands the sales staff to develop long-term relationships with their customers.

These relationships should be built across the enterprise and with a wide range of individuals within the buying organization. This allows sellers to up-sell the newer and high-value products and cross-sell the other categories to the same set of customers, thereby increasing the profitability out of each customer.

As we have observed, there is a need to collect a large amount of customer data and build models to forecast the likely behaviour of customers. This forecasting has to be ably supported by faster design of solutions and faster communication with the customers about the new product offerings.

Today's enterprises are also undertaking unparalleled cost-cutting steps whereby the demand for information of vendor's cost structure is rising. Newer frontiers of emerging technology is not only solving the problems of the traditional businessmen but also posing newer challenges to the salespeople.

Organizations are adopting technology and integrating their businesses across the enterprise so that all the departments are aware about the changing need patterns of the customers and can gear up resource commitments towards satisfying customers' evolving needs. Probably no single variable has made such an immediate impact on the sales world as has the changing world of technology.

Technology is having an impact in two ways: in terms of the selling function as a whole, and also in terms of the performance of the selling function by an individual salesperson.

Newer technology has made it possible to automate the sales force. Organizations have integrated their requirements with vendors and vendors also have adopted systems which are compatible to the enterprise-wide solutions of their customers. So there is no need of a sales call to be made with the routine customers.

Technology has made the organizations aware about their customers' need patterns, and supplies are fed into the system as and when demand arises. This has reduced the role of the salesperson as an order taker. These order cycles are linked to payment cycles also, whereby the cash is automatically transferred to the seller's account from the buyer's account and there is no need for a follow-up to realize the sales proceeds. This has directly reduced the cost of maintaining a back-up sales force for these routine activities.

The buyers are benefited as they get fresh shipments and their inventory carrying cost is lowered due to the supplier's attention to the needs of the buyers. Tata Motors has integrated around 56 suppliers to its automated supply chain management system. Under this system, the vendors, with desired quality specifications, supply uninterruptedly to the organizations and the receipts for them are automatically cash transferred.

Maruti has a sales automation process whereby all the dealer networks are linked to its production process at the Gurgaon plant and the production of different types of cars are linked to the demand patterns in the marketplace. This kind of flexible manufacturing system is possible due to the adoption of integrative technology. Companies such as Archies and Hallmark use data derived from bar codes scanned at the check-out counters of retailers to supply information to their salespeople.

This information allows the companies to supply the retailers with tailored displays and promotions designed for the retailers' customers based on their buying preferences. Pharma majors such as Torrent and Pfizer also use technology to augment the job of their salespeople and manage the demands in the marketplace.

Another aspect of adoption of technology has been the way the salespeople perform their jobs. Many Indian companies provide hardware support in the form of notebooks to their salespeople for data recording, transmission, and retrieval for faster access to customer order information, price data, and bid specifications. More and more salespeople can now work from their homes through computers, faxes, copiers, voicemails, and cellular phones.

The Web-based technology has improved their virtual presence on the job in the form of faster reporting and better information feed to the organization. The emerging wireless technology has brought another world order in which the decisions on quotations, inventory level, supply cycles, and wait-in periods are taken on a real time basis at the client site also.

The use of various networks such as www.indianrailways.com or www.jetairways.com and similar websites help the salespeople to speed up the reservation process, send email to customers from home, workplace, and while traveling, and access banking information about new products and services of competitors from the websites. All these technological changes have improved the sales efficiency, and demand a different pattern of selling professionalism unheard of in the past.

Business world is under a flux due to the emergence of new enterprises including virtual organizations. Sales organizations are looking for diversity in experiences, background, culture, and frames of reference for their sales personnel. Organizations must approach diversity in a serious way due to the diversity in culture, practice, and rituals in India.

Organizations should have counselling programmes on gender awareness, cultural sensitivity, and disability awareness to promote a harassment-free workplace. As the business is going global and the virtual organizations have made it possible for the small firms to compete with large firms, a global, multicultural workforce is emerging. This needs a radical attention to the way sales management practices including working hours and travelling norms are decided.

The global and ethical issues strongly influence the sales management practices across the world. Various legislations governing different countries influence the business decisions of enterprises. Hence, they guide the business practices in different countries, which may pose different challenges to the salespeople in each of these countries.

The global legislations such as the General Agreement on Trade and Tariff (GATT), the changes due to World Trade Organization (WTO) pacts, and the emergence of legislations on environment make it binding for a sales force to look at the emerging issues in the business world and take corrective actions for business success. The growth in consumption in the emerging markets, such as China, India, and Malaysia, demands special attention to be given to the structure, approach, and nature of sales force and selling techniques.

This has given a boost to international travel for the salespeople, and has increased competition in domestic as well as international markets. As organizations have begun competing globally, the ethical issues and norms conducting businesses have also emerged.

Maintaining a certain level of ethical norm is a part of responsible commercial success. There are ample cases of bribery and cheating in the world of sales in Indian market and organizations are being blamed and ridiculed for the misconduct in business. Salespeople are now evaluated on the basis of ethical practices in realizing a sale. More and more companies are now moving to an ethics-based corporate philosophy.

