

18MBAPM402D SALES AND DISTRIBUTION MANAGEMENT 4H - 4C**Instruction Hours / week: L: 4 T: 0 P: 0****Marks: Internal: 40****External: 60 Total: 100****End Semester Exam: 3 Hours****COURSE OBJECTIVES:****To make the students**

1. To understand the basic Principles of selling and distribution management.
2. To design and forecast sales and sales budget.
3. To formulate strategies to manage the sales force team.
4. To understand the different distribution channels.

COURSE OUTCOMES:**Learners should be able to**

1. Understand the basic Principles of selling and distribution management.
2. Design and forecast sales and sales budget.
3. Formulate strategies to manage the sales force team.
4. Understand the different distribution channels.
5. Demonstrate capabilities of teamwork, critical thinking, and communication skills related to selling and distribution management.

UNIT I Introduction to Sales & Distribution Management:

Nature and scope of sales management, personal selling objectives, Types of sales management positions, Theories of personal selling, personal selling strategies, sales forecasting and budgeting decisions, emerging trends in selling, ethical leadership,

UNIT II Sales Territories & Quotas:

Designing Sales Territories, sales quotas and sales organisation structures, Forecasting Sales and Developing Budgets Sales Territories Ethics in Sales

UNIT III The Personal Selling Process :

Introduction to Personal Selling, Selling process, Dealing with Buying Objections; The Closing Process; Follow Up Service & Sales Relationships; Branding (Personal & Products)/Explanation of Branding Brochure Branding Yourself for Personal Success, relationship selling,

UNIT IV Sales Force Management:

Recruitment and selection of sales force, Training, motivating and compensating the salesforce, The Field of Sales Force Management, Sales Force Organization, Profiling and Recruiting Sales People Selecting and Hiring Applicants Developing, Delivering, and Reinforcing a Sales

Training Program Sales Quotas and Expenses Leadership of the Sales Force Leadership of the Sales Force, Team Building Motivating a Sales Force Sales Force Compensation , controlling the salesforce

UNIT V Distribution Management:

Introduction, need and scope of distribution management, marketing channels strategy, levels of channels, institutions for channels- retailing wholesaling, designing channel systems, channel management.

SUGGESTED READINGS:

1. Krishna K. Havaladar, Vasant M. Cavale(2017), Sales and Distribution Management, 3rd edition, McGraw Hill.
2. Richard R. Still, Edward W. Cundiff , Norman A. P. Govoni, Sandeep Puri, (2017), Sales and Distribution Management, 6th edition, Pearson Education,
3. Tapan K. Panda, Sunil Sahadev(2011), Sales and distribution Management, 2nd edition, Oxford University Press
4. Pingali Venugopal(2008), Sales and Distribution Management: An Indian Perspective, 1st edition, Sage Texts.
5. Ramendra Singh(2016), Sales and Distribution Management, Vikas Publishing.
6. Nag(2017), Sales and Distribution Management, 1st edition, McGraw Hill.

UNIT-I-Introduction to Sales Management

SYLLABUS

Nature and scope of sales management, personal selling objectives, Types of sales management positions, Theories of personal selling, personal selling strategies, sales forecasting and budgeting decisions, emerging trends in selling, ethical leadership

UNIT - 1

PERSONAL SELLING

When you want to buy something you usually go to a concerned shop and purchase it from there. But, sometimes you find people bring certain goods or products and make them available to you at your place. For example, you find persons selling vegetables or rice by carrying the same in a cart and moving from door to door to sell. You must have noticed persons selling sarees, carpets, electronic items, etc. in a similar fashion. While traveling in buses or local trains you must also have seen people selling pens, toys, books, combs, etc. inside the bus or train. In cities also persons move from door to door to sell different products like water purifiers, air purifiers, detergents, mosquito repellents, etc. Don't you think these are different methods of selling goods unlike keeping them in a shop and sell? In this lesson let us learn more about these types of selling.

MEANING OF PERSONAL SELLING

Personal selling refers to the presentation of goods and services before the customers and convincing or persuading them to buy the products or services. After having an idea about personal selling, let us know about some of the essential elements of personal selling.

ESSENTIAL ELEMENTS OF PERSONAL SELLING

Personal selling consists of the following elements:

i. Face-to-Face interaction: Personal selling involves a salesmen having face-to-face interaction with the prospective buyers.

ii. Persuasion: Personal selling requires persuasion on the part of the seller to the prospective customers to buy the product. So a salesman must have the ability to convince the customers so that an interest may be created in the mind of the customers to use that product.

iii. Flexibility: The approach of personal selling is always flexible. Sometimes salesman may explain the features and benefits of the product, sometimes give demonstration of the use of product and also faces number of queries from the customers. Looking into the situation and interest of the customers, the approach of the salesman is decided instantly.

iv. Promotion of sales: The ultimate objective of personal selling is to promote sales by convincing more and more customers to use the product.

v. Supply of Information: Personal selling provides various information to the customers regarding availability of the product, special features, uses and utility of the products. So it is an educative process.

vi. Mutual Benefit: It is a two-way process. Both seller and buyer derive benefit from it. While customers feel satisfied with the goods, the seller enjoys the profits.

IMPORTANCE OF PERSONAL SELLING

Personal Selling is extremely important as it helps in increasing sales. But there are other feature as well which make it important. Let us discuss the importance of personal selling from the point of view of manufactures as well as consumers.

From manufacturer's point of view

- i. It creates demand for products both new as well as existing ones.
- ii. It creates new customers and, thus helps in expanding the market for the product.
- iii. It leads to product improvement. While selling personally the seller gets acquainted with the choice and demands of customers and makes suggestions accordingly to the manufacturer.

