Describe aidas theory of selling

Q1. A) Describe AIDAS theory of selling. B) Explain the steps involved in prospecting. Answer 1. A) AIDAS theory the initials of five words used to express it (attention, interest, desire, action, & satisfaction) is basis for many sales & advertising texts & is the skeleton around which many sales training programs are organized. During the successful selling interview, according to this theory, the prospects mind passes through five successive mental states: attention, interest, desire, action & satisfaction.

Implicit in this theory is the notion that the prospect goes through these five stages consciously, so the sales presentation must lead the prospect through them in the right sequence if a sale is to result. Answer 1. B) These are the following steps for prospecting Securing attention: The goal is to put the prospects in to a receptive state of mind. The first few minutes of the interview are crucial. The sales person has to have reason, or an excuse, for conducting the interview.

If the salesperson previously has made an appointment, this phase presents no problem, but experienced sales personnel say that even with an appointment, a salesperson must possess considerable mental alertness, & be a skilled conversationalist, to survive the start of the interview. The sales person must establish good rapport at once. The salesperson needs an ample supply of conversation openers. Favorable first impressions are assured by, among other things, proper attire, neatness, friendliness, and a genuine smile.

Skilled sales personnel often decide upon conversation openers just before the interview so that those chosen are as timely as possible, conversation

openers that cannot be readily tied in with the remainder of the presentation should be avoided, for once the conversation starts to wander, great skill is required to return to the main theme. Gaining interest: The second goal is to intensify the prospects attention so that it evolves into strong interest. Many techniques are used to gain interest. Some salespeople develop a contagious enthusiasm for the product or a sample.

When the product is bulky or technical, sales portfolios, flipcharts, or other visual aids serve the same purpose. Throughout the interest phase, the hope is to search out the selling appeal that is most likely to be effective. The more experienced the salesman, the more he has learned from interviews with similar prospects. But even experienced sales personnel do considerable probing, closeness of the interview subject to current problems, its timeliness, & their mood, skeptical or hostile & the salesperson must take all these into account in selecting the appeal to emphasize.

Kindling desire: The third goal is to kindle the prospects desire to the ready to buy point. The salesperson must keep the conversation running along the main line toward the sale. The development of sales obstacles, the prospects objections, external interruptions, & digressive remarks can sidetrack the presentation during this phase. Obstacles must be faced & ways found to get around them. Objections need answering to the prospects satisfaction. Time is saved, & the chance of making a sale improved if objections are anticipated & answered before raises them.

External interruptions cause breaks in the presentations, & when conversation resumes, good salespeople summarize what has been said

earlier before continuing. Inducing actions: If the presentation has been perfect, the prospects are ready to act that is, to buy. However, buying is not automatic and, as a rule, must be induced. Experienced sales personnel rarely try for a close until they are positive that the prospect is fully convinced of the merits of the proposition. Thus, it is up to the sales person to sense when the time is right.

The trial close, the close on a minor point, & the trick close are used to test the prospects reactions. Some sales personnel never ask for a definite yes or no for fear of getting a no from which they think there is no retreat. But it is better to ask for the order straight forwardly. Most prospects find it is easier to slide away from hints than from frank requests for an order. Building satisfaction: After the customer has given the order, the salesperson should reassure the customer that the decision was correct.

The customer should be left with the impression that the salesperson merely helped in deciding. Building satisfaction means thanking the customer for the order, and attending to such matters as making certain that the order is filled as written, & following up on promises made. The order is the climax of the selling situation, so the possibility of an anticlimax should be avoided customers sometimes unsell themselves & the salesperson should not linger too long. Q2. Describe at length sales related marketing policies? Answer 2)

Sales related marketing policies impact upon the functions and operation of the sales department. These marketing delineate the guidelines within which the effort to reach personal selling objectives is made. There are three major types (1) product policies (what to sell) (2) distribution policies (whom to

sell), and (3) pricing policies. Product Line Policy Policies on the width of a product line are classified as either short line or full line. The company following a short line policy handles only part os a line, while the company with a full line policy handles all or most of the items making up a line.

Companies use short line policies for some product groupings & full line policies for others. The extent to which a short line policy should be pursued is governed by the amount of risk that management is willing to assume the narrower the line, the greater the risk. If a firm concentrates on a single product, the rewards can be great. Product specialization enables the manufacturing division to achieve low unit cost. In turn, this may make the company almost invulnerable to price competition, even though the product is of the highest quality.

But the penalty for failure is also great. If the product is displaced by substitutes introduced by competitors, the company finds itself locked out of the market. Changes in product offerings: All items in a product line should be reappraised at regular intervals. Reappraisals serve two purposes (1) to determine whether individual items are still in tune with market demand and (2) to identify those that should be dropped from, or added to, the line. Unless the product line is reappraised regularly, market demand may shift, and more alert competitors may capture larger market shares.

Reappraising the product line and line simplification: each item in the line is compared with similar and competing items in other manufacturer’s lines. The focus is upon identifying strengths and weaknesses, especially as to which features of each item consumers consider desirable or un desirable.

Special attention is paid to significant trends in usage: how much is used? What is it used for? When is it used? Where is it used? The answer also has supplemental benefits they provide insights useful in constructing sales presentations and in motivating the sales force and dealer organization.

The most critical factor in reappraising is profitability. Generally, an item in the line should not be retained unless it meets standards for profitability. Even if the item would continue with a poor profit showing regardless of changes in price or promotion, do other factors indicate its retention? Some companies cater to customers and dealers who, logically or not, expect a full line offering. Products with slow turnover rates should be discontinued if dealer place more emphasis on the better selling products in the line. Finally, any item not fitting logically into the line is a candidate for elimination.