SUMMARY



The nature of personal selling and sales management is outlined in this chapter. This chapter gives an overall idea of the scope of this book.

A successful sales management programme does not exist in vacuum. A sales manager has to build a successful sales management strategy keeping in mind the available resources, internal environment of an organization, external environmental factors such as prevailing economic conditions, level and intensity of competition, and the stage in the life of the available technology.

Personal selling is a personal mode of communication between a salesperson and the potential customers. Sales management is the process of organizing resources, planning for the future course of action for the enterprise, and managing sales force.

Personal selling is the most widely used promotional technique. A salesperson is the primary point of contact between a customer and an organization. Many a time, a salesperson represents the organization and impressions built on the salesperson make or mar the prospect of the business. Technological advances are affecting the way salespeople perform their jobs and the manner in which sales functions are accomplished today.

The revolution in information technology and the emergence of the Internet has affected the sales function more than any other activity of management.

Companies are using enterprise-wide solutions and integrating their business practices with customers so that the cost of serving the customers can be kept low and inventory carrying cost can be minimized. Sales force automation has made the job of a salesperson easier as he does not have to put extra efforts for realizing repeat sales. There are various trends emerging in the sales world today. The orientation is more towards relationship selling than transaction selling.

Sales management involves a strategic planning process where sales strategies are formulated, implemented, and the performance of the salespeople is evaluated through a monitoring and evaluation mechanism. Though sales management is perceived as a push strategy, modern sales management has bridged the gap between sales and marketing.

An increasing member of companies are focusing more on customers than the product, and are designing organizations, strategies, and principles according to the customers' needs and wants.

KEY TERMS

Cross-functional selling This involves a team of people bringing together expertise from different parts of the supplier organization to capture, retain, and increase business with customers.

Industrial selling This is the selling process followed to satisfy the industrial customers and big organizations including the government establishments.

Marketing concept This concept proposes that the reason for success lies in a company's ability to create, deliver, and communicate a better value proposition through its marketing offer.

Personal selling It is a personal communication of information to persuade a prospective customer to buy something—a good, service, or idea—that satisfies an individual's needs.

Product concept It is the proposition that consumers will favour those products that offer attributes such as quality, performance, and other innovative features.

Production concept It proposes that customers will choose the products and services that are widely available and are of low cost.

Relational selling It is a level of relationship marketing in which the seller contacts the customers after the purchase to determine if they are satisfied and have future needs.

Retail selling This is the front-door sales process that a customer encounters when he visits a retail store.

Sales management It is the attainment of sales force goals in an effective and efficient manner through planning, staffing, training, leading, and controlling organizational resources.

Selling concept It proposes that customers will not buy enough of an organization's products unless they are persuaded to do so through selling efforts.

Service selling This is the selling process where the salespeople sell services to customers.

Technological environment This is the environment that influences the selling process due to adoption and evolution of technology in the industry and company in general.

CONCEPT REVIEW QUESTIONS

1. What is the difference between selling, sales management, and marketing management?
2. What role does sales management play in marketing?
3. What are the different types of selling? Explain industry selling, service selling, and retail selling.
4. What are the emerging sales management trends and how are they affecting the role and functions of a salesperson?
5. Why people are giving importance to relationship selling? What added advantage does it provide to the sales managers?
6. What are the key constituents of a strategic sales management process? What key decisions a sales manager has to take at different stages of the sales management process?
7. Differentiate between production orientation, product orientation, and marketing orientation.



CRITICAL THINKING QUESTIONS

1. It is estimated that the first year cost to automate information handling and customer account data for a field salesperson is ₹35,000. This includes the cost of hardware, additional telecom charges, and insurance for the equipment. This is for a small pharmaceutical company having a turnover of ₹300 crores and headquartered in Gujarat with a countrywide sales network. There are 70 salespeople in the company. How will you justify the expenses on sales force automation to your sales vice president?
2. The Indian steel sector faces stiff competition from the cheap Chinese imports in steel scrap industry. Many steel scrap sellers have reduced their costs by downsizing the sales staff and reducing the number of sales calls. Ispat Alloys, on the other hand, has instructed its salespeople to make frequent calls to a large number of customers. The salespeople are motivated to take a share of the additional profit that they will generate with this exercise and in the process satisfy management's desire to gain market share. What is the role of personal selling in the steel scrap industry and in Ispat Alloys? Do you think this strategy will work?
3. Tata Timken markets heavy equipment ball bearings in India. They had a countrywide sales network of 120 salespeople but the sales were stagnant and the organization was in the red. As a restructuring practice, the company decided to follow a different selling model and fired the entire sales staff. They appointed 55 independent manufacturer's representatives. Manufacturer's representatives were not employed in the company and they sold goods of other companies as well. The representatives sold various other items with the ball bearing equipment. The sales picked up, old customers came back to the company, and new customers also started buying. What reasons can be attributed to this development? What were the advantages and disadvantages of appointing manufacturers' representatives compared to the company's salespeople?



