Sales and distribution management. 18MBA302A

Sales management in an organization is a business discipline, which focuses on the practical application of sales techniques and the management of a firm's sales operation. It is done in an efficient and effective manner through planning, staffing, training, leading and controlling organizational resources. Sales management is done by Sales Managers and they are responsible for generating sales, profits and customer satisfaction.

Skills of a Sales Executive

Sales management is an art where the sales executive or the salesperson helps the organization or individual to achieve its objective or buy a product with their skills.

The following are some skills that a sales executive needs to possess −

Conceptual Skills

Conceptual skill includes the formulation of ideas. Managers understand abstract relationships, improve ideas, and solve issues creatively. The sales executive should be well versed with the concept of the product he/she is selling.

People Skills

People skills involve the ability to interact effectively with people in a friendly way, especially in business. The term 'people skills' involves both psychological skills and social skills, but they are less inclusive than life skills.

Every person has a different mindset, so a sales executive should know how to present the product depending on the customer's mindset.

Technical Skills

Technical skills are the abilities captured through learning and practice. They are often job or task specific. In simple words, a specific skill set or proficiency is required to perform a specific job or task. As a part of conceptual skills, a sales executive should also have a good grasp on the technical skills of the product.

Decision Skills

Decision skills are the most important because to tackle the questions from consumers, sales executive should always have the knowledge of competitors' products and take a wise decision.

Monitoring Performance

Sales executives should monitor the performance of the employees and report to higher management to improve the performance and fill the loop holes.

Thus, conceptual skills deal with ideas, technical skills deal with things, people skills concern individuals, technical skills are concerned with product-specific skills, and decision skills relate to decision-making.

Importance of Sales Management

Sales management is very crucial for any organization to achieve its targets. In order to increase customer demand for a particular product, we need management of sales.

The following points need to be considered for sales management in an organization −

- The first and foremost importance of sales management is that it facilitates the sale of a product at a price, which realizes profits and helps in generating revenue to the company.
- It helps to achieve organizational goals and objectives by focusing on the aim and planning a strategy regarding achievement of the goal within a timeframe.
- Sales team monitors the customer preference, government policy, competitor situation, etc., to make the required changes accordingly and manage sales.
- By monitoring the customer preference, the salesperson develops a positive relationship with the customer, which helps to retain the customer for a long period of time.
- Both the buyers and sellers have the same type of relationship, which is based on exchange of goods, services and money. This helps in attaining customer satisfaction.

Sales Management may differ from one organization to the other, but overall, we can conclude that sales management is very important for an organization for achieving its short- and long-term goals.

Objective of Sales Management

Every organization has an objective before initializing functions. We need to understand the goal of managing sales. Here we are discussing Sales Management in terms of its objectives.

Sales Volume

It is the capacity or the number of items sold or services sold in the normal operations of a company in a specified period. The foremost objective of sales management is to increase sales volume to generate revenue.

Contribution to Profit

The sales of the organization should contribute to profit, as it is the only revenue generating department. It can be calculated as the percentage or ratio of gain in total turnover.

Continuing Growth

One of the main objectives of Sales Management is to retain consumers to continue growth of the organization. There should be regular expansion of sales and demand for an item in the market with new advanced formulation.

These are the major objectives a sales executive has to focus on in sales management.

According to B.R. Canfield, "Sales Management involves the direction and control of salesmen, sales planning, budgeting, policymaking, coordination of marketing research, advertising, sales promotion and merchandising and the integration in the marketing programme of all business activities that contribute to the increased sales and profits."

<u>Sales management process</u> have three stages:

1. **Formulation of a Strategic Sales Programme**
2. **Implementation of the Sales Programme**
3. **Evaluation and Control**

Formulation of a Strategic Sales Programme

The strategic sales programme should consider the environmental factors faced by the firm. It should organize and plan the company's overall personal-selling efforts and integrate these with the other elements of the firm's marketing strategy.

Implementation of the Sales Programme

The implementation phase involves selecting appropriate sales personnel as well as designing and implementing policies and procedures that will direct their efforts towards the desired objectives.

Evaluation and Control

The evaluation phase involves developing methods for monitoring and evaluating the performance of the sales.

Objectives of Sales Management

1. **Quantitative Objectives (Short-term)**
2. **Qualitative Objectives (Long-term)**

Quantitative Objectives (Short-term)

1. To retain and capture market share.
2. To determine sales volume in ways that contribute to profitability.
3. To obtain new accounts of given types.
4. To keep personal expenses within specified limits.
5. To secure a targeted percentage of certain accounts of a business.

Qualitative Objectives (Long-term)

1. To do the entire selling job.
2. To service existing accounts, (customers).
3. To search and maintain customer cooperation.
4. To assist the dealer in selling the product line.
5. To provide technical advice wherever necessary.
6. To assist in training of middleman's sales personnel.
7. To provide advice and assist the middlemen.
8. To collect and report market information of interest and use to the company

Sales Management Functions

Sales management is viewed as having a systematic relationship with each other. All functions and activities are considered as a dynamic process, composed of numerous interrelated parts, aiming to achieve the organizational sales objectives

Different sales management functions are:

1. **Managerial functions**
2. **Staff functions**
3. **Advisory functions**
4. **Liaison Functions**

Managerial functions

Planning

- Forecasting demand
- Sales territory planning
- Personal selling
- Promotional efforts.

Organizing

- Structure
- Resource allocation
- Responsibility assignment
- Delegation of authority

Direction

- Leadership
- Motivation
- Communication
- Promotional steps including personal selling

Control

- Delegation
- Quota fixing
- Performance evaluation
- Incentives

- Budgets

Co-ordination

- Liaison
- Integration of various elements internally
- Public Relations
- Creating goodwill

Staff functions

1. Recruitment and selection.
2. Deployment and evaluation of performance
3. Training and development.
4. Career development.
5. Compensation and incentives.
6. Motivation and empowerment.

Advisory functions

1. Product attributes/quality aspects.
2. Pricing policies.
3. Promotional steps
4. Personal selling aspects.
5. Distribution policies and channel selection criteria.
6. Advertisement policies such as media selection and target audience.
7. Transportation and warehousing aspects.

Liaison Functions

1. Production department.
2. Finance department.
3. Marketing department.
4. R & D department
5. Distribution network
6. After Sales Service department

Sales organization:

Sales organization is a department in company within logistics that designs the company as per the sales requirements. Sales organization is held responsible for the sales and distribution of goods and services.

The selling unit is represented as a legal unit. The salesperson plays a crucial role in the sales company because he/she is answerable for many activities in the company. **Some of those activities can be listed below**.

- **Setting selling and profit objectives** − The salesperson is involved in setting the objectives of selling the product and generating the profit.
- **Marketing policies** − The salesperson has to set the marketing policies and plan accordingly.

- **Designing personal selling strategies** − They also have to set up their own strategy to generate sales and to target and retain the customers.

They co-ordinate with other departments as well, for example, advertising, sales promotion and distribution, to chalk out a sales programme, which helps in generating sales. It also helps to find any loop holes and fix the issues.

Characteristics of a Sales Organization

Let us now understand the characteristics of a sales organization −

- A sales organization subsists of a group of people who handle different activities like distribution, advertising selling etc.
- It works to achieve the sales objectives, like increasing sales volume and maximizing profit and market share of the company.
- It specifies the responsibilities and duties of the salesperson and also co-ordinates their activities with other departments.
- It helps to develop a relationship with the other personnel in the organization by setting up a sales programme.
- General Sales Manager is the head of the sales organization.

Thus, sales organizations help the company in achieving targets and building coordination with sales personnel. Now we shall see the importance of sales organization.

Significance of Sales Organization

Let us now understand the significance of sales organization.

1To plan purchase

The sales of the company depend on the sales anticipation. The sales will increase only when the consumer purchases the goods or services. Therefore, the company has to plan the sales according to the consumer need and want, meaning where they want the product, what they want etc. The planning and development is done accordingly to satisfy the need of consumer.

2To create pattern of demands for products

The demand of the product is created to lead to sell in the market. When a product is manufactured in the factory, it is not sold automatically. Salespersons push the product to consumers. But even they cannot force the consumer to buy the product. The sale depends on the consumer’s need and perception. This need is created by the selling skills, promotions through advertisements, etc., which in turn help in creating demand in market.

3.To handle the orders received

This is an important step where the salesperson has to answer the calls and queries of the customers, receive orders and make the product ready as per the demand of consumers.

Finally, the products are packed and dispatched as per the expectation of consumer; all these are imperative and effective tasks.

4.To collect the dues

Sales cannot always be done for cash. Bulk sales are made on credit. It's very difficult for an organization to perform only on the basis of cash sales; in this competitive market, credit sales play a crucial role.

After the credit sales have been done, the organization has to collect dues. It is a very challenging task as the salesperson has to retain the business and still get the task done.

5.To handle the task of personnel management

Every organization wants best sales personnel to enhance the sales. This depends on training. The organization has to select, train, motivate, monitor and control its sales personnel. Here the company has to make an investment in sales personal.

In summary, we can conclude that there is an immense impact of sales organization on a company.

Types of Sales Organization

An organization is designed in a manner where we can identify the work or activity performed by an individual or group. The roles and responsibilities are defined, which helps in building relationships to enable people to work effectively and efficiently. This helps in achieving the goals of the organization. The following are the four types of sales organizations −

1Functional Type

Functional type of organization is divided and classified on the basis of the functions performed. The following illustration shows a functional type organization.

This depicts the functional type organization. We will now discuss the advantages and disadvantages of this type.

Advantages of functional type

The following are the advantages of a functional type of organization −

- **Specialization** − In the figure, we can see the division has been made according to the functions. By this, we can expect each function is specialized in its activity.
- **Flexibility** − The number of departments can be added or removed as per the requirements.
- **Decision making** − Decisions can be made quickly as the person would be an expert in his department and will be aware of the impact of his decision.
- **Co-ordination** − The co-ordination between functions can be done easily

Disadvantages of functional type

Let us now understand the disadvantages associated with functional type of organization −

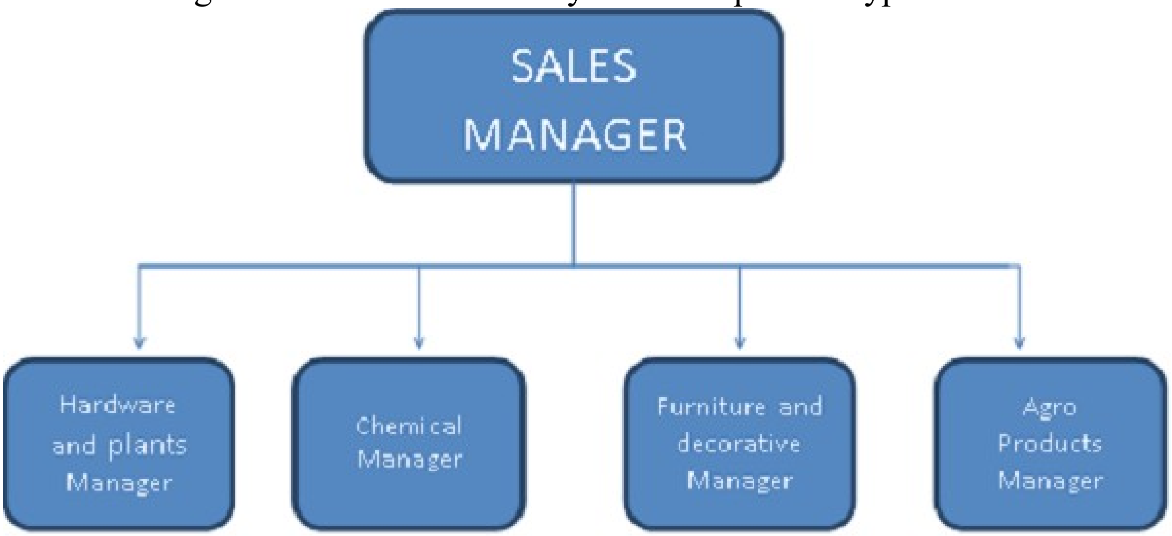
- **Due Attention** − Each department is only specialized in their own activity; hence there is no attention focused on the product.
- **Delay** − There is delay in making decisions because of co-ordination between all the departments.
- **Co-ordination** − From the figure, we can see that all departments report to the General Manager. Therefore, .in peak times, it may become difficult for the General Manager to maintain co-ordination between the departments.
- **Conflicts** − There is always conflict between departments due to being specialized only in one core area and lack of cross training.

In general, functional type of organization is **suitable where the organization structure is small having limited products**.

Product Type

This type of division is made according to the products. The organization divides the departments based on the products.

The following illustration shows the layout of the product type.



Advantages of Product Type

- **Due Attention** − Due to the division according to the product, each product gets required attention.
- **Specialization** − The salesperson is specialized in specific products; hence he/she has an advantage in handling the department.
- **Responsibility** − The responsibility can be easily assigned to a salesperson because all the salespersons are specialized in their product/ department and are well acquainted with the product, which helps them to handle customers smoothly.

Disadvantages of Product Type

- **Co-ordination** − There would be problem of co-ordination between two product departments.
- **Selling Cost** − The selling cost of product may increase due to the division according to the products.
- **Operational Cost** − Operational cost may also increase due to each product being treated differently.
- **Freedom** − There is no cap on the freedom enjoyed by employees because the salesperson is specialized only on his/her product/department and will not be able to handle other product/department.

Suitability of Product Type

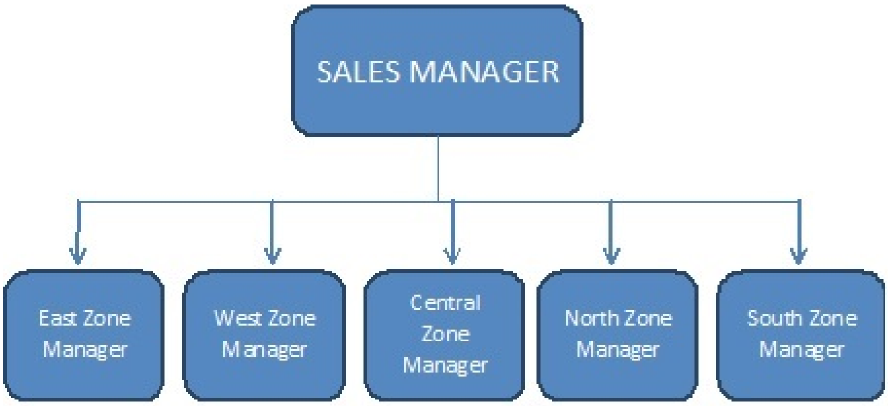
Product type is suitable in the following cases −

- Where the organization has many products and it can divide the departments according to the products.
- For organizations selling highly priced products.
- When the products of an organization are more technical oriented, the organization can divide the departments according to the products as the salesperson will be efficient and effective to discuss the product with the customer in an effective way.

Consumer Specialization Type

According to consumer specialization, the departments are divided on the basis of the costumers to whom the products are offered. Most of the time, market appearance plays an important role in knowing the consumer needs and to divide the departments accordingly.

The following illustration shows the layout of the consumer specialization type.



Advantages of Consumer Specialization Type

- **Consumer** − Here the division is according to consumers, so each consumer gets due attention.
- **Consumer satisfaction** − Consumer satisfaction is the first priority; as maximum services are provided to the consumer.
- **Planning and policies** − The sales planning is done in a proper way and policies are designed keeping each category in focus to achieve the goal.
- **Brand** − The organization is able to fulfil consumer needs and wants and create its own brand to gain market share.

Disadvantages of the Consumer Specialization Type

- **Expenses** − The expenses for the company to build and plan according to consumer and develop the market are huge.
- **Sales activities** − It becomes difficult for the sales manager to co-ordinate the sales activities of salesperson.
- **Investments** − In this case of specialization, the investments are high and sometimes repeated, which in turn, is loss to the company.