Reappraising the product line and line diversification. Management makes reappraisal of the line relative to growth objectives. These objectives are restricted as an established product line approaches market saturation. They are restricted too, when the industry is dying or when competitors succeed in making permanent inroads in a company’s natural market. If action is long delayed in these situations the survival of the firm itself is at stake. Often the indicated action is to add new products or even entirely new product lines.

Ideas for new products: Companies tap both internal & external source of new product ideas. Product ideas coming from within the company generally are related to regular operations. The sales department identifies unsatisfied need in his day to day contacts with customers and prospects. The production department develops improvements in existing products. The

research & development department turns up ideas for new products as a routine part of its activities. Appraisal of proposed new products: As in the reappraisal of established offering the key question is: Will this item add to profitability?

Other factor includes the nature & the size of markets, competitors, price policy, sales programs & legal implications. The marketing & production characteristics of a proposed product should be compared with those of the existing line. Ideally, an addition should be in alignment of both marketing & production sides. Product Design Policy The two main policy decisions on product design are (1) the frequency of design change & (2) the extent to which designs should be protected from coping. The policy on design protection is related to frequency of design change.

The rapid change makes legal protection impractical. Success in high fashion fields depends upon the extent to which designs are adopted by competing firms so that the style becomes fashionable. Where design changes occur less frequently, design protection is practical & desirable, as in the home appliance, furniture & jewelry industry. Product Quality and Service Policy High quality products require less service & low quality products requires more service. Manufacturer’s service policies take different forms.

The simplest merely provides for education of the buyer in the use and care of the product. Other service polices particularly for industrial products and such consumer lines as air conditioning and heating equipments provide for product installation, inspection & repair. An appropriate service policy facilitates the making of initial sales & helps in keeping products sold,

stimulating repeat sales, and building customer good will. Guarantee policy Guarantees or warranties as they are sometimes called serve as sales promotional devices and as guards against abuses of the service policy.

If the product does not perform as represented, the guarantor may promise to replace it, to refund the purchase price or a multiple of that price, to furnish the purchaser with competitive product at no expense or to remedy defects free of charge or for a small fee. When a guarantee is used for promotional purpose, its term is liberal. When used for protection, its term is hedged with conditions and restrictions. DISTRIBUTION POLICIES—WHO TO SELL Distribution policies are important determinants of the functions of the sales department.

The choice of a particular marketing channel sets the pattern for sales force operation, both geographically and as to the customers from whom sales personnel solicit orders. The decision on the number of outlets at each distribution level affects the size and nature of the sales organization and the scope of its activities. Related decisions concerning cooperation extended to and expected from the middlemen influence sales operations and salespersons jobs. Policies on Marketing Channels One of the most basic of all marketing decisions is that on marketing channels.

Manufacturers selling to the consumer market have a choice of five main channels and those selling to the industrial market have four main options. Few manufacturers use only one marketing channel most use two or more. Firms that sell to both the consumer and industrial market are in this classification, as are the many who sell through both chain & independent

outlets. Decisions on marketing channels are required more often than is commonly supposed. The obvious occasions are those following the initial organization of the enterprise, and when making additions to the product line.

At these times, the desirability and appropriateness of different channel option are evaluated. The initial selection or reevaluation of marketing channels is a matter of determining which channel, or channels, affords the opportunity for the greatest profit. Channels, in other words, should be chosen as to obtain the optimum combination of profit factors. The policy makers keep in mind all three profit factor sales volume, costs, and resultant net profits and they consider the effect of different channel options and combinations on each factor over both short and long periods.

Sales volume potential: For each channel option the key question is can enough potential buyers are reached to absorb the desired quantity of product? The answer was found through marketing analysis. Raw data are secured from company's own records, external sources of market statistics, and field investigations. When these data are analyzed, and after allowances are made for the strengths of competitors, the potential sales volume of each channel option is estimated. Comparative distribution cost: Distribution cost studies show that the costliest channels are the shortest ones.

When a manufacturer decides to sell directly to the consumer, it assumes responsibility for the addition performance of marketing function. It incurs higher cost as it steps up performance of selling transportation, storage, financing, and risk bearing. If the manufacturer chooses to use the door to

door direct selling method, it faces problems on the selection, training, supervision, and general management of this class of sales personnel. Longer marketing channels results in lower selling cost for the manufacturers. When middlemen are used, they perform some functions that the manufacturer would otherwise perform.

It is necessary to compensate middlemen for performing these functions. Net profit possibilities: Sales volume potentials are meaningful only when considered in relation to distribute costs. A channel with high sales potential may involve high distribution costs, causing low net profit. A second channel might not produce a worthwhile sales volume, even though it involves low distribution cost. Policies on Distribution Intensity Choice of marketing channels is intertwined with policy on distribution intensity. At each level of distribution, decisions are made on the desired number of outlets.

It is advisable to decide first upon the policy to be followed at the distribution level nearest the final buyer, because generally the same decisions must be applied at other distribution levels. Once the policy on distribution intensity is set, the sales executive’s responsibility is to interpret and implement it. Mass distribution: The Company following a policy of mass distribution aims for maximum sales exposure by securing distribution through all those outlets from which final buyers might expect to purchase the product.

This policy is used in distributing many consumer convenience items, cigarettes, candy, and chewing gum, for instance, can be food store, drug stores, cigar stores, candy shops, variety stores, restaurants, theater and hotel lobbies; at newsstands; and from vending machines. Often the

manufacturers using this policy need not one but several marketing channels. Selective distribution: Selective distribution means selecting only those outlets that can best serve the manufacturers interests. Criteria are set up to provide guidance in the selection of accounts.