From customer's point of view

- i. Personal selling provides an opportunity to the consumers to know about new products introduced in the market. Thus, it informs and educates the consumers about new products.
- ii. It is because of personal selling that customers come to know about the use of new products in the market.

iii. Personal selling also guides customers in selecting goods best suited to their requirements and tastes as it involves face-to-face communication.

iv. Personal selling gives an opportunity to the customers to put forward their complaints and difficulties in using the product and get the solution immediately.

QUALITIES OF SALESPERSON ENGAGED IN PERSONAL SELLING

It is very difficult to enlist the qualities of people engaged in personal selling. The quality will vary from time to time and from situation to situation. It also depends upon the customers' demand and nature of the product. Again a salesman may be effective in one situation but may fail in another situation. So in real life certain qualities may be suitable for a particular line of product and may be irrelevant in any other case. However, there are certain common qualities, which every salesman should possess in order to become successful in their life. These qualities are listed below:

i. Physical quality:

A salesman should have a good appearance and an impressive personality. He should also have a sound health.

ii. Mental quality:

A good salesman should possess certain mental qualities like imagination, initiative, self-confidence, sharp memory, alertness etc. He should be able to understand the needs and preferences of customers.

iii. Integrity of character:

A good salesman should possess the qualities of honesty and integrity. He is to gain the confidence of the customers. He should be able to understand their needs and guide them how to satisfy those needs. His employer too should have faith in him. A salesman should be loyal both to the employer and to the customers.

iv. Knowledge of the product and the company:

A salesman should have full knowledge of the product and the company he is representing. He should be able to explain each and every aspect of the product i.e. its qualities, how to use it, what precautions to be taken, etc. He should be able to explain the business and service record of the company. He should also have knowledge of products of rival companies. So that he can put across the superiority of his own products.

v. Good behaviour:

A salesman should be co-operative and courteous. Good behaviour enables one to win the confidence of the customers. He should not feel irritated if the buyer puts up many questions even if the questions are irrelevant. It is also not necessary that the person he is trying to convince buys the product. The salesman has to remain and courteous in every case.

vi. Ability to persuade: A good salesman should be good in conversation so that he can engage the person he is attending in conversation. He should be able to convince him and create the desire in his mind to possess the commodity.

THE 8 STEP PERSONAL SELLING PROCESS

Personal selling is the most expensive form of advertising and to be effective one should use a step by step process to gain the most benefit. Personal selling can adjust the manner in which facts are communicated and can consider factors such as culture and behaviour in the approach. They can ask questions to discover the specific need of the customer and can get feedback and adjust the presentation as it progresses.

The Personal Selling Process

The personal selling process is a consecutive series of activities conducted by the salesperson, the lead to a prospect taking the desired action of buying a product or service and finish with a follow-up contact to ensure purchase satisfaction.

Step One

Prospecting - the first step in the personal selling process

The process of looking for and checking leads is called prospecting or determining which firms or individuals could become customers. Up to 20% of a firm's customer base can be lost for reasons such as transfer, death, retirement, takeovers, dissatisfaction with the company and competition. A steadily growing list of qualified prospects is important for reaching the sales targets.

Step Two

The Pre-approach

This stage involves the collecting of as much relevant information as possible prior to the sales presentation. The pre-approach investigation is carried out on new customers but also on regular

customers. Systematic collection of information requires a decision about applicability, usefulness and how to organize the information for easy access and effective use.

Step Three

The Approach

The salesperson should always focus on the benefits for the customer. This is done by using the product's features and advantages. This is known as the FAB technique (Features, Advantages and Benefits).

Features: Refers to the physical characteristics such as size, taste etc.

Advantages: Refers to the performance provided by the physical characteristics e.g. it does not stain.

Step Four

The Sales Presentation

After the prospects interest has been grasped, the sales presentation is delivered. This involves a "persuasive vocal and visual explanation of a business proposition". It should be done in relaxed atmosphere to encourage the prospect to share information in order to establish requirements. Some small talk may be necessary to reduce tension but the purpose always remains business.

Step Five

The Trial Close

The trial close is a part of the presentation and is an important step in the selling process. Known as a temperature question - technique to establish the attitude of the prospect towards the presentation and the product.

Step Six

Handling Objections

Objections are often indications of interest by the prospect and should not be viewed with misgiving by salespeople. The prospect is in fact requesting additional information to help him to justify a decision to buy. The prospect may not be fully convinced and the issues raised are thus very important. It also assists the salesperson to establish exactly what is on the prospect's mind.

Step Seven

Closing the Sale

This is the last part of the presentation. Many salespeople fear the closing of a sale. Closing a sale is only the confirmation of an understanding. Fear will disappear if the salesperson truly believes that the prospect will enjoy benefits after the purchase of the product.

Step Eight

The Follow-up

The sale does not complete the selling process. Follow-up activities are very important and are useful for the establishment of long-term business relationships. It is important to check if the products have been received in good condition, to establish the customer is satisfied etc.

SALES MANAGEMENT

The art of meeting and exceeding the sales goals of an organization through effective planning, controlling, budgeting and leadership refers to sales management.

Sales Management helps the organization to achieve the sales targets efficiently.

Process of Sales Management

1. Sales Planning

- Marketers must plan things well in advance for the best results. It is essential to have concrete plans. Mere guess works do not help in business.
- Know your product well. Sales professionals must know the USPs and benefits of the product for the consumers to believe them.
- Identify your target market.
- Sales Planning makes the products available to the end users at the right time and at the right place.
- Sales Planning helps the marketers to analyze the customer demands and respond efficiently to fluctuations in the market.
- Devise appropriate strategies to increase the sales of the products.

2. Sales Reporting

- Sales strategies are implemented in this stage.