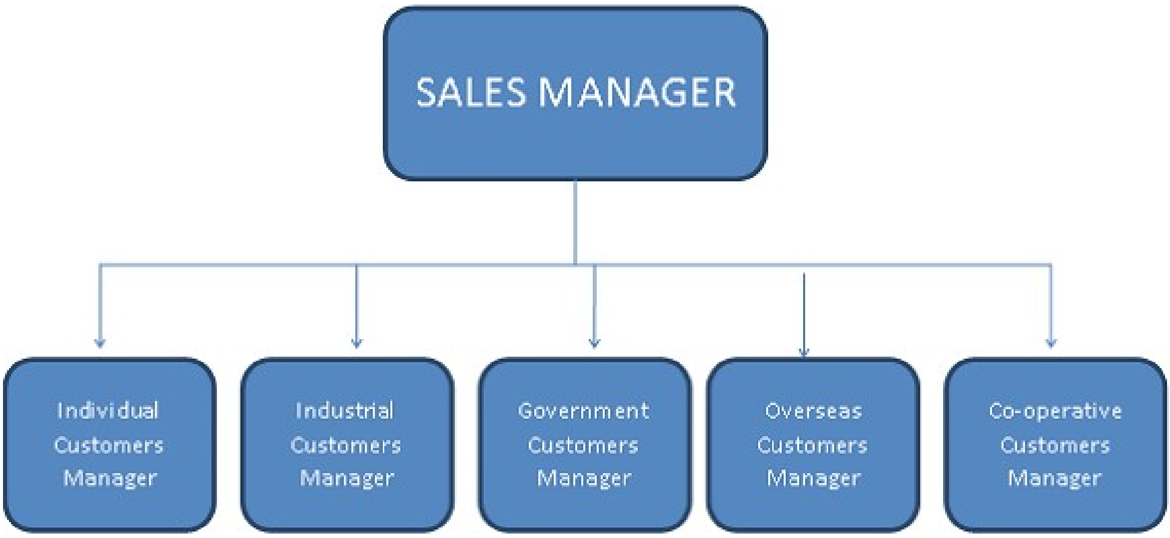
Suitability of the Consumer Specialization Type

Consumer type is suitable in the following cases −

- When there is a large number of consumers who are looking out for special services.
- The costumer is ready to pay for the services offered. Here, the target is mostly premier customers.

Area Type

In this type of organization, departments are divided accord ing to the attributes of areas. They can also be divided geographically. The following illustration shows the layout of the area type organization.



Advantages of Area Type

- **Products** – Customers can be served with the latest products and customized products.
- **Transport cost** – Transport cost can be reduced because the division has been made according to areas.
- **Customer service** – Company can provide better customer services as the division is made according to area. Thus, the company can understand the customer psychology and perception better.
- **Sales performance** – The sales performance can be compared according to zones and steps can be taken to improve.

Disadvantages of Area Type

- **Costly** – It is costly as compared to other types and increases expenses of the company.
- **Markets** – It becomes difficult for co-ordination for the General Manager for different markets.
- **Conflicts** – There may be conflicts regarding resource allocation between zones.

Suitability of Area Type

The area type of organization is suitable in the following cases –

- When the area or the territory for market is very large.
- Where the market is different based on zone.
- Where the product is differentiated depending on zone.
- Where the sales volumes are high and generate more revenues.
- Personal selling is an act of convincing the prospects to buy a given product or service. It is the most effective and costly promotional method. It is effective because there is face to face conversation between the buyer and seller and seller can change its promotional techniques according to the

needs of situation. It is basically the science and art of understanding human desires and showing the ways through which these desires could be fulfilled.

- According to American Marketing Association, “Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sale; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer”.
- In the word of Professor William J. Stanton, “Personal selling consists in individual; personal communication, in contrast to mass relatively impersonal communication of advertising; sales promotion and other promotional tools”.
- Personal selling is a different form of promotion, involving two way face-to-face communications between the salesmen and the prospect. The result of such interaction depends upon how deep each has gone into one another and reached the height of the common understanding. Basically the essence of personal selling is the interpretation of products and services benefits and features to the buyer and persuading the buyer to buy these products and services.
- ***Features of Personal Selling:***
- **The main features of personal selling are:**
- i. It is a face to face communication between buyer and seller.
- ii. It is a two way communication.
- iii. It is an oral communication.
- iv. It persuades the customers instead of pressurizing him.
- v. It provides immediate feedback.
- vi. It develops a deep personal relationship apart from the selling relationship with the buyers and customers.
- ***Personal Selling Process:***
- The process of personal selling includes prospecting and evaluating, preparing, approach and presentation, overcoming objections, closing the sale and a follow up service.
- **1. Prospecting and evaluating:**
- The effort to develop a list of potential customers is known as prospecting. Sales people can find potential buyers, names in company records, customer information requests from advertisements, telephone and trade association directories, current and previous customers, friends, and newspapers. Prospective buyers predetermined, by evaluating (1) their potential interest in the sales person’s products and (2) their purchase power.
- **2. Preparing:**
- Before approaching the potential buyer, the sales person should know as much as possible about the person or company.

- **3. Approach and presentation:**
- During the approach, which constitutes the actual beginning of the communication process, the sales person explains to the potential customer the reason for the sales, possibly mentions how the potential buyer's name was obtained, and gives a preliminary explanation of what he or she is offering. The sales presentation is a detailed effort to bring the buyer's needs together with the product or service the sales person represents.
- **4. Overcoming objections:**
- The primary value of personal selling lies in the sales person's ability to receive and deal with potential customers' objections to purchasing the product. In a sales presentation many objections can be dealt with immediately. These may take more time, but still may be overcome.
- **5. Closing the sale:**
- Many sales people lose sales simply because they never asked the buyer to buy. At several times in a presentation the sales person may to gauge how near the buyer is to closing.
- **6. Follow up:**
- To maintain customer satisfaction, the sales person should follow up after a sale to be certain that the product is delivered properly and the customer is satisfied with the result.
- ***Objectives of Personal Selling:***
- **The major objectives of salesmanship are as follows:**
- **(i) Attracting the Prospective Customers:**
- The first and foremost objective of a salesperson is to attract the attention of people who might be interested to buy the product he is selling.
- **(ii) Educating the Prospective Customers:**
- The salesman provides information about the features, price and uses of the product to the people. He handles their queries and removes their doubts about the product. He educates them as to how their needs could be satisfied by using the product.
- **(iii) Creating Desire to Buy:**
- The salesman creates a desire among the prospective customers to buy the product to satisfy specific needs.
- **(iv) Concluding Sales:**
- The ultimate objective of personal selling is to win the confidence of customers and make them buy the product. Creation of customers is the index of effectiveness of any salesperson.
- **(v) Getting Repeat Orders:**

- A good salesperson aims to create permanent customers by helping them satisfy their needs and providing them product support services, if required. He tries for repeat orders from the customers.
- ***Role and Importance of Personal Selling:***
- Personal selling consists of individual and personal communication with the customers in contrast to the mass and impersonal communication through advertising. Because of this characteristic, personal selling has the advantage of being more flexible in operation.
- A salesperson can tailor his sales presentation to fit the needs, motives, and behaviour of individual customers. He can observe the customer's reaction to a particular sales approach and then make necessary adjustment on the spot. Thus, personal selling involves a minimum of wasteful efforts. The salesperson can select and concentrate on the prospective customers.
- Personal selling helps in sales promotion. It is very important to manufacturers and traders because it helps them to sell their products. It also helps them in knowing the tastes, habits, attitudes and reactions of the people.
- The manufacturer can concentrate on producing those goods which are required by the customers. This will further promote the sales. Moreover, a good salesman is able to establish personal support with customers. This way, the business gains permanent customers.
- ***Functions of Personal Selling:***
- **The important functions of a salesperson are as follows:**
- 1. Personal selling is an important method of demonstrating the product to the prospective customers and giving them full information about the product. It is easier to persuade a person to buy a product through face-to-face explanation.
- 2. In most of the situations, there is a need of explaining the quality, uses and price of the product to the buyer to help him purchase the want satisfying product. Thus, salesmanship is also very important from the point of the buyers.
- 3. A good salesperson educates and guides the customers about the features and utility of the product.
- 4. If a product cannot fully satisfy the needs of the customers, the information is transmitted to the manufacturer who will take appropriate steps.
- 5. Salespersons can also handle the objections of the customers. Creative salesman are always ready to help the customers to arrive at correct decisions while buying certain products.

- 6. There is direct fact-to-face interaction between the seller and the buyer. The salesperson can receive feedback directly from the customer on a continuous basis. This would help him in modifying his presentation and taking other steps to sell satisfaction to the buyer.
- ***Requisites of Effective Personal Selling:***
- It is not possible to describe exactly the kind of person who will make a good salesperson. Sales skill has no clear correlation to any combination of appearance, education, technical expertise, or even persuasiveness. There have been successful salesmen who knew little about the technical qualities of the product.
- On the other hand, there are many examples of technical champs who could not sell. However, in the modern era of severe competition in the market, it is not easy to become an effective salesman. A business enterprise can develop effective salesman to promote its sales.
- **In order to achieve effective personal selling, the following requirements must be fulfilled:**
- **1. Personal Qualities:**
- An effective salesman must possess certain physical, mental, social and vocational qualities.
- **2. Training and Motivation:**
- In order to achieve effective personal selling, it is essential to train and motivate the sales persons. The training programme for the sales persons should be designed keeping in view the requirements of the business. The training programme should also aim at imparting knowledge of various selling programme should also aim at imparting knowledge of various selling techniques among the trainees.
- For instance, a salesman must be trained how to understand the nature of a customer, how to arouse his interest in the product, and how to close the sales. It is also essential that the person selected for selling has aptitude for this vocation. He has the inner motivation of developing himself into a good salesman. The employer can also motivate him by providing financial and non-financial incentives.
- **3. Wide Knowledge:**
- **A salesman should have wide knowledge about the following:**
- **(a) Self:**
- The salesman must know himself in order to make use of his personality in selling the products. He should try to know his strong arid week points and remove his weak points through training and experience. He should continuously undertake his self- assessment to know what he requires in order to be an effective salesman.

- **(b) Employer:**
- The salesman is a representative of his employer. He should have a thorough knowledge of the origin and growth of the employer's business. He must know objects, policies and organisational structure of the employer's firm. This will enable the salesman to make use of the plus points of the firm selling the product.
- **(c) Product:**
- The salesman must have full knowledge about the product he sells. He must know what the product is and what are its special features and uses. He should also know the whole process of production so that he may be able to answer the customer's queries and objections satisfactorily. Mostly, the customers are ignorant about the features, technical details, and benefits of the product and they expect the salesman to give them sufficient information about it.
- **(d) Competitors' Products:**
- The salesman must have complete knowledge about the competitive products because buyers often compare several products before purchasing one of them. The salesman should know the positive and negative features of the various substitutes so that he is in a position to prove the superiority of his product.
- **(e) Customers:**
- Before selling something, a salesman must have sufficient knowledge about the customers to whom he is going to sell. He must try to understand the nature of customers, their habits and their buying motives if he is to win permanent customers. There are a number of considerations which make the prospect to buy a particular product.
- These considerations may be grouped under two categories of motives, namely (i) product motives and (ii) patronage motives. Product motives explain why customers buy certain products and patronage motives determine why customers buy from specific dealers. A salesman can understand the motives of the customers by his intelligence and experience.
- He should deal with the customer according to his nature. He can mix with a customer who is extrovert and remain reserved with a customer who is introvert. He should also try to know whether a customer intends to purchase for personal use or for business use.
- ***Advantages of Personal Selling:***
- 1. The key advantage personal selling has over other promotional methods is that it is a two-way form of communication. In selling situations the message sender (e.g., salesperson) can adjust the message as they gain feedback from message receivers (e.g., customer).

- So if a customer does not understand the initial message (e.g., doesn't fully understand how the product works) the salesperson can make adjustments to address questions or concerns.
- Many non- personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address audience questions.
- 2. The interactive nature of personal selling also makes it the most effective promotional method for building relationships with customers, particularly in the business-to-business market.
- This is especially important for companies that either sell expensive products or sell lower cost but high volume products (i.e., buyer must purchase in large quantities) that rely heavily on customers making repeat purchases.
- Because such purchases may take a considerable amount of time to complete and may involve the input of many people at the purchasing company (i.e., buying center), sales success often requires the marketer develop and maintain strong relationships with members of the purchasing company.
- 3. Finally, personal selling is the most practical promotional option for reaching customers who are not easily reached through other methods. The best example is in selling to the business market where, compared to the consumer market, advertising, public relations and sales promotions are often not well received.
- ***Disadvantages of Personal Selling:***
- 1. Possibly the biggest disadvantage of selling is the degree to which this promotional method is misunderstood. Most people have had some bad experiences with salespeople who they perceived were overly aggressive or even downright annoying.
- While there are certainly many salespeople who fall into this category, the truth is salespeople are most successful when they focus their efforts on satisfying customers over the long term and not focusing own their own selfish interests.
- 2. A second disadvantage of personal selling is the high cost in maintaining this type of promotional effort.
- **Costs incurred in personal selling include:**
- **(i) High Cost-Per-Action (CPA):**
- CPA can be an important measure of the success of promotion spending. Since personal selling involves person-to-person contact, the money spent to support a sales staff (i.e., sales force) can be steep. For instance, in some industries it costs well over (US) $300 each time a salesperson contacts a potential customer.

- This cost is incurred whether a sale is made or not! These costs include compensation (e.g., salary, commission, and bonus), providing sales support materials, allowances for entertainment spending, office supplies, telecommunication and much more. With such high cost for maintaining a sales force, selling is often not a practical option for selling products that do not generate a large amount of revenue.
- **(ii) Training Costs:**
- Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.
- 3. A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions. For companies that assign salespeople to handle certain customer groups (e.g., geographic territory), turnover may leave a company without representation in a customer group for an extended period of time while the company recruits and trains a replacement.
- ***Challenges in Personal Selling:***
- (i) At first personal selling is dyadic in nature. Dyadic simply means of or relating to two people. Thus, personal selling revolves around a marketing relationship developed between two people. Frequently, personal salespeople enlist the help of others in their organizations to sell to and service customers.
- And just as frequently, personal salespeople find themselves making presentations to small groups of people or working with multiple individuals within customers' firms. However, ultimately a successful marketing relationship is built by two people one person selling and person buying. Successful salespeople identify that person early on and work to win their trust and confidence.
- (ii) Secondly personal selling is a process, not a single activity. And done correctly, the process continues indefinitely. Salespeople, sales managers, and others inside the seller's organization frequently see the selling process as culminating or ending with a signed order.
- However, in these days of so-called "relationship marketing" and "customer relationship management" successful organizations recognize that signed orders simply represent one point of positive feedback in an ongoing and continuous process.

- (iii) Third, personal selling is highly interactive. In advertising, information flow occurs initially in a one-way direction. What feedback the advertiser receives arrives late well after an advertisement has aired.
- Moreover, without costly research, the attitudinal effects of advertising may never be known. In personal selling, feedback is largely Personal Selling instantaneous and continuous.
- The two-way flow of information that characterizes personal selling creates a communication channel rich with information, much of it nonverbal. Effective personal salespeople become adept at interpreting this information quickly and adapting their responses to it.
- (iv) Personal selling is about problem solving. As the marketing concept is adopted by more and more firms, the emphasis of personal salespeople will be more on identifying customers with a true need for the firm's products and applying those products to solve customer problems. Less emphasis will be placed on simply making a sale.
- The focus on problem solving in personal selling reflects a larger trend toward building relationships between customers and clients. Marketers know that to develop these relationships, they must be willing to forego short term gains, particularly when the salesperson realizes that at that moment a purchase might not be in the customer's best interests.

Sales Force Management and Evaluation of Sales Performance

Sales Force Management # 1. Recuriment and selection

Recruitment involves searching for prospective candidates and encouraging them to apply for the job. Vacancies are finalised, advertised and applications are collected from interested candidates. Selection is concerned with choosing most suitable candidates out of many available or interested. Available candidates are scrutinised, tests and interviews are conducted to find out most suitable candidates. Salesman is the important corner-stone upon which sales organisation is built. Success or failure of the firm depends upon the type of salesman selected. Therefore, selection must be made carefully. It is the duty of the Sales Manager to select salesmen.

But, selecting a proper salesman is a major challenge due to a number of reasons:

(a) Selling jobs becoming more difficult to perform because of the greater complexity of the products and services, the multiplicity of channels of distribution, etc.

(b) Markets today are highly competitive.

(c) Selling as a career or profession has not been fully accepted and hence, there is only limited number of salesmen who would qualify.

(d) There is a noted absence of institutions where salesmanship is taught.

Recruitment of salesmen involves the following processes:
1. Deciding the quantity of salesforce.
2. Determination of the characteristics and qualities to be possessed by the salesman.
3. Tapping the various sources of recruitment.
4. Careful selection of the candidates and finalising the employment.