These criteria relate to sizes of orders. Volume of purchases, profitability, type of operation, and geographical location. The basic procedure is to set up criteria for the selection of accounts. It may reveal that a small percentage of the customer contributes a large proportion of total net sales and profits. It is not unusual for 20 percent of the accounts to produce 80 percent of the net sales, and even more of the net profits. Exclusive agency distribution: Exclusive agency distribution is an extreme form of selective distribution.

The manufacturer makes an agreement, either written or oral, with a middleman in each market area stipulating that the distribution of manufactures product or products within that area is to be confined solely to that middleman. Implementing a policy of exclusive agency distribution presents a number of problems. In some markets, the most desirable dealers may be under agreement with another supplier, and the company may have to select a second or third rate dealer or open up its own outlet. Some middlemen want no part of an exclusive agency contract, perhaps because of the history of exclusive agencies in the food field.

If exclusive distribution is used at the wholesale level, the wholesaler may not reach certain desirable outlets on the dealer level. PRICING POLICIES The sales executives role is formulating pricing policies is advisory, but all sales

executive are responsible for implementing pricing policies. Field sales personnel are the company employees whose jobs consists most directly of persuading buyers to accept the products at the price asked. Field sales personnel do the actual implementing of pricing polices, but responsibilities for implementation is the sales executive alone.

Because of their impacts upon the ease of making sales, then pricing policies are of direct interest to sales executives and sales personnel. Policy on Pricing Relative to the Competition Every company has a policy regarding the level at which its products are priced relative to the competition. If competition is price based; a company sells its products at the same price as its competitors. If there is no price competition, the choice is one of three alternative policies. Meeting the competition: Meeting the competition is the most common choice.

Companies competing on a no price basis meet competitors price, hoping to minimize the use of price as a competitive weapon. A meeting-the-competition price policy does not mean meeting every competitors prices, only the prices of important competitors- “ important” in the sense that what such competitors do in their pricing may lure customers away. Pricing above the competition: Pricing above the competition is less common but is appropriate in certain situations. Sometimes higher-than-average prices convey impressions of above-average products quality or prestige.

Many buyers relate a products quality to its price, when it’s difficult to judge quality before buying. A policy of pricing above the competition needs the support of strong promotion by both the manufacturer and the middleman.

Pricing Under The Competition: Not many manufacturer at least those with sales forces, willingly, price under the competition. However, some, such as in the clothing industry price under their competitors and appear to have demonstrated at least to their own satisfaction, that aggressive pricing increases market, demands and keeps new competitors from entering the field.

Sales executives quite generally, dislike this alternative and contend that it causes sales personnel to sell price more than the product. Policy on Pricing Relative to Costs Every company has a policy regarding the relationships between its products prices and the underlying costs. Long run sales revenues must cover all long run costs, but short run sales revenues do not have to cover short run cost. Sales revenues, of course, equal the unit volume solid times price. Most companies follow a full-cost pricing policy under most circumstances, but most also spell out the circumstances under which departures are permissible.

Full-cost pricing: Under full-cost pricing no cost is made under at a price lower than that covering total cost, including variable costs, and allocated fixed costs. The reasoning is that if short run sales revenues cover short-run costs, they also cover long-run costs. Promotion pricing: Particularly in industries producing consumers nondurables, pricing is a promotional tool. Thus, for instance, a company launching a new packages convenience food may offer it at a “ special low introductory price. ” Contributing pricing: Using a contribution pricing policy means pricing at any level above the relevant incremental costs.

Suppose that a seller is offered a special contract to supply a large buyer, who will not pay the going price. The buyer argues that the lower price is justified because of savings to the seller in selling time, credit costs, handling expenses and the like. Policy on Uniformity of Prices to Different Buyers In pricing to different buyers, companies choose between (1) a one price policy, under which all similar buyers are quoted the same price and (2) a variable price policy under which the price to each buyer is determined by individuals bargaining.

In the United States, most marketers of consumer's goods adhere to a one price policy. Even though many vary among different classes of customers and form one geographic region to the next. Policy on List Pricing A marketer distributing through middleman either (1) does not suggest standardized resale (list) price or (2) seek to control middleman's resale prices through list pricing. List pricing take a variety of forms, the two most common being that of printing the price on the package or requiring sales personnel to suggest the resale price to buyers.

List pricing is easiest to implement when the marketer utilizes selective or exclusive distribution. In as much as the difficulties of enforcement of suggested list prices multiply with the increase in the number of middlemen. Effective enforcement of list pricing means assigning the additional role of " resale price reporter" to sales forces personnel. Policy on Discounts Trade discounts: A manufacturer selling to both wholesalers and retailers may quote different prices that are offer different " trade discounts" to each class of customers.

Quantity discounts: Quantity discounts are price reductions granted for purchases in a stated quantity or quantities and are normally aimed to increase the quantities customers buy. Though price reduction, sellers increase sales by passing on to buyer's part of the savings that results from large purchases. Geographical Pricing Policies One pricing policy of particular interest is that of who should pay the freight for delivering the product to buyers. The answer to this question is important to the sales executive, because it affects price quotations to buyers in different geographical areas.

The farther away the customer is from the factory, the greater are the freight charges for a given size order. No matter what policy the company adopts, freight differentials are reflected one way or another in price quotations. Regardless of the policy on payment of shipping charges, its administration is the sales executive's responsibility F. O. B. pricing: The marketer using this policy quotes selling prices at the factory (or other point from which it makes sales), and buyers pay the freight charges. Each buyer adds freight to the factory price and determines total delivered cost. F. O. B. ricing results in variations in the resale price that middlemen put on the product in different areas. In consumers-goods marketing, F. O. B. pricing is used for items that are heavy or bulky relative to their value, for example, canned goods and fresh vegetables. In industrial marketing of raw materials and heavy machinery, FO. B. Pricing is also in widespread use. Delivered pricing: The marketer using delivered pricing pays freight charges and includes them in its price quotations. The price is really an " F. O. B. destination" price, and the net return to the seller varies with the buyer's location.