PROJECT ASSIGNMENTS

1. Visit the website www.jobsahead.com and analyse the services available from a sales manager's point of view and prepare a fact sheet covering what kind of organizations are advertising on the site for the sales job and what kind of avenues are open for the applicants.
2. Prepare a list of companies that you would wish to join and list their uniqueness and conditions of employability from articles and news clippings published in newspapers and magazines. Visit their websites and rate them accordingly. Give reasons for your rating.
3. Visit a retail store and interview 10 salespersons on the basis of their selling approaches? Evaluate them on the basics of their customer orientation?
4. Conduct a survey of 20 medical representatives and identify the reasons of their working in a particular company, how are they compensated and evaluated, what is their sales target, and how long have they been looking for working in this company. What are the reasons for them to leave the company, if at all they are planning to do so? Prepare a report on the basis of this and submit to your instructor.

CASE STUDY 1.1

Vishal Julka's Dilemma

Mr Vishal Julka works in a company that manufactures quality writing pens called Victoria and markets them in India through its own sales force and retail channels. It is already 7 p.m. but he is still in his office tying up loose ends of his work with a hope that tomorrow will be a better day for him in the office.

He is the regional sales manager of the company and looks after the western Indian market. He has to see a few files and answer a few phone calls that have come over the day and he has not been able to respond due to his office work. He wonders whether, being a middle level manager, it is his job to promote sales, travel a lot, and also plan for the sales staff. He has to meet his clients and also talk to regional distributors regarding market expansion.

Today is not an exception to any of the days in office. He went early to office to meet Sandeep Singh, the regional sales manager of south India, to finalize a joint sales forecast that they are planning to prepare for the coming year. Working with Mr Sandeep is not an easy job. He is a hard task master and does not compromise a bit in his work.

He also called up the production managers of two of the plants located in Goa to find out the reasons for delay in the supply of the new range of pens to the west Indian market. The production people are not normally responsive to the market demands and they do not realize that the retail outlets have to keep a higher inventory level at this time of the year as educational institutions are going to open by 15 June across western India.

The new product lines were test marketed last December and showed a big promise for the market. The phone calls were taking more than the normal time but he was able to speak to the production people by 11 a.m. Vishal was able to concentrate on the major projects he had planned for the day. After perusing for weeks he was able to collect the sales call reports of the sales representatives of his area for calculating total sales generated by each salesperson and find out the productivity and profitability of each salesperson in his territory.

He has a strong feeling that the productivity of the salesperson can be improved by redesigning the territories and adjusting each salesperson's area and quota for the territory so that they have to travel less and attend to the retailers more often than in the previous design. This is a major project and he needs to present this restructuring plan in the next meeting with the vice president (sales).

Vishal went out of the office to the nearest Domino's Pizza point for a little longer than the normal lunch break. When he came back to office, he found a long list of phone calls he had to attend to immediately, including a phone call from vice president (sales). When he called the vice president (sales), he came to know that he had to allocate a major part of next day's time to present a new incentive programme at the area sales officers' meeting to be held at Hotel Taj, Mumbai.

He wondered how many hours he would have to travel as there would be heavy traffic and it would take him more than an hour to reach the hotel to be in time for the presentation. The VP (sales) assured that all the material would arrive at his desk by late evening from his office and the presentation had to be prepared the same evening for next day's meeting.

After attending a few phone calls he could come to the territory redesign project by 3.30 p.m. Just after that he had an appointment with one area sales manager (ASM) and had to spend at least an hour discussing the problems of his area and suggest some corrections in the sales promotion programme carried out in the area for the retailers. Then he had to collect the daily market reports over phone from two of his area sales managers.

Mr Vishal looked at his watch and a write-up on the wall. The write-up read 'so much to do, so little time.' He took a breather and closed his eyes for a moment. It was about 7 p.m. and he realized there was no point in making official calls to the warehouse as most of the people in the warehouse must have left for home.

The whole day had slipped out of his hand. He remembered that he had promised his wife to take her for dinner tonight as he had missed her birthday due to official engagements last week, but it seemed that he would cut a sorry figure again this time. He still had the material from the VP (sales) for review and a presentation to make next day.

He had to find out a way to motivate the field sales force through the reward system and achieve the additional sales that had been planned for the new product line. The redesign of the territory was just a small assignment. He thought what else he could do in the evening so that the coming day would be better organized. He was thinking of calling home and saying sorry to his newly married wife Salinee.

It had been more than three weeks and he had not been able to take his wife out for dinner. He thought that the only time he really had no work was when he went to the pizza corner across the road for his lunch. Many a day he feels so tired that he sleeps without dinner and the latest health report says that his cholesterol levels are alarmingly high.

Questions

1. Analyse Vishal's job. Is it worth doing so much, at the cost of so many things?
2. How is Vishal's life similar to any salesperson's life in general? What difference did you find between your life and that of Vishal?
3. What managerial skills are described in this case? Which skill is more important for Vishal to possess? Why?
4. Why do you think that Vishal is handling too much (if you think so)? Is there a way out?
5. Can Vishal manage his life in the long run? If so, please give suggestions.

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