Process # 1. Deciding the Quantity of Sales force:

Before the selection is undertaken, the Sales Manager should assess the need for sales force in quantitative terms, e.g., how many sales men are required, based on expansion of business and attrition due to retirement and resignation.

Process # 2. Determination of Characteristics and Qualities to Be Possessed By the Salesforce:

Job Description/Analysis:

It is concerned with the determination of nature of duties and responsibilities involved in performing effectively a particular job. Job description is concerned with a job and not the individuals. It gives details of the job to be performed and the qualities and qualifications required.

The man specification indicates the exact requirements needed for a particular job. On the basis of nature of duties, the requirements also may change. While planning man specification, emphasis should be given to the basic considerations-

Generally speaking, the following qualities are required of a salesman:

i. General Qualities- Good personality, sound health, intelligence, honesty and integrity of character, sociability, consistency, and power of observation.

ii. Particular Qualities- Educational qualifications, past experience, knowledge of the product, customers and market, languages known.

iii. Technical Knowledge- Knowledge about the chemical or mechanical aspects of the product to be sold, knowledge of legal implications involved in the sales activities, etc.

The various sources are as follows:

(a) Company’s own staff (promotion)
(b) Competing firms (not ethical — higher salary)
(c) Employment exchanges
(d) Educational institutions
(e) Situation Wanted’ columns of newspapers
(f) ‘Situation Vacant’ advertisements
(g) Casual applicants
(h) Recommended candidates.
(i) Placement agencies.

Process # 4. Selection of Salesforce:

From these sources, applications are received and screening of the applications is made. Applications which satisfy the job descriptions and man-specifications are only considered for selection. The selected applicants are called for psychological test. If they fare well in the above two they will be referred from the referees mentioned by the applicants.

If a good report is given by the references, the candidates will be called from medical examination. If the candidates are physically fit, they will be called for final interview and appointment order is issued. The appointment order should be clear, at least in the following aspects: designation, salary and allowances and mode of appointment, i.e., temporary or permanent.

Sales Force Management # 2.Training of sales force

There is an old belief that "Salesmen are born and not made." Once in a while, we may come across a salesman who is capable of selling a refrigerator to an Eskimo, but this is rare. The salesman has to educate the customers about products, sell the same with benefit to the customer and profit for the company. Therefore, he should have excellent knowledge about products, competition, market dynamics, buying motives, and selling skills.

The Need for Training of Salesforce:

The need of training salesman arises from the fact that a newly appointed salesman does not have the knowledge about the product he has to sell. He may not have knowledge about customers and buying motives. He may not know how to sell the product or how to present them to the prospective buyers.

Even old salesman need training to acquaint them with the new products of the firm or those of the competitors, to explain to them the improved sales technique or simply as a refresher course.

The extent of training will depend upon following:

1. How difficult and complicated is the selling job concern?
2. The level of education and previous training the salesman possesses.
3. Previous selling experience of the salesmen.
4. The type of buyer to be approached. In case of an expert buyer, more knowledge of the product to be sold is the absolute necessity.

In general, a good training scheme would include the following:

Training Scheme # (1) Basic Principle of Salesmanship:

Salesmen, to be effective in their sales efforts, should know fully the buying motives of customers and the selling points of the products. They should be well-versed with the methods of approaching the customers. They should know the effective way of arousing the interest in the product and the art of creating desire for it.

They should be able to meet the objections raised by the customers. The training programme should stress on the AIDA formula to explain and build the sales presentation.

A – Attention – How to get it?
I – Interest – How to arouse it?
D – Desire – How to develop it?
A – Action – How to bring about decision to buy?

Training Scheme # (2) Knowledge of the Firm:

The salesman should be well informed about the company i.e., history of the company, its organisational set up, the name it has earned, achievement records, sales policies, distribution policies, customer's service provided by the company, selling outlets, (channels) and so on. Knowledge about the firm's goodwill and its selling policies goes a long way to inject a sense of pride in the salesmen and enable them to do their job as per the firm's policy.

Training Scheme # (3) Knowledge of the Product:

To be successful in increasing the sales volume of a product, salesmen should possess the requisite knowledge of the product. Good physical appearance alone will not help him to sell the product. Therefore, a salesman must have a detailed knowledge regarding- nature of the product, methods of production, materials used, method of packing, uses of the product, etc. This knowledge could be gained only out of properly organised training by the company.

Training Scheme # (4) Knowledge about the Customers:

A salesman must have a perfect knowledge of customers to whom the products are to be sold. Furthermore, consumers are human beings and their behaviour would be different from one another. Their buying motives would be different from one another. Each customer would be different as to the nature and type.

Their modes may change and often their temperaments too. Some of the types of customers are: silent and talkative customers, and ill-mannered, suspicious, nervous, hesitant, argumentative and ill-tempered customers.

Buying motives include considerations of health, comfort and convenience, such as sense of fear, fashion, recreation, affection, hobbies, and habits.

All these necessitate the salesman to acquire the knowledge of 'customer psychology.' The training is required to study at least three factors- What motivates the buyer to buy? What is the nature and requirement of the customer? How to deal with different types of customers?

Training Scheme # (5) Knowledge of Competitors:

Apart from the knowledge regarding the firm represented by the salesman and its products, they must possess the knowledge relating to their products and policies of the competing firm.

Training Scheme # (6) Matters Pertaining to the Day to Day Work:

Salesman should also be given training to know the following:
(a) To draft periodical reports to the firm
(b) Receipt of and replying letters
(c) Preparation of orders and bills
(d) Maintenance of accounts
(e) Arrangements of display and demonstration of products.
(7) Knowledge of self- This is partly a personal quality and partly to be developed by constant self-training. Every individual has certain strengths, weaknesses, and limitations. In order to become an effective salesperson, one should seek knowledge in all relevant subjects and apply the same in day-to-day work.
This can be achieved by developing regular reading habits, upgrade technical knowledge, managerial and selling skills. He has to improve skills in communication, public-speaking and presentations.
It is, therefore, apt to say that "salesmen are not born, nor made, but they are born and made." There must be definitely certain in-born qualities and these qualities should be strengthened with proper amount of training. Salesmanship is not a matter of personality alone, but a systematic utilisation of one's personality. It is realised that no product could be sold unless 'the presentation' is made in an efficient and convincing manner.
Advantages of Training the Salesforce:
A firm having well-designed training schemes gains the following advantages:
Advantage # 1. Greater Sales Volume:
A scientifically designed training programme helps to increase the sales volume.
Advantage # 2. Reduces Cost of Production:
Increased selling helps to reduce cost of production.
Advantage # 3. Early Selling Maturity:
Training reduces the time to be spent by the salesman with each customer in convincing him about the product.
Advantage # 4. Lowers Supervision Cost:
In the case of untrained salesmen, sales manager and the other supervisory staff have to pay more visits than those needed in the case of trained salesmen to keep a check on their work.
Advantage # 5. Lowers Turnover of Salesforce:
Proper training makes the salesman well-prepared for the field work. This results in reduced number of salesmen leaving their job. This lower rate of turnover gives the advantage of reduced costs of recruitment, selection and training of salesmen.
Advantage # 6. Better Customer Relations:
A scientifically trained salesman knows how to deal with a particular sales situation. He does not oversell, e.g., he does not sell the wrong quality or type of goods. The salesman advises the customers in business also. Therefore, a cordial

pleasant personal relationship with the customer is established. This makes frequent visits to book repeat orders possible.

Other Advantages:

(a) Items leaving higher margin of profit can be more easily sold.
(b) Reduced losses due to bad debts.
(c) Reduces selling cost.
(d) Greater sales volume per call of the salesman.
(e) Reduced number of complaints from customers.
(f) Reduced number of calls per order.
(g) Better demonstration and sales presentation.
(h) Sale of complete line of products is possible.
(i) The number of salesforce could be kept at the minimum.
(j) Buyer's demand for a better knowledge of the product could be satisfied only by a trained salesman.

Methods of Training:

Method # A. Individual Methods:

(1) Initial or Break-In Training:

The trainee is asked to work in different departments and study for himself. He may be guided but often left free. After a specific period, he would be asked to work in his field.

(2) Special Assignments:

Slightly easier assignments are given and his capacity in handling problems is watched. Shortcomings, if any, are brought to his notice for future guidance e.g., senior and junior lawyers.

(3) Field Coaching:

The newly recruited salesman is asked to work along with an experienced salesman in the field. This method creates self-confidence, enthusiasm in the newly recruited salesman.

(4) Sales Manuals:

These are tailored books where a number of problems are stated together with suggested answers. This is prepared out of company's past experience and might contain valuable information. These are given to salesman for self-study.

Method # B. Group Methods:

(1) Lecture Method:

This is the easiest and quickest method of imparting information to the trainees. Most of the training methods are based on this principle, simply because of its assured success. It is theoretically-oriented and the practical aspects are ignored. In spite of these defects, lecture method forms the cornerstone of various training methods.

(2) Audio-Visual Methods:

It is a ‘telling and showing’ method. This method is often used as a supplementary to the lecture method. The visual aids such as filmstrips, slides, charts, posters, etc., are capable of providing more exposition to the lectures and making it more interesting. Demonstration is possible under this method.

(3) Conference Method:

Sales conference and seminars are usual nowadays with most organisations. Such methods are useful in sharing the experiences of the experienced people. However, it is not a good method of training for the newly recruited salesmen.

(4) Discussion and Case Method:

For those who have basic knowledge on the subject this method is quite good. A particular problem is given to various groups and each group is asked to discuss it and put forward its suggestions. Later on, all these suggestions are analysed by all the groups together. This enables to have a correct idea of the problem, and a better solution.

(5) Role-Playing:

Under this method, each participant is asked to play a role. A situation is suggested and each one will have to act just like what he is expected to do in real-life situation. This method is a lively one and uses confidence in taking independent decisions. Later on the role played by the participants is analysed and the shortcomings are pointed out.

Method # C. On-the-Job Methods:

This method stresses practice-oriented training.

(1) Field Training:

The new representative works in the field meeting various categories of customers.

(2) Job Rotation:

The salesman is trained in all departments and he would be asked to work in all sections of each department. This would give him a clear idea of inter-departmental relationship, which would give him an idea about the company. Further, he may also be asked to work in the factory to know how products are processed. All these would give him enough tools to overcome the resistance of the customers in the sales field.

Method # D. Off-the-Job Method:

Many associations generally issue journals, bulletins and other publications to enable their members to perform their duties more promptly and efficiently. The salesperson can become a member of such associations to upgrade his knowledge and skills.

Method # E. Follow-Up Training:

Training is not temporary but should be continuous. Even the trained salesmen require periodic training termed as ‘refresher training’ or ‘follow-up training.’ Periodic training is essential as frequent changes are always encountered in the marketing scene. Change in consumer preferences, changes in Government policy, change in product, etc. in order to make the salesman abreast of all these developments, constant training is essential.

Sales Force Management # 3 Remuneration:

Man is a wanting animal. An employee is never contended with what is given to him. He always wants more remuneration. Therefore, remuneration is an evergreen challenge to any business or service. It is more so to a sales organisation. Success of a firm using salesmen to increase sales volume at minimum selling cost depends upon a contended, efficient and loyal salesforce and are closely related to the method by which sales efforts of the salesmen are compensated for.

Why pay well? The importance of paying well cannot be over-estimated. There are certain basic reasons as to why the salesforce is to be paid well.

Reason # (1) To Attract Best Salesmen:

Gifted and talented salesmen can be attracted only when a firm is prepared to reward amply the services rendered. There is no harm in paying a little more than others, as it pays in terms of improved level of performance.

Reason # (2) To Keep Salesforce Contended:

There is a direct link between payment made to them and the satisfaction. Man performs his duties, looks after well and then he is happy and contended or satisfied. A satisfied employee puts heart and soul together to maximise the work performance.

Reason # (3) To Build Up Loyalty:

The aim of sound sales organisation is to build not only competent salesforce but to have people who are prepared to serve for a long time. Loyal staff makes the organisation rich. Good pay-masters have this advantage "pay well and keep the employee" is the watch-word. A loyal staff avoids problems of recruitment, selection, and training and, therefore, the dilemmas of labour turnover.

Reason # (4) To Guarantee Sound Employer-Employee Relation:

Misunderstandings normally arise due to many matters and disparity in treatment. Salesforce of one selling house compares the pay with that of others in the sales line. If there is disparity, the morale of salesmen is affected. Handsomely paid, well-treated salesmen have no scope for grudges or grumbling and as such relations would be sound, with the utmost harmonised effort.

Elements of a Good Remuneration Plan:

A good remuneration plan should fulfil the following requirements. Fulfilment of these requirements will make it a sound plan, which will help in developing a loyal salesforce. Loyalty will ensure long service with the firm. Thus, salesmen turnover will be reduced.

Element # (1) Should provide adequate income to maintain a decent standard of living compared to that enjoyed by others in the same line.

Element # (2) Simplicity:
It should be easily understood by salesmen of average intelligence without any training in accountancy or statistics. Salesmen are suspicious of any plan that they do not understand completely and, as such, it weakens the confidence and lowers the morale.
Element # (3) Flexibility:
The plan so designed must be capable of being adapted to various selling conditions. For instance, the firm introducing a new product, commission schemes will work out more profitable. On the contrary, in the case of a regular product, salary system can be relied upon. Thus, the variable makes it flexible to ensure satisfactory results.
Element # (4) Incentive Oriented:
Monetary reward for extra effort is really a nice and wise stimulus to many of the salesmen who exceed the normal performance level. Such additional amount results in increased volume of sales. It may be in the form of bonus or commission. It is to give an impression that the salesmen are compensated for extra ordinary performance.
Element # (5) Low Administration Cost:
The cost of administration of the plan, i.e., the need of help from accountants and clerks, etc. for computing salesmen's earnings should be as low as possible.
Element # (6) Fairness:
It must be fair to both the firm and salesmen. Also, there should not be any room for discrimination against or favour for any individual salesman.
Element # (7) It Is Prompt in Payment:
It is already said that the remuneration should be incentive- oriented. The incentives that are added must be given to the workers earlier, to have deep- rooted effects upon the minds of the workers. Many times, bonus earnings are declared but are held up to a quarter, semi-annual and year end.
This delay in paying weakens the desire on the part of employees. By the time he receives the payment, he might have lost his interest and enthusiasm. At times, delayed payments of such incentives will induce labour turnover. Therefore, as soon as entitled and earned, they must be paid.
Element # (8) PROMOTION
Provisions should be made for increase in salary when a person promotes and also reward employees for a long service.

Sales Force Management # 4.SUPERVISION
Supervision means overseeing employees at work. Overseeing of performance is done at all levels of management. High degree of overseeing is required in the case of salesforce who are constantly on the move. Supervision involves both the

direction (motivation) and control of salesmen and the continuous development of their abilities.

Sales Manager as a supervisor and leader must know his men, their needs, attitudes, aspirations, and perceptions. Supervision must be tailored to the needs of the individual salesman.

Thus, supervision consists of the following:

(a) Observing, monitoring and reporting the performance of the salesforce,

(b) Counselling and coaching salespeople to remove the defects and weaknesses in their performances.

(c) Giving them adequate information regarding company plans and policies and changes in those policies.

(d) Receiving feedback and solving their business and personal problems.

(e) Motivating the salespeople through appropriate non-financial incentives in order to satisfy egoistic demands of salespeople.

Sales supervision is directly concerned with the basic need of motivating salesmen by satisfying their needs for security, opportunity, self-expression, respect and good conditions of work. In addition, it involves training and re-training, evaluation of performance, providing two-way flow of communication for best understanding, and improving the personal effectiveness of salesmen.

Sales Force Management # 5 MOTIVATION

Ability or capacity to work is different from the will to work. You can buy a man's time; his physical presence at a given place; his muscular motions per hour or day. But you cannot buy his willingness to work, his enthusiasm or his loyalty.

Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired action, a compliment, a pay-rise, a smile, a promise of promotion, praise, public recognition of merits and so on. Motivation ignites the will to work. It moves people to take a desired action. Motivation can be either financial or non-financial. Sales contests, conventions and conferences are examples of motivating salesforce.

Sales Force Management # 6.Control of sales force

Control is the act of checking or verifying whether everything occurs in conformity with one charted in the plans. Supervision and control of salesmen is essential for a sales organisation to achieve maximum success.