Delivered pricing is appropriate when freight charges account for only a small part of the product’s price. It is a necessary policy when a marketer uses list prices. Standardized resale prices are likely to be obtained if middlemen pay a uniform nationwide delivered price–sometimes called a “ postage stamp,’ price. Makers of chewing gum, candy bars, and many drug items, particularly patent medicines, use postage stamp pricing. Because middlemen all pay the same price, the resale price is roughly the same throughout the entire market.

Policy on Price Leadership All marketers should decide whether they will initiate or follow price changes. In some industries there are well established patterns of price leadership. In selling basic industrial materials, such as lumber and cement, one company is the price leader and is usually the first to raise or cut prices; other industry members simply follow or, sometimes, fail to follow, as occasionally happens in the case of a price increase, thus causing the leader to reconsider and perhaps to cancel the announced increase.

Similar patterns exist in marketing such consumer products as gasoline and bakery goods, where, usually market by market, one company serves as the price leader and others follow. Generally, price leaders have large market shares and price followers, small market shares Product Line Pricing Policy Pricing the individual members of a product line calls for policy decisions. Tile different items in a product line “ compete” with each other; that is, a buyer buying one member of the line does so to the exclusion of others. One decision relates to the “ price space” between the prices of individual members of the line.

Having the right amount of price space is critical; too little may confuse buyers, and too much leaves “ gaps” into which competitors can move and make sales. Sales executives contribute major inputs to this decision through their knowledge of the market, of buyers’ motivations, and of competitors’ offerings and prices. Competitive Bidding Policy In purchasing certain products, industrial and governmental buyers solicit competitive bids from potential suppliers and award the business to the bidder offering the best proposal.

A proposal may be selected as best for a number of reasons (for example, price, delivery dates, reputation for quality), depending on which is most important to the buyer. In some industries, competitive bidding is the general rule, and individual manufacturers have no choice but to participate. In other industries, only a part of the volume is sold on this basis, and each manufacturer decides whether to participate. In competitive bidding the sales executive and the sales personnel play important roles. Their close contact with the market puts them in a good position to estimate how low a particular price must be to obtain the order.

Furthermore, the long-term relationships developed between salespersons and their customers are important in giving the company a chance to make a “ second bid” in those cases where industrial buyers give favored suppliers the chance to meet lower bids submitted by competitors Q3. Explain the following in determining the size of the Sales force a) Work load method b) Sales potential method c) Incremental method Answer 3: Work Load Method In the work load method the basic assumption is that all sales personnel should shoulder equal work loads.

Management first estimates the total work load involved in covering the company's entire market and then divides by the work load that an individual salesperson should be able to handle, thus determining the total number of salespeople required. Companies applying this approach generally assume that the interactions of three major factors customer size, sales volume potential, and travel load determine the total workload involved in covering the entire market. The six steps in applying the work load approach are shown in the following example: 1. Classify customers, both present and prospective, into sale volume potential categories. Classification criteria, other than sales volume or sales volume potential can be used as long as it is possible to distinguish the differences in selling effort required for each class.) assume that there are 880 present ; prospective customers, classified by sales volume potential as Class A, large 150 accounts Class B, medium220 Class C, small 510 2. Decide on the length of time per sales call and desired call frequencies on each class. (Several inputs are used in making these two decisions, for example, personal judgment, the opinions of sales personnel, and actual time studies).

Assume that both present and prospective customers require the same amounts of time per sales call and the same call frequencies per year as follows Class A: 60 minutes/call x 52 calls/year = 52 hours/year Class B: 30 minutes/call x 24 calls/year = 12 hours/year Class C: 15 minutes/call x 12 calls/year = 3 hours/year 3. Calculate the total work load involved in covering the entire market. In our example, this calculation is Class A: 150 accounts x 52 hours/year = 7, 800 hours Class B: 220 accounts x 12

hours/year = 2, 640 hours Class C: 510 accounts x 3 hours/year = 1, 530 hours Total 11, 970 hours 4.

Determine the total work time available per salesperson. Suppose that management decides that salespeople should work 40 hours per week, 48 weeks per year (allowing 4 weeks for vacations, holidays, sickness, etc.), then each salesperson has available 40 hours/week x 48 weeks = 1, 920 hours/year 5. Divide the total work time available per salesperson by task. Assume that management specifies that sales personnel should apportion their time as follows: Selling tasks 45% 864 hours Nonselling tasks30% 576 hours Traveling 25% 480 hours 100%1, 920 hours 6. Calculate the total number of salespeople needed.

This is a matter of dividing the total market work load by the total selling time available per salesperson: 11, 970 hours = 14 salespeople needed 864 hours The work load approach is attractive to practicing sales executives. It is easy to understand and easy to apply. Such large firms as Celanese, IBM, and AT; T have used this approach. A basic flaw in the work load approach is that, as usually applied, it disregards profit as an explicit consideration. However of course, management can take profit criteria into consideration in determining lengths and frequencies of sales calls.

But the optimum length and frequency of any particular sales call depends upon many factors other than account size (in terms of sales volume or sales volume potential). Such factors as the gross margin on the product mix purchased by an account, the expenses incurred in servicing an account, and an account’s likely responses to changed levels of selling effort all influence

profitability. Still another shortcoming traces to the inherent assumption that not only should all sales personnel have the same work load but that they all can and will utilize their time with equal efficiency.

Although a relation exists between the amount of time spent on calling on an account and the size of the order received, some salespeople accomplish more in a shorter time than others can. The “ quality of time invested in a sales call” is at least as important as the “ quantity of time spent on a sales call. ” Sales Potential Method The sales potential method is based on the assumption that performance of the set of activities contained in the job description represents one sales personnel unit. A particular salesperson may represent either more or less than one sales personnel unit.

