Vipul's™

BMS Series

SALES AND DISTRIBUTION MANAGEMENT

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- Factors Affecting Effective Management Of Distribution Channels:
  - Channel Design.
  - Channel Policy.
  - Channel Conflicts: Meaning, Types – Vertical, Horizontal, Multichannel, Reasons for Channel Conflict.
  - Resolution of Conflicts: Methods – Kenneth Thomas's Five Styles of Conflict Resolution.
  - Motivating Channel Members.
  - Selecting Channel Partners.
  - Evaluating Channels.
  - Channel Control.

(4) Performance Evaluation, Ethics and Trends: **(15 Lectures)**

(a) Evaluation and Control of Sales Performance:

- Sales Performance – Meaning.
- Methods of Supervision and Control of Sales Force.
- Sales Performance Evaluation Criteria – Key Result Areas (KRAs).
- Sales Performance Review.
- Sales Management Audit.

(b) Measuring Distribution Channel Performance:

- Evaluating Channels- Effectiveness, Efficiency and Equity.
- Control of Channel – Instruments of Control – Contract or Agreement, Budgets and Reports, Distribution Audit.

(c) Ethics in Sales Management.

(d) New Trends in Sales and Distribution Management.

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CHAPTER 1
Introduction to Sales and Distribution Management

Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time.

— Thomas Edison

Learning Objectives

- Introduction

(A) Sales Management:
- Meaning
- Definitions
- Role and Evolution of Sales Management Interface of Sales with Other Management Functions
- Qualities of a Sales Manager
- Developments in Sales Management
- Effectiveness to Efficiency
- Multi-disciplining Approach, Internal Marketing
- Increased use of Internet
- CRM, Professionalism in Selling
- Structure of a Sales Organisation

(B) Distribution Management:
- Meaning
- Definitions
- Importance and Role of Distribution
- Role of Intermediaries
- Evolution of Distribution Channels

(C) Integration of Marketing Sales and Distribution:
- Objective Type Questions with Answers
- Question Bank for Self-Practice

INTRODUCTION

Marketing and sales are very different but have the same goal. Strictly speaking, sales management is to be understood as a sub-system of marketing management. The sales manager is the nucleus of sales organisation. Salesforce is managed by either centralised or decentralised organisation. The sales organisation has different types of organisation structure. The ultimate aim of every firm is making goods and services available to its target customers and execution of this objective is distribution. Distribution channel is a route through which products flow from the centres of production to centres of consumption. With the common use of internet marketing the distribution of products has assumed a different meaning. Now products are distributed in record time and the impatience of customers is well dealt with. Social science has become multidisciplinary. Marketing, sales and distribution have been integrated because the dividing line between marketing and sales is reduced.

(A) SALES MANAGEMENT

MEANING OF SALES MANAGEMENT:

Sales management is concerned with achieving various functions relating to distribution of goods and services. It is an integral part of marketing management. It converts the marketing plan into marketing performance. At times, sales management is described as the muscle behind marketing management. Sale is the most important element for profit earning of the business. The importance of sales management can be realised from the predominance of sales function of the business. The prosperity of the business depends on the profit which in turn depends on sales. That is why it is said that *better selling is the key to the better business.* Sales management gives top priority to human relations because sales department employs large workforce. Care is taken to keep the sales personnel content and satisfied on the job.

Sales management deals with the management of a firm's sales operations. Sales management is the process of developing salespeople, coordinating sales operations and implementing sales techniques that enable a business to achieve its sales targets. In addition to achieving sales targets, sales management facilitates business to remain in tune with the developments in the industry. Sales management helps to better understand results, predict future performance and develop a sense of control. Sales management is an integral part of marketing management. Sales management specifically relates to **(a)** managing sales functions and **(b)** managing salespeople. Sales management and financial results are closely linked to each other. It is an important business function as sale of products and services and resulting profits drives most commercial business. Sales management involves the following activities in order to attain sales objectives:

(i) Formulation of sales strategy.

(ii) Implementation of sales strategy.

(iii) Management of salespeople.

DEFINITION:

(1) Sales management is *"the planning, direction and control of the personal selling activities of a business unit including recruitment, selecting, training, equipping, routing, supervision, paying and motivating as these tasks apply to personal salesforce."*

– American Marketing Association

(2) Sales management is *"the management of the personal selling effort in an organisation."*

– Spiro, Stanton and Rich

(3) Sales management is *"a planned proposition of work of any commercial, personal sale unit which includes admission, selection, training to handle the equipment, regulation, invigilation, payment and incentives, and this is applied to personal sale."*

– Harry R. Tosdal

(4) Sales management is *"the overall management of sales and it refers to only a specialised application of the process of management as a whole."*

– E. F. L. Brech

ROLE OF SALES DEPARTMENT

Sales department is responsible to sell products and services to the needy customers. This department of an organisation interacts with customers, confirms payment options and feeds the marketing process. Sales department must ensure to customers pleasant buying experience and settle their problems amicably in order to retain them. Retaining customers for continued sales brings to practice how *sales feeds marketing and marketing feeds sales.* Sales department looks for opportunity to sell products and services to the existing and new customers. It maintains contacts with the customers to know their needs and requirements. Sales department revolves around the plans and policies made by the sales manager. The role of sales department can be categorised into the following three activities:

(1) To design and manage salesforce.

(2) To look after managerial and administrative functions.

(3) To organise sales efforts.

(1) To design and manage salesforce:

(a) Achievement of salesforce objectives: Sales department coordinates selling activities to achieve marketing objectives. Sales management is basically responsible to determine selling objectives. This relates to fixing sales quota for each salesperson. It makes available necessary goods at the right price, at the right time and right places. Good selling is the key to sound business. Consumer is the king. He decides what he wants, where and how. Sales department has to fulfil his requirements to achieve success.

(b) Preparing salesforce strategy: Preparing strategy facilitates to achieve objectives. The end goal of salespeople is to make sale but it is important for them to know what steps to take in the sales process. This is where sales strategy comes into the picture. It only takes small efforts to create winning sales strategy. Sales manager plays a decisive role in working out how best to utilise the calibre of the salesforce. Every selling situation is different. The manager prepares flexible and adaptable strategy enabling the salesforce to perform better.

(c) Designing sales territories: Assigning sales territories to the salesforce is a complex issue. Sales territories represent geographic grouping of customers. The total market area is divided into a number of territories to serve the customers economically and satisfactorily. Designing sales territories bring about simplicity in administration. It is important to assign right territory to the right salesperson. When the company sells one product line, it settles for **territory-based** selling. By contrast, when the company sells many products, it opts for either **product based** or **customer-based selling**.

(d) Determining size of salesforce: Companies follow different policies in determining size of the salesforce. Some companies first determine the size of the salesforce and then decide sales territories. Some other companies first determine size and location of sales territories and then appoint appropriate number of salespeople. Generally, where competition is stiff, to serve customers better more number of salespersons are appointed. In case the sales territory does not impose severe competition, the salesperson is assigned much larger territory resulting into smaller size of salesforce. Under-employment of salesforce will hamper performance of the business whereas over-employment will bring about business and indifference among the employees. Only optimum employment will ensure satisfactory results. One of the methods used relates to finding out how many calls can a salesperson make on customers in a given period of time.

(e) **Managing the salesforce:** Managing salesforce is a challenging task before sales managers because they have to maintain good human relations within and outside the business. In order to implement sales plans and programmes, sales managers must determine number and quality of salesforce required to achieve organisational objectives. This is possible only through planning, organising, directing and motivating salesforce. Managing salesforce includes:

(i) **Recruitment and Selection:** Recruitment is the process of searching for prospective employees. Such employees are motivated to apply for the jobs in the firm. The sales personnel are recruited from either internal or external source. Selection refers to picking up right man to the right job. The applicants are required to face selection procedure consisting of tests and interviews.

(ii) **Training and Development:** *Salesmen are made not born.* Training is a continuous process. It is important to provide sales knowledge to these personnel in advance. Training is compulsory for all whether newcomers or senior salesmen. Training ensures all round development. Development relates to *providing intellectual stimulation.* Development ensures that as and when the demand for sales personnel arise, suitably qualified persons are ready to fill the vacancies.

(iii) **Motivating Salesforce:** Sales personnel are motivated through monetary and non-monetary incentives. Certain schemes of incentive payment based on performance need to be introduced. Non-monetary incentives have lasting impact. Selling is a difficult job. Only schemes of motivation can bring out the best from the sales personnel.

(iv) **Compensating Salesforce:** The amount of reward for services provided by sales personnel has direct impact on their efficiency. The payment of fair remuneration leads to improved morale and higher productivity. Generally, the following plans are used: **(a) Salary only. (b) Commission only. (c) Salary *plus* Commission.**

(v) **Evaluating Salesforce:** In order to keep sales personnel alert and vigilant, it is necessary to undertake a periodic evaluation about their performance. Performance evaluation will indicate whether sales quota is attained or not. Sales manager will supervise the working of sales personnel through:

- observing, motivating and reporting performance of sales personnel;
- counselling and coaching sales personnel;
- providing to them complete information about product and company;
- receiving feedback; and
- keeping sales personnel well-motivated.

(vi) **Effective Communication: Effective Communication:** Effective communication is the lifeline of superior functioning of sales department. Employees are kept well informed through email, mobile alerts, orders, circulars etc. Communication is two way dialogue. Not that all communication will flow from top to bottom. Some communication will more form bottom to top. Regular feedback from employees and esteemed buyers is a crucial part of effective communication.

(vii) **Determining sales quota:** Sales quota may be expressed either in monetary terms or volume terms. Quota helps to determine which salespersons are doing an average, below average or above average job. It is the yardstick to measure sales performance. Quotas are designed to keep selling expenses within limits because companies reimburse sales expenses only up to a certain percentage of sales quota. The salesforce is assigned sales quota on monthly, quarterly, half-yearly or yearly basis. Companies use quota to provide their salesforce the incentives of increasing their earnings through commission or bonus if quota is surpassed.

(viii) **Developing selling skills:** Sales managers agree that salesforce need to be taught selling skills. It is necessary to get them outside their comfort zone. They need to possess confidence and ability to understand customers' mind. They must be capable of motivating customers. Sales manager has to prepare itinerary plans for travelling salespeople. Selling skills largely depends on knowledge which provides three elements viz., **confidence, enthusiasm** and **professional selling.**

(ix) **Self-preparation:** The salespeople are told to take care about self-preparation. They must not cut a sorry figure in the market because of lack of preparation. The salespeople are expected to carry all the materials so as to create a good impression before the customers such as charts, catalogues, samples, introduction letter where required, order book, picture book, demo equipments etc. When the salespeople are well prepared they can make effective sales presentation.

(x) **Assigning duties:** The sales manager assigns duties to the salespeople. Sales territories are assigned along with details of calls to be made on the prospects. As a practice, salespeople are transferred from one territory to another periodically. They not only handle orders but are also responsible to collect dues. Their performance is supervised by the area sales manager. It is ensured that duplication and overlapping of work is avoided resulting in preserving human efforts. Sales follow up is the means to achieve customer retention. The salespeople put in efforts to convert potential buyers into actual buyers. Some ambitious salespeople take initiative and obtain orders. For such successful efforts they are rewarded financially.