- Check the effectiveness of the various strategies. Find out whether they are bringing the desired results or not.
- The sales representatives should be aware of their roles and responsibilities in the organization.
- It is essential for the organization to evaluate the outcome of proposed strategies for any particular department. Organizations depend on KPI also called Key Performance Indicator or simply Performance Indicator to measure the effectiveness of implemented strategies.
- Ask the sales team to submit reports of what all they have done throughout the week. The management must sit with the sales team frequently to assess their performance and chalk out future course of actions.
- Mapping individual performance over time is essential.

3. Sales Process

- Sales representatives should work as a single unit for maximum productivity. A systematic approach results in error free work.
- The management must make sure sales managers follow a proper channel to reach out to the customers. It pays to adopt a step by step approach.

Sales professionals should follow the below mentioned steps for maximum sales and better output.

i. Initial Contact/Lead

- Collect necessary data of potential customers once the target market is decided.

ii. Information Exchange

- Inform the customers about various product offerings.
- Make the customers aware of your brand and its benefits.
- The information exchange can be either:

iii. Lead Generation

- Make a list of the people who show inclination towards purchasing your organization's products or services.
- The sales representatives must identify those who have the potential to buy their products.

iv. Need Identification

- Fix a meeting with the prospective buyers. Sit with the client and try to find out more about his needs and expectations.
- Suggest them various options which would fulfill their demands.

v. Qualified Prospect

- Identify individuals who are keen on purchasing your company's products or services.

vi. Proposal

- Once the buyer agrees to purchase particular products, the seller presents a written proposal to him quoting the rates as well as other necessary terms and conditions. Such a document is often called a proposal.

vii. Negotiation

- Negotiation is a stage where two parties (buyer and seller) discuss and negotiate for the best deal beneficial to all.

viii. Closing of Deal

- This is the stage where the transaction between the seller and buyer takes place. The selling happens in this stage.

ix. After Sales Service

- Keep in touch with the customers even after the purchase for higher customer retention.

MANAGING THE SALES CYCLE

What is a Sales Cycle?

Sales cycle refers to the various processes which help the products reach the end users. Customers go through a sequence of activities before the product finally reaches them. Such activities are a part of the sales cycle.

A sales cycle has the following steps:

1. Identifying Prospects

- The first step in the sales cycle is to make a list of potential customers.
- Try to gather as much data as you can. Ask your team members to visit markets, shopping malls, restaurants to map potential customers and collect information about them
- Placing canopies at strategic locations also invite potential customers.
- A sales professional should ideally spend his maximum time outside office meeting people. Interact with as many individuals as you can.
- Distribute questionnaires amongst the potential customers to know them better.

2. Setting Appointments

- The next step is to make the people aware of your product and its offerings.
- Try to get in touch with the people. Call them and seek an appointment.
- Don't arrange meetings at your convenience.
- Take his address and courier relevant information brochures beforehand for him to know more about your product and its benefits.
- Marketers also depend on cold calls to inform the customers about their products and services. Don't be after the individual's life to fix an appointment.
- Do take care of your pitch while speaking over the phone. Make your speech interesting. Don't drag conversations.

3. Know Your Customer Well

- It really helps if you know something about your client before meeting him.
- Try to gain some information about him from social networking sites like facebook, orkut, linked in, twitter and so on. These networking sites do give some information about the client which definitely helps in preparing the sales pitch.
- Understand the customer's needs and expectations from the product. Check whether the customer has the potential to purchase a particular product or not. There is no point selling an air-conditioner to someone whose monthly income is Rs 10000/-. Find out more about the background of the customer.

4. Determine Client's Solution

- Suggest the right option for the customers. A sales representative must never lie to the customers. Say what your product actually offers.
- It is unprofessional to make false commitments. Sit with the customer and help him with the best solutions. Don't always think about your own targets and incentives. Think from the customer's perspective as well. Don't prompt him to buy something which you yourself feel is not right for him.

5. Written Proposal/Document

- Once the customer decides on the product, present a proposal to him with the proposed rates and other necessary terms and conditions.

6. Negotiation Round

- There should always be room for negotiation in deals. Don't be too rigid. Negotiate with an open mind.
- The customers should be aware of even the minutest details. For higher customer satisfaction, give him the best deal.
- A sales professional should always aim to close the deal as soon as both the parties accept the terms and conditions.

7. After Sales Service

- Make sure customers are satisfied with your service.
- Find out whether all his demands are fulfilled or not.
- Be in touch with him even after the deal is over.

ROLES AND RESPONSIBILITIES OF A SALES MANAGER

A sales manager plays a key role in the success and failure of an organization. He is the one who plays a pivotal role in achieving the sales targets and eventually generates revenue for the organization.

A sales manager must be very clear about his role in the organization. He should know what he is supposed to do at the workplace.

- A sales manager is responsible for **meeting the sales targets** of the organization through effective planning and budgeting.

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- A sales manager can't work alone. He needs the support of his sales team where each one contributes in his best possible way and works towards the goals and objectives of the organization. He is the one who sets the targets for the sales executives and other sales representatives.
- A sales manager must ensure the targets are realistic and achievable.
- The duties must not be imposed on anyone, instead should be delegated as per interests and specializations of the individuals. A sales manager must understand who can perform a particular task in the most effective way. It is his role to extract the best out of each employee.
- **A sales manager devises strategies** and techniques necessary for achieving the sales targets. He is the one who decides the future course of action for his team members.
- It is the sales manager's duty to **map potential customers and generate leads for the organization**. He should look forward to generating new opportunities for the organization.
- A sales manager is also responsible for **brand promotion**. He must make the product popular amongst the consumers. A banner at a wrong place is of no use. Canopies must be placed at strategic locations; hoardings should be installed at important places for the best results.
- **Motivating team members** is one of the most important duties of a sales manager. He needs to make his team work as a single unit working towards a common objective. He must ensure team members don't fight amongst themselves and share cordial relationship with each other. Develop lucrative incentive schemes and introduce monetary benefits to encourage them to deliver their level best. Appreciate whenever they do good work.
- It is the sales manager's duty to ensure his **team is delivering desired results**. Supervision is essential. Track their performances. Make sure each one is living up to the expectations of the organization. Ask them to submit a report of what all they have done throughout the week or month. The performers must be encouraged while the non performers must be dealt with utmost patience and care.
- He is the one who takes major decisions for his team. He should act as a pillar of support for them and stand by their side at the hours of crisis.