If the individual’s performance is excellent, that individual may do the job of more than one unit; if the individual’s performance is below par, he or she may do less. If management expects all company sales personnel to perform as specified in the job description, then the number of salespersons required equals the number of units of sales personnel required. Generally, it must be noted, sales job descriptions are constructed on management’s assumption that they describe what the average salesperson with average performance will accomplish.

With that assumption, then, one can estimate the number of dollars of sales volume that each salesperson (that is, each sales personnel unit) should produce. Dividing this amount into forecasted sales volume–the company’s sales volume objective and allowing for sales force turnover results in an estimate of the number of salespeople needed. These relationships are

summarized in the equation N= S + T S P P This reduces to N =-S (1 + T) P Where N = number of sales personnel units S= forecasted sales volume

P= estimated sales productivity of one sales personnel unit T= allowance for rate of sales force turnover Consider a firm with forecasted sales of $1 million, estimated sales productivity per sales personnel unit of $100, 000, and an estimated annual rate of sales force turnover of 10 percent. Inserting these figures in the equation, we have $1, 000, 000 N= $100, 000 x 1. 10 N = 11 sales personnel units. This is a simplified model for determining the size of a sales force. It does not, for instance, include the lead times required for seeking out, hiring, and training salespeople to the desired level of sales productivity.

Actual planning models have built-in lead and lag relations to allow for such requirements. If two months of full-time training are required to bring a new salesperson up to the desired productivity, recruiting must lead actual need for the new salesperson by two months. Another assumption implicit in this simple model is that sales potentials are identical in all territories, which is similar to the assumption that the number of sales personnel units required is the same as the number of salespersons needed; where this assumption does not hold, the model should be adjusted accordingly.

Difficulties in making estimates for ~his model vary with the factor being estimated (N, S, P, or T) and the company. The crucial estimate of the sales productivity of one unit of sales strength relies heavily on the accuracy and completeness of the sales job description; it depends also on management’s appraisal of what reasonably may be expected of those who fill the position.

Estimating the sale~ force turnover rate is a matter of reviewing previous experience and anticipating such changes as retirements and promotions. In addition, both the estimates for unit sales productivity and the sales force turnover rate require management to have some means of evaluating the efficiency of individual salespersons and of determining the probabilities that individuals will remain with or leave the sales force during the planning period.

In a new and rapidly growing company, potential sales volume often depends chiefly on the number and ability of its sales staff. Management, actually, may derive the sales forecast by multiplying the estimated sales productivity of its average salesperson by the number it has, can expect to keep, and can recruit and train during the planning period. As a company expands distribution geographically and its growth rate slows down, the procedure reverses itself.

Under these circumstances, the number of sales personnel units required is determined by making the sales forecast first, and dividing it by the expected sales productivity of an individual salesperson, making adjustments for anticipated sales force turnover, lead times for recruiting and training, and other relevant factors. Incremental Method Conceptually, the incremental method is the best approach to determining sales force size. It is based on one proposition: net profits will increase when additional sales personnel are added if the incremental sales revenues exceed the incremental costs incurred.

Thus, to apply this method, one needs . two important items of information: incremental revenue and incremental costs. To illustrate, assume the following situation. A certain company has found that its total sales volume varies directly and significantly with the number of salespeople it has in the field. Its cost of goods sold does not vary significantly with increases in sales, but holds steady at 65 percent of sales. All company sales personnel receive a straight salary ($20, 000 annually per person) and in addition are paid commissions of 5 percent on the sales volume they generate.

In addition, each salesperson receives a travel and expense allowance of $12, 000 per year, that is, $1, 000 per month. The company now has fifteen people on its sales force and wants to determine whether it should add additional staff. Its sales executives estimate the following increases in sales volume; costs of goods sold, and gross margin that would result from the addition of the sixteenth, seventeenth, eighteenth, and nineteenth salespersons. There Will Be Additional With the Addition ofSales VolumeCost of GoodsGross Margin Salesperson No. f-Sold of= of $250, 000-$162, 500=$87, 500 200, 000-130, 000~70, 000 150, 000-97, 500= 52, 500 100, 000-65, 000= 35, 000 There Will Be. Additional With the Addition of Gross Sales Travel & Net Profit Salesperson Margin —- Salaries + Commissions + Expense Allowances = Contribution No. of of of of of $87, 500 -($20, 000 + $12, 500+12, 000) =$43, 000 70, 000 -(20, 000 + 10, 000+ 12, 000) = 28, 000 52, 500 -(20, 000 + 7, 500+12, 000) = 13, 000 5, 000 -(20, 000 + 5, 000+12, 000) = (2, 000) Next, they calculate the net profit contribution resulting from the addition of each salesperson. Adding the eighteenth salesperson brings in an additional net profit contribution of $13, 000, but

adding the nineteenth salesperson produces a negative net profit contribution of $2, 000. Thus, tile optimal size of' sales force here is eighteen people. Although this method is the most conceptually correct, it is also the most difficult to apply.

It requires, first, that the company develop a sales response function to use in approximating (in terms of sales volume) the market's behavior in relation to alternative levels of personal-selling effort. (A sales response function is a quantitative expression that describes the relationship between the amount of personal-selling effort and the resulting sales volume.) For the response function to be useful in setting the size of the sales force, sales volume must be sensitive to changes in the number of sales personnel?