(2) **To look after managerial and administrative functions:**

(a) **Establishing sales objectives:** Sales objectives are mainly concerned with increasing company revenue and reducing marketing costs. The salespeople work directly with the customers either face to face, over the phone or online sales chat. Repeat customers can be company's most profitable customers. Mostly sales objectives are outlined in quantitative terms. The sales manager is free to break larger objectives into mini-objectives. It is important to keep track of the progress so that the company is sure to achieve its objectives.

(b) **Preparing sales policies:** Sales policies consists of internal rules, principles and procedures which help to define the efficient way of conducting sales processes. Sales policies are reviewed and modified at regular intervals. With regard to product, it has to decide whether to add a new product to the existing list or to delete a product that is not doing well. It has to decide whether to encourage credit or cash sales. An equally important policy relates to the choice of channels of distribution. On pricing front, sales manager has to decide whether to skim the cream or follow the leader or to adopt push and pull strategy.

(c) **Preparing sales strategies:** Sales strategy is the translation of a business strategy at the level of the individual customer. It is a plan to defeat the competitors. With a sound sales strategy the sales manager can get the most out of his salesforce. Sales resources are efficiently allocated to bring down selling costs and to increase revenue. The sales manager prepares sales strategy to stop decline in sales revenue and market share. The sales manager must have a clear roadmap while developing sales strategy to achieve corporate goals. He communicates his strategy to the salesforce and guides them to improve performance.

(d) **Building sales organisation:** Sales organisation is intentionally created to work towards achievement of business goals. Sales organisation must be capable of implementing the sales programme and also execute sales policies and strategies. Sales organisation has to maintain good communication link with the customers in order to receive regular feedback. Sales organisation should be suitable to look after pricing, product, distribution, advertising, personal selling and sales promotion. The organisation indicates the relationship between the superior and subordinates along with authority, responsibility and accountability relationship. Span of control and departmentation are clearly indicated.

(e) **Establishing sales coordination:** Sales coordination is established by the sales department with other departments. In order to achieve the whole task properly, it is necessary to establish coordination and control with other departments of the organisation. This will lead to better overall performance. Sales coordination increases sales and develops a new base of customers. Depending on the environment in which the salesforce work, which can range from field work to internet sales; throughout coordination is needed.

(f) **Conducting sales analysis:** Sales analysis is commonly conducted through SWOT analysis. Sales analysis examines sales reports to see what goods and services have or have not sold well. It is also used to determine how to stock inventory, how to measure the effectiveness of salesforce, how to check increased manufacturing capacity and to see how the company is performing against its goals. Sales analysis enables the sales manager to scientifically decide sales quota.

(g) **Ensuring smooth administration:** Sales manager administers his department in such a way that conflicts are kept to the minimum. Business cannot succeed in getting foothold in the market unless it has employed high-class result oriented salesforce. Trained salespeople are better because they understand buyer behaviour, possess patience, skill to obtain orders and execute the order to the satisfaction of buyers. Such forceful has to be deliberately created, managed and administered.

(h) **Submitting sales reports:** Sales reports describe the record of all the calls which have been made and products that have been sold during a particular period of time by the salespeople. An analysis of sales reports indicate the trends developing in the market and preferences shown by the customers. It is compulsory for the salespeople to submit sales reports to the area sales manager which eventually reaches the sales manager. While making analysis of these reports the sales manager is able to identify market opportunities and areas where sales volume could be increased along with weak links in the market.

(i) **Preparing sales budget:** Sales budget is a basic budget. The entire operation of a company is planned around the volume of sales expected during a specific period. It lays down the sales potential in terms of quantity, value, period, product, area and so on. The preparation of sales budget starts with **sales forecasts** which are prepared for each product separately. Some companies prepare sales budget region-wise. Sales budget also shows the expected selling and distribution expenses and the amount of net income likely to be derived from the sale. The sales budget reflects the targeted sales revenue enabling sales manager to provide better administration. Sales budget consists of three parts: (a) break-even (b) target and (c) projected sales.

(3) **To organise sales efforts:**

(a) **Finding sales opportunities:** Sales opportunity is a qualified prospect that has a high probability of becoming a customer. An opportunity should have a **pain point** that product or service can solve. Salespeople should ensure the opportunity is a good-fit for what they are selling. When salespeople are competent to solve the problems of customers, they have opportunity in hand.

(b) **Conducting market research:** Market research is a systematic and continuous process. It emphasises on accurate data collection and critical analysis. It helps to reduce the gap between the sellers and buyers. It studies needs and expectations of consumers. The sales manager comes to know about consumer likes and dislikes, purchasing power, brand preferences, new uses of existing products and degree of competition prevailing in the market. Based on market research report the sales manager formulates policies to improve the working of sales organisation.

(c) **Handling orders:** Sales department handles the orders received from the salesforce. Having received orders, consignment has to be packed and dispatched to the buyers. Care must be taken that no mistake is committed at the department. Consumers must not get any opportunity to complain.

(d) **Organising credit sales:** Credit sale is based on the policy of the company. Without credit sale the company can get strictly limited orders. Credit increases the volume of business. Credit is allowed on the basis of creditworthiness of the buyers. Credit is the breath of economic transactions. As cashless transaction is becoming popular in the country, credit sale has taken centre-stage. Collection of dues is a recurring problem. Sales department has to do tight-rope walking because dues are to be recovered without spoiling relations with buyers.

(e) **Building relationship:** Sales management has key responsibility to build relationship with the customers. In the process of building relationship, the salespeople must meet the needs of consumers and sell as per the purchasing ability to give consumer satisfaction. The salesforce provide essential service to the consumers by providing better quality goods at lesser cost with improved service. Relationship is maintained by settling differences and disputes amicably.

(f) **Preventing wastages:** When sales department is properly organised all activities are conducted through proper planning, organising and control. As a result, probable amount of wastage in the form of human and non-human resources are reduced leading to improved distribution of goods. An effective salesforce provides geographic coverage, minimises waste of resources and time and ensures a higher probability to attain sales objectives. Companies can improve salesforce productivity by using a telemarketing team to cover time consuming tasks such as setting appointments, qualifying prospects or taking low-value orders. In order to cut down wastages, companies position specialist salesforce as experts in the sales territories.

(g) **Improving company image:** The salespeople manage critical customer information. They view contact information, follow up via email, manage customers and leave good impression on the people they interact. Creating better communication with the customers, many objections and rumours are easily conquered.

EVOLUTION OF SALES MANAGEMENT

Sales management has evolved over time. From the primitive style of selling goods it has graduated into using most sophisticated skills to sell products and services. The evolution of sales management has seen many ups and downs but eventually it has emerged as a distinct science. The earliest salespeople were not held in high respect. They were actually looked down upon. Now the situation has totally changed. Salespeople are now held in high esteem. Evolution of sales management is categorised in four phases:

(1) Pre-industrial Revolution Period.

(2) Production Oriented Period.

(3) Sales Oriented Period.

(4) Customer Oriented Period.

(1) **Pre-industrial Revolution Period:** Industrial revolution took place in Britain from 1750 onwards. Pre-industrial period represented small scale manufacturing done with human hands. Labour-saving devices were crude. Goods were produced on receipt of orders. Daily life in pre-industrial society changed very little. Families lived on small plots of land growing crops mostly for home consumption. Wealth was concentrated in the hands of few and poverty was common. Pre-industrial society grew with "cottage industry". People were content and self-sufficient. Self-sufficiency meant the absence of regular exchange. This period was devoid of any concept of marketing.

As time passed the concept of division of labour began to develop and the craftsmen began to concentrate on production of goods. Weaving, boat making, pottery making, smithy and carpentry developed. Master craftsmen emerged as so called entrepreneurs. Selling process started with *search* and *negotiation*, probably at this time originated the *practice of personal selling*. The market took the shape of *trade fairs* taking place only on certain week days and later developed into stalls, shops, bazars and market squares. With regular exchange taking place people learnt the art of selling.

(2) **Production Oriented Period:** In the eighteenth century since the outgrowth of industrial revolution, an unexpected change took place. The entrepreneurs acquired an unprecedented production capacity. This resulted into increase in volume of production. The production oriented period held that consumers favoured those products that were freely available with low cost. The entrepreneurs directed their resources towards the production of best quality goods. They thought if best quality of goods were produced, customers would accept it and there would be no need for promotional efforts. This period lasted till 1930. Selling of goods did not appear as a problem. There was no need for marketing efforts. Large scale production became common. Goods were produced in anticipation of demand. It was assumed that customers will buy and support all types of products without any reservations. Production is important in marketing as without production, marketing is just not possible. However, the scope of marketing is such wider than production. Production orientation is one-sided concept as production without considering the needs and expectations of consumers may not get popular support. Consumers may not purchase products only because it is available in the market. From this point of view, selling became difficult although personal selling had developed as an independent profession.

(3) **Sales Oriented Period:** The timing of Great Depression varied across nations. In most countries it started in 1929 and lasted until the late 1930s. During this period purchasing power sharply declined resulting in fall in demand. Then it

was felt necessary to give stress how the goods could be sold. Without promotional efforts customers would not be available in requisite number. Along with promotional efforts it was found necessary to use high skilled salesmanship. Thus market extension was linked to sales promotion, advertising and salesmanship. The stress of sales orientation is on consumers. Companies having excessive production capacity or face keen market competition promote sales through sales promotion techniques such as price discount, gifts, attractive packing, payment facility etc.

If consumers are left alone they will buy limited quantity of products. Only with aggressive selling and promotional efforts will consumers increase their quantity of purchase. Ordinarily consumers show sales resistance. They have to be persuaded with battery of effective selling and promotional tools to buy more. Sales orientation is directed towards converting existing products into cash rather than first finding and then satisfying customer needs. Aggressive selling needs tactful handling because some customers may object to it. *Sergio Zyman* writes in his book ***The End of Marketing As We Know it*** "The purpose of marketing is to sell more stuff to more people, more often for more money in order to make more profit."

(4) Customer Oriented Period: Twentieth Century witnessed the fastest growth of superior technology. As a result the ability to produce increased manifold but demand did not rise to the same extent. The main challenge before the business was to sell the goods and not production of goods. Talks revolved around creation of new customers, ascertainment of consumer demand, consumer satisfaction and treating consumers like kings. It was found that no longer it was possible to impose the goods on the consumers. The business must find out in advance the likes and dislikes of consumers and undertake production accordingly. Hence efforts were directed towards finding the consumer needs, desires, values and expectations. Only by fulfilling these elements business can expect to give consumer satisfaction.