- A sales manager should set an example for his team members. He should be a source of inspiration for his team members.
- A sales manager is responsible for not only selling but also **maintaining and improving relationships with the client**. Client relationship management is also his KRA.
- As a sales manager, one should maintain necessary data and records for future reference.

QUALITIES OF A SALES PROFESSIONAL

Sales Professionals are the face of an organization. They have the responsibility of making the brand popular and promoting the products amongst the end users.

They help in the successful running of organization by generating revenues and earning profits.

1. Patience

A sales manager needs to be extremely patient. You just can't afford to be rude to your customers. Clients do need time to believe in you and trust your products. Don't get hyper and make the client's life hell. Give him time to think and decide.

2. People Oriented

- It is essential for a sales manager to be customer centric. Understand customer's needs and expectations. Don't simply impose things on him.
- Individuals representing the sales vertical need to be caring and kind towards customers.
- Don't only think about your own targets and selfish interests. One should never misguide the customers. Be honest with them. Avoid telling lies and creating fake stories.

3. Aggressive

- A sales professional needs to be aggressive and energetic. Lazy individuals don't make great sales professionals.

4. Go-Getter Attitude

- It pays to be optimistic in sales. Sales professionals need to have a go-getter attitude for the best results.
- It is really not necessary that all customers would like or need your product. Don't expect results every time. Remember failures are the stepping stones to success. One must learn from his previous mistakes and move on. Don't take failures to heart.

5. Value Time

- People in sales must value time. Being late for meetings create a wrong impression in the minds of customers.
- It is a sin to make customers waiting unless and until there is an emergency. Start a little early and make sure you reach meetings on time.

6. Sense of Commitment

- A sales representative who is committed towards his work manages to do well and make his mark as compared to others. Commitment in fact is essential in all areas of work.
- If you have promised someone to meet at 5pm, make sure you are there at the desired venue at 4.45 pm sharp. Don't make silly excuses. Trust is lost when commitments are taken back. There should be no turning back.

7. Reliable

- The customers must be able to depend on the sales professionals. A sense of trust is important.

8. Flexible

- A sales professional must know how to change his sales pitch as per the client. Don't just stick to one plan or one idea.
- Learn to take quick decisions as per the situation. Be adaptable to changes. People in sales should not be too rigid and demanding.

9. Be Transparent

- Don't hide things from the customers. Transparency is essential to avoid problems later on.
- Convey only what your product offers.

10. Diligent

- Mere sitting at office does not help in sales. One needs to go out, meet people and make prospective clients. Don't complain if it is too hot or cold outside.
- A sales professional ideally should spend his maximum time in field to achieve targets in the best possible way.

11. Good Communicator

- A sales professional must be a good communicator for the desired impact.
- Take care of your pitch and tone.

SALES FORECASTING

Sales forecasting is a difficult area of management. Most managers believe they are good at forecasting. However, forecasts made usually turn out to be wrong! Marketers argue about whether sales forecasting is a science or an art. The short answer is that it is a bit of both.

Types of forecasting

There are two major types of forecasting, which can be broadly described as **macro** and **micro**:

- **Macro forecasting** is concerned with forecasting markets in total. This is about determining the existing level of Market Demand and considering what will happen to market demand in the future.
- **Micro forecasting** is concerned with detailed unit sales forecasts. This is about determining a product's market share in a particular industry and considering what will happen to that market share in the future.

The selection of which type of forecasting to use depends on several factors:

- (1) **The degree of accuracy required** – if the decisions that are to be made on the basis of the sales forecast have high risks attached to them, and then it stands to reason that the forecast should be prepared as accurately as possible. However, this involves more cost
- (2) **The availability of data and information** - in some markets there is a wealth of available sales information (e.g. clothing retail, food retailing, holidays); in others it is hard to find reliable, up-to-date information
- (3) **The time horizon that the sales forecast is intended to cover**. For example, are we forecasting next weeks' sales, or are we trying to forecast what will happen to the overall size of the market in the next five years?
- (4) **The position of the products in its life cycle**. For example, for products at the “introductory” stage of the product life cycle, less sales data and information may be available than for products at the “maturity” stage when time series can be a useful forecasting method.

Creating the Sales Forecast for a Product

The first stage in creating the sales forecast is to estimate Market Demand.

Market Demand for a product is the total volume that would be bought by a defined customer group, in a defined geographical area, in a defined time period, in a given marketing environment. This is sometimes referred to as the Market Demand Curve.

For example, consider the UK Overseas Mass Market Package Holiday Industry. What is Market Demand?

Using the definition above, market demand can be defined as:

Defined Customer Group: Customers Who Buy an Air-Inclusive Package Holiday

Defined Geographical Area: Customers in the UK

Defined Time Period: A calendar year

Defined Marketing Environment: Strong consumer spending in the UK but overseas holidays affected by concerns over international terrorism

Stage two in the forecast is to estimate Company Demand

Company demand is the company's share of market demand.

This can be expressed as a formula:

Company Demand = Market Demand v Company's Market Share

Step Three is then to develop the Sales Forecast

The Sales Forecast is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Note that the Sales Forecast is not necessarily the same as a "sales target" or a "sales budget".

A sales target (or goal) is set for the sales force as a way of defining and encouraging sales effort. Sales targets are often set some way higher than estimated sales to "stretch" the efforts of the sales force.