Not many companies have the research sophistication required for development of sales response functions, but some apply the basic concept. 6 It is doubtful that the incremental method is appropriate where personal-selling is not the primary means of making sales, that is, in cases where other forms of promotion, such as advertising, have stronger influences on sales volume than does personal-selling effort. Q4. What are the steps involved in setting up a Sales organization. Explain them. Answer 4: SETTING UP A SAILES ORGANIZATION

Not often is a sales organization built entirely from scratch, as some structure usually exists. Most problems of sales organization, in other words, are problem of reorganization–the sales organization exists and the goal is to make it mo, effective. It is appropriate, nevertheless, for the sales executive to approach the organizational problem, each time it arises, as though a

completely new organization were being built. There are five major steps in setting up a sales organization: 1. Defining the objectives. 2. Delineating the necessary activities. 3.

Grouping activities into “ jobs” or “ positions. ” 4. Assigning personnel to positions. 5. Providing for coordination and control. Defining Objectives The initial step is to define the sales department’s objectives. Top management, of course, defines the long-run objectives for the company, and from these, the general, or long-run, objectives for the sales department are derived. Considered collectively, general objectives constitute top management’s vision of the company at some future time. Top management, for instance, may want the firm not only to survive but to chieve industry leadership, develop a reputation for outstanding technical research, diversify its product lines, provide excellent service to customers, furnish investors with a generous return, establish an image of public responsibility, and so on. From such composites, sales management determines the implications for the sales department and articulates a set of qualitative personal-selling objectives. Quantitative personal-selling objectives, in turn, are set with an eye on the qualitative objectives.

Survival, for instance, is the most basic qualitative objective of any enterprise as well as its sales department, and this requires, among other things, a continuing flow of sales revenue; so, securing a given level of sales volume is an important sales department quantitative objective. Survival also requires profits. Hence, a second qualitative personal-selling objective is to produce profits, not only by making profitable sales but by controlling departmental costs and expenses.

Furthermore, survival requires growth in both sales and profits; otherwise, in a growing economy the company is destined to fall behind competitors or even risk being forced out of business. It follows that a third qualitative personal-selling objective is to realize long-term growth in sales and profits. Therefore, three of the sales department's general objectives all traceable to management's desire for survival of the firm may be summed up in three words: sales, profits, and growth. Qualitative personal-selling objectives are indispensable for long-range planning and must be kept in mind in short-range planning.

Quantitative personal-selling objectives are required as operating guideposts. Thus, the qualitative personal-selling objective of producing profits may be translated into specific quantitative personal-selling objectives such as " to increase our market share of the hand-held calculator business to 20 percent by the end of the current year" and " to secure four wholesalers in Australia and one in New Zealand to introduce our vest-pocket calculators in those markets next year. " People in the sales department, as those elsewhere, work more effectively, with less wasted time, effort, and money, when assigned definite goals.

The sales department as a whole, similarly, operates more smoothly, and its activities are more purposeful, when it has specific quantitative objectives. The qualitative objectives set for the sales department form the basis the general policies governing its long-term performance. The quantitative, objectives set are the foundations from which to develop day-to-day operating policies and programs. A thorough examination perhaps even a

restatement of the qualitative and quantitative goals of the sales department is logical place to begin the task of reorganization.

Determination of Activities and Their Volume of Performance Fundamental to sound organizational design is recognition that activities are being organized. Only after determining all necessary activities and estimating their volume of performance is it possible to answer such questions as: What executive positions are required? What should be their relationships to other positions? What should be the duties and responsibilities of persons who fill the positions? Determining the necessary activities and their volume of performance is a matter of analyzing the sales department's qualitative and qualitative quantitative.

Thorough examination discloses which activities must be performed in what volume. The activities involved in modern sales management are similar from firm to firm, and although individual sales executives think that their operations are different, most differences are more apparent than real. Almost ever sales department carries on the same general activities; differences among departments are those of detail, of relative emphasis placed upon individual activity and in volume of performance. Grouping Activities into Positions

Next, the activities identified as necessary are allocated to different position The planner must keep in mind that activities are aimed at achieving certain objectives ultimately the composite provides the raw material from which job descriptions are compiled (in terms of reporting relationships, job objectives, duties and responsibilities, and performance measures). Activities are

classified and grouped so that closely related tasks are signed to the same position. Each position should contain not only a sufficient number of tasks but sufficient variation to provide for job challenge, interest and involvement.

Only in very large organizations, where extreme specialization is practiced, should a position comprise only a single activity, and even here the burden of proof should be on those proposing such a move. Pressures of administrative economy are generally strong enough that most position holders are responsible for a number of diversified, although related, activities. Certain activities are of crucial importance to success of the sales department, and this has implications for organizational design. For example, in; highly competitive field, product merchandising and pricing are assigned to positions high up in the organizational structure.

Activities of lesser importance, assigned to lower-level jobs. When a large number of positions is being set up, groups of related jobs are brought together to form departmental subdivisions. In most cases, a number of intermediate-level positions would, in turn, have to be coordinated by the top sales executive. Nevertheless, the planner should guard against building too many levels into the department. The smallest number of administrative levels that permits the organization both to perform its activities and to operate smoothly is best. Assignment of Personnel to Positions

The next step is to assign personnel to the positions. This brings up the question of whether to recruit special individuals to fill the positions or to modify the positions to fit the capabilities of available personnel. This is a question that has long been controversial. Compromises are frequent. On the

one hand, some position requirements are sufficiently general that many individuals possess the necessary qualifications, or can acquire them through training. On the other hand, some individuals possess such unique talents and abilities that it is prudent and profitable to modify the job specifications to fit them.

Nevertheless, planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals. Provision for Coordination and Control Sales executives who have others reporting to them (that is, those with line authority) require means to control their subordinates and to coordinate their efforts. They should not be so overburdened with detailed and undelegated responsibilities that they have insufficient time for coordination. Nor should they have too many subordinates reporting directly to them–this weakens the quality of control and prevents the discharge of other duties.