The world has shrunk in size due to the introduction of fastest means of transport and communication. Globalisation has presented many new opportunities along with new challenges before nations and has motivated them to get strategic advantages while adopting suitable global strategy. There is a genuine and almost autonomous global economy of credit, money and investment flows. This has resulted into dominance of **buyers' market**. They hold the keys of acceptance and rejection. Consumer orientation brings balance into three considerations: ***Company Profits, Consumers' want satisfaction and public interest.*** Business has to earn profits to survive and grow. Consumers must get want satisfaction against money paid and business is responsible to the society. Thus, consumer orientation has a such wider scope.

INTERFACE OF SALES WITH OTHER MANAGEMENT FUNCTIONS

MEANING OF MANAGEMENT FUNCTIONS:

The nature and significance of management is better understood by studying its functions. Management is a life giving element in every business. Management is not mono-acting, doing the work by any one person. It requires pooling of organisational efforts along with human and non-human resources to be utilised towards the attainment of business goals. Management is getting the work done by others. So far as sales management is concerned policies, programmes and plans are formulated by the top management and implemented by the sales manager, sales executives and the salesforce. Sales managers plan, organise, lead, motivate and control the efforts of the salespeople in order to achieve sales objectives. Management functions have interrelationships. Management is understood with reference to its basic functions which are:

(1) Planning.
(2) Decision Making.
(3) Organising.
(4) Staffing.
(5) Leadership.
(6) Communication.
(7) Motivation.
(8) Co-ordination.
(9) Control.

(1) **Sales and Planning:** Sales is concerned with preparing a definite programme, after careful analysis and forecasting of the market situations and the execution of these plans to achieve organisational objectives. Sales affect every area of business and it is closely linked to management functions. Sales and planning are inseparable. Success in business cannot be achieved by haphazard actions. Every sales needs careful planning. Planning involves choosing from alternatives the proper course of action. It is a rational approach to the future sales. Without planning, no sales target can be accomplished. Sales plan is a strategy. It sets out sales targets and tactics for the business. It also identifies the steps to be taken to attain the targets. Sales plans need periodic revision. Planning helps to handle change in sales management. It brings unity of purpose and diverts all efforts towards attainment of sales objectives. Planning raises overall efficiency of sales department. When sales is integrated with the management function of planning, the work is organised in a systematic way as shown below:

(i) To set sales objectives.

(ii) To outline necessary actions.

(iii) To workout step-by-step sequence of actions.

(iv) To put these actions into practice.

(v) To measure results against objectives.

(vi) To review the progress.

(2) **Sales and Decision Making:** Decision making is a lengthy and time consuming process. A decision is rational only when appropriate means are chosen to reach desired ends. Decisions are taken to support organisational growth. Day-to-day operations are rightly built on managerial decisions. In sales process decision making is a complete issue involving five key decision makers:

(i) **Initiator:** Person who decides to start the buying process.

(ii) **Influencer:** Person who convinces others they need the product.

(iii) **Decider:** Person who makes the final decision to buy.

(iv) **Buyer:** Person who will pay.

(v) **User:** Person who will actually use the product.

Decision making is **an art and a joint product.** Decisions in sales organisation are of paramount importance because success means regular flow of money and failure means loss of very many kinds. Decision making involves the following steps:

(i) Define the problem.

(ii) Analyse the problem.

(iii) Develop alternative solutions.

(iv) Select the best solution.

(v) Convert the decision into action.

(vi) Ensure regular feedback for follow-up.

(3) **Sales and Organising:** Sales and organising function are closely linked. In order to carry out selling efficiently, it is absolutely necessary that a good sales organisation is prepared. A good sales organisation is a sound basis for effective execution of sales policy and sale programme. Sales organisation should be efficient enough so that goods are easily distributed to every segment in the market. Sales organisation establishes the link between manufacturer and consumers. Sales department receives complaints, grievances, problems, advices and suggestions of the consumers and sends to the manufacturer for producing better quality of goods and to render proper service to consumers. Organising salespeople is a vital responsibility of the sales manager. Employees are allocated duties as per their ability to ensure achievement of sales targets. Every sales organisation has a structure headed by the sales manager. The success of sales department depends on the efficiency and calibre of the sales manager. He himself frames the sales policy, planning, programmes and takes along salespeople with means to accomplish them. A sound sales organisation facilitates smooth sale of goods and optimum utilization of human resources. Employees are provided with training and self-development facilities through delegation and departmentation. Proper discipline is maintained through removal of duplication of work and over-lapping of assignments.

(4) **Sales and Staffing:** Sales department is labour intensive. A large number of persons are employed in sales job. They are expected to generate income for the organisation. Sales job is a team work. By making available skilled and competent salespeople sales department is able to achieve its targets. It is not only the question of attaining targets but also to leave a good mark among the customers who admit to getting satisfactory service. The salespeople learn to work within the authority delegated to them. Recruitment and selection of the salespeople is a vital issue before the sales manager. Since salespeople directly come in contact with customers and they reflect the character of their employers, therefore, utmost care should be taken in selecting them. In this regard, it is necessary to point out that training to the salespeople is compulsory. Training is giving knowledge in advance. Trained salespeople can handle different types of customers, both individuals and organisational, with ease and comfort to the satisfaction of all. Although the company is required to make initial expenses in training but in the long run it would turn out economical. Result oriented salespeople are assets of the organisation. Staffing improves job satisfaction and employee morale through objective performance assessment and provision of fair compensation to employees.

(5) **Sales and Leadership:** Sales manager is the leader of the people working in the sales department. He must prove to be a good leader. He needs qualities of effective leader and must lead from the front. He must be a good instructor, a good communicator, a good motivator and finally a good leader. The salespeople who exceed their annual quota rate their sale manager as being excellent or above average. The quality of sales organisation is directly associated to the quality of sales leadership. The best sales leaders are target and deadline driven. They exercise firm command over their team by using the power of status and position. No sales organisation can succeed unless it has qualified and result oriented salesforce. Hence, the sales manager is expected to be doubly careful at the time of recruitment and selection of the salespeople. Selling is a ***mentorship-based profession.*** Sales managers who

closely monitor and strictly enforce a sales process are more likely to exceed their quotas. They implement strict code of conduct and disciplined sales team succeed in bringing higher sales to the organisation. Selling technique is a relative issue. Every salesperson has a different style of obtaining sales. As long as they are successful, sales manager does not interfere. High performing sales managers have wider range of training adaptability which is well indicated by the results. Sales managers are better field commanders. They prepare organisation's sales strategy to defeat the competitors. This requires implementing the best course of action to maximise revenue using the most cost-effective sales approach.

(6) **Sales and Communication:** The working of sales department revolves around communication. All types of communication takes centrestage in the operations of sales department. Communication can be face-to-face, interpersonal, intrapersonal and digital. A large part of communication is oral. There is combination of formal and informal communication. Sales department is known to practice upward, downward and horizontal communication. Inter-exchange in communication between the salesperson and customers results in sales. Communication is an effective tool to fight rumours and bad publicity. With superior means of communication at the disposal of the salespeople such as email and cellphones, sales department enjoys the minimisation of cost and time. The salespeople need to be good communicators for the desired impact. There must be healthy communication between the salespeople and the customers as well as amongst the salespeople. Include warm greetings in conversation for a personal touch. Transparency must be maintained for healthy relationship amongst the salespeople. *Not only speaking well but also listening well can work wonders.* Listening is an important quality which all salespersons should possess. Listening is important because it is the ability to tune into the needs of customers who are happy that salespeople gave patient hearing. The place of inter-departmental communication is realised when communication breaks down. Implementing policies to

strengthen inter-departmental communication help highlight the need to maintain an efficient flow of information. When inter-departmental communication is poor, customer service can suffer. The accurate exchange of information between departments improves the ability to meet sales projections, to ensure smooth distribution of products and to have contracts and documents reviewed by authorised people.

(7) **Sales and Motivation:** The salespeople need inspiration to work towards attainment of sales objectives. An order issued will not work but an order accepted will be executed. To accept an order and to execute it with interest requires motivation. The salespeople will provide dedicated work only when they are adequately motivated. Motivation will increase the desire to work. Sales manager can effectively handle the salespeople only when he can understand their motives. It is seen that the best performance of motivating salespeople depends on combination of financial and non-financial incentives. There is no "one-size-fits-all" when it comes to salespeople motivation. The simplest way of choosing the most appropriate method of motivation is to identify the type of work being done by them e.g., indoors or outdoors or travelling salespersons. Motivation is stimulating, inspiring and inducing the salespeople to perform to their best capacity. Financial incentives include (a) pay (b) commission (c) allowance (d) bonus and its types (e) productivity linked incentives (f) retirement benefits (g) fringe benefits etc. Non-financial incentives include (a) status (b) career advancement (c) job enrichment (d) organisational climate (e) job security (f) recognitions of good work (g) employees' participation in decision making etc. Motivated salespeople need no supervision and direction. They work in desired manner because they emerge self-responsible. Motivators can be both positive and negative. The salespeople are rewarded through positive motivators e.g., promotion, increment, bonus, recognition, respect etc. Negative motivators are e.g. warnings, demotion, memos, stopping increments etc. Motivation is a complex process.

(8) **Sales and Co-ordination:** In order that a business does well it is necessary that sales department coordinates satisfactorily with other departments. Business performance includes all things that a company must do to win consumer patronage by retaining, attracting and profitably serving them. It varies greatly in different types of business but generally includes customer acquisition, on-time delivery and developing new products with high degree of efficiency. Serving the needs of consumers satisfactorily can be performed with profit only if the sales department functions in coordination with other departments which help it to make things happen. Formal coordination is achieved by the sales manager when he convenes meetings to discuss group related activities, plans and policies. Informal coordination methods are more effective. The salespeople may solve the problem informally and seek its formal approval later. Sales department helps the finance department to arrive at a realistic sales budget by conducting extensive market and consumer research. Coordination does not take place automatically. Sales manager has to make special efforts to achieve coordination. By coordinating activities with other departments, sales department leads to unity of action to achieve desired goals. With coordinated efforts, sales department operates without personal rivalries and conflicts. When linked with coordination sales department avoids confusion and clashes in the activities and operations of different departments. This results in developing team spirit. Co-ordination acts as a driving force. It combines individual efforts and group efforts for achieving sales targets.

(9) **Sales and Control:** With a view to achieve sales targets it is necessary that control as a function of sales management, must coordinate business on profitable lines. In the sales department, control function is to examine the past and present activities in order to search out weakness which can be eliminated in future. Control process implies existence of a standard against which the actual performance is measured. Normally, the comparison may indicate some deviation from the standard. The sales manager has to determine the reasons

for deviation and plan a corrective action. In this regar control is a continuous process. At the organisational leve **sales audit** and **sales analysis** are two major tools to contr the departmental work and performance of the salespeopl In case the performance is as expected there is nothing t worry. The problem starts when it is found that performanc is lagging behind as compared to the standard. Allocation o sales quota to individual salesperson is a basis of control. Th performance of the salespeople can be controlled through (a) comparative analysis (b) customer feedback and (c) personality analysis. These analysis should be done in such a manner that there is time to introduce remedial measures. The aim of control function is to identify and correct existing problems and also to encourage better future performance. The salespeople are controlled through (a) number of calls per day (b) time utilized in attending customers (c) sales talk presentation (d) social talk (e) performance feedback (f) organisational issues etc.