A sales budget is a more conservative estimate of the expected volume of sales. It is primarily used for making current purchasing, production and cash-flow decisions. Sales budgets need to take into account the risks involved in sales forecasting. They are, therefore, generally set lower than the sales forecast.

A common method of preparing a sales forecast has three stages:

- (1) **Prepare a macroeconomic forecast** – what will happen to overall economic activity in the relevant economies in which a product is to be sold?
- (2) **Prepare an industry sales forecast** – what will happen to overall sales in an industry based on the issues that influence the macroeconomic forecast;
- (3) **Prepare a company sales forecast** – based on what management expect to happen to the company's market share

Sales forecasts can be based on three types of information:

- (1) What customers say about their intentions to continue buying products in the industry
- (2) What customers are actually doing in the market
- (3) What customers have done in the past in the market

There are many market research businesses that undertake surveys of customer intentions – and sell this information to businesses that need the data for sales forecasting purposes. The value of a customer intention survey increases when there are a relatively small number of customers, the cost of reaching them is small, and they have clear intentions. An alternative way of measuring customer intentions is to sample the opinions of the sales force or to consult industry experts

Time Series Analysis

Many businesses prepare their sales forecast on the basis of past sales.

Time series analysis involves breaking past sales down into four components:

1. The trend: are sales growing, “flat-lining” or in decline?
2. Seasonal or cyclical factors. Sales are affected by swings in general economic activity (e.g. increases in the disposable income of consumers may lead to increase in sales for products in a particular industry). Seasonal and cyclical factors occur in a regular pattern;
3. Erratic events; these include strikes, fashion fads, war scares and other disturbances to the market which need to be isolated from past sales data in order to be able to identify the more normal pattern of sales.

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4. Responses: the results of particular measures that have been taken to increase sales (e.g. a major new advertising campaign)

TYPES OF BUDGETING

Budgeting refers to a course of action based upon an estimate of assumed income and expenses. In laymen's terms, it is simply a term is defined as a plan of operation where one reviews their income and expenditures, often in the effort to create a strategy in order to achieve some financial goal or goals within a specific period of time.

Not all budgets are created or planned with the same methods. There are many types of budgeting. Personal budgeting is quite different from the budgeting performed by a business or corporation, for example. But even within these different categories, there are still differences which exist. Read on to learn about the different types of budgeting.

TYPES OF BUDGETING: PERSONAL & BUSINESS

Personal Budgets

There are two common types of budgeting for private households. In one instance, the planner creates a budget via the Envelope Method. With this method, the planner will separate the necessary funds into different envelopes every month. This way one can confirm that all required bill payments will be met. The other type is known as the Spreadsheet Method, where the planner, from the total monthly income, after taxes, subtracts via each line-item a required amount to be paid that month.

Business Budgets

There are three common types of budgeting for business. One of the most popular forms of business budgeting is that of Capital budgeting. With Capital budgeting, the planner will review and estimate the business' finances through investments and assets. Cash budgeting, another method, deals with

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the cash-flow: the money going in and out of the business. The third type is Operational budgets, where the operations of the business are reviewed in order to decide how to properly allocate funds and determine, typically within the fiscal year, the total profits.

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Part A (ONE Mark)

Multiple Choice Questions

Online Examination

Part B (2 Marks)

1. Mention the sales closing techniques.
2. What is Telemarketing?
3. How is Personal Selling different from advertising?
4. What do you mean by sales territories?
5. Write a note on sales budgeting.
6. How the sales executives are involved in sales force management?
7. State any two important characteristics of sales management.
8. List out the essentials of effective selling.
1. Comment on AIDAS formula in the sales process.

Part C (8 Marks)

1. What is Personal Selling? Discuss the steps in selling process.
2. Describe the personal selling process. How would the sales presentations differ in the following cases:
 - i) Selling a life insurance policy
 - ii) Selling office computers
 - iii) Presenting a new drug to physicians.
3. Elaborate the features and advantages of salesmanship.
4. Explain the advantages and disadvantages of direct marketing.
5. For selling FMCG in today's context, examine the role of personal selling as a tool of direct marketing
6. Discuss the change in role of personal selling.

UNIT-II- Sales Territory

SYLLABUS

Designing Sales Territories, sales quotas and sales organisation structures, Forecasting Sales and Developing Budgets Sales Territories Ethics in Sales

SALES FORCE MANAGEMENT

The Creative Selling Process:

Selling is seldom boring. Every customer, every sales call, and every salesperson are unique. Some salespeople are successful primarily because they know so much about what they sell. Others are successful because they have built strong relationships with customers who look forward to their visits. Most salespeople understand and engage in a series of activities necessary to bring about a transaction. Complex or expensive sales require careful planning, and successful selling in these cases is more likely if the salesperson undergoes a systematic series of steps known as the **creative selling process**. These steps require the salesperson to seek out customers, analyze their needs, determine how product attributes provide benefits, and then decide how best to communicate this to the prospects. The steps in the process include *prospecting*, *qualifying*, *pre-approach*, *approach*, *sales presentation*, *demonstration*, *handling objections*, *closing*, and *follow-up*.

Prospecting

Prospecting is the step of the selling process that includes identifying and developing a list of potential or prospective customers. Prospects or sales leads can come from existing customer lists, telephone directories, or commercially available databases. Sometimes companies generate sales leads through their advertising or sales promotions by letting customers request more information. One way to generate leads is through *cold calling*, when the salesperson contacts prospects without prior introduction or arrangement. Salespeople also rely on *referrals*. Current clients who are satisfied with their purchase often give referrals.

Qualifying

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Salespeople next need to **qualify** their **prospects**, the step of the selling process that determines how likely prospects are to become customers. Prospects can be qualified by looking at their financial ability, volume of business, special needs, location, and possibilities for growth.