However scientific the selection and training of salesmen may be, it is the duty of the Sales Manager to evolve effective and purposive method of supervising, directing and controlling the activities of the salesmen, so as to secure the most effective and economical performance from them.

Apart from the fact that salesmen are after all human beings, the need of supervision and control arises basically out of the following factors:

Need # (1) To Enhance the Efficiency of Salesforce:

The actual sales effected at each branch of each territory are brought to the notice of sales executives from time to time. This actually can be compared to the targets and deviation or discrepancies can be curbed by taking corrective actions. By means of constant supervision and control the salesmen are indirectly forced to be active, not to lag behind.

Need # (2) To Ensure Co-Ordination in the Efforts:

Salesman works independently, often at a long distance from the Sales Manager. Therefore, co-ordination and co-regulation of salesman's efforts become necessary.

Need # (3) Nature of Salesforce Demands Controlling:

Salesmen are unique in the sales organisation. There are some people who die for the organisation and as devoted people they require no supervision or control. There are people who make the unit die in the absence of strict control and supervision. To make all people to move to the charted course, control of salesmen is a must. Thus, the nature of salesmen demands control.

Need # (4) To Have Sound Public Relations:

The aim of controlling is not only to secure raise in the profitability but to lay down solid foundations of sales by carving good public relations, i.e., control envisages the guidance and direction of the personnel, to establish good relations with the public and maintain goodwill in the market. Kotler says, "Of all the assets, customers are the most valuable one." If a firm fails in the eyes of general public, it dies its unwanted premature death.

How Control is exercised?

The ways of controlling are: reports and records, fixing sales territory and quotas, deciding of authority, and field supervision and remuneration plans.

Way # 1. Reports and Records:

Salesmen are asked to send reports periodically. These reports may be daily, weekly or monthly. These reports portray valuable information relating to: number of calls made by him; total value and volume of sales transacted, number of new customers contacted and amount of sales turned out; number of old customers lost and the reasons for item-wise expenses; facts regarding credit-standing of customers; selection made; bad debts arising out, impact of publicity and sales-promotion activities; extent and nature of competition; compliance and adjustments from customers.

On the other hand, record is the summary prepared from the report based on the actual performance on the part of every salesman. Reports are useful in two ways- Firstly, necessary action for increasing sales can be taken by the firm on the basis of careful study of the salesmen report. Secondly, writing fairly detailed report of sales encourages salesman to develop the useful habit of self-analysis.

Way # 2. Fixing Sales Territories and Sales Quotas:

(a) Sales Quota:
Quota is the amount of business the Sales Manager fixes for every salesman. It is the target that a salesman is to attain. First the Sales Manager plans the amount of business achieved. Then he allocates quota for each territory. The quota may be fixed for a year or a month or a quarter or for six months.
The objectives of sales quota are:
(i) To provide a basis for remuneration for sales force,
(ii) The sales quota is the most feasible way of measuring the effectiveness of individual salesmen,
(iii) Quota system stimulates selling effort of salesmen because no salesman would like his sales falling below the quota.
(iv) To plan and control the selling activities and to infuse the spirit of competition amongst the salesmen.
(b) Sales Territories:
Sales territory implies a geographical area assigned to a salesman for the purpose of marketing the products of the company. Most firms divide the markets into specific geographical area or zones. Each salesman is assigned a particular zone in which he is to carry out his selling activities.
The geographical area of the zone allotted to a salesman is in his sales territory. Usually sales territories are determined on the basis of demand for the products, the extent of competition and available means of transportation, types of customers and the capacity of salesman.
Objectives of Establishing Sales Territories:
Objective # (a) To Perform Contractual Functions:
Sales territories are established to attain a thorough coverage of potential market for product. The objective of contacting prospects and old customers can hardly be achieved, unless such a sales territory is assigned to a salesman. Personnel solicitation is facilitated.
Objective # (b) To Compare the Individual Performance:
Allocation of sales territory provides an excellent opportunity to compare the performance of salesman, such a study of particular territory reveals the potentiality of the market; and the actual sales volume secured by an individual salesman is compared with his potentialities.
Objective # (c) To Fix the Responsibility:
The responsibilities of Sales Managers and their talks are clearly defined through territorial assignments. This has an effect of developing a sense of responsibility towards his job. He tries to fulfil his commitments. That is, the activities of each sales manager can be evaluated and controlled.
Objective # (d) To Minimise Sales Expenses:

Such territorial assignments are made in order to minimise the sales expenses and maximise the sales efforts. It is so because wastage of time and energy is avoided by defining the sales tasks.

Objective # (e) To Motivate Salesmen:

Fixing a sales territory allows full freedom to the Sales Manager to use his ability and skills to maximise sales turnover as there is little interference.

Benefits of Sales Territory:

(a) Activities of each sales manager can be more effectively controlled and evaluated,

(b) Market potentialities of each territory can be more fully tapped,

(c) Sales efforts can be more easily planned and duplication and overlapping of efforts of sales managers are avoided,

(d) It provides incentive to sales manager to increase more sales in his territory.

Way # 3. Deciding the Authority of Sales Manager:

Often sales managers are the only persons who have contact with customers and salespersons in whose contact customers of the firm come. For customers they are the firm. Therefore, sales managers and their authority must be well defined and clearly stated. Usually, catalogues and price lists put limit on the authority of Sales Manager.

But, company may allow certain measure of authority to sales managers on matters such as granting of credit to customers, discount rates, special concessions, pre-sale and after-sale services, settlements of clients, etc. However, sales manager has to see that the salesman acts according to instructions. If a salesman goes out of limits he can be taken to task and explanations can be called for.

Way # 4. Field Supervision:

Control does not pose any problem so long as business is smaller and is confined to a limited area of operation, where salesmen are working under the very nose of the sales manager. In case of business houses with widespread business over a vast area, supervision is a must. Example- In large Pharma companies, thousands of medical representatives are employed.

Supervision, direction and control involve- (a) Observing, monitoring and reporting the performance of the salesforce, (b) Counselling and coaching salespeople to remove the defects and weaknesses in their performance, (c) Giving them adequate information regarding company plans and policies and change in those policies, (d) Receiving feedback and solving their business and personal problems, (e) Motivating the salespeople through appropriate non-financial incentives in order to satisfy egoistic demands of salespeople.

Sales supervision is directly concerned with the basic need of motivating salesmen by satisfying their needs for security, opportunity, self-expression, respect and good conditions of work. In addition, it involves training and re-training, evaluation of performance, providing two-way flow of communication for best understanding, and improving the personal effectiveness of salesmen. Human relations are of first importance in the sales department.

Under democratic managerial style, we have consultative direction involving continuous communication and co-operation between the sales manager and his salesmen. Personal communication is most effective. Communication by means of correspondence should be supplementary.

The sales manager is responsible to develop and maintain the morale of the salesforce. Morale is the mental readiness of the salesforce to co-operate with the management in the accomplishment of objectives. If morale is high, output is also high.

Sales Force Management # 7.EVUALATION OF SALES FORCE

Human beings do have unlimited potential for growth and development, provided there is right work-environment and the right direction, guidance and help is given by management. The performance appraisal or evaluation is based on this firm belief in human resource development. Sound evaluation assures superior performance.

There are three reasons to evaluate or appraise the performance of salespeople- (i) To measure performance against planned sales and marketing objectives, (ii) To distribute rewards for performance, and (iii) To guide the development of sales force.

Targets for sales performance are set and they act as criteria for comparison with actual accomplishment. Sales quotas, expense control, personal development objectives are the usual targets for the purpose of evaluation. It is essential that all evaluation should be forward- looking and aim at future and improved performance.

Sales manager should not give emphasis on finding faults and placing blames on salespeople for past performance. The salespeople should be given thorough understanding of the reasons for their poor performance as revealed by evaluation. Humanistic touch is necessary at every stage in supervision, evaluation and control.

Then only management of salespeople will give rich dividends. Performance evaluation should be done periodically and promotion, pay rise, rewards should be offered to the deserving salespeople. Forward-looking and positive evaluation and control enable salesmen to secure self-advancement or development. Management by Objectives (MBO) can be used in the management of salespeople as far as possible.

Effective Sales Performance Measures:

Salesman's performance can be measured by a number of factors, such as ability to sell a satisfactory volume, ability to sell at a profit, ability to sell at a low cost, ability to plan and organise his time and efforts, knowledge of products, policies, customers and competition, ability to attract and hold customers, etc. The salesmen's reports and records are used in evaluating performance. Sales quotas also enable in evaluating performance.

SALES TERRITORY;

A sales territory consists of a group of consumers or a geographical area assigned to a particular salesperson. The area allocated to the salesperson contains the present and the potential consumers of the organization.

After the allocation of sales territory, the sales manager can be in a position to contest between sales efforts and sales opportunities. It would be very difficult for the sales manager to monitor the total market as it is too large and unmanageable by one person. Hence it is divided as per territories to manage effectively and efficiently and control the sales force.

The salesperson does not only pay attention to the area but also the consumer prospects. Thus, a sales territory can be known as the grouping of customers and prospects, which is assigned to an individual salesperson.

Sales territory is for the big companies having huge market share. Small and medium scale companies do not use geographically defined territories. The market share is not so high to divide into territories.

Reasons for Establishing Territories

The main motive of establishing sales territories is to simplify the planning and controlling of the selling function.

Following are some reasons for establishing sales territories −

To obtain thorough coverage of the market

According to the division of sales territory, the activities are assigned to salesperson. This helps in market coverage, rather than the salesperson selling the product according to his ambition. It helps the sales manager to monitor and take updates accordingly from different sales managers.

To establish the salesperson's job and responsibilities

It's very important to establish jobs and responsibilities for salespersons. Sales territories help in doing so because the task is assigned to the salesperson and he is responsible and answerable for the same.

Once the task is assigned, frequent checks are done to monitor the calls; it helps to determine the work of each salesperson. If the sales manager finds the workload for a particular person is more, the work is divided and reassigned equally. This creates motivation and interest to work.

To evaluate sales performance

In an organization, the sales territory is compared from the previous years to current to find out the difference, i.e., the increase or decrease in sales volumes. It helps to work on the difference accordingly. This is done with the help of sales territory as the activities are assigned in a proper manner and gathering of data and evaluation becomes easy.

The comparison to evaluate sales performance is done on the following basis −

- Individual to District
- District to Regional
- Regional to Entire Sales Force

By this comparison, we can evaluate and determine where the sales force is contributing for high volume of sales.

To improve customer relations

As we know, salespersons have to spend most of their time on road to sell the products but if the sales territory is designed in a proper way, the salesperson can spend more time with the customers (present and potential). This helps in building rapport and understanding the needs better.

Sales of a company can increase when a customer receives regular calls and the salesman has to visit the customers on the basis of calls. The salesman and the customer get time to understand each other and resolve their issues regarding demand and supply. This also helps in increasing the brand value of the company.

To reduce sales expenses

Once the geographical areas are decided, the company gets a proper picture as to the areas that can be assigned to the salespersons. He/she needs to cover that area so that there is no duplication of work by sending two salespersons in the same area.

The selling cost of the company gets reduced and leads to increase in profits. There is also an advantage to the salesperson for few travels and overnight trips.

To improve control of the sales force

The performance of a salesperson can be measured on the basis of calls made to customers, the routes taken and the schedules. In this case, the salesperson cannot deny if the results are not positive.

The salesperson has to work on the same routes, schedule and everything is predetermined. This results in better control of the sales force.

To coordinate selling with other marketing functions

If the sales territory is designed properly, it helps the management to perform other marketing functions as well. It is easy to perform an analysis on the basis territory as compared to the entire market.

The research done by the management on marketing on territory basis can be used to set sales quotas, expenses and budgets. The results can be satisfactory if the salesperson helps in advertising, distribution and promotion when the work is assigned on territory basis instead of the market as a whole.

Procedure for Designing

At the time of designing the territory, the manager has to keep in mind the size of the territory that is going to be assigned to the salesperson. It should be neither too small nor too large. If the territory is geographically too small, the salesperson would keep calling the same customers repeatedly. In contrast, in a too large geographical area, the salesperson will not be able reach the scattered customers as most of his time will be utilized in travelling. Hence the territory should not be too large or too small; it should be such that all potential customers can be visited as per the requirement.

The procedure of designing sales territories is the same for all companies, whether setting the territories for the first time or revising the existing territories.

Select Control Point

As the name suggests, the management has to select a geographical control point. The control points can be classified on the basis of district, pin codes, areas, states and cities.

At the time of selecting the control unit, the management should aim to select as small a control unit as possible.

The following are the reasons behind selecting small control units.

Reason 1

If the control unit is too large, the areas with low sales potential will be hidden by the areas with high sales potential. The areas with high sales will be concealed if the areas with low sales potential will be included.

Reason 2

In case of any changes required in future, they can be done smoothly. **Example** − A company wants to allot some territory to Mr. A. This part of territory had earlier been assigned to Mr. B. It can be done easily, as the unit is small.

If the sales potential for the company is located in urban areas, the city can be used as a control point. But there are some disadvantage also, as the adjacent areas to cities also possess sales but they are covered by paying additional cost to the salesperson.

The control point can also be set up according to the trading areas. It is a sensible decision to set up the control point according to the trading area. It is based on the flow of goods and services rather than economic boundaries. **Example** − The wholesaler or retailer use trading area as the control point.

Trading area can be considered as the geographical region that consists of a city and the surrounding areas; this region works as the main retail or wholesale center of the region. Generally, the customers from one trading area do not go outside the boundaries to buy goods.

Even an outsider customer will not enter the trading area to purchase a product. The main advantage of the trading area is that the salesperson is aware of the

buying habits of the customers and the pattern of trade. It also helps the management in planning and control.
The control point can be decided on the basis of states. A state may be a capable control unit when the organization has small sales force that is covering the market selectively. **Example**− A company sells its products in the country in all states; in this case, the territory boundaries could be based on states.
It is less expensive and convenient to gather data and make evaluation.

Making an Account Analysis

The next step after selection of geographical control unit is to plan an audit of each geographical unit. The reason for performing this audit is to analyze the customer prospects and find out the sales volumes for each account.
Accounts can be recognized by names; in recent times, there are many sources to pull out the data, for example, the yellow pages. We can also collect the data through the past sales of the company. After collecting the data, the next step is to estimate the sales for each geographical unit. The sales manager estimates the sales volume that the company is expected to get in the following years.
There are many factors to contribute such as competition, advantage of the company in that geographical area, etc. Now there are many software available for calculation and the final result. This can be done much quickly as compared to when it is done by the sales manager manually.
After the sales potential estimates have been taken, the system divides into three types, which is done through ABC analysis. This is one of the most common analyses used by companies. Where the sales potential is greater than expected, it is classified as "A Category". Average potential is classified as "B Category" and the sales potential below average is classified as "C Category".

Developing a Salesperson Workload Analysis

The salesperson workload analysis is done on the basis of the time and effort taken by a salesperson to cover a geographical unit.
The following are a few points needed to estimate workload −

- Frequency of calls
- Duration of calls
- Travel time

The estimates workload is calculated by considering these factors.
The most important factor is the duration of calls. These depend on the customers and issues. If the problem is severe, it may take time to resolve and tackle the question from customers.
Another important factor is the travel time; this differs from one area to another depending on the factors transportation, condition of roads, weather condition etc. The sales manager tries and plans accordingly to reduce the travel time taken by the salesperson and utilizes the time to call more number of accounts/clients.

Combining Geographical Control Units into Sales Territories

In the first three steps, the sales manager works on the geographical control units; now he has to combine the control units into territories.

Initially the sales manager used to manually develop a list of territories by combining the control units. It was a time consuming procedure and also the result was not accurate, as it was done manually. Now computers handle this activity and complete it in a much shorter period of time with accurate results. The operational error is reduced here.