QUALITIES OF A SALES MANAGER

The contributions of the sales manager is critical to the success of the organisation. The sales manager is responsible to perform the different functions and fulfil assignments. The personal qualities and abilities of the sales manager largely influences effective performance of the sales organisation. The present era is marked with acute competition. In order to survive in this competitive age, sale managers are expected to be professionally qualified with wide experience. Management looks for the following qualities while appointing a sales manager:

(1) Self Confidence: Self-confidence is much sought after quality in a sales manager. He is confident to solve his problems independently. This self-confidence enables him to deal with all challenging situations effectively. A self-confident sales manager is looked upon with respect by the salespeople.

(2) Initiative: Initiative means ability to lead action without being asked by others. He must know the art of doing right thing at the right time. His initiative must result in (a) new client acquisition (b) grab new opportunity

(c) increased profitability (d) individual and team coaching and (e) performance reviews periodically.

(3) **Emotional Maturity:** A sales manager should be emotionally matured and keep his emotions under control. He should neither get frustrated by one or two failures nor overjoyed by one or two positive results. He should remain cool, patient and undisturbed by the happening of unusual and unanticipated events.

(4) **Effective Communicator:** A sales manager comes in contact with diversified types of people both business and non-business background. He is expected to be a good communicator. He should be able to communicate his thoughts and ideas in an accurate manner. Even motivation of employees is possible if he is an effective communicator. He should be efficient in verbal, written and gestural communication skills.

(5) **Intelligence:** A sales manager should possess the ability to think rationally. He should be intelligent to judge the situation in the light of conditions prevailing in the market. He should have above average level of intelligence.

(6) **Dynamic Leadership:** Dynamic leadership is the need of the hour. He should be able to face any change whether favourable or unfavourable with confidence. He should be capable of influencing people with his ideas, actions and behaviours. He must lead by example.

(7) **Flexibility:** A sales manager needs flexibility in his approach. He should change his views, methods and policies as per the changes taking place in the marketing environment. He should be liberal and adjustable rather than being orthodox and rigid. Flexibility allows him to keep all options open.

(8) **Continuous Learning:** Continuous learning is critical to the success of sales manager in his career. It is an ongoing exercise for mental fitness. A sales manager remains a student throughout his life. Through continuous learning he remains innovative, productive and offers customer satisfaction by managing costs and quality.

(9) **Optimistic:** Being positive and forward looking is the fundamental requirement for a sales manager to succeed in his work. As a sales team leader he must find ways to overcome obstacles and look at the problem as passing phase. He may not be totally in control of the situation but he can control the attitude with which to confront them. Optimism keeps the sales manager going.

(10) **Consistent:** Consistency separates a good sales manager from a bad one. A sales manager consistent in his performance can inspire, empower and prepare his team. When the salespeople are facing adversity and a highly dynamic selling environment, consistency on the part of the sales manager is extremely important. Consistency drives trust and credibility for the sales manager.

(11) **Analytical skills:** New age sales managers need analytical skills. Sales manager must make national decisions to measure team's performance and to calculate profitability. He must be competent to distinguish between facts and rumours and draw reasonable conclusions using the facts. Sales manager receives lot of information and data. He should be able to analyse these data and make smart business decisions and recommendations.

(12) **Sales strategy:** As sales manager has expert knowledge about the business, everyone looks forward for a great sales strategy. He must create clear and accurate strategies that remove chaos and improve results. Sales manager must understand both sides of the sales strategy. On the one hand, he should understand the purpose of sales strategy. On the other hand, he should understand the importance of creating a realistic sales strategy.

DEVELOPMENTS IN SALES MANAGEMENT

(1) **Customer Orientation:** Customer orientation is an approach to sales. Under this approach, salespeople focus on helping customers to meet their long-term needs and wants. All efforts of the company are directed towards satisfying and retaining customers. The salespeople, call centre staff and customer service representatives are frontline communicators

whc remain in touch with the customers. Management empowers salespeople to use a wider range of initiatives to solve customer problems e.g. providing quality products or services, responding quickly to customer inquiry, processing complaints and being sensitive to customers' needs. All planning and operations should be customer-oriented. In order to achieve the organisation's performance objectives customer is essential because it concentrates on the satisfaction of customers' needs. Service, quality and low cost have become customer expectations. There is need to explore newer methods and techniques of selling. Although personal selling skill occupies a prominent place in selling but buyers are now migrating to online buying. Online sellers are also interested to maintain long term associations with the buyers. SMS and emails are regularly sent to the buyers to stress that seller remembers them and desires to serve them to their satisfaction. Once again, the entire exercise is done from the point of view of customers. Companies depend more on retaining customers than acquiring new customers. Retaining old customers is an economical approach. MNCs have opened back office operations in India to attend to customer complaints. These complaints are routed through call centres and websites. Where a company neglects the need of the customers it will be rooted out of the market. Customer orientation is linked to survival in business.

2) **Dominance of Superior Technology:** India is the fourth largest economy in terms of purchasing power parity. Technology has touched every aspect of our lives. Business is the main user of superior technology. The sales manager automates and streamlines sales processes. He adopts technology that support the analysis of customer and information about competitors. The use of technology to increase sales is very important and the sales manager should settle for the best and the latest. Implementation of technology will help the company to increase its turnover. Technology is constantly evolving and sales management is becoming highly dependent on the technology. From prospecting to closing, today's mobile, social big data and

cloud technologies are revamping the sales process in wa that would have been unthinkable only a few decades ago. a result, many companies are adopting new technologies achieve productivity, profitability and competitive advanta to give new look to the sales process. The competiti advantage for the company depends largely on the ability successfully capture, manage and analyse massive volumes customer data containing insights into customer behaviou and buying habits. This is where "big data" technology com in. The increased use of mobile devices such as smartphon and tablets, has changed many aspects of the selling proces Technology is dominating and transforming the world sales. Pharma companies such as **Pfizer** and **Torrent** also us technology to increase the job of their salespeople an manager the demand. The use of the various websites hel the salespeople to book reservation in railways and sta transport, send email to customers from home and office an access information about new products of competitors.

(3) Relationship Selling: Relationship selling deals with sale techniques that focuses on the interaction between th salespeople and customers. A company desires to show th customers that it has the ability to serve the customer's need in a superior way in a mutually profitable *relationshi* Relationship is a continuous process. New and bette techniques are introduced to narrow the gap betwee manufacturers and consumers. Relationship selling is base on honesty, concern, dedication and authenticit Relationship selling is the basis to build customer loyalty Relationship selling has gained importance since 1990 Relationships take time to grow and cannot be rushed. B building relationship with the customers the compan succeeds in getting repeat purchase. In addition, the compan gets customers through referrals. The focus is not on sellin but on building trust hence a long lasting relationship wit the customers. The salespeople are trained to listen to th needs of customers and to show interest in more than just th business. In relationship selling there is no place for hig pressure selling. Relationship with consumers can improve through:

(a) Sales promotion.

(b) Regular communication.

(c) Reliable after sales service.

(d) Handling objections effectively.

(e) Gifts and greeting etc.

(4) **Diversity in the Salesforce:** With higher mobility our society has increasingly become diverse as people with different cultural background and personal preferences freely mix with one another. This fact is well illustrated with recruitment policy followed by the companies when they employ the salesforce. A diverse salesforce gives us the unique opportunity to engage effectively with the customers. It is also important to strengthen the company, deliver customer success, winning as a team and attracting and retaining top talents. Although the company practices diversity in recruitment of salesforce but it offers to all equal pay, equal advancement and equal opportunities. It is widely seen that employers nowadays prefer employment to women more particularly as counter salespersons. This is to ensure that customers get best of service and there is least or no conflicts. Diverse salesforce has provided higher sales productivity and revenue. Diversity enables to build winning salesforce. At the organisational level, sales manager has to accommodate himself with people of different background within his salesforce. The profession of personal selling is highly competitive. Therefore, salespersons must possess sales aptitude and job commitment. In order to obtain best of performance from the diverse salesforce it is necessary to motivate them with most valued rewards which include good pay, promotion, personal growth, sense of accomplishment and recognition.

(5) **Social and Ethical Issues:** Social issues touch us in our life on daily basis. Consumers are more likely to purchase products linked with better quality life e.g., purchasing green products or those that help to preserve good health. In this regard the

term "social selling" has gained lot of prominence. Social selling is the process of developing relationships as part of the sales process e.g., sharing relevant content, interacting directly with potential buyers and customers, personal branding and social listening. Social aspects of selling contributes in helping consumers to lead better lifestyle with possession of material things. The salespeople suggest that material possession of right products will lead to happier and joyful life.

At one time or another salespeople may face conflicts between their personal standards and the standards of their firm and customers. The evolution of selling has raised ethical standards and reasons to fight for unethical behaviour. The ethical standards of salespeople indicate how they conduct relationships with their customers, competitors and peer groups. While dealing with customers salespeople often confront ethical issues relating to price, quality, packaging and delivery of the products. Ordinarily companies inform salespeople about ethical practices that describe the behaviour expected of them. At times, salespeople face many situations not covered by company statements. To deal with such situations they must develop personal standards of right and wrong. It is seen that salespeople with a strong service of ethics are more successful than those who compromise ethics for short-term benefits. The salespeople must realise the importance of adhering to ethical standards which will help them to scale greater heights.

(6) **Customer Relationship Management (CRM):** CRM is a continuous interaction between buyers and sellers in which the sellers regularly improve their understanding of the buyers' needs and the buyers become increasingly loyal to the seller because their needs are well satisfied. Managing contacts and sales opportunities is just the beginning. The level at which CRM is conducted depends on the policy of the organisation. In earlier times salespeople practice CRM as per their whims and desire because it was informal. Since CRM is included as a part of the sales policy it is now based on data mining techniques. When a company decides to practice

CRM it has to change the way business is done. This is how sales management now wears a new look. Nowadays a large number of companies use **Salesforce Customer Relationship Management System** to close bigger deals faster. Implementing CRM needs salespeople who are customer focused. The services of call centres are procured that reduce the time to resolve customer complaints. The scope of CRM is wide as it enables to focus on organisation's relationships with customers, service users, colleagues, suppliers, dealers etc. To run smoothly, business needs customer relationship data that is automatically updated with instant access for employees. It provides the advantage of all communications, meetings and documents. In recent years, CRM has gained lot of recognition as a means to win over and retain customers.

Telesales: In recent years that form of selling has increased dramatically. Telesales involves dealing with cells into the company and sells out to customers. It is an economical method of business. Lower cost is justified to the extent that teleselling actually creates sales. Telesales requires special skills and training. There are ethical and legal issues involved with this type of selling. **Internet** now dominates virtual marketing. Salespeople recognise the potential of internet combined with selling skills to help generate sales and customer loyalty. With lockdown going on for the last few months, B2C and C2B along with digital payments have scored over face-to-face selling.