Pre-approach

The **pre-approach** is the step in the selling process in which the salesperson learns as much as possible about a prospective customer before making a sales call. Salespeople try to learn as much as possible about qualified prospects early on. They may probe prior purchase history, current needs, or information about their interests. The salesperson can consult industry and online sources, acquaintances, etc. to learn about the prospect. Another task is to decide on the best approach, which might be a personal visit, a phone call, or a letter. The best timing should be considered carefully because many prospects are busiest at certain times. Finally, the salesperson should give thought to an overall sales strategy for the account.

Approach

The **approach** is the step in the selling process in which the salesperson usually meets the customer for the first time. He or she should start building the relationship during the approach. The salesperson should know how to meet and greet the prospect and get the relationship off to a good start. This step involves the salesperson's appearance, opening lines, and the follow-up remarks. The opening lines should be positive to build goodwill from the beginning of the relationship. If the salesperson made contact with the prospect through a referral, the salesperson should probably say so up-front. This opening might be followed by some key questions to learn more about the customer's needs or by showing a display or sample to attract the prospect's attention and curiosity. As in all stages of the selling process, listening to the customer is crucial.

Sales Presentation

The **sales presentation** is the step in the selling process in which the salesperson seeks to persuasively communicate the product's features and the benefits it will provide after the sale. *Proof statements*, such as data on past sales, testimonials, guarantees, or research results, help to make the salesperson's presentation credible. Some sales presentations are *canned*, meaning a script has been written in advance, and the same message is delivered to many prospects. This technique often provides a series of verbal prompts to which there are expected customer responses. A similar approach called a *formulated approach* identifies a prospect's needs and then provides scripted sales

pitch keyed to that kind of prospect. These standardized approaches work fine in some cases, but the most effective sales presentations are those that are tailored to the specific customer.

Demonstration

One important advantage of personal selling over most advertising is the ability of salespeople to provide a **demonstration** of the product to the potential buyer. Many firms use new technologies to make their demonstrations more effective. Multimedia interactive demonstrations are now common. The key to a good demonstration—one that gains the customer's attention, keeps his or her interest, is convincing, and stays in the customer's memory—is planning. The salesperson should check and recheck all aspects of the demonstration prior to its delivery.

Handling Objections

Handling objections is the step in the selling process in which the salesperson seeks out, clarifies, and overcomes customer objections to buying. Customers almost always have objections during the presentation or when asked to place an order. The problem can be either logical or psychological, and objections are oftentimes unspoken. The salesperson should handle objections using a positive approach, by seeking out hidden objections, asking the prospect to clarify any objections, and taking objections as opportunities to provide more information—turning the objections into reasons for buying. Every salesperson needs training in the skills of handling objections.

Closing

Closing is the step in the selling process in which the salesperson asks the customer for an order. Some salespeople do not get around to closing or do not handle it well. They may lack confidence, feel guilty about asking for the order, or fail to recognize the right moment to close the sale. Salespeople should know how to recognize closing signals from the buyer, including body language, comments, and questions. Salespeople can use several closing techniques. They can ask for the order, review points of agreement, offer to help write up the order, ask whether the buyer wants this model or that one, or note that the buyer will lose out if the order is not placed now. The salesperson may also offer the buyer special reasons to close, such as a lower price or an extra quantity at no charge.

Follow-Up

Follow-up is the last step in the selling process, in which the salesperson follows up after the sale to ensure customer satisfaction and repeat business. Right after closing, the salesperson should

complete any details on delivery time, purchase terms, and other matters. The salesperson then should schedule a follow-up call when the initial order is received, to make sure there is proper installation, instruction, and/or servicing. This visit should reveal any problems, assure the buyer of the salesperson's interest, and reduce any buyer concerns that might have arisen since the sale. Follow-up also allows the salesperson to bridge to the next purchase. Once a relationship develops, the selling process is only the beginning. Even as one cycle of purchasing draws to a close, a good salesperson is already laying the foundation for the next one.

Sales Management:

Sales management is the process of planning, implementing, and controlling the personal selling function of an organization. Personal selling is a team effort that requires careful planning and salespeople in the field when and where customers need them.

Sales Force Objectives

Sales force objectives state what the sales force is expected to accomplish and when. These goals could include acquiring new customers, generating specific amounts of sales volume, reducing sales expenses, improving customer satisfaction, gathering new-product suggestions, training goals, and community involvement goals. Sales managers also work with their salespeople to develop individual goals. *Performance goals* are measurable outcomes, such as total sales and total profits per salesperson. *Behavioral goals* specify actions salespeople must accomplish, such as the number of prospects to identify, the number of sales calls, and the number of sales presentations.

Sales Force Strategy

A sales force strategy specifies the structure and size of a firm's sales force. Each salesperson has the responsibility for a set group of customers—the **sales territory**. The territory structure allows salespeople to have an in-depth understanding of customers and their needs through frequent contacts. The most common way to allot territories is geographically, minimizing travel and other field expenses. A *geographic sales force structure* usually is sized according to how many customers are found in a given area. If the product line is diverse or technically complex, a better approach may be to structure sales territories based on different *classes of products* to enable the sales force to provide more expertise to a set of customers with similar needs. Still another structure is *industry*

specialization, in which salespeople focus on a single industry or a small number of industries. Putting a salesperson into the field is expensive, so the number of people in the sales force has an impact on a company's profitability. Determining the optimal number of salespeople is an important decision.