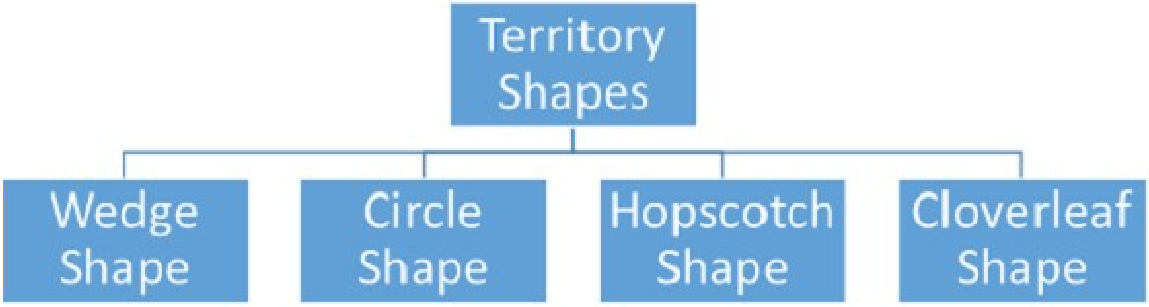
All the salespersons cannot be considered equal and competitive; it depends on the basis of experience and skills. The salespersons are assigned territories by the sales manager depending on the basis of sales. The geographical areas with high sales are assigned to the salesperson with experience, who can handle the workload. The new or less effective sales people are assigned the areas with less sales potential.

Territory Shape

The sales manager has to decide the shape of the territory. The territory shapes affects the selling expenses and also helps for sales coverage. There are four types of shapes, which are used widely.

- The wedge
- The circle
- Hopscotch
- The cloverleaf

Let us discuss these types one by one.



The Wedge

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

The Circle

When the clients are distributed evenly throughout an area, the sales manager chooses the circle shape. The salesperson starts from the office, moves in a circle of stops until he reaches the office again. This helps the salesperson to come near to the customer as compared to the wedge.

Hopscotch

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

The Cloverleaf

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

Assigning Sales Personnel to Territories

Once the sales territory has been designed, the last step is to assign sales personnel to the territories. All the salespersons are not equal in terms of ability, initiative, etc.; the workload of one salesperson may be overload to another and may cause frustration.

The sales manager must rank the salespersons accordingly before assignment of territories. The ranking should be done on the basis of ability, knowledge, communication, etc. The other points, which the sales manager should look at, are the cultural characteristics of the salespersons and how they match with the territory.

Example − If a salesperson is born and brought up in rural area, he would be able to do more effective sales in that particular area as compared to urban area.

We can now conclude that the goal of a sales manager is to assign the geographical area to the salesperson who would maximize the territory sales and where the customers are comfortable with the salesperson.

Establishing the sales territory helps in planning and controlling the sales operations. A well designed sales territory helps to increase sales volume and market coverage and provide better services to customers. Once the sales territory is allocated to the salesperson, he is responsible for making things happen.

SALES QUOTA

Sales quotas are the sum of the total sales of a future period and duties to achieve the component of total sales by each salesperson are handed down to them at the beginning of the period.

According to Philip Kotler, 'A sales quota is the sales goal set for a product line, company division, or sales representative. It is primarily a managerial device for defining and stimulating sales effort.'

It is an expected performance objective. Quotas are routinely assigned to the sales units, such as departments, divisions, and individuals, and they proceed to reach at these quotas in their respective domain. They are sales assignments or goals, which are to be achieved in a specific period of time.

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In the words of Paul H. Nystrom, "A sales quota is that part of share of a company's total estimate sales assigned to a salesman, a territory, a branch house, a distributor, a dealer or to some other selling unit, as a goal to be attained in a designated future period of time."

In the words of Cundiff and Stiff, "Sales quota is a quantitative goal assigned to a specific marketing unit, such as to a salesman or territory."

In the words of Stanton and Buskirk, "A sales quota is a sales performance goal. It is assigned to a marketing unit, a sales person, branch, middlemen or customer."

It is thus, clear that sales quotas are standardized method of evaluating the effectiveness and performance of salesmen.

Sales Quota – 7 Main Characteristics

1. It is the sales goals set for a product as well as of a salesman.
2. There is a time-dimension of a sales quota.
3. Sales quotas are assigned to salesmen, middlemen, or a branch.
4. It requires a desired level of performance.
5. It is a managerial tool of direction and control of sales activities.
6. Sales quotas are determined on the basis of sales forecasting, sales potential, estimates of costs, and other market studies.
7. The success of sales quotas system will depends on accuracy of data and information used for forecasting.

Sales Quota – A Brief Detail of Objectives in Setting Sales Quotas

The general objective that sales management has in mind is to control the sales effort. Sales control is facilitated to use appraising performances of sales organizational units, such a sales units or an individual sales force. The management also uses quotas to motivate personnel to achieve desired performance levels.

A brief detail of objectives in setting quotas are as follows:

1. For determining the goals of salesman, sales territory, sales department, or branch office.

2. For evaluating the market territories in respect of prospects of sales and marketing situations.
3. For balanced growth of market territories. The territories where the sales are comparatively lower, efforts can be made for increasing the sales.
4. To motivate the salesman towards achievements of the prescribed quota within the prescribed time.
5. For facilitating the sales manager to evaluate the salesman's productivity. In case of failure to achieve the set quota, the reasons for which can be analyzed.
6. For the development of effective remunerative plans for the salesman. Those who achieve more than the prescribed quota are provided with commission or bonus.
7. To control the activities of salesman and to encourage them to achieve the prescribed quota within the prescribed time limit.
8. For controlling of sales expenses by fixing a limit on every sales quota allotted.
9. For facilitating to evaluate the results of sales contests. Certain minimum sales quota is fixed for each salesman to be achieved, to ensure his participation in sales contests.
10. Sales quotas serve as the basis for preparing the budget for advertising and sales promotion.
11. It is the basis to define the rights and duties of every salesman, sales department or a branch.
12. It is the basis to avoid the duplication of activities as the rights and duties of every salesman, sales department or branch office are clearly defined in advance.
13. It determines uniformity in workloads between each salesman and sales territories.
14. For estimating the future needs of every salesman, territory, branch or middlemen and also to estimate future requirements of sales-force, office employees and other requirements if any, in advance.
15. To establish coordination with other departments, such as production, purchase, warehousing, finance etc. These departments will be able to undertake their respective functions in accordance with the sales quotas allotted to each territory.

Sales Quota – Importance

There are essentially three reasons for the use of sales quota. The sales managers use the sales quota for motivating salespeople. People with a mind to achieve higher things like the concept of sales quota due to its objectivity in measurement and subsequent linking with the reward system.

They also get a feedback on their performance through the achievement of quota in the organization. In a multi-product situation, the salespeople are directed to put their efforts in specific product categories that enable them to know where to concentrate for achieving the organizational goal.

Quotas always lead organizations towards management by exception. This means that the management focuses attention on the people who are highly performance oriented, and takes care of their interests in the organizational policies. Similarly, managers can devote more time to people who are poor performers, and attention can be given to their knowledge and skill building to improve their efficiency.

The management can also spend more time on high-performance individuals to learn the basic elements for which they outperform others and try to bring the same elements within others for improving their sales performance.

Sales quota also helps in giving directions to the salespeople’s efforts and resources for specific ends, and targets the organization sets as important. It is seen in organizations that attainment of sales quotas is tied to the incentives and financial rewards of the organization. This rewards the desired type and level of corporate behaviour to reach at the organizational goals.

These represent the manager’s expectations about the activities to be accomplished and the level of accomplishment targeted for the time being. Quotas help in providing a means for measuring performance through the measure of individual activity in the organization. Management compares the achievement of individuals with their targets and thus, quotas become the primary basis for evaluating performance.

Quotas serve as guidelines and direct the behaviour of salespeople because it also assigns authority as a formal right to exercise control. It gives the power to augment accountability and punish for noncompliance. The salesperson’s acceptance of this provides the organization a control mechanism for smooth management.

This kind of control also serves as a self-supervisory mechanism in the organization where the salesperson can always measure his performance with the quota as they are set on sales volume, individual product line’s sales volume, number of new accounts, and also expenses. Therefore, the salesperson confines his activities only to these measurable activities.

Quotas provide performance targets, standardizes performance, and controls the individual’s performance, thereby directly influencing the level of motivation within the salespeople. Fixing a believable quota for the sales staff, linking it with the reward system, and then allowing people to perform towards achieving the quota within the specific time period constitute an effective process of performance management.

Sales Quota – 11 Important Principles of Setting Sales Quotas

Setting of sales quotas is a difficult and skillful activity. As such, it is not possible to determine any formula and follow it. But, with the help of certain principles, sales quotas can be set skillfully.

These principles are:

1. Objectivity – Sales quotas should be set on the basis of facts and figures while applying skills and intelligence.
2. Simplicity – The simplest method of quota setting should be sued so that the salesmen and other related persons may understand it easily. Professor White has rightly stated that "An imperfect, but simple quota system is likely to work better than an accurate, but complicated one."
3. Fairness – There should be fairness in allocating sales quotas. This means that there should be uniformity in the allotment between salesmen. But keeping in view of nature of territory, competition and the ability of the salesman, there can be little differences in the quota allotment.
4. Achievable – The sales quota should be achievable without much difficulty. If higher quota is fixed to achieve, it would be difficult even for an average salesman to achieve it and it will not motivate the salesman. Quota should be of optimum level.
5. Flexibility – Stanton and Buskirk were of the views that no sales quota be good so far as it has not the quality of flexibility.
6. Definiteness – It means that there should be definiteness in the quotas fixed, either the quotas may be fixed on geographical basis, or on money value, or on units of product. It should be definite to every salesman that, which object is to be achieved by him.
7. Follow-up – For the successful achievement of sales quotas it is essential to follow-up or evaluate the sales quotas. It is the duty of the managers to compare the sales quotas with the sales results regularly. Evaluation of performance will be helpful to determine the remuneration plan, motivational schemes and promotion to salesmen.
8. Stability – Stability should be maintained in quota fixation. It means that the base and the method of quota setting should not be changed frequently. Frequent changes in the methods of quota setting may create confusion among the salesman and brings an end to goodwill of managers.
9. Participation – Participation of all the sales persons are needed to achieve sales quotas successfully.
10. Motivational – The quotas should have motivating effect on the salesmen. Those who have achieved the sales quotas should be given incentives so as to motivate and encourage them for future.

11. Accuracy – Accuracy should be maintained while setting sales quotas. The information and facts used for setting quotas must be accurate and representative to respective sales territories.

Sales Quota – Need for Quotas Setting

1. Accurate, Fair and Attainable Quotas:

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

But, in addition, regardless of the type of quota – sales volume, budget, activity, or combination – sound judgement is important in analyzing market data, adjusting for contemplated policy changes (and for conditions unique to each territory), and appraising changes in personnel capabilities, as well as in setting the final quotas. Accurate quotas result from skillful blending of planning and operating information with sound judgement. Setting a fair quota involves determining the proper blend of sales potential and previous experience.

If management believes that its quota-setting procedure produces accurate quotas and is confident that fair quotas are being assigned, then they should be attainable. Most quota-setting errors are those of judgement, most traceable to setting quotas above each salesperson's expected performance to provide an incentive for improvement. Quotas that some sales personnel fail to attain are not necessarily unfair – whether they are-or not depend on who fails to attain them.

Thus, in ascertaining fairness, management faces a possible dilemma because the quotas themselves are the performance standards most used for appraising the quality of sales personnel. Clearly, subjective evaluations of sales personnel according to quantitative performance criteria are required to ascertain whether quotas are fair.

2. Securing and Maintaining Sales Personnel's Acceptance:

Management must make certain that sales personnel understand quotas and the quota-setting procedure. Conveying this understanding is a critical step in securing staff acceptance of quotas. If sales personnel do not understand the procedure used in establishing quotas, they may suspect. This attitude destroys the quota's effectiveness as an incentive.

It is important that sales personnel understand the significance of quotas as communicators of "how much for what period," but, if they also understand the quota-setting procedure, they are more likely to consider their quotas accurate, fair, and attainable. The quota-setting method should be simple enough for sales personnel to understand, yet sufficiently sophisticated to permit acceptable accuracy.

Sometimes, this means that management, faced with choosing between two quota-setting procedures, may choose the less sophisticated because it can be more easily explained to, and understood by, the sales staff.

3. Participation by Sales Personnel in Quota Setting:

If sales personnel participate in quota setting, the task of explaining quotas and how they are determined is simplified. With sales personnel helping to set their own quotas, management has more assurance that the procedure will be understood. How much staff participation is solicited depends upon management philosophy, types of quotas, information available, sophistication of the quota-setting procedure, and the caliber of the sales force.

It is not advisable to turn the whole quota-setting job over to the sales staff, but some sales force participation can obtain more accurate and realistic quotas. Sales personnel have some information about their territories that management does not have, and it can contribute to quota accuracy.

4. Keeping Sales Personnel Informed:

Effective sales management keeps sales personnel informed of their progress relative to quotas. Sales personnel receive frequent reports detailing their performance to date. This permits them to analyze their own strong and weak points and take corrective action.

Of course, sales personnel need encouragement, advice and occasionally, warnings, in deciding to take measures to improve their performance. Reaping full benefits from keeping sales personnel informed requires frequent personal contacts by supervisors, as well as regular reports.

5. Need for Continuous Managerial Control:

In administering any quota system, there is a need for continuous monitoring of performance. Arrangements must be made to gather and analyze performance statistics with minimum delay. Chart recording each salesperson's performance against quota on a monthly, or even weekly, basis facilitates this analysis. Keeping sales personnel informed at frequent intervals, at least monthly, requires subdividing the year.

Generally, the annual quota is divided by the number of reporting periods, but, of course, this can be misleading, when random fluctuations in sales occur. For products with seasonal sales patterns it is more logical to apportion annual quotas relative to either the proportion of sales made in each reporting period during the previous year, or the proportions made in "normal" years.

Procedure for Setting Quotas:

A successful procedure for setting quotas in organizations is a process built on one-to-one discussion between the sales managers with each salesperson serving a territory. This procedure is the most democratic way of handling the targets and motivating subordinates to achieve the organizational goal.

There are essentially three steps to be followed for quota setting. They are schedule planning, conferencing with each salesperson, and arriving at a summarized written quota statement.

A schedule planning involves planning for goal setting meetings with individual salespeople and particularly with new recruits. These schedules are necessary to explain systems and reasons, benefits and incentives for each salesperson, and goals for the organization. These are called orientation briefings for the organization because the authority and status of the manager lend power and impact to what is briefed to the salespeople.

The salespeople should be allowed to ask questions and get clarifications for their doubts, and then the sales manager announces for a one-to-one meeting to-finalize each individual's goals for the set period. The sales manager then asks the salesperson to submit the individual goal proposal for setting up the guidelines for a combined goal setting meeting.

Conferencing with Each Salesperson:

The next step is to arrange conferences with individual salespersons. The salesperson brings the filled in goal setting form with him for discussion. The sales manager allows the salesperson to discuss all the rows in the first column in the output table. The discussion revolves around the four key areas—the territory, the account, the call management, and self-management—and the manager gets an agreement on these areas.

Then the sales manager starts discussing about the five key areas namely volume per month, expenses per month, gross margin per month, market share per month, and key account coverage per month.

All the three classes of objectives should be covered. When salespeople get stuck with regular goals, the sales manager helps to raise them if they can be led to seeing problems blocking the growth or can be challenged to innovate and raise their levels of order size, account management, market penetration, or self-management.

The purpose is to create a win-win situation for both the organization and the employee. If goal setting cannot be completed in one meeting, the sales manager can set few more meetings for problem solving and creative objectives. The meetings have to be formal, structured, and run with scheduled discussion.

The sales manager should make notes about the agreed points during the meeting. The manager should avoid other interruptions during the meeting such as telephone calls and visits by other executives. The effectiveness of the time committed by the sales manager in quota setting will help the sales manager to save his/her quality time in future and also increase his/her efficiency as a sales manager.

The next task is to prepare a written summary of the goals agreed upon. The objective or goal setting form serves as a guide for the mutually agreed goals. The written goals become a document of understanding for all purposes. It provides the sales manager as well as the salesperson with clear-cut goals and responsibilities for the year ahead.