EFFECTIVENESS TO EFFICIENCY

FFECTIVENESS:

A business needs both effectiveness and efficiency to succeed. is aptly described by **Peter Drucker,** "Efficiency is doing things ght and effectiveness is doing the right things." Effectiveness is making sure that we are doing the right things at the right time. Effectiveness is based on meticulous planning. Effectiveness in sales management relates to the ability of a company's salespeople to win at each stage of the customer's buying process. The salespeople demonstrate effectiveness in sales job and produce high-quality results e.g., a salesperson consistently gives high performance and also adds extra compensation to his salary. Effectiveness of salespeople has an enormous impact leading to improving company's reputation and customer satisfaction. Thus effectiveness is about doing the right task, completing activities and achieving goals. Effectiveness yields positive results. Effectiveness is related to **reach** leading to goal per visit by the salespeople. The salespeople must **act** and **convert** the visit into sales. With effectiveness customer loyalty and customer satisfaction ratings go-up thereby bringing goodwill and reputation to the company. Effectiveness reveals whether something can be accomplished or not. It can thus be said that *effectiveness deals with the degree to which something can produce a desired result.*

EFFICIENCY:

Basically, efficiency has an economic sense. Efficiency indicates producing with minimum of waste, expense and effort. Efficiency is the relation of a product or service to its cost. Efficiency results in increasing productivity and reducing cost. Efficiency aims at achieving perfection. The efficiency of the salespeople are measured quantitatively by designing and attaining the input-output ratios e.g., the efforts put in by the salespeople and results obtained. Efficiency is an essential element for resource utilisation as they are less in number having alternative uses. Hence they must be utilised in the best possible way. Efficiency is also considered a parameter to calculate the performance and productivity by making comparison between input-output ratio. Favourable working conditions lead to great job satisfaction which in turn improves salespeople's efficiency. Training helps salespeople to understand their job and responsibility which results in high morale. Quality of work is improved leading to high efficiency e.g., salespeople are able to accomplish higher sales without complaints from the customers and also by offering satisfaction to customers. Efficiency is the result of saving resources and ensuring its optimum use. Since efficiency is all about focusing on the process, importance is given to the means of doing things. Efficiency is concerned with the present state of the salespeople. Efficiency demands discipline. As efficiency is about doing things right, it demands documentation and repetition of the same steps. Doing the same thing again and again in the same manner will discourage innovation. This aspect of work enables salespeople to avoid mistakes.

EFFECTIVENESS VS. EFFICIENCY:

Factors	Effectiveness	Efficiency
(1) Meaning	Doing the right thing.	Doing the thing right.
(2) Function	Function of the results we get.	Function of the volume of work we do correctly.
(3) Focus	Performing in the best possible way.	Focuses on speed, time and resource.
(4) Economy	Planned approach to market.	Cost-effective sales process.
(5) Time	No time orientation.	Strict time orientation.
(6) Nature	How useful something is.	How well something is done.
(7) Results	Contribution to profit.	Cost and profitability from channels.
(8) Approach	Gaining success.	Avoiding errors.
(9) Range	Involves thinking long term.	Restricted to the present state.
(10) Goal	Concentrates on the end.	Concentrates on the means.
(11) Orientation	Preparing strategies.	Conducting operations.
(12) Strategy	Strategy formulation.	Strategy implementation.

MULTIDISCIPLINARY APPROACH

Sales management is a branch of management science. It is recognised as an independent branch of management utilising everything relating to selling. Sales management has to deal with human behaviour under varying conditions. Hence it derives knowledge from several disciplines such as economics, psychology, sociology, operations research, engineering, advertising, logistics, military science and so on. S management integrates and applies knowledge and analyt approaches developed by different disciplines. Multi-disciplin approach is defined as *"The problem solving drawing appropria from multiple disciplines to redefine problems outside the nor boundaries and reach solutions based on a new understanding complex situation."*

Strictly speaking, management is multi-disciplina Integration of knowledge of various disciplines is welcome in t world of management science. Sales management uses integrat knowledge to deal with consumers and the markets. Sal management follows open policy and borrows ideas and concep to effectively deal with consumers. The insights obtained fro these disciplines greatly help sales managers to understand t human mind much better. Sales management represents a field creativity. The salespeople are trained to make things happen i desired manner. According to **Newman** ***"They convert t disorganised resources of man, materials and machines into useful, productive enterprise."*** Sales management nee multidisciplinary approach because:

(i) Relationship Marketing: According to **Peter Drucker** t basic purpose of a business is ***"To create customers and reta them."*** Relationship marketing is the process of creatin maintaining and enhancing strong long-term trustir relationship with customers, distributors, dealers an suppliers. It helps to narrow the gap between producers an consumers.

(ii) Sales Acumen: Sales acumen, on the one hand, is understanding of consumers' psychology and a sense of ho to approach a sale. This concept is borrowed fro psychology. Salespeople possessing this ability click well i their career. Having acumen is more than being qualified t perform the job.

(iii) Social Media: Mass communication is sweeping the glob business. Social media are web-based communication too that enable people to interact with each other by both sharin and consuming information. Social media describes wh people post on sites and apps like Facebook, Twitter, Instagram, Snapchat etc. With phenomenal rise in e-shopping companies can profitably utilise announcing promotions, gaining referrals and simply selling the products.

(iv) Creativity: In the wording **Frank Barron** *"Creativity is the capacity to bring together knowledge and imagination."* The salespeople should be intelligent yet willing to ask questions and be open to possibilities. Creativity is inspiring consumers to see the potential in the sales talk. Creativity works well through rapport by suspending own agenda and solving problem from customers' point of view.

(v) Sales Analytics: Sales management is all about meeting the needs of customers. Sales analytics will help the salespeople to locate if there are any needs of customers that have remained unfulfilled. The urgent tools to satisfy consumer needs include product reviews, qualitative surveys, focus groups, interviews and so on.

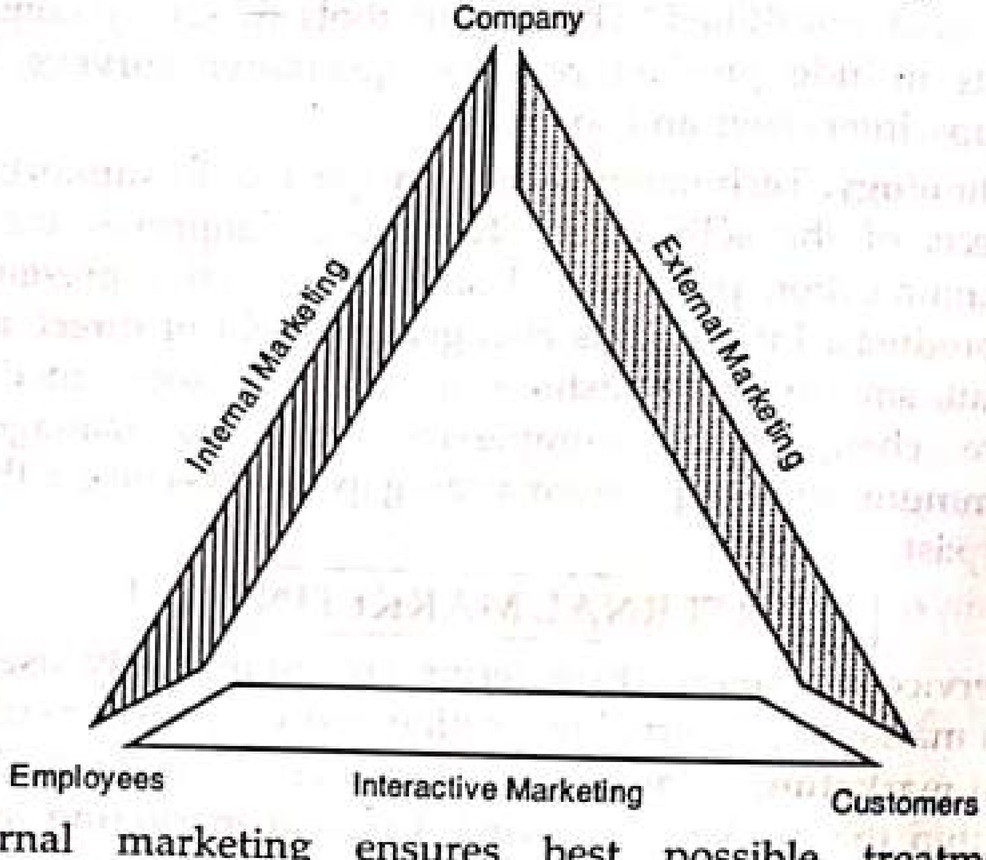
(vi) Technology: Technology plays a major role in supporting all aspects of the selling job. Technology improves the sales communication process and supports effective presentation of products. Internet has changed the field of direct selling. Email, smartphones, cashless transactions, social media etc. have changed the complexion of sales management. Communication-gap information-gap have become a thing of the past.

INTERNAL MARKETING

In service marketing three terms are prominently used viz., internal marketing, external marketing and interactive marketing. **Internal marketing** involves staff at all levels to understand their role within the marketing process. **External marketing** involves pricing strategy, promotional activities and all communication with customers. **Interactive marketing** refers to the decisive moment of interaction between salespeople and customers.

Internal marketing is performed to enable salespeople to perform the work effectively and keep up the promise made to the end-users. The salespeople and customers are treated as internal elements whose needs are satisfied while fulfilling the objectives of the company. Internal marketing supports training and staff development. It effectively uses internal communication and integration of schemes. It is designed to increase knowledge and understanding of the overall marketing orientation getting the salespeople involved. It aligns organisation's purpose with employee behaviour. It aims at retaining a positive customer experience throughout the association between the salespeople and customers. According to **Philip Kotler and Gary Armstrong** internal marketing is *"Orienting and motivating customer contact employees and supporting service people to work as a team to provide customer satisfaction."*

Ideally, internal marketing should be seen as being the integrated internal management of all those activities that directly and indirectly support the satisfaction of customer requirements.



Internal marketing ensures best possible treatment to customers with an eye for long term association. Its success depends on participating actively in achieving sales objectives. Internal marketing nicely handles change factor e.g., introduction of IT in business. The salespeople are considered ambassadors of the business. They get in touch with the people every now and then. They get many opportunities to improve the image of the business. At the organisational front, it reduces inter-

:partmental and inter-functional conflicts. There are four sentials of successful internal marketing programmes:

(i) Information.

(ii) Education.

(iii) Motivation.

(iv) Co-ordination.

Internal marketing specifies high standards of customer :lations and job effectiveness as a daily administrative duty. It ıtlines achievement of organisational goals through the ıtisfaction of individual goals. Its success largely depends on the ›nsistency on the part of management both in words and actions. ıternal marketing has become highly popular because of staff ıeetings, in-house magazines, regular team briefings and two-'ay communication. All employees are made familiar with ıarketing objectives and mission which they treat as their own. ıternal marketing is based on flexible approach by establishing ›operation between management and sales managers. It also ıkes into account the changing needs of the salespeople. Some ıles managers conduct SWOT analysis to determine the ppropriate courses of action and the likely costs and resources ıvolved.