Thus, in providing for coordination and control, consideration must be given the span of executive control. Control and coordination is obtainable through both informal and formal means. Strong leaders control and coordinate the efforts of their subordinates largely on an informal basis. Through sheer force of personality coupled with unusual abilities to attract and hold the loyalty of followers, the strong leader tends to make minimal use of formal instruments of control and coordination. But all sales executives, whether strong leaders or not, can improve their effectiveness through formal instruments of control.

The most important formal instrument of organizational control is the written job description. This instrument sets forth for each job: reporting relationships, job objectives, duties and responsibilities, and performance measurements. The most critical section is that of setting forth the job objectives—many planners argue that the job objective section should be the part emphasized and, to the extent possible, the person who holds the job should be allowed to determine how to achieve these objectives.

This not only encourages position holders to use their own initiative but makes it clear that they are to achieve stated jobs objectives even if that requires performing duties and responsibilities beyond those contained in job descriptions. Few sales executives will dispute this argument, but most are also convinced that there is merit in detailing duties and responsibilities and in defining the measures for evaluating the position holder's performance. Good job descriptions provide clear pictures of the roles job holders are play in the sales organization, and are also useful in other situations.

Written job descriptions find use in employee selection processes. They are used, too, in matching job specifications with applicants' qualifications– where recruits cannot be found with all desired qualifications, job specifications form the basis for training. Position holders, in addition, can use their job descriptions as yardsticks against which to appraise their own performances. An organizational chart, another control instrument, shows formal relations among different positions. A chart reduces confusion about the individual's role.

An organizational chart delineates formal relations and, because 0fthi rarely provides a true picture of how the organization actually works. Nevertheless, availability of an organizational chart enables members of a sales department to learn the nature of' their formal relations with others, to know with whom they are expected to cooperate, and to clarify their formal roles. An instrument of organizational control used increasingly is the organizational manual. It is an extension of the organizational chart.

Typically, it contains charts for both the company and the departments, write-ups of job descriptions and specifications, and summaries of' major company and departmental objectives and policies. The organizational manual brings together a great deal of information and helps its users to learn and understand the nature of their responsibilities, authorities, and relations with others. Q5. Identify the different marketing activities and other departments co-coordinating with personnel selling.

Answer 5: COORDINATION OF PERSONAL SELLING WITH OTHER MARKETING ACTIVITIES Sales and Advertising The sales and advertising departments work toward the same objective–the stimulation of demand–but they use different approaches. Personal selling techniques are the province of the sales department and non personal selling techniques that of the advertising department. The two types of selling effort need skillful blending to achieve an " optimum promotional mix. " This requires coordination of plans and efforts.

The activities of the sales force are planned and directed along lines that increase advertising's impact, and advertising geared to help salespeople

where and when they need it most. The sales department assists the advertising department in selecting themes and media, in pre. paring schedules, and in securing dealers' support for cooperative advertising programs. The advertising department helps the sales department in such ways as furnishing sales aids for the sales force and for dealers and by providing sales leads.

Advertising conserves the sales force's time, for prospects presold through advertising are easier to convert into customers. Proper timing and coordination of advertising and personal selling are essential, and promotional programs need skillful administration by executives who understand both types of selling effort. Both departments work toward the same goals, so formal coordination best achieved by having both department heads report to the same high-ranking executive, for example, the marketing vice-president.

However, because many matters are of joint interest and so many require frequent communication, most coordination between these two departments are on an informal day-to day basis, with frequent interactions of department heads and subordinates. Sales and Marketing Information To obtain maximum returns per dollar spent for marketing information, the sales department works in close harmony with the department or department producing marketing information. In some instances, this information is provided by marketing research, but in companies with sophisticated marketing in. ormation systems, marketing research is only one of the subsystems providing information inputs. Marketing information systems assist the sales department by gathering data needed for analyzing sales

problems, assisting in determining sales potentials and setting quotas, measuring the effectiveness of the sales effort, assisting with sales tests, and in other ways. The sales department provides the information system with many of the raw statistics and other information needed for sales and market analysis and forecasting

As marketing information systems and marketing research become more sophisticated, the sales department works ever more closely with information personnel. Surprisingly little systematic research has been done in evaluating the relative effectiveness of' alternative personal-selling appeals and method of making sales presentations. The data processing unit may or may not combine the sales department's own information inputs with inputs from elsewhere. Both in designing and operating a management information system, continuing formal and informal cooperation and communications are of the highest importance.

The distribution systems of many companies provide customers with auto rustic ordering procedures. Many apparel makers, for instance, have set-ups allowing store buyers to punch out their orders on in-store console teleprocessing stations linked to a central computer at the seller's plant or warehouse, which, in seconds, scans the customer's account for a credit okay, examines inventory records to see whether the styles, sizes, and colors can be supplied, discerns the age of the account, types out a shipping order, and stores the new inventory information in memory

Sales and Service In companies manufacturing technical products or products requiring installation and repair services, cooperation and close

contact of the sales and service departments are essential. Availability of service, such as technical advice on the installation of a new product, is a powerful selling argument, and there are implications for the service department in sales person's promises to buyers.

Moreover, in many industries (commercial refrigeration, for example), the recommendations of service personnel often influence buyers' decisions, and in selling vacuum sweepers and other household appliances, service personnel act in a sales making capacity. Where service is important in sales strategy, provisions for formal coordination are built into the organizational structure. When both sales and service departments are decentralized, the organization should provide for bridging the gap between the home office and the field.

Sales and service should relate usually by locating sales and service personnel in the same field offices, with regional managers responsible for both activities. Sales and Physical Distribution Achieving effective coordination of Selling and physical distribution operations is important. Most firms accept the notion that all business operations should be geared toward serving customers at a profit. This requires the maintenance of favorable relations between sales volumes, arid costs of various kinds, including physical distribution costs.