Sales Quota – limitation

1. Individual differences – Ability of individuals may differ. While setting the sales quotas, differences in qualities, abilities, experience and positions among the salesmen are not considered suitable and, therefore, the sales quotas cannot be real.
2. Economic burden – It needs to take the services of experts, market research and statistical techniques to set the sales quotas. All these requirements bring the expenses much higher. Many organizations are not in a position to meet higher expenses.
3. Complex techniques – Certain institutions use complex techniques to set the sales quotas, and it will not be easier to understand the techniques as they are much complex and costly.
4. Emphasis on sales only – Certain managers are of the view that sales quotas are only helpful to increase the sales and earn more profits, but this cannot be the only aim of business. They are of the view that selling of sales quotas is not so important to achieve more sales. Advertisement, publicity, sales promotion, etc. are much helpful in getting more sales and earning more profits.
5. No importance in sellers' market – Where the demands are larger than supplies (sellers' market), there will be no difficulty in selling the product. The producers of such products do not give importance to set sales quotas.
6. Effects of various factors on sale – It is not correct to say that increase in profits is due to the result of selling efforts, but various other factors such as price, quality, cost of production, demand and supply conditions, competition etc. also influence the quantum of profits.
7. Negative connotation – Some managers take the term "quota" as negative connotation. They raise objections on the use of this term. They are of the view that the term "objects" should be used instead of "quotas."
8. Personal bias – It is very difficult to set an accurate, unbiased and justified quota. It cannot be kept away from personal bias of managers.
9. Lack of mathematical accuracy – L. D. Weld writes that sales quotas cannot be set with entire accuracy. It would be better if it is based on 70 per cent science and 30 per cent assumption.
10. Based on estimates – Sales quotas are set on the basis of sales forecasts and therefore, the quotas will also remain as estimates.

11. Indifference towards other functions – Many times, sales quotas prove impractical as the salesmen do not give attention to non-selling activities, such as searching of new customers, removing the objections of customers, collection of dues from customers, etc.

Sales Quota – 4 Different Types Quota Practiced in Different Organizations

Companies set different types of sales quotas. The method of selecting the quota largely depends on the business practice, the design of the organization, and the level of competition in that industry. Broadly, quota types include sales volume quota, sales budget quota, sales activity quota, and a combination quota.

Now we will explain different types quota practiced in different organizations:

Type # 1. Sales Volume Quota:

Most of the companies follow this method of quota setting. It is the most traditional and commonly used method in Indian organizations because this method provides an important standard for appraising the performance of individual salespeople, intermediaries, and branch.

Sales volume quotas communicate the organization's expectations in terms of what amount of sales for/in what period. For example, Torrent Pharmaceuticals uses rupee sales objectives, whereas a company like General Motors uses the number of cars and commercial vehicles.

If a salesperson has to sell 30,000 units of a product from March to August then this can be called as the sales volume quota for the said six months. This kind of quotas can be set for geographical territories, different product lines, different marketing intermediaries, or for more than one of these in combination with any unit of the sales organization. Table 8.1 shows a sales volume quota format.

TABLE 8.1 Comparative Annual Sales Volume for the South Indian States

Person	*Sales quota*	*Actual sales*	*Rupees difference*	*Performance*	*Index*	*(a)*
Rakesh						
Subodh						
Dillip						
Bishnu						
Total						(b)

(a) (Actual sales/Quota) × 100

(b) Average of performance index

The annual quota is set for the year and then they are broken into specific time periods such as quarters, months, and weeks. This is called the breakdown approach. Once the salesperson knows his annual target, he can plan out his targets for different periods. In many cases, these are not on specific time periods because they may vary depending on the seasonality of the business, consumer attitude towards buying, and the geographic location of the customer.

The salesperson can fix the sales quota on the basis of the total product line, the existing product lines, and new product lines, or territories depending on the design of the organization, which may include the sales divisions, regions, branches, districts, and individual sales territories.

Organizations make sales forecasts on the basis of the above units, which makes it easier for them to establish the sales quota. The sales volume quota is of three kinds- monetary sales volume quota, unit sales volume quota, and point's sales volume quota.

Organizations selling a broad product line set sales volume quota in monetary terms rather than in terms of units of product. The international sales quota is also shown in dollars/pounds or relevant foreign currency. The monetary quota is set for each sales unit separately. For example, Zuari Furniture follows a quota policy where each salesperson handling a specific territory tries to achieve the sales quota in monetary terms.

The second method is quota setting by volumes. This method is used in two situations, namely, when the prices of products are expected to fluctuate considerably during the quota period, and when companies with a narrow product line sell at a price that fluctuates little during the quota period. Volume quota setting helps the firm to achieve the sales in volume terms as the rupee value may vary during the sales period.

The third method is the setting sales volume quota in terms of 'points'. Some organizations use sales volume quota expressed in 'points', into which money or unit sales or both can be converted as desired by the sales manager.

A multi-product firm may fix a point volume quota where sales of one unit will bring a certain point, whereas the other will bring a higher point for the salesperson. If a salesperson is assigned a quota of 1000 points by the organization, he is expected to get sales orders of 1000 points as a combination of any product mix of the firm.

Type # 2. Sales Budget Quota:

These kinds of quotas are set for various units by the organization in order to control expenses (expenses quota), gross margins, and net profits (profit quota). The overall intention of setting a budget quota is to make it clear to the salespeople that they are more of a responsibility centre where the job includes not only obtaining the desired sales volume but also making good profit. This means the cost to acquire customers should be less than the revenue generated from those new customers.

Expense quota ensures that the salespeople limit their expenses in alignment with the sales volume and control the cost to acquire customers. In this method, the sales manager seeks to provide salespersons with financial incentives to control their own expenses. Tying performance with sales expenses and offering expenses

control bonus for incurring lesser expenses in realizing sales are the two common methods by which the expense quota can be set.
A salesperson receives an expense budget as a percentage of the territory sales volume and manages the expenses in rupee terms. Many companies set upper limits on items of expenses such as lodging, meals, and entertainment, and expect the salespeople to manage within that budget.
Profit quota can be set on gross margin or on net profits. Organizations emphasize net profits more than sales volume. The salesperson is asked to generate profitable sales rather than mere sales. Organizations set profit quota along with the sales volume quota because profits are necessary for surviving and excelling in business. The rationale behind this type of quota is that sales personnel operate more efficiency to reduce expenses and increase the sales resulting in increased margins and profits.
The salesperson is bound to achieve either the required gross margin or net profits while achieving sales quota. Gross margin quota is determined by subtracting the cost of goods sold from sales volume. Table 8.2 presents a condensed statement describing sales and expenses for four south Indian states.
The manufacturing department provides the sales manager with information regarding the cost of goods sold, which includes the cost of manufacturing the product. By subtracting the cost of goods sold and the direct selling expenses from the sales volume, one can determine the net profit quota.
The same method is explained in the table below:

TABLE 8.2 Condensed Statement of Four South Indian States for Alchem Pharmaceuticals

Items	*Rakesh*	*Subodh*	*Dillip*	*Bishnu*
Sales				
Cost of sales				
Gross margin				
Expenses				
Salary				
Others				
Total expenses				
Net Profit				
Sales–Net profit ratio				

The problem with this method is that the salesperson does not decide the price and has no control over the manufacturing cost; therefore, they cannot be solely made responsible for the gross margin. In net margin quota the salespeople sometimes cut back costs so much that there is negative impact on sales and the quality suffers. The sales manager needs to constancy monitor the performance and expenses of the salespeople for managing profitable sales.

Type # 3. Sales Activity Quota:

The activity of a salesperson has direct influence on the sales of the organization. The salesperson is not always involved in sales realization; for example, a retail salesperson has a job of providing information only. In this case, the quota can be fixed on the activity a salesperson has to perform, rather than the final outcome.

In addition to the direct sales activity, the salesperson is expected to do some non-selling activity and the quota can be set as a mix of these activities. Activity quota is mostly seen in insurance selling where salespeople must continuously do prospecting, generate sales lead, and develop new business.

This kind of quota is also common in pharmaceutical selling, where medical representatives spend time for calling on doctors and hospitals to explain new products and new applications of both old and new products. Activity quota can be set on total sales calls, particular classes or set of customers, calls on prospects, number of new accounts, product demonstration, etc.

Sales managers also undertake time and motion studies and conduct work-studies for deciding on the optimum combination of activities for a salesperson. Activities quota set objectives for job- related duties, which help the salespeople in achieving their performance targets. They help the salespeople to do the non-selling activities perfectly, as they become part of the job definition.

The sales managers can build comparative activities for the south Indian states as shown in Table 8.3-

TABLE 8.3 Comparative Activities for the South Indian States

Person	*Number of calls*	*Number of orders*	*Order/call ratio*	*Actual sales*	*Average salesperson's order (A)*	*Total customers*
Rakesh						
Subodh						
Dillip						
Bishnu						

Note: (A) = Average of order/call ratio

Salespeople seldom find this method acceptable because they consider non-selling activities as of less value. So they put less time and effort in these activities. Often they provide false activity reports regarding these activities, as they find them of little significance. Activity quota is not a basis for reward but an effective understanding of these activities helps the salesperson to understand why he could not achieve the sales quota set for him on the specified territory.

Type # 4. Combination Quota:
Many organizations use a combination of these quotas. The most common combination is the sales volume and activity quota. Combination quota is used to control sales force performance on the basis of selling and non-selling activities. A combination sale quota can be achieving a sales target of 1000 units along with developing 20 new key accounts, identifying 100 prospects, and bringing back 50 lost customers.
This kind of quota often reduces the expected understanding level of the job for a novice, and often serves as a demotivator. So, sales managers have to use this method with continuous briefing and effective control over the sales force.
Combined sales quota should be based on the most important activities such as sales volume and the products that sell the most.
Methods of sales quota;
Organizations follow various methods for setting sales quota. Though the explanations above gives us an understanding of fixing the quota and types of quota, students of sales management need to be understand the practices followed in organizations for fixing sales quota.
Fixing sales quota in organizations is a challenging task today due to the sheer size of sales organizations, complex sales force structure, and varied competitive conditions in different territories. In addition to this complexity of quota setting are the issues of intense competition and faster and frequent launch of technologically complex products in the market.
i. Quotas Based on Sales Forecasts and Potentials:
Large organizations set quota on the basis of sales forecasts and the sales potential of the market and the territory. Organizations forecast the total sales or volume for the entire market, which is then divided into territories, and then brought down to the individual salesperson level. The forecasts can be generated at the corporate level, at the total product line level, and at the individual products level.
Each of these forecasts is prepared on a geographic level. Estimated future sales per territory are then divided by the number of salespersons or by the number of branches to determine the sales quota for each. For example, if the total sales estimated by a firm for a certain territory is Rs.20 million during a period of 12 months and 5 salespersons are appointed to do the sales activities, the sales quota for each would be of million per annum.
ii. Quotas Based on Forecast:
It is not always possible to obtain the forecasted figures for individual sales territories as companies lack information, data, money, and people to determine the sales potential for individual sales territories. Small companies set quota in relation to their sales forecast or total market estimate. They establish quota on the basis of the past performance in geographic areas without regard to the sales potential.

iii. Quotas Based on Past Sales or Experience:
Some companies could not make the sales estimates in advance for the total market. In such cases, companies collect the sales data of the previous years, average them out for each geographic territory, and then add an arbitrary percentage for next year's quota. A few companies set quota based on average sales of longer periods. This average method is followed due to the ease of using the trends and projecting them for future.
Everyone's goal in an organization is to surpass the previous year's sales, and this method boosts up the morale of the salespeople. This method gives a rear view perspective, as it does not take into consideration the sales potential. It also does not ignore the past and present situation of different territories. If several competitors enter a territory then the sales potential is affected and the trend projections may demotivate the salespeople.
iv. Quotas Based on Executive Judgment:
This method is used when there is little or no information available about the market. It may also be impractical to find out the potential of a new product in an existing territory or an existing product in a new territory. So managers have to rely on their past experience for making future predictions. They try to analyse facts and figures for the different markets and then decide the quota for the territory, salesperson, and intermediaries.
v. Quotas Based on the Judgment of Salespeople:
Many companies ask their own salespeople to set the quota for themselves. This is mostly applicable in situations where the company is expanding the territory or starting up its own sales force. In these situations it is difficult to project sales even though there may be significant sales potential. Most companies allow their salespeople to give data to set their quota. Many companies also use these inputs from the salespeople to fix their production and manufacturing schedules.
Since salespeople are very much acquainted with the market conditions in their respective territories, they will be able to determine the quotas more efficiency and realistically than the supervisors or sales managers. This provides an opportunity for the salesperson to test their abilities and it makes them to work with higher motivation.
But many a times the salesperson set the quota lower than his level to have comfort on the job. The salespeople may not have complete or sufficient knowledge and information to make necessary analysis for an effective forecasting.
vi. Quotas Based on Compensation:
Salespeople are promoted on the basis of their achieving quota. It is like a bottom line for the salespeople. Salespeople are evaluated on the basis of their attaining quota for higher assignments. Salesperson gets extra compensation by reaching

sales volume quotas for total unit or rupee sales, and sales of existing products and new products.
Quotas related to the compensation are determined by any of the previously explained quota setting methods. Meeting quota is a way of life for the salespeople as quota has a direct influence on their commitment to the organization.

vii. Problems in Setting Sales Quota:

Sales managers face various problems while fixing sales quota for the organization. This is the basic reason why we see a variety of quota setting methods in different sales organizations. There is a high level of individual difference in every organization. The ability of individuals in performing certain duties varies, as it is dependent on personal effectiveness, personality type, and skill of the individual.
While setting sales quota, differences in the ability, quality, experience, and position of the salespeople are not considered suitably in many organizations, as the basic objective of setting quota thorough the scientific process of quota management is difficult to attain.
Quota setting is a complex procedure and in many cases the salesperson is not able to understand the reason and logic behind the goals and quota assigned to him by the sales manager. Many large organizations use econometric models and services of experts in the area of marketing and sales research, which adds to the organization's costs.
Quota setting only helps in achieving sales and earning higher profits but many of the contemporary organizations do not pursue these goals alone. Maximizing the shareholders' equity, delivering a larger stake to the stakeholders, motivating the employees to contribute more, and reducing the attrition rates are some of the objectives that quota setting procedures do not fulfil.
Many managers also feel that achieving sales quotas is not that important as advertising, sales promotion, and other tools of integrated marketing communication also contribute towards achieving higher sales for organizations. Similarly, quota setting has no relevance in sellers' markets, where the demand for products is higher than the supply making sales an easy job for the salesperson. Manufacturers do not give much importance to the idea of quota setting. It is incorrect to say that increase in profits is always due to the result of selling efforts; various other factors such as price, quality, cost of production, demand and supply conditions, and level and nature of competition also influence the level of profit. Quota setting procedures often suffer from the bias and prejudice of the sales managers and are used for reasons not spelt out in literature. Quotas are not accurate and are based on estimates, which are based on certain assumptions. In the current markets, assumptions go wrong very often due to the volatility of business. This nature of quota setting reduces the scientific application of the quota concept.

As we have seen a perfect quota is a combination of selling and non-selling activities, many times salespeople do not give proper attention to the non-selling activities, such as searching for prospects, handling customer objections, and creating market for probable market entry of new products. This lack of attention reduces the effectiveness of quota setting procedures for sales organizations.

Sales Quota – Reasons for Not Using Sales Quotas

Some companies do not use quotas. In certain industrial goods categories, for instance, it is difficult to obtain accurate sales estimates; thus, quotas, if used, are based on subjective judgments. Numerous executives prefer not to use quotas.

In some companies, the fact that quota determination requires using statistical techniques is the reason given for non-use of quotas. The fear is that sales personnel will not accept quotas prepared by hard-to-explain techniques. In other instances, there are difficulties in arriving at fair weights for territorial potential, competitive position, coverage difficulty, and salesperson ability. Thus, when quotas are tried, they may be set too high, which could cause high-pressure selling, or too low, which could provide insufficient incentive.

Some executives oppose quotas on the grounds that they place too much emphasis upon making sales. This may be a legitimate criticism of sales volume quotas, but not of all quotas.

One situation exists where quotas, in the normal sense, are not appropriate. It occurs when a product is in short supply. In such cases, most management believes that it is wise to divide the available supply equitably among customers. In sellers' markets, the allocation substitutes for the quota, which characteristically is appropriate for use only in buyers' markets.

Quotas are quantitative objectives assigned to sales personnel and other units of the selling organization. They are intended both to stimulate performance and to evaluate it. In successful quota system, special attention is given to the quota setting procedures with sales potentials and planning data from the sales forecast and sales budget. Continuous managerial review and appraisal, and balanced flexibility in making chances in quotas characterize quota system.

Sales analytics:

Sales analytics is the process used to identify, model, understand and predict sales trends and sales results while helping in the understanding of these trends and finding improvement points. It is used to determine the success of a previous sales drive and forecast as well as determine how future ones will fare.