Four Seasons hires the right people, orients them carefully, instills in ıem a sense of pride, and motivates them by recognising and :warding outstanding service deeds. Says one analysts "Every job pplicant, whether having to fold laundry or teach yoga, goes through at :ast four interviews". "We look for people who say I'd be proud to be a oorman". Says the CEO. Once hired, the training never stops. The most nportant guideline, contends the CEO, is "the golden rule: Do unto thers ... That's not a gimmick" he says "In the hiring process, we are ›oking for people who are very comfortable with this idea". As a result, our Seasons employees know what good service is and are highly ıotivated to give it.

Source: Principles of Marketing by Philip Kotler, Gary Armstrong & others pg. 213-214

INCREASED USE OF INTERNET

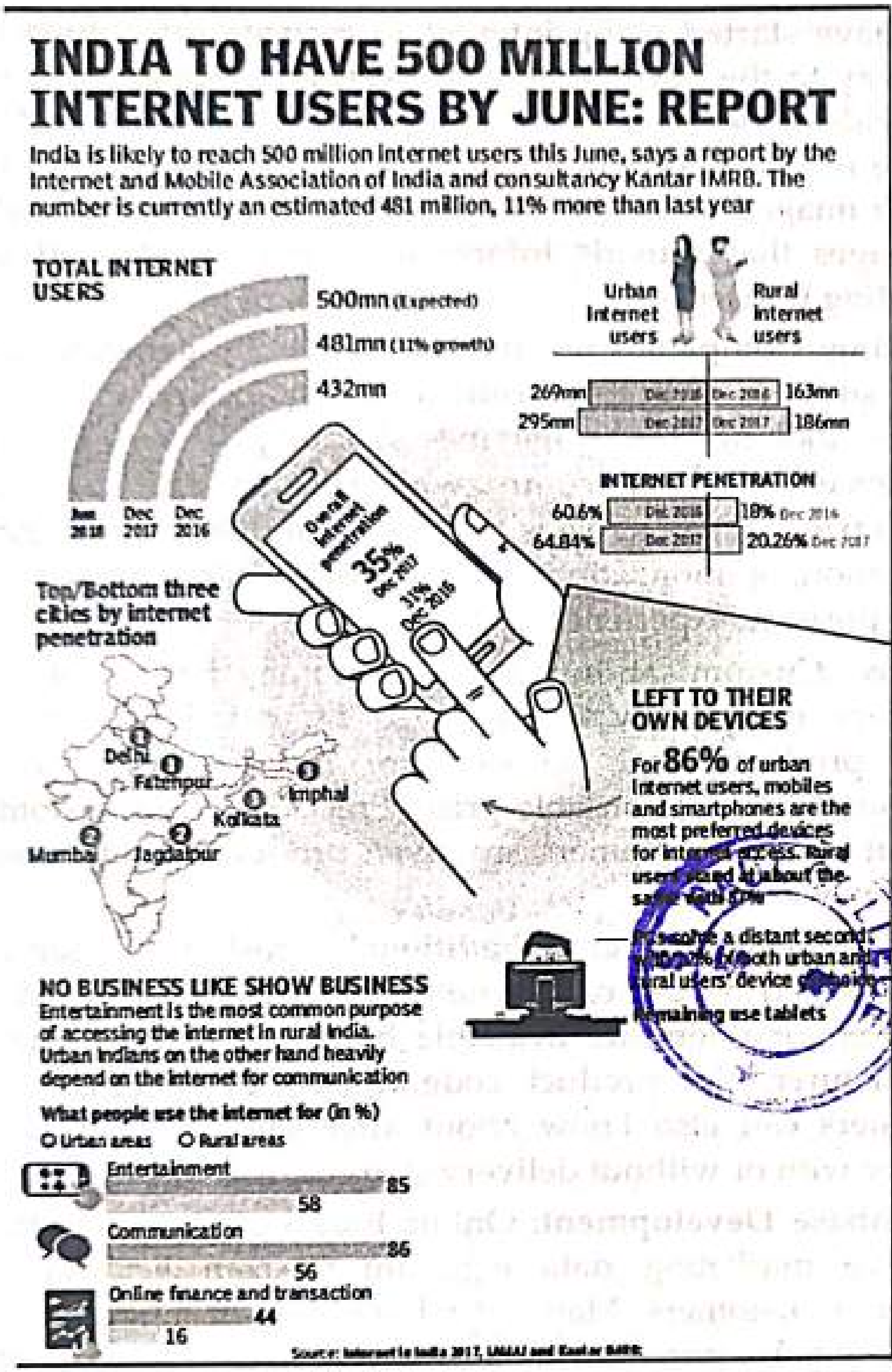
Two inventions after the discovery of electricity had a rofound impact on the nature of business in the latter half of the 0th century are: **(1)** the computer and **(2)** the internet.

Computers were initially used to store information and crunch numbers. Each computer stood apart from all others its information and computational powers. In a situation exploding information and interaction across vast distances, was an obvious need for computers to be able to "talk" to another; to send and transmit information, to access data stored computers located far away and to share computational power. order to attain this objective *"Computer Networks"* was bo Computers in a network are linked in such a manner that data, the form of electronic bits, can flow between them.

Networking is the ability to make connection with others. greatly improves the productivity of an individual compu Apart from this, it improves the productivity of every oth computer on the network. The larger the network, greater benefits of information sharing and other application.

With the passing of time, different networks began to connected to one another or *networked*. A special d communication arrangement called TCP/IP (Transmissi Control Protocol/Internet Protocol) was developed. Under th many computers in different networks could communicate wi one another without being affected by the failure of any part the network. Initially, this network of networks was used main by educational and research institutions. With the popularity personal computers, it evolved into the Internet. There are mo than 150 million computers connected to Internet today. The fir Web advertisement was placed on the HotWired website October, 1994.

In India, internet as a medium is accepted by a wider industri segment that includes banking, insurance, credit card automobiles, FMCG, clothing, telecom, education, durable media, tourism etc. Some of the top spenders in India a automobile companies, followed by brands like **Pepsode HDFC Loans, Cadbury, Sunsilk** and **Kellogg's** which are visib across various websites. **Online advertising in India** is still at i infant stage. Considering rapid increase in the internet usir population, the future of online business is very bright. Onli advertising has already started in India although to limited exte



Increased Use of Internet: Any commercial relationship between production and consumption is established by specific communication technology. Internet has changed the way of doing business. The greatest contribution of internet to business is **connectivity in real time.** MNCs first adopted internet in their sales management and processes to support globalisation by managing business units all over the world. Now even smaller firms have started using internet to manage sales. Internet also gave way to the development of electronic venues for sales. The most widely used tool for selling goods in WWW are websites. A website is a collection of web pages containing text, still images, moving images, audio and other digital functions included in the web pages that provide information on products and services facilitating transactions.

Selling: Companies use internet service to generate sales. An online shopper is both consumer and co-designer of shopping who is looking for satisfying shopping experience. Online shoppers exercise more control while clicking from site to site and page to page. A site's role is to develop and share with consumer information, opinions, options and provide necessary guidance to ensure pleasant experience.

Mass Customisation: Mass customisation is a definite advantage enjoyed by the users of internet. It is a process by which products and services are individualised to satisfy customer need at affordable price. Precisely, mass customisation is about choice. Customers are given products when, where and how they want it.

Customer Service: Traditional customer service is supplemented by use of internet. The users can see what rebate and discount offers are available by entering the name of the manufacturer, the product code, rebate or discount number. Customers can also know about after sales service and home delivery with or without delivery charges.

Database Development: Online business enables to maintain extensive marketing data e.g., amazon.com has millions of registered customers. Many of whom shop at amazon.com. The firm maintains purchase data and contact information of these customers. Latest and up-to-date data are provided on the internet and firms can always take benefit of it.

Information Gathering and Sharing: Internet provides ocean of marketing information. Marketing research findings are enlisted on the net which consumers can browse to take advantage of it. Professional agencies put up their special findings on their website so that consumers can share the information.

Multi-Channel Marketing: One of the classic features of internet is that it sells products through more than one distribution channel. Channel mix is effectively used by internet marketing. Channel members associated with the internet enjoy good understanding with one another. They coordinate their distribution strategies and settle conflicts amicably.

CRM

MEANING:

CRM is a multifaceted process. It is run by a set of information technologies. It creates two-way communication with customers so that business collects intimate knowledge about needs, wants and buying patterns of the customers. CRM helps companies not only to understand but also to anticipate the needs of actual and potential buyers. CRM enables companies to implement customer-centric strategy. CRM focuses on shifting from a **market share** mind-set to obtaining higher **'share of individual customer's business'**. CRM is a technology that allows businesses both large and small to organise, automate and synchronise every facet of customer interaction.

Business organisations are often faced with the problem of how best to analyse and use individual customer data. With computerisation sweeping the country, it is no big deal for any business to collect and retain information about their potential and actual buyers are collected on location of buyers, frequency of purchases, web site visits, credit and payment interactions, market research findings, impact of personal selling, after sale service, satisfaction and complaints of consumers etc.

CRM provides a systematic approach to **Customer Life Cycle Management (CLCM).** CLCM consists of three elements viz. (i) Combining business processes; (ii) Technology and (iii) Customer life cycle. This business system must integrate sales, service, marketing process and CRM technology environment with the customer. CRM becomes effective when it is linked with customer life cycle. The customer becomes the focal point to understand the concept of customer relationship management. Internet boom has changed the methods of doing business. CRM and internet are increasingly being used by organisations to retain customers. CRM aims at recognising and serving the best customers e.g., schemes like frequent flier programmes and privileged customer cards encourage cooperation from loyal customers.

DEFINITION:

CRM is *"the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction."*[1]

– Philip Kotler and Gary Armstrong

CRM is *"a business strategy designed to optimise profitability, revenue and customer satisfaction".*

– Gartner

CRM is *"a business strategy that works with customers such that they receive great service and are motivated to return again and again to do more business with the company".*

– Bob Thompson

FEATURES OF CRM:

(1) **Attach importance to consumers:** As observed by **Peter Drucker** the purpose of business is to create customers. Market segmentation and profitability are closely related to consumers. The company can exercise its choice to select customer segments and to provide quality service. Right selection of segment enables the company to earn higher profits. In doing so, the company attaches highest importance to consumers which forms the basic foundation of CRM.

(2) **Recognise changing needs of consumers:** In order to achieve success with CRM it is important to recognise changing needs of consumers. Needs arise because of absence of a product or service wherein a consumer feels deprived. Needs support the concept of value. Value is the set of benefits a consumer is willing to pay a price for. Needs are fulfilled when the company offers solution to consumer's problems in the form of suitable product or service e.g., facilitating switching over from traditional purchases to online buying.

[1] Kotler, Philip and Armstrong, Gary – Principles of Marketing, p. 119.