In attempting to recruit and select a new sales representative, sales managers find themselves in an unaccustomed role. Instead of being a seller they for once take on the role of buyer. It is crucial that this transition is carried out effectively because the future success of the sales force depends upon the infusion of high calibre personnel. There are a number of facts that emphasize the importance of effective **sales force selection**:

1. There is wide variability in the effectiveness of salespeople. In the Institute of Marketing commissioned study¹ into sales force practice, the following question was asked of sales managers: 'If you were to put your most successful salesperson into the territory of one of your average salespeople, and made no other changes, what increases in sales would you expect after, say, two years?' The most commonly expected increase was 16–20 per cent and one-fifth of all sales managers said they would expect an increase of 30 per cent or more. It must be emphasized that the comparison was between the top and average salesperson, not top and worst salesperson. Clearly, the quality of the sales representatives which sales managers recruit can have a substantial effect on sales turnover.

2. Salespeople are very costly. If a company decides to employ extra sales personnel, the cost will be much higher than just basic salary (and commission). Most companies provide a car if travel is required and travel expenses will also be paid. The special skills necessary to make a sale, rather than to receive an order, imply that training will be required. No company will want to incur all of these costs in order to employ a poor performer.

3. Other important determinants of success, such as training and motivation, are heavily dependent on the intrinsic qualities of the recruit. Although sales effectiveness can be improved by training, it is limited by innate ability. Like other activities where skill is required, such as cricket, football and athletics, ultimate achievement in selling is highly associated with personal characteristics. Similarly, motivational techniques may stimulate salespeople to achieve higher sales but they can do only so much. A lot will be dependent on the inborn motivation of the salesperson to complete a difficult sale or visit another prospect instead of returning home.

Recruitment and Selection Process

There are a number of stages in the **recruitment** and selection process:

1. Preparation of the job description and personnel specification.
2. Identification of sources of recruitment and methods of communication.
3. Designing an effective application form and preparing a shortlist.
4. Interviewing.
5. Supplementary selection aids – psychological tests, role playing.

Sources

There are six main sources of recruitment:

- From inside – the company's own staff;
- Recruitment agencies;
- Educational establishments;
- Competitors;
- Other industries;
- Unemployed.

The Interview Setting

The interview setting will have a direct bearing on the outcome of the interview. A number of examples will illustrate this point:

1. The room should be one where the sales manager is unlikely to be interrupted by colleagues or telephone calls. If this is not possible, visitors and telephone calls should be barred.
2. A very large room with just two or three people occupying it may not have the intimacy required to obtain a free, natural discussion.
3. A large desk situated between candidate and interviewer, particularly if littered with filing trays and desk calendars, can have the psychological effect of distancing the two parties involved, creating too formal an atmosphere and inhibiting rapport. A more relaxed, informal setting away from the manager's work desk is likely to enable the interviewee to relax more easily. The use of a low table

which interviewers and interviewee can sit around (rather than sitting face-to-face) is a common method for achieving this effect.

Conducting the Interview

Besides creating the right atmosphere by the judicious selection of the interview setting, the interviewers themselves can do much to help establish rapport. What happens at the beginning of the interview is crucial to subsequent events. The objective at this stage is to set the candidate at ease. Most interviewees are naturally anxious before the interview and when they first enter the interview setting. They may feel embarrassed or be worried about exposing weaknesses. They may feel inadequate and lack confidence. Above all they may feel worried about rejection. These anxieties are compounded by the fact that the candidate may not have met their interviewers before and thus be uncertain about how aggressive they will be, the degree of pressure that will be applied and the types of question they are likely to ask. Some sales managers may argue that the salesperson is likely to meet this situation out in the field and therefore needs to be able to deal with it without the use of anxiety-reducing techniques on the part of the interviewers. A valid response to this viewpoint is that the objective of the interview is to get to know the candidate in terms of the criteria laid down in the personnel specification, or 'profile' as it is sometimes called. In order to do these candidates must be *encouraged* to talk about themselves. If sales ability under stress is to be tested, role playing can be used as part of the selection procedure. There are a number of guidelines which, if followed, should reduce anxiety and establish rapport:

1. One of the interviewers (preferably the sales manager) should bring the candidate into the room, rather than the candidate being sent for through a secretary or junior administrator. This reduces status differentials and hence encourages rapport.
2. Open the conversation with a few easy-to-answer questions, which although not directly pertinent to the job, allow the candidate to talk to the interviewers and gain confidence.
3. Continuing in this vein, questions early in the interview should be, if possible, open-ended rather than closed. Open-ended questions allow the applicant scope for talking at some length on the topic, e.g. 'Can you tell me about your experiences selling pharmaceuticals?' Closed questions, on the other hand, invite a short answer, e.g. 'Can you tell me how long you worked for Beechams?' Some closed questions are inevitable, but a series of them makes it difficult for the candidate to relax and

gain confidence. Indeed, such questions may give the impression that the applicant is uncommunicative, when really the problem lies with the interviewer.

4. Interviewers should appear relaxed and adopt a friendly, easy manner.

5. They should be courteous and appear interested in what the applicant says.

MOTIVATION OF SALESFORCE

Creating and maintaining a well-motivated sales force is a challenging task. The confidence and motivation of salespeople are being constantly worn down by the inevitable rejections they suffer from buyers as part of everyday activities. In some fields, notably life insurance and double glazing, rejections may greatly outnumber successes; thus motivation may be a major problem. This is compounded by the fact that salesperson and supervisor are normally geographically separated, so the salesperson may feel isolated or even neglected unless management pays particular attention to motivational strategies which take account of their needs. It is critical that sales managers appreciate that motivation is far more sophisticated than the view that all salespeople need is a 'kick up the pants'. Effective motivation requires a deep understanding of salespeople as individuals, their personalities and value systems. In a sense, sales managers do not motivate salespeople. What they do is provide the circumstances that will encourage salespeople to motivate themselves.

