

Denver foods sales people

[Business](#), [Marketing](#)



What are the advantages and disadvantages of Denver Foods using agents versus a dedicated sales force? Advantages The agents are performance oriented. The agents depend on the commissions after the sales and cover all selling expenses regardless the outcome of their negotiations with the customers.

The agents are highly competent in their sales since only superior sales people are able to make a living out of commissions.

The agents are permanent hence unlikely to transfer, the constant presence provides consistency and excellent knowledge of the customers.

The agents are not under the company payroll hence having little or no fixed cost. They only depend on commission after sales. (Anderson , Erin and David C. Schmittlein, 1984)

Disadvantages

The agents do not offer better control. A dedicated sales force can perform even non selling activities. These activities may include paper work, push new products etc

It does not give the company's sales employees time to develop their expertise on marketing.

2. How many salespeople will Denver Foods need to hire? (Do not include the two key account managers or the three field sales managers). Assume average amount of selling time available per year = 1, 500 hours.

Amount selling time= 1500hrs

total market share=\$800 million

1. 5% of market share= $1.5 \times 800 / 100$

=\$12million

Number of accounts= 400

Total sales= time*no of accounts/no of employees(x)

12= 1500*400/X

12x= 60000

X= 5000

sales persons= 5000

3. Calculate whether or not Denver Foods should use a dedicated sales force or use agents. What other factors should be considered? Don't forget to add in salaries for managers too.

Total sales=\$12000000

5%of total sales=\$ 600000

Monthly Commission=\$600000/12

=\$50000

Total wage

2 key account managers= 2(35000+50000)

=\$170000

3 field sales managers= 3(50000)

=\$150000

Sales persons= 5000(\$35000+50000)

=\$425000000

Total monthly wage bill= 425000000+150000+170000

=\$425320000

The company should use agents . Employment of more sales person is very expensive.

The other factors that should be considered are company size, attractiveness

of the product and time horizon. A larger company should use a dedicated sales force since majority of the consumers are aware of the existence of the company. Denver Foods being a small company should consider using agents. Attractiveness of the product line is another important factor that should be considered. The difficult lines to sell should be left to the agents. The sandwich spread market is flooded hence the expertise of the agents is needed to market for the Denver Foods. Time horizon depends on the needs of a particular district. When a district does not require selling activities there is no need for the agents. In addition, the company can also do away with the agents when it takes the agents too long to signal the decision of the agents .(Anderson , Erin and David C. Schmittlein, 1984)

Work cited

Anderson , Erin and David C. Schmittlein. " Intergration of sales force: An Empirical Examination." Rand Journal of Economics (1984): 385-395.