3) **Customer satisfaction:** Every buyer has certain expectations from the products/services that he buys. When these expectations are fulfilled the buyer enjoys customer satisfaction. If the expectations fall short, the customer suffers from dissatisfaction. At times, the performance of the product exceeds expectations, now the customer is delighted and enjoys very high satisfaction. CRM aims at providing to customers satisfaction and to build confidence to return to the same store or brand of the product.

4) **Customer value:** According to **Philip Kotler** *"The task of any business is to deliver customer value at a profit"*. In a highly competitive market buyers get wide choice and a company can win only by efficiently organising value delivery process and communicating superior value. Attracting and retaining customers is possible through the offer of customer value. Generally customers buy certain brands because of perceived value. Habitually, customers evaluate competing brands and settle for the one that gives highest value. CRM maintains profitable relationships by delivering superior customer value.

5) **Install superior technology:** A number of big companies have introduced toll free service where a customer making phone call has been prepaid by the business. Moreover, customers can intimate business about their requirements via e-mail and business also respond, through e-mail e.g., after sales personnel visits the customer responding to e-mail. Superior technological tools and applications to develop new customer relationships by serving existing customers enlarge the scope of CRM.

6) **Improve relationship:** With increased competition marketing concept shifted from production to customers and their diversified needs. Now companies serve the customers better through market segmentation and marketing mix along with targeting and positioning. Companies started concentrating on higher customer satisfaction to produce loyal customers. Repeat purchase from them results in increasing profitability of the business. Further it became necessary to match individual customer requirements relating to needed

products and services. This led to the developmen cultivating **relationship** with the customers. CRM is domain of relationship with customers.

(7) **New perception of customers:** The present mark scenario has totally changed. Companies can no lo superimpose its products and services on the customer the past, **company was the hunter and now customer emerged as the hunter.** It is an everyday practice now customers dictate how they wish to get information thro advertising, what price they are prepared to pay and quality of after sales service that they want. The philoso of *make and sell* is replaced by *sense and respond.* CRM become the dominant factor because:

(a) Customers now determine **quality standards;**

(b) Products are **customised;**

(c) Customers are **focal point;**

(d) Marketing is managed by **cross-functional teams;**

(e) **Brands** ensure distinctive value to customers;

(f) **Communication channels** are always kept open; and

(g) Long-term relationship ensures **lifetime customer valu**

IMPORTANCE OF CRM:

(1) **Management of Information:** CRM manages detail information about individual customers both for short a long term requirements. When customers are well-serve they tend to become loyal to the product and services.

(2) **Uses Software:** CRM consists of sophisticated software a analytical tools that help to collect information from sources. Such information is analysed in depth and results a supplied to build stronger customer relationships. CR provides 360 degree view of the customer relationship b integrating everything that a company's sales, service an sales force know about individual customers.

(3) **Provides Competitive Advantage:** CRM brings o interesting findings about the customers. It offers softwa that provides a complete view of customers. This makes wa

to understand their needs and increase their lifetime value to achieve greater competitive advantage.

(4) **Periodic Revision of Data:** Data are perishable they tend to become out-dated. It is necessary to update the findings about the customers. This makes CRM a continuous process.

(5) **Ensures Better Service:** With the use of CRM, companies can provide improved service to their customers. They can identify high-value customers and give them preferential treatment. Customers can be provided with tailor-made service so that everyone feels that he is individually attended to.

(6) **Achieves Customer Equity:** CRM aims at achieving high customer equity. *The more loyal the customers, the higher the customer equity.* Customers become loyal only when they feel they are given what they are looking for. CRM is an exercise in this direction. Companies are now moving away from wasteful mass marketing to more precision marketing designed to build strong customer relationship.

CRM AND SELLING:

Although CRM stands for customer relationship management, the "M" may just stand for marketing CRM facilitates exchange between salespeople and customers and therefore it is a marketing system. Basically, salespeople must possess knowledge about products and customers which will increase their capability and contribute towards customer satisfaction. No CRM can succeed unless it is linked to electronic storage and processing of large quantities of data. As salespeople directly interact with customers, the sales manager is responsible to manage many inputs into the system. Knowing customers is based on customer portfolios e.g., a pharma company allocates territories to the salespeople defined by areas of medical specialists such as cardiologists and ENT surgeons. The past behaviour of the customer is the best indicator of future purchasing behaviour. Customer portfolio enable the salespeople to handle customers' problems and promptly suggest solutions. It results not only in higher sales but the customers realise greater value strengthening the relationship even further. CRM uses technology to organise, automate and synchronise business processes mainly sal activities. CRM locates and attracts new clients. It retains o clients, motivates former clients to return and reduces the cost marketing. CRM brings to sales organisation: (a) quality an efficiency (b) reduced costs (c) increased profits and (d) satisfie customers.

Sales department is directly affected by the implementation CRM technology. CRM software can make old files or record readily available when they would have otherwise been locked away in storage, giving salespeople more information to better understand the needs of the clients. CRM is a "memory accelerator". Once data is entered into CRM it is there for good. It is accessible and easily modified if need be. Customer record is useful to customer support. The salespeople will meet happier customers when renewing contract, selling a replacement product, selling a new product and so on. A successful CRM implementation will benefit the business in many ways. CRM is not about software. It is about the people who use it. CRM is useful in:

(a) attracting right type of customers.

(b) building long-term relationship with them.

PROFESSIONALISM IN SELLING

Business organisations are the primary means in our society for the specialisation and utilisation of knowledge. Sales organisations have also become complex calling for employing professionals to help achieve objectives. In recent years employment to professionals have increased by leaps and bounds. Even for employing salespeople now business wants professionally qualified personnels. Hence salespeople must possess requisite qualifications and should be willing to abide by code of conduct. Professionalism means possessing skills of professional. Companies have multiplied in numbers and marketing has become tough. ***"If the customer is king, the second most important person in the kingdom must be the person who has a direct interaction on a daily basis with the king."*** This is where the need for employing professionals in sales management arises. In order to be called a professional, the salespeople must possess three **basic characteristics or traits** which are:

(i) **Attitude:** Attitudes have been associated with the notion of "liking" and "disliking" someone or something. Attitude represents inner feeling or expression which reflects a person's favourable or unfavourable view/opinion about a product or event or brand. It states the person's position or reaction for or against a product or event. Such position may be friendly or hostile. **Attitude means involvement and readiness to action.**

Attitude is a person's enduring favourable or unfavourable evaluation, emotional feeling and action tendencies towards some object or idea. Attitudes reflect settled behaviour and settle mode of thinking as well as feeling. Attitude can be positive or negative. As the salespeople constantly remain in touch with the people it is necessary to give up negative attitude and retain only positive attitude which will include (a) confidence (b) determination (c) vision (d) optimism (d) accountable and (e) sociability. Positive attitude is reflected on others around you.

(ii) **Knowledge:** Knowledge is power. The salespeople are expected to possess (a) customer knowledge (b) product knowledge (c) territory knowledge (d) competitor knowledge and (e) market knowledge. Knowledge builds relationships. Knowledge increases a salesperson's confidence. The salespeople must use wisdom when applying knowledge. It is important to remember that ***people do not care how much the salespeople know until they realise how much you care for them.*** **Adaptive selling** is based on the foundations of knowledge. Adaptive selling is most popular because the salesperson changes his sales presentation as per the needs of customers during the sales process. This is done to satisfy and win over the client. In the words of **Katherine Bowe** ***"I've based the importance of adapting to the specific needs of each customer."*** Selecting the right sales strategy and marketing adjustments during the interaction are crucial to successful selling. Knowledge enables the salespeople to build self-confidence, gain the buyer's trust and satisfy customer's needs. The salespeople collect knowledge from diversified sources such as sales manuals and newsletters, business and trade publications, feedback from sales managers, friendly guidance from senior salespeople, sales meetings, websites of companies etc.

(iii) **Skills:** Skill is ability to do something well. A salesperson's skills to make presentation will determine how the customer will feel about the company. It is not what the salesperson says but it is important how he says it. The salesperson has every right to ask questions and also listen to what the customer has to say. The salespeople must possess three skills which are as follow:

(a) **Selling Skills: Bill Gates** once observed *"Your most unhappy customers are your greatest source of learning."* Selling skills are what buyers indicated were the top factors that separated sales winners from sales losers. A good selling skills consist of the following:

- Educate prospects and collaborate with them.
- Listen to prospects, understand their needs and provide help.
- Present convincing solution.
- Connect with prospects at personal level.
- Present well-organised sales talk to prospects.
- Handle their objections.
- Close the sale.

(b) **Negotiation Skills:** Negotiation is the process of making joint decisions when the parties involved have different preferences. It tries to enter into a compromise or agreement to avoid arguments and disputes. Negotiation skills can be learned and applied in a wide range of selling situations. The salespeople can exercise their negotiation skills in the following ways:

- identifying the cause of disagreement or dispute.
- use verbal communication and effective speaking.
- reduce misunderstandings.

- build rapport with customers.
- solve their problems.
- start on a clean slate.

(c) Communication Skills: *"A man is seldom better than his conversation."* Good communication inspires confidence, builds respect and reveals the ability of the salespeople to others. The salespeople use verbal, vocal and visual (body language) communication. Communication skills helps to bring about mutual respect, gather good information and give good information. The salespeople use EARs:

E : explore by asking questions.

A : affirm to show you are listening.

R : reflect your understanding.

S : silence, the art of communication.

(d) Social Skills: Social skills are the skills that salespeople use to communicate and interact with prospects. They can use verbal and non-verbal communication through gestures, body language and personal appearance. Getting along and understanding people will help to open many personal and career-related doors. Salespeople do not just talk a lot. They possess strong social skills. A good social skills consists of:

- ability to carry on informal conversation with prospects.
- building rapport with talking points.
- cultivating friendship by taking interest in prospect's areas with mutual concerns and compliments.
- straight posture, firm handshake and friendly facial expressions will put prospects at ease.

STRUCTURE OF SALES ORGANISATION

MEANING:

In order to make sales planning, policy, process and programmes effective, it is necessary to efficiently structure a sales organisation. The general principles and techniques of organisation are also applicable while establishing a sales organisation. Sales organisation is the basis for sales department and sales management. An organisation structure must relate to determination of overall activities of the sales department, grouping of activities, fixation of duty and responsibility and delegation of authority. All the functions of the organisation must be performed in a manner that maximum efficiency is obtained through integration and coordination. The total responsibility of sales department is placed on the departmental head known as sales manager. There are several sub-divisions and sections working under him. The sales manager has one or more assistants called assistant sales managers. The hierarchy of authority is found in the structure. The success of sales department normally depends on the efficiency and calibre of the sales manager. He frames sales planning, programmes and takes steps to realise the objectives. According to **C. L. Bolling,** ***"A full-fledged department is necessary for representing to the consumers on behalf of the business which will accept the responsibility of transferring goods to the consumer."*** There are five main structures of sales organisation as shown below:

(1) Functional Structure.

(2) Product Based Structure.

(3) Market Based Structure.

(4) Territory Based Structure.

(5) Combination or Hybrid Structure.