An understanding of motivation lies in the relationship between needs, drives and goals: 'The basic process involves needs (deprivations) which set drives in motion (deprivations with direction) to accomplish goals (anything that alleviates a need and reduces a drive)'.¹ Thus a need resulting from a lack of friends, sets up a drive for affiliation which is designed to obtain friends. In a work context, the need for more money may result in a drive to work harder in order to obtain increased pay. Improving motivation is important to sales success as research has shown that high levels of motivation lead to:

- increased creativity;
- Working smarter and a more adaptive selling approach;
- working harder;
- increased use of win-win negotiation tactics;
- Higher self-esteem;
- A more relaxed attitude and a less negative emotional tone;

- Enhancement of relationships.

1. Regular Interaction

- The management must interact with the sales team more often to understand their needs and expectations from the organization.
- The sales representatives must have an easy access to the boss's cabin at the times of queries. Transparency is essential at all levels.
- The sales manager must sit with his team once in a week to address their grievances. No issue should be left unattended.
- Healthy communication between the management and sales team is a good way to motivate the individuals. The sales executives must be aware of the latest developments at the workplace.
- Take them out once in a while for picnics, outings or dinners. Such activities bind the team members together and motivate them to work as a single unit.

2. Roles and responsibilities

- Roles and responsibilities must not be imposed on any of the members. Let them accept responsibilities on their own. It is for the superiors to understand which employee can perform which function in the best possible way. Job mismatch leads to demotivated employees.
- They should be aware of their KRAs from the very beginning. The management should make it very clear that a sales representative is expected to go out and meet clients. No individual should have unrealistic demands. It leads to problems and confusions later on.
- A sales professional must be aggressive, smart and a little diplomatic. They must be excellent in follow ups. Impatient individuals find it difficult to do well in sales.

3. Realistic Targets

- Targets for the sales team must be realistic and achievable. Don't ask for anything which you yourself know is not possible.
- Don't expect miracles overnight.

4. Incentives and Monetary benefits

- Handsome incentive plans go a long way in motivating the sales professionals. Nothing works better than money. Attractive incentive schemes prompt the employees to work hard and make the maximum use of their ability.
- Performers must be rewarded with attractive gifts, coupons, cash prizes or certificates for them to feel motivated and deliver the same performance every time.
- Acknowledge the hard work of employees.

5. Appreciation

- Appreciation plays an important role in motivating the employees. Praise the ones who perform exceptionally well. A pat on their back can actually do wonders. Let them feel special and indispensable for the team as well as the organization. Give them their due credit.
- Display their names on the notice boards for everyone to get a glimpse. Give them badges to flaunt.

6. Involvement

Involve the team members in the company's strategies. Let them participate in important discussions. Don't criticize their ideas or views.

Sales contests

Sales contests are a popular form of incentive for consumer sales forces. The purpose of the sales contest varies widely. It may be to encourage a higher level of sales in general, to increase the sales of a slow-moving product or to reward the generation of new customers. The strength of a sales contest lies in its ability to appeal to the competitive spirit of salespeople and their need for achievement and recognition. As with other financial incentives, to be effective the contest must be seen to be fair and each salesperson must believe that they are capable of winning.

TRAINING

Benefits

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- Enhanced skill levels Training in needs analysis, presentation and demonstration, negotiation, objection handling, closing and relationship management will enhance skill levels, and lead to greater customer orientation.
- Improved motivation Vroom suggests that motivation is dependent on a salesperson's belief that increased effort will lead to higher performance. Increasing skill levels through training should strengthen that belief.
- Improved self-confidence Training improves self-confidence, which has been shown to be related to improve sales performance.
- Reduced costs Training in self-management and journey planning should reduce costs. Higher skills should mean fewer call backs to close the sale. Better use of technology should also reduce costs (e.g. using email rather than site visits where appropriate).
- Fewer complaints Better meeting of customer needs and higher service levels should reduce the number of customer complaints.
- Lower staff turnover Training shows staff that the company is willing to invest in them raising morale and loyalty.
- Reduced management support-Well trained salespeople require less managerial support as they can manage their own activities.
- Higher job satisfaction-The confidence and success which accompanies higher skill levels developed during training lead to higher job satisfaction.
- Higher sales and profits The result of the above advantages of training is that sales should be higher and costs lower resulting in higher company profits.

Evaluating the Sales Force

The job of sales managers is not complete until the total effort of the sales force is evaluated. First, it is important to determine if the sales function is meeting its quantitative objectives. If not, the sales manager must figure out the causes. Individual salesperson performance is normally measured against sales quotas for individual sales territories, even when compensation plans do not include bonuses or commissions based on quotas. Other quantitative measures, such as number of sales calls and sales reports, may also be used in the evaluation.

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Many firms also evaluate their sales force on qualitative indicators of performance such as salesperson attitude, product knowledge, and communication skills. Increasingly, as firms focus on relationship management, the level of customer satisfaction is a strong qualitative measure of superior salesperson performance.

Finally, the salesperson's expense account for travel and entertainment (T&E) may be considered since the best sales record can mean little to a company's bottom line if the salesperson is gouging the company with outrageous expenses.

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

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Part B (2 Marks)

1. What are the important functions of managing sales force?
2. List the principles of Sales Evaluation?
3. What are the different forms of Interviewing?
4. Define Sales Organization.
5. Why is sales organization important?
6. Give the merits of departmentalization on geographical basis.
7. Bring out factors influence the structure of sales organization.
8. List the various source of recruitment.
1. Mention the various types of Sales organization.

Part C (8 Marks)

1. What types of test and interviews are held for the selection of sales persons? Explain.
2. Describe the steps or activities involved in sales force management.
3. Discuss departmentalization of Sales Organization.
4. What are the important methods of sales training? Discuss in brief the merits and demerits of each
5. Define Sales Organization. On what basis a sales organization can be departmentalized? Describe the merits and demerits.
6. Discuss the incentives for stimulating salesmen.
7. Enumerate the principles of motivating sales personnel.