Data from different pipelines and sources such as application transactions, surveys and internal applications are taken and analyzed in order to find relationships and opportunities that may be used by the organization. Relevant data is mined and then analyzed in order to forecast future sales. Sales analytics involves just about any type of business transactions, including those that do not seem to directly lead to turnovers, like the number of customers who went to the mall on a certain day. But for market and sales analysts, this number can be further analyzed to measure the number of people who may have visited the organization’s campaign booths or have seen its various advertisements, which, in turn, can help with determining brand recognition and with predicting futures sales. Web analytics and Google analytics are good examples of common sales analytics tools that are specifically designed to track consumer activity on the Internet. In this case, data is collected regarding all website visitors through either log files or cookies, and then the information is later analyzed to determine the number of visitors, the number of pages within the site visited and whether they have made a purchase or not. Even the sources of these visitors may be analyzed in order to find out the best source of visitors and to help determine whether an ad or a social campaign is successful or not.

Organizations now use not only a sales and marketing group, but also have realized the importance of a group dedicated to data mining and analysis. The data mining group can look for hidden relationships and trends within the data that may be used to assist the sales and marketing department to provide a more accurate forecast of consumer wants and needs as well as to find new opportunities and to have enough information to act on them quickly.

SALES AND DISTRIBUTION MANAGEMENT 18 MBA 302 A MCQ

1. Avon, Amway, and Tupperware use which of the following forms of channel distribution?

a. direct marketing channel

b. indirect marketing channel

c. forward channel

d. fashion channel.

2. From the economic system’s point of view, the role of marketing intermediaries is to transform:

a. raw products into finished products.

b. consumer needs into producer needs.

c. consumer needs and wants into product desires.

d. assortments of products made by producers into the assortments wanted by consumers.

3. When the manufacturer establishes two or more channels catering to the same market, then …………… occurs.

(a) Vertical channel conflict

(b) Horizontal channel conflict
(c) Multi channel conflict
(d) None of the above
4. A distribution channel moves goods and services from producers to consumers. It overcomes the major time, place, and ______________ gaps that separate goods and services from those who would use them.
a. possession
b. profit
c. image
d. psychological
5. Through their contacts, experience, specialization, and scale of operation, ______________ usually offer the firm more than it can achieve on its own.
a. manufacturers
b. producers
c. direct marketers
d. intermediaries
6. Makers of televisions, cameras, tires, furniture, and major appliances normally use which of the following distribution channel forms?
a. direct marketing channel
b. indirect marketing channel
c. horizontal channel
d. synthetic channel
7. Using manufacturer's representatives or sales branches is usually a characteristic of which of the following channel forms?
a. business marketing channels
b. customer marketing channels
c. service marketing channels
d. direct marketing channels
8. Transporting and storing goods is part of which of the following marketing channel functions?
a. negotiation
b. physical distribution
c. contact
d. matching
9. Who sells to the customers?
(a) Semi wholesalers
(b) Wholesalers
(c) Retailer
(d) Distributor
10. The benefits of marketing channels are………..

(a) Cost saving
(b) Time saving
(c) Financial support given
(d) All of above

11. _______________ is a layer of intermediaries that performs some work in bringing the product and its ownership closer to the buyer.
a. A direct marketing channel
b. An indirect marketing channel
c. A channel level
d. A channel switching system

12. Which of the following statements about sales force management is true?
a. The sales force is the firm's most direct link to the customer
b. The statement, "The world will beat a path to your door if you build a better mousetrap," reflects how business operates today
c. As organizations implement the marketing concept, they soon realize how important it is to be sales-oriented
d. Personal selling is usually less expensive than advertising e. Sales management is no different from any other kind of management

13. With respect to a channel of distribution, the number of intermediary levels within the channel indicates the ____________ of a channel
. a. width
b. depth
c. length
d. similarity

14. Independent firms at different channel levels integrate their programs on a contractual basis to achieve systemic economies and increased market impact are known as……….
a. Corporate vertical marketing systems
b. Contractual vertical marketing systems
c. Administered vertical
d. None of the above

15. Which of the following statements about the sales force in the 21st century is true?
a. Sales managers will use a hands-off approach and let the professional salesperson be his or her own boss
b. Transactional exchanges no longer occur
c. Sales management must be smart and nimble and provide technology-centered solutions to support the sales effort

d. Salespeople make little use of the Internet because they realize the importance of the personal touch e. All of the above statements about the sales force in the 21st century are true

16. ________________ is a marketing channel that has no intermediary levels.

a. direct marketing channel

b. indirect marketing channel

c. forward channel

d. hybrid channel

17. When channel members assume responsibility for one or more of the marketing flows over at least two separate levels of distribution manufacturing and wholesaling, in fact, such systems are synonymous with both forward and backward vertical integration is known as…………

a. Corporate vertical marketing systems

b. Contractual vertical marketing systems

c. Administered vertical marketing systems

d. None of the above

18. The difference between transactional selling and relationship selling is

a. In transaction, selling buyers must pay cash

b. In relationship selling, buyers and sellers must be related

c. In transaction selling, sellers provide greater service

d. In relationship selling, sellers work to provide value to their customers

e. In transaction selling, the transaction is the beginning of a relationship

19. A ______________ is a set of interdependent organizations involved in the process of making a product or service available for use of consumption by the consumer or business user.

a. retailer b. wholesaler c. distribution channel d. middleman 20. The work of setting up objectives for selling activities, determining and scheduling the steps necessary to achieve these objectives is known as………….

(a) Selling

(b) Sales policy

(c) Sales programme

(d) Sales planning

21. Karen is studying the potential for selling her company's products in China. As part of her analysis, she is assessing the number, types and availability of wholesalers and retailers. Karen is studying the country's

a. Natural conditions

b. Technological feasibility

c. Social and cultural norms

d. Distribution structure

e. Legal and political constraints

22. Mr. Narayan, the new national sales manager is learning about the internal organizational environment in her company. She will learn about all of the following EXCEPT
a. Human resources
b. Financial resources
c. Service capabilities
d. Social and cultural environment
e. Research and development activities
23. Which is not a strategic role of sales management?
a. Tracking
b. Reporting
c. Delivery
d. Optimizes distribution
24. John, the sales manager for a building materials company, knows the customers in one profitable sales territory, are particularly hostile to women sales reps. John faces an ethical dilemma primarily in the area of:
a. Determining compensation and incentives
b. Equal treatment in hiring and promotion
c. Respect for individuals in supervisory and training programs
d. Fairness in the design of sales territories
e. Fairness in the assignment of sales territories
25. A large marketing intermediary, but not as large as a sole selling agent in terms of size, resources and territory of operation is known as………………..
a. Wholesaler
b. Sole selling agent
c. Direct marketing channel
d. Semi-wholesalers
26. Many firms use environmental scanning to assess their external environment. Environmental scanning should be used to
a. Respond to current crises
b. Identify future threats and opportunities
c. Determine personnel performance
d. Allocate financial resources
e. Assist with service delivery
27. Sarah and Steve are sales reps for a major pharmaceutical company in the same geographic area. Sarah calls on private practice physicians, while Steve calls on hospital groups. Their sales manager would likely have an ethical dilemma in the area of:
a. Determining compensation and incentives
b. Equal treatment in hiring and promotion

c. Respect for individuals in supervisory and training programs
d. Fairness in the design of sales territories
e. Fairness in the assignment of sales territories
28. What is the full form of CIS?
a. Channel information system
b. Channel induced system
c. Channel information system
d. Channel incorporated system
29. Which of the following is an example of the external natural environment for a manufacturer of metal lawn furniture?
a. A longer than usual distribution channel due to a rail strike
b. Consumer trend toward treating gardens like another room
c. The popularity of metal lawn furniture that looks vintage rather than newly bought
d. A flood at the manufacturer's main warehouse
e. Inflationary pricing by competitors
30. What is the full form of VMS?
a. Velocity moving system
b. Vertical marketing system
c. Vertical moving system
d. Very moveable system
31.A sales team's duties can include which of the following?
A: Taking orders
B: Getting new customers
C: Answering customer calls
D:All of these.
32.Which of the following are roles of sales management?
A: Hiring salespeople
B: Taking salespeople
C: Providing distribution for salespeople
D: Providing free meals for salespeople

MODULE 3

I. INTRODUCTION TO LOGISTICS Logistics - Definition, Evolution, Scope, Functions, Objectives, and Importance-Logistics Integration - Customer Service - phases, service attributes, Value added Logistical ServicesSupply Chain Management vs Logistics.

LOGISTICS: CONCEPT, DEFINITION, ORIGIN AND EVOLUTION

Logistics management is the part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption to meet customer requirements. Logistics management may be defined as follows: According to the Council of Logistics Management, logistics can be defined as "that part of supply chain process that plans, implements and controls the efficient, effective flow and storage of goods, services and related information from the point of origin to the point of consumption". Logistics Management is an all-inclusive term that encompasses both planning and execution of four key aspects of logistics, i.e. transportation, distribution, warehousing and purchasing. Another pertinent factor that logistics management takes into account is the flow of goods in forward and reverse order. Logistics management consists of the process of planning, implementing and controlling the efficient flow of raw-materials, work-in-progress and finished goods and related information- from point of origin to point of consumption; with a view to providing satisfaction to the customer.

Classification of Logistical Activities: Logistics (or Logistical Activities) may be broadly classified into two categories:

I. Inbound logistics; which is concerned with the smooth and cost effective inflow of materials and other inputs (that are needed in the manufacturing process) from suppliers to the plant. For proper management of inbound logistics, the management has to maintain a continuous interface with suppliers (vendors).

II. Outbound logistics (also called physical distribution management or supply chain management); is concerned with the flow of finished goods and other related information from the firm to the customer. For proper management of outbound logistics, the management has to maintain a continuous interface with transport operators and channels of distribution.

Significance (or Objectives) of Logistics Management

Logistics management is significant for the following reasons:

(i) Cost Reduction and Profit Maximization: Logistics management results in cost reduction and profit maximization, primarily due to: 1. Improved material handling 2. Safe, speedy and economical transportation 3. Optimum number and convenient location of warehouses etc. (ii) Efficient Flow of Manufacturing Operations: Inbound logistics helps in the efficient flow of manufacturing operations, due to on-time delivery of materials, proper utilization of materials and semi-finished goods in the production process and so on.

(iii) Competitive Edge: Logistics provide, maintain and sharpen the competitive edge of an enterprise by: 1. Increasing sales through providing better customer service 2. Arranging for rapid and reliable delivery 3. Avoiding errors in order processing; and so on

. (iv) Effective Communication System: An efficient information system is a must for sound logistics management. As such, logistics management helps in developing effective communication system for continuous interface with suppliers and rapid response to customer enquiries.

(v) Sound Inventory Management: 6 Sound inventory management is a by-product of logistics management. A major headache of production management, financial management etc. is how to ensure sound inventory management; which headache is cured by logistics management

FUNCTIONS OF LOGISTICS: Logistics is a process of movement of goods across the supply chain of a company. However, this process consists of various functions that have Order Processing: Customers' orders are very important in logistics management

• Order processing includes activities for receiving, handling, filing, recording of orders. Herein, management has to ensure that order processing is accurate, reliable and fast. Further, management has to minimize the time between receipt of orders and date of dispatch of the consignment to ensure speedy processing of the order. Delays in execution of orders can become serious grounds for customer dissatisfaction; which must be avoided at all costs.

- Inventory Management: The basic objective of inventory management is to 7 minimize the amount of working capital blocked in inventories; and at the same time to provide a continuous flow of materials to match production requirements; and to provide timely supplies of goods to meet customers' demands.
- Warehousing: Warehousing is the storing of finished goods until they are sold. It plays a vital role in logistics operations of a firm. The effectiveness of an organization's marketing depends on the appropriate decision on warehousing. In today's context, warehousing is treated as switching facility rather than a storage of improper warehousing management. Warehousing is the key decision area in logistics. The major decisions in warehousing are: Location of warehousing facilities Number of warehouses Size of the warehouse Warehouse layout Design of the building Ownership of the warehouse Transportation: For movement of goods from the supplier to the buyer,
- Transportation is the most fundamental and important component of logistics. When an order is placed, the transaction is not completed till the goods are physically moved to the customer's place. The physical movement of goods is through various transportation modes. In logistics costs, its share varies from 65 to 70 percent in the case of

massconsumed, very low unit-priced products. Firms choose the mode of transportation depending on the infrastructure of transportation in the country or region. Cost is the most important consideration in the selection of a particular mode of transport. However, sometimes urgency of the good at the customer end overrides the cost consideration, and goods are sent through the fastest mode, which is an expensive alternative.

- Material Handling and storage system: The speed of the inventory movement• across the supply chain depends on the material handling methods. An improper method of material handling will add to the product damages and delays in deliveries and incidental overheads. Mechanization and automation in material handling enhance the logistics system productivity. Other considerations for selection of a material handling system are the volumes to be handled, the speed required for material movement and the level of service to be offered to the customer. The storage system is important for 8 maximum space utilization (floor and cubic) in the given size of a warehouse. The material handling system should support the storage system for speedy movement (storage and retrieval) of goods in and out of the warehouse.
- Logistical Packaging: Logistical or industrial packaging is a critical element in the physical distribution of a product, which influences the efficiency of the logistical system. It differs from product packaging, which is based on marketing objectives. However, logistical packaging plays an important role in damage protection, case in material handling and storage space economy. The utilization of load has a major bearing on logistical packaging with regard to the packaging cost.
- Information: Logistics is basically an information-based activity of inventory movement across a supply chain. Hence, an information system plays a vital role in delivering a superior service to the customers. Use of IT tools for information identification, access, storage, analysis, retrieval and decision support which is vital among the functions of logistics is helping business firms to enhance their competitiveness

- INTEGRATED LOGISTICS MANAGEMENT The movement of raw materials and components to a manufacturing company must be managed. So must the movement of finished goods from the manufacturing plant to further processing, to the retail, or to the final consumer. The management of this movement is called integrated logistics management.

  Integrated Logistics is defined as, "the process of anticipating customer needs and wants; acquiring the capital, materials, people, technologies and information necessary to meet those needs and wants optimizing the goods-or-service-producing a network to fulfill customer requests; and utilizing the network to fulfill customer request in a timely way."

Integrated logistics is a service-oriented process. It incorporates actions that help move the product from the raw material source to the final customer.

Variables affecting the Evaluation and Growth of Integrated Logistic:

The first was the growth of the consumer awareness and the marketing concept. Product line expanded to meet the rising demand for more selections. This 9 product line expansion put great presser on distribution channels to move more products and keep cost down, especially in transportation and inventory.

A second factor was the introduction of the computer. Computer experts and integrated logistic manager quickly found a multitude of computer application for logistic. This application offered still greater efficiency in transportation routing and scheduling, inventory control, warehouse layout and design, and every aspect of integrated logistic. In fact computers allowed integrated logistic managed to modal integrated logistic system and then analyse the effect of proposed change. This application greatly advance the system's approach

The third variable leading to the growth of integrated logistics was the worldwide economy in the 1970s and 1980s. Global recession and rising interest rates caused many firms to refocus attention on reducing cost advantage; many firms were forced to revaluate overall transportation needs. Also, rising interest rates turned attention to maintaining minimum inventory levels because of the cost of capital

Globalization of business and the development of world trade blocks are a fourth factor influencing the growth of integrated logistics. Integrated logistic can provide firms with a cost advantage. Furthermore, trading blocks in Europe. Southeast Asia, Asia, Africa and the Americans (European Union, association of Southeast Asian nations and the Asian-pacific economic cooperation, southern African development community, North American free trade agreement and now the free trade agreement of the Americas) require integrated logistics to tie the participating countries into single marketplaces.

The final factor affecting integrated logistics is the growth of just-in-time manufacturing (JIT), supply management, transportation, and electronic data interchange (EDI) in the 1980s and 1990s. As manufacturers adopted total quality management (TQM), JIT, and EDI, integrated logistics management has come to the forefront. Effective TQM and JIT require optimizing the inbound and outbound transportation and more efficient inventory management. 10 Activities related to integrated logistics: Physical distribution. Materials management. Logistics engineering. Business logistics. Logistics management. Integrated logistics management. Distribution management. Supply chain management. Although the activities include under each term vary, they share one key ingredient: "The concept of a continuous uninterrupted flow of the product."to be properly managed to bring effectiveness and efficiency to the supply chain of the organization.