Proper packing's accurate freight rate quotations and promptness in delivery–all physical distribution activities–are important in securing ~les volume. Unless costs of performing these activities are kept under control, sales volume yields less profit than it should. Sales policies, such as those on

delivery schedules, are coordinated with the capabilities of the physical distribution operation and its costs. The benefits of effective coordination with physical distribution are significant. These benefits, all of' which can help to generate additional sales volume and profit include the following? . Minimize out-of-stock occurrences (helps to reduce sales lost because of " outs" and helps raise the level of customer satisfaction). 2. Reduce customers' inventory requirements. (If a company develops a more responsive distribution system than competitors, its customers obtain an economic advantage by doing business with it. This is a strong selling point.) 3. Solidify relations with customers (through integrating company deliver facilities with customers' receiving facilities, consignment of stocks to customers, and similar devices). 4.

Allow greater concentration on demand creation. Development of a well-organized physical distribution activity, in which a separate administrative group is set up to plan and operate the distribution system, can free marketing and sales personnel, allowing them to concentrate more on their basic responsibility-4emand creation. In many companies this has led to an increased number of warehouses, and a consequent reduction in total distribution costs. COORDINATION OF PERSONAL SELLING WITH OTHER DEPARTMENT Sales and Production Coordination of sales and production activities is essential.

Whereas at one time production was started only after orders were on hand, today most production is in anticipation of future sales. Similarly, although some products, such as defense materials for the armed forces, are manufactured to specifications established by buyers, most products today

are manufactured according to specifications set within the company itself. Coordination is important both in planning and operations. In planning joint consultation is required when deciding the products to manufacture, the quantities to produce, the production schedule, inventories, and packaging.

But even carefully made plans rarely work out as originally visualized. On the sales side, the sales estimate (on which production schedules are based) may prove in error, or the sales department may accept rush orders, necessitating reshuffling oi production schedules, addition of extra shifts, or payment of overtime wages. On the production side,, output may not conform to planned quantities because of labor difficulties, material shortages, adverse weather conditions, and the like, these and other operating situations require changes in plans that must ; worked out jointly by sales and production personnel.

Methods for achieving interdepartmental coordination vary, but, because sales and production are both of critical importance, top management generally' retains the primary responsibility. If the company has a separate merchandising department, top management delegates to it the authority to coordinate many sales and production activities through staff channels. In other companies, merchandising committees with representatives from both sales and production obtain formal coordination.

Formal coordinating mechanisms are valuable, but close informal contacts between personnel at many levels are important in handling many complex problems arising in the course of operations with minimum expenditure of executive time. Sales and Research and Development In large firms and in

most firms oriented toward product innovation, research and development (R&D) is organized as a separate staff department. In smaller and more conservative firms, responsibility for R&D may be placed in the marketing or production department.

Research and development work consists of scientific and engineering efforts to develop new products and to improve established products. I. New Product Departments charged with responsibility for developing new products through coordination of R&D, production, and sales and marketing personnel. 2. New Product Managers–one-person units responsible for developing new products through coordinating R&D, production, and sales and marketing personnel. 3. New Product Project Management Team composed of persons home. Based in other departments brought together to work on a new product, 4.

Product Development Committee similar to (3), but with a permanent existence and dealing with continuing problems of innovation relating to a given product group. Sales and Personnel Because of unique problem in managing employees located away from company offices and facilities, most personnel departments are ill-equipped to service sales personnel. Sales departments ordinarily handle nearly all their own personnel problem, and the personnel department acts mainly in an advisory capacity. Personnel department specialists in job analysis, recruiting, selecting, training, and motivation often are consulted by sales executives.

Some routine personnel work, such as maintaining records or personal data, is performed by the personnel department. The two departments cooperate

in formulating policies on pensions, vacations, sick leaves, safety, health checks, and similar matters. Formal coordination is through top management, and there is significant informal coordination. Sales and Finance The sales department assists the finance department by furnishing sales estimates for the company budget, by developing the sales department's budget, and by assisting in control of selling cost.

The finance department assists the sales department by providing rapid credit checks on prospective accounts, keeping sales people informed of customers' credit standings, helping locate prospective accounts, and providing credit information on candidates for sales positions. In some firms, salespersons represent the financial department in making collections and securing credit information. These interdepartmental activities require good communications, consistent policies, and close working relationships. Most organizational plans provide for formal coordination through budget and executive committees.

Coordination of sales and finance takes place informally by personal contact, in a mutual effort to overcome the natural conflict of interest in credit policy. Credit terms are significant factors in obtaining orders. Length of the credit period, size and nature of discounts, relative liberality in granting credit all can be instrumental in persuading prospects to buy. Sales end Accounting Traditionally the sales department relied upon the accounting department to bill customers, handle the department's payroll computation and disbursement problems, and provide data for sales analysis and marketing cost analysis.

With development of companywide management information systems, performance of these functions shifted away from the accounting department. That department, however, may retain primary responsibility or even, organizationally speaking, have the centralized data-processing unit under its jurisdiction. More and more companies have set up such units, sometimes called " computer centers," to handle data-processing and analysis functions for all, or nearly all, departments. Sales and Purchasing The sales and purchasing departments cooperate in three main ways.

First, the sales-department provides purchasing with sales estimates so that adequate stocks of raw materials, fabricating parts, and other items can be procured in advance of scheduled production runs. Sometimes these data are furnished through an intermediary such as the production department or data processing unit. Second, the purchasing department informs the sales department, again sometimes through an intermediary, of material surpluses and shortages, sales emphasis can be changed with regard to products made from these materials.

Third, data on sales department needs (for example, office supplies and fixtures, and company cars) are furnished the purchasing department so that purchases can be made on advantageous terms. A fourth point of cooperation exists in companies where reciprocity is al~ proved policy. The two departments coordinate