ELEMENTS OF LOGISTICS

The role of each element of logistics often defines the logistics activities within a supply chain. The problem with definitions and discussions of supply chains is that it is not easy to recognize the role of logistics within them, which is why the supply chain river is a simple way to relate the role of logistics within a supply chain. The elements of logistics further h

There are five elements of logistics: Storage, warehousing and materials handling Packaging and unitization Inventory Transport Information and control

WAREHOUSE MANAGEMENT SYSTEM: Warehouse Management System (WMS) is the cornerstone of the logistics system. A WMS constitutes an internal system of the logistics companies, which is highly configurable to control and manage aspects of storage, distribution, others. A robust WMS is what an organization needs for an efficient and productive operation, which includes inventory balance, manage materials, pickup process and auditing. Importance of WMS: Warehouse management process is important to meet the most primary business objective, which is to keep the operations cost low as possible and maximize the profit margin.

1. Inventory Control and Management: The common challenge of most businesses is to maintain the accuracy of the inventory. An effective WMS will help to manage the inventory in a fast, easy, and efficient way. It can improve the accuracy of the inventory by decreasing the order cycle time and improve the order fulfillment. WMS will help to decrease the inventory level by tracking every aspect of the inventory using real-time information. It will also serve all clients as WMS facilitates quick response to customers' demands and queries.

2. Centralized Location: A warehouse management system saves huge time and cost by getting a centralized storage location. Storage, shipping and distribution are much easy to have a centralized location as it can overcome the production gap. It can reach the supplier also the target market. Thus all can have a continuous flow of goods in and out which determines the firm's logistics supply chain system. The centralized location of logistic warehousing gives the opportunity to have security stocking. It means the manufacturer can fulfil customer's orders on time and deliver the right product at the right time.

3. Improve production quality: The production quality will improve by effective inventory quality and management. The manufacturer can stay up to date with vendor, suppliers and better track the raw materials or product shelf life. Thus not monitoring the quantities but the entire production process. It is now easier to get rid of defective products and ensure a high quality

finished goods. By improving the production quality, the manufacturer can also maximize the company productivity as WMS boosts speed, efficiency, and quality control.

4. Leverage seasonal growth: It takes utmost advantage of the festive and other shopping seasons to scale the operations. Since it is easy to track the entire production process with real-time information, the manufacturer can also monitor consumer behavior during peak season. The tracking system can handle client problems and deliver high-quality customer service. Warehousing and logistics ensure easy tracking of the shipment through automation and real-time information. It means that, manufacturer will have better accuracy and reduce customer complaints by creating availability of what they need. Thus leveraging the seasonal growth and boosting up operations without additional cost. It means that gaining new opportunities to hit the high sales number. By having right warehouse management systems, the manufacturer can sell faster and boost profit which means the high return of investment.

5. Risk management: Warehouse management system is important to handle the fluctuations in demand and supply and avoid losses. Handle risks with the help of real-time information on an increase or decrease in the demand of the product. Make the selling decisions considering the violent rise or fall in prices.

Materials Handling System:

Materials handling occurs whenever a material is moved may be in a manufacturing, distribution (warehouse), or office environment. Materials handling also occur during preparation for shipment, transportation may be by sea, air or land, and moving material in and out of carriers. International **Material Management** Society has defined the Materials Handling as "Materials handling is an art and science involving the movements, packaging and storing of substances in any form". Objectives of Materials Handling: As we know that with the rise of factory system, men continued to develop handling equipment to perform jobs where human or animal muscles were insufficient in either capacity or speed. Later on it becomes important to reduce materials handling labor in order to reduce production cost. Therefore main objective of materials handling engineer is to reduce product cost the one overall goal. Materials handling equipment is not production machinery, but is auxiliary equipment that improves the flow of material which in turn reduces stoppages in production machines and thus increases their production. Objectives of a proper materials handling system are: 1. Reduction in Cost: Reduction in total cost of production can be achieved by either reducing materials handling or by improved handling procedure or both. The objective of reduction in cost of production through improved materials handling can be achieved by: (a) Reducing material handling labor. (b) Material handling work should not be assigned to skilled or semi-skilled labor. (c) Reducing indirect labor expenses on activities connected with storage, inspection, quality control, repair, tool room, shipping etc. (d) Reducing damage of materials during handling. (e) Better utilization of space. (f) Reducing in process storage. (g) Increasing productivity. (h) Reducing expenditure

Transportation - Definition: In business, at its most basic level, transportation is simply moving products and materials from one place to another. This includes shipment of raw materials to the manufacturer and movement of finished product to the customer.

Transportation also includes the movement of parts to assembly areas as they are assembled. Modes of transport include air, rail, road, 12 water, cable, pipeline and space. The field can be divided into infrastructure, vehicles and operations. Transportation is important since it enables trade between people, which in turn establishes civilizations. What is a Transportation Management System? A transportation management system (TMS) is a logistics platform that uses technology to help businesses plan, execute, and optimize the physical movement of goods, both incoming and outgoing, and making sure the shipment is compliant, proper documentation is available. This kind of system is often part of a larger supply chain management (SCM) system. Sometimes known as transportation management solution or transportation management software, a TMS provides visibility into day-to-day transportation operations, trade compliance information and documentation, and ensuring the timely delivery of freight and goods.

Transportation management systems also streamline the shipping process and make it easier for businesses to manage and optimize their transportation operations, whether they are by land, air, or sea. The evolution of TMS: Up until 2010, transport was still managed manually; irrespective of whether it involved direct delivery of product to a production line, or delivery of product to build inventory levels. Although tracking systems have been in place decades, the visibility of consignments through the general haulage network has been all but non-existent. Over the past decade, the use of telematics to locate vehicles and set up geo-fences has become standard as the cost of installing such systems has fallen. However, these systems will become increasingly obsolete as the ubiquity of smart phones and other mobile devices has resulted in the development of easily accessible and cost effective applications that are able to track consignments from departure to delivery. These systems are revolutionizing the way in which vehicles are tracked and controlled, bringing with them some obvious and significant benefits: they are usually cheap to buy and operate; most people already have access to a smart phones or tablet, and they offer an unprecedented level of flexibility and mobility. Furthermore, the running and transmission of data using mobile over the networks costs a fraction of the price that companies currently pay to track vehicles.

The transmission of mobile data also facilitates the centralization of data transmitted in real time. This means that 13 people can see their proof of delivery (PoD) almost immediately after delivery, which also saves the costly administration process of scanning PoDs when the vehicle returns to base. Managing data: Implementing a TMS won't automatically reduce transport costs, as complex systems they can be difficult to implement, and unless the time and money is invested upfront then the returns will not be realized. Accurate data is also critical to the success of any system, and the process of ensuring accurate data is maintained can be the single biggest success factor. There are two types of data required in a

TMS: 1. Static or reference data which remains constant for a defined period of time e.g. transport rates, product dimensions, type of container etc.

2. Dynamic data which is changeable and flows through the system on a daily basis e.g. demand – orders and order lines. An effective TMS will utilize the static data, assess the demand, consider how it's packed and, based on the combined information, choose the optimum method of shipping. Demand flows through to the TMS as orders are placed on the production ERP and a good TMS will dynamically figure out the optimum transport mode and routing. There are now transport apps emerging which can be used as a standalone option or part of a modular based transport system offering access to a whole range of facilities/operations in real time including: booking collection slots online• live tracking of consignments• access to interactive delivery information, uploading any changes in schedule so that• live information is always available instant download of Proof of delivery• instant delivery of photographs and videos of damaged products• Geo-fencing which automatically triggers a notification when pre-set boundaries are• crossed. Using these applications, carriers and their customers can view and manage an entire delivery manifest, allowing instant access to a whole range of information previously unavailable.

Transport infrastructure: Transport infrastructure consists of the fixed installations, including roads, railways, airways, waterways, canals and pipelines and terminals such as airports, railway stations, bus stations, 14 warehouses, trucking terminals, refuelling depots (including fuelling docks and fuel stations) and seaports. Safe, efficient and sustainable transport infrastructure is important for any country around the world. Funding and constructing transport infrastructure projects can be complex and risky. They are often built on challenging and sensitive environments and over unexpected geotechnical conditions.

What are the modes of transportation in logistics? Logistics is a very diverse and complex industry. It involves many modes of transportation and ways of shipping goods. Sometimes, it may be challenging for a company to choose the right mode of transportation to reach the best result. It can be especially difficult to domestic or global shipping.

Different modes of transportation: There are several main transportation modes in the freight shipping industry: Ocean• Air• Rail• Road• Intermodal and Multimoda

l• All of these modes are extremely important and play a significant role in the industry. However, there are many differences in terms of price, shipped commodities, transit distance, etc. While some modes may be the perfect solution to one business, at the same time may be absolutely useless to another one. Ocean shipping:

• Ocean shipping is the most popular way of moving large volumes of goods overseas. Compared to air, the ocean is a much more cost-efficient option yet a rather slow one. This mode of transportation works best for shippers who need to move goods on a distance longer than 400 km. Also, it works for oversized, hazardous, liquids, and weird-shaped freight. Ocean shipping is common among large and mid-sized businesses because they need global shipping on a regular basis. The freight is stacked in containers that are later loaded onto the ships or barges.

Air shipping:

• Probably the fanciest shipping mode, the air is a reliable and extremely quick way to ship freight. Obviously, extraordinary speed comes at a higher price. Because of its larger cost, the air is mostly used by bigger companies but small businesses often use it too. This option is the perfect solution for retail companies and light industries. Essentially, there are specialized aircraft for hefty cargo but in general, planes are not developed for handling oversized freight of unusual shape.

• Over-the-road transportation is the most popular, the most frequently used, and the most indemand mode of transportation. It works for everyone, from individual shippers to large enterprises. Also, road transport comes with a wide variety of equipment and shipping modes. There are two main types of over-the-road transportation: full truckload (FTL) and less-thantruckload (LTL). FTL shipping means that one shipper takes the entire truck capacity to move the freight when LTL suggests partial use of the trailer by several shippers. There are also various types of trailers that serve different shipping needs: dry van, flatbed, refrigerated, etc. It is easy to get a freight quote from the carrier and choose the needed equipment. I

ntermodal and Multimodal:• Choosing the right mode of transportation may be difficult, especially if you have a long and complicated route. Intermodal and multimodal can transportation solves this problem, as they are two types of combination transportation modes. Generally, intermodal and multimodal shipping suggest the combination of road, rail, ocean, or air for a single shipment. The only difference between both methods is that intermodal is handled under a single bill, while multimodal goes with separate bills from all the carriers involved. Generally, intermodal and multimodal can be very beneficial to the shipper in terms of price and flexibility. Ultimately, each mode of transportation has its advantages and drawbacks.

What is Freight Management Logistics? Freight management logistics encompass the technology, experience, human resources and knowledge utilized to facilitate effective, efficient and expeditious coordination between carriers and shippers and ensure goods are delivered on budget, and on time. This allimportant network provides the critical guidance and support so vital for the smooth operation of the ever-evolving freight forwarding industry. Freight management logistics 16 comprise the core mechanisms and infrastructure at the heart of this estimated $270 billion global business. Though essentially invisible to the land-based general public, international maritime shipping accounts for about 90 percent of world trade, and without such logistical precision underpinnings, would simply not be possible.

SUPPLY CHAIN MANAGEMENT

A supply chain is a global network used to deliver products and services from raw materials to end customer through information flow, physical distribution and cash. Supply chain involved all the stages directly or indirectly in fulfilling a customer request which includes manufacturers, suppliers, transporters, warehouses, retailers and customers. It is the integration of demand and supply. Examples of supply chain activities include farming, refining, design, manufacturing, packaging, and transportation. A supply chain may be defined as an integrated process wherein a number of various business entities like

• Suppliers

• Manufacturers / Producer

• Dealers, Retailers, Customer etc.,

Work together in an effort to

• Acquire raw materials

• Convert these raw materials into specified final products, and

• Deliver these final products to retailers.

Customer is the integral part of supply chain. The main objective of supply chain management is to monitor and relate production, distribution, and shipment of products and services. This can be done by companies with a very good and tight hold over internal inventories, production, distribution, internal productions and sales. Supply chain management basically merges the supply and demand management. It uses different strategies and approaches to view the entire chain and work efficiently at each andevery step involved in the chain. Every unit that participates in the process must aim to minimize the costs and help the companies to improve their long term performance, while also creating value for its stakeholders and customers. This process can also minimize the rates by eradicating the unnecessary expenses, movements and handling.

OBJECTIVES OF SUPPLY CHAIN MANAGEMENT

• To maximize overall value generated
• To meet consumer demand for guaranteed delivery of high quality and low cost with minimal lead time
• To fulfill customer demand through efficient resources
• To maximize efficiency of distribution side
• Helps in better decision

IMPORTANCE OF SUPPLY CHAIN MANAGEMENT

• Improves Customer Services

✓ Customers expect to receive the correct product mix and quantity to be delivered on time

✓ Products need to be on hand in the right location

✓ Follow up support after a sale must be done quickly

• Reduce Operating Costs

✓ Decreases Purchasing Cost

✓ Decrease Production Cost

✓ Decrease Total Supply Chain Cost

• Improves Financial Position

FUNCTIONS OF SUPPLY CHAIN MANAGEMENT

• Customer Relationship Management: Consistent focus on end customer demands to meet the increasing customer requirements and ensures a high degree of flexibility.

• Flexibility and demand-oriented production: Continuous cost reduction and resource optimization across all stages of the value chain.

• Synchronization of supply and demand: Increasing the adaptability and development capability of the supply chain.

ADVANTAGES OF SUPPLY CHAIN MANAGEMENT

• Develops better customer relationship and service.

• Creates better delivery mechanisms for products and services in demand with minimum delay. • Improvises productivity and business functions

. • Minimizes warehouse and transportation costs.

• Minimizes direct and indirect costs.

• Assists in achieving shipping of right products to the right place at the right time.

• Enhances inventory management, supporting the successful execution of just-in-time stock models.

• Assists companies in adapting to the challenges of globalization, economic upheaval, expanding consumer expectations, and related differences.

• Assists companies in minimizing waste, driving out costs, and achieving efficiencies throughout the supply chain process.

CHARACTERISTICS OF SUPPLY CHAIN MANAGEMENT

• Focuses more on the customer

• Sourcing of raw materials or finished goods from anywhere in the world

• Centralized global business

• Ability to manage information not only within a company but across industries and enterprises.

• Responsibility of multiple flow in supply chain network both upward and downward

DECISION PHASES IN SUPPLY CHAIN

Decision phases can be defined as the different stages involved in supply chain management for taking an action or decision related to some product or services. Successful supply chain management requires decisions on the flow of information, product, and funds that fall into 12 three decision phases. Here we will be discussing the three main decision phases involved in the entire process of supply chain. The three phases are described below

– Supply Chain Strategy In this phase, decision is taken by the management mostly. The decision to be made considers the sections like long term prediction and involves price of goods that are very expensive if it goes wrong. It is very important to study the market conditions at this stage. These decisions consider the prevailing and future conditions of the market. They comprise the structural layout of supply chain. After the layout is prepared, the tasks and duties of each is laid out. All the strategic decisions are taken by the higher authority or the senior management. These decisions include deciding manufacturing the material, factory location, which should be easy for transporters to load material and to dispatch at their mentioned location, location of warehouses for storage of completed product or goods and many more.

Supply Chain Planning Supply chain planning should be done according to the demand and supply view. In order to understand customers' demands, a market research should be done. The second thing to consider is awareness and updated information about the competitors and strategies used by them to satisfy their customer demands and requirements. As we know, different markets have different demands and should be dealt with a different approach. This phase includes it all, starting from predicting the market demand to which market will be provided the finished goods to which plant is planned in this stage. All the participants or employees involved with the company should make efforts to make the entire process as flexible as they can. A supply chain design phase is considered successful if it performs well in short-term planning.

Supply Chain Operations The third and last decision phase consists of the various functional decisions that are to be made instantly within minutes, hours or days. The objective behind this decisional phase is minimizing uncertainty and performance optimization. Starting from handling the customer order to supplying the customer with that product, everything is included in this phase. For example, imagine a customer demanding an item manufactured by your company. Initially, the marketing department is responsible for taking the order and forwarding it to production department and inventory department. The production department then responds to the customer demand by sending the demanded item to the warehouse through a proper medium and the distributor sends it to the customer within a time frame. All the departments engaged in this process need to work with an aim of improving the performance and minimizing uncertainty.