(1) Functional Structure: Functional Structure is a type of sales organisation which is divided and sub-divided on the basis of functions to be performed. It is the simplest and efficient form of organisation. In functional structure, sales, product management, distribution and promotions are given equal importance. The showdown between e.g., product management and sales are minimised or even eliminated. Every employee is assigned a job and is required to pursue his goal. All functions are cost centres. This organisation is found suitable for smaller business.

Functional Structure

Merits:

(i) Economical.

(ii) Application of special knowledge.

(iii) Increase in efficiency.

(iv) Regular feedback.

(v) Interaction possible.

Demerits:

(i) Problem of co-ordination.

(ii) Problem of customer duplication.

(iii) Sub-division of departments can cause delay.

(iv) Departmental jealousy possible.

(v) Limited effectiveness when relations become bad.

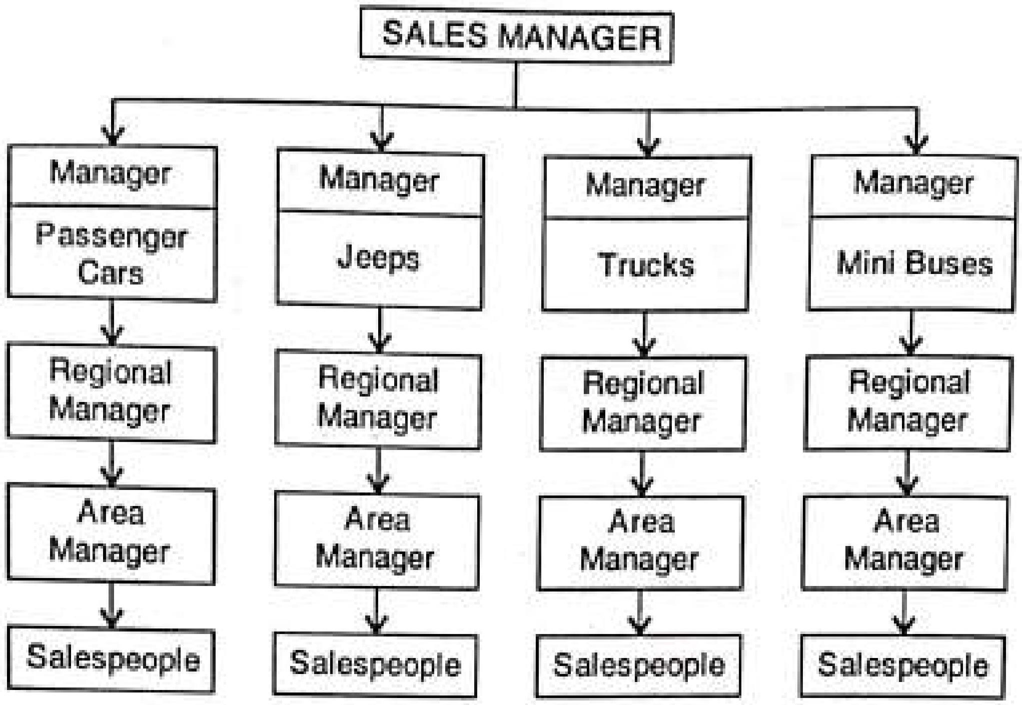
Suitability:

(i) Suitable to small business.

(ii) Selling limited variety of products.

(iii) Helpful to ambitions salespeople.

(2) **Product Based Structure:** This organisation structure is based on product specialisation. This structure is used by business dealing in multi products. All functions and activities related to a particular product are brought under one department. Each of these department is entrusted with the responsibility of selling the product. The entire operation is controlled by sales manager but departmental managers are given free hand to look after sales of their products. Thus an automobile company will have one department for passenger cars, another for jeeps, a third one for trucks and fourth one for mini buses.



Product Based Structure

Merits:

(i) Benefit of specialisation.

(ii) Healthy competition among departments.

(iii) Every product gets proper attention.

(iv) Co-ordinated work.

(v) Easy to fix responsibility.

Demerits:

(i) Costly.

(ii) Increased selling cost.

(iii) Loose administration results in conflicts.

(iv) Problem of effective control.

(v) Duplicate use of resources.

Suitability:

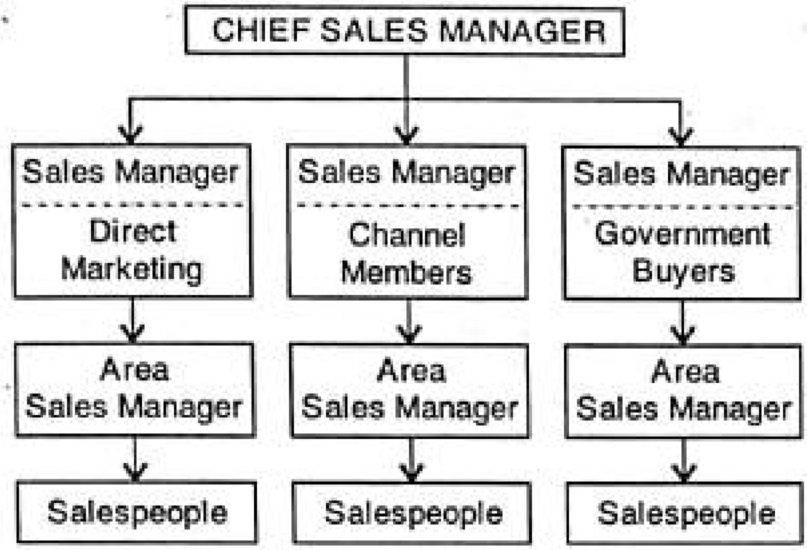
(i) High priced products.

(ii) Products of technical nature.

(iii) Large sized business.

(3) **Market Based Structure:** This is also known as customer salesforce structure. The salespeople are grouped on the basis of customers. The area of responsibility is defined by customer groupings. Large companies exercise the option of marketing their products in certain segments e.g., a company

manufacturing men's shirts markets costly brand in Mumbai where consumers have higher purchasing power and economical brands marketed in north-east India where purchasing power is low. This organisation structure is based around markets or customer types.



Market Based Structure

Merits:

(i) Pleasant and lasting relationship with customers.

(ii) Decentralised management control.

(iii) Needs of customers taken into consideration.

(iv) Full attention to customers.

(v) Goodwill to organisation through proper service.

Demerits:

(i) Costly.

(ii) Problem of duplication of facilities.

(iii) Higher overheads.

(iv) Special treatment to certain class of customers.

(v) Problem of underutilisation of resources.

Suitability:

(i) Different types of customers are satisfied through specialised staff.

(ii) Clearly identified groups of customers.

(iii) Customers with different buying behaviour are well attended.

(iv) Better services win over customers.

(4) **Territory Based Structure:** When the company's volume of business increases it becomes necessary to establish regional offices to meet the increasing demand for its products. Territory based structure facilitates sales administration. A territory is the demarcation of the market by which customer accounts are grouped and shared with the salespeople. Territories can be based on factors like geographic area, product line, nature of business, expected revenue etc. It has been found suitable for the service sectors also such as life insurance, banks etc. When total market is divided into sales territories it makes market segment manageable and better service is offered to the consumers. The sales manager assigns sales quota on the basis of past performance in each territory. Generally market is divided into zonal, regional and district levels.

Merits:

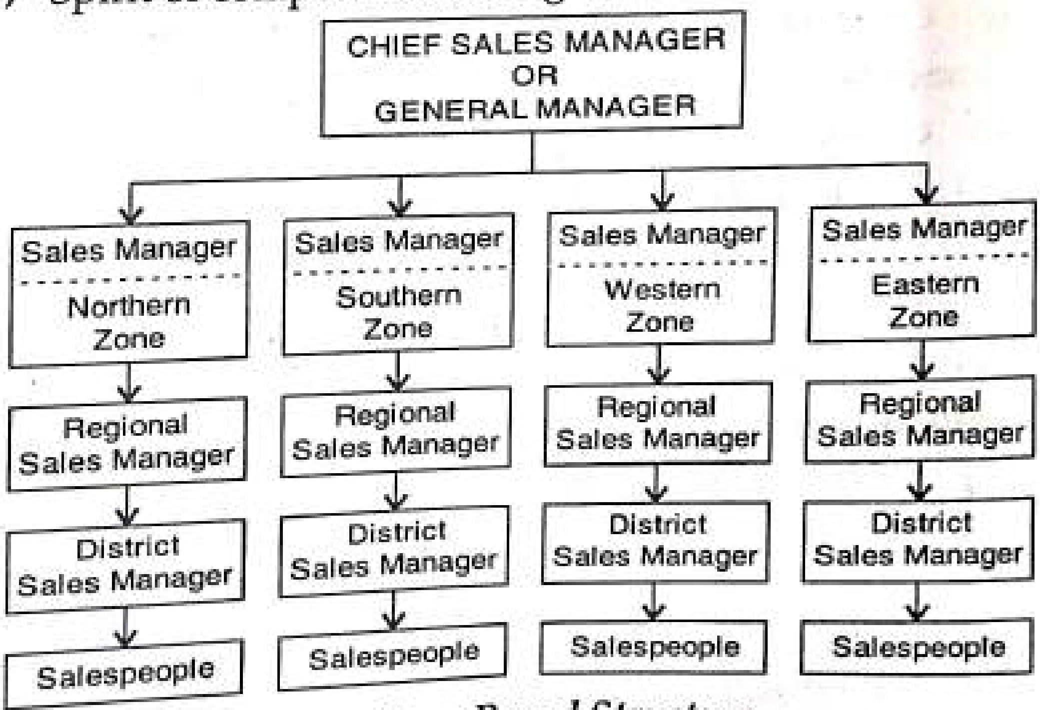
(i) Serves local people to their satisfaction.

(ii) Motivates each territorial head to achieve high performance.

(iii) Can adapt business to suit local conditions.

(iv) Expansion of business to various regions.

(v) Spirit of competition among various zones.



Territory Based Structure

Demerits:

(i) Each zonal unit may give higher importance to its unit and neglect overall interests.

(ii) More persons are required, thus increasing the cost.

(iii) Conflicts between various managers cannot be ruled out.

(iv) Head office cannot uniformly control all the branches.

(v) Uneven revenue generated from different zones.

Suitability:

(i) Suitable to large sized organisations.

(ii) When business is geographically spread.

(iii) Where local factors are dominating.

(iv) Where managers are widely trained to manage every kind of organisation.

(v) When grouping of activities is possible.

5) **Combined or Hybrid Structure:** Each basis of organisation structure has its own merits and demerits. Any base can be used for structure provided it is useful to achieve organisational objectives. In practice, no single pattern of organisation structure is ideal to suit all situations. Most of the big enterprises prefer to follow a combined/hybrid of several bases of organisation structure e.g., functional organisation is used at the top level while the sales department may be grouped on product or territorial basis. In hybrid structure, one specific pattern of grouping activities is not used. Various activities of the business unit are grouped as per the need and the surrounding situation. After all, structure is not the end in itself but a means for achieving organisational objectives. Any pattern of organisation structure or a combination of different patterns which facilitates quick and economical achievement of objectives is the best for the organisation.

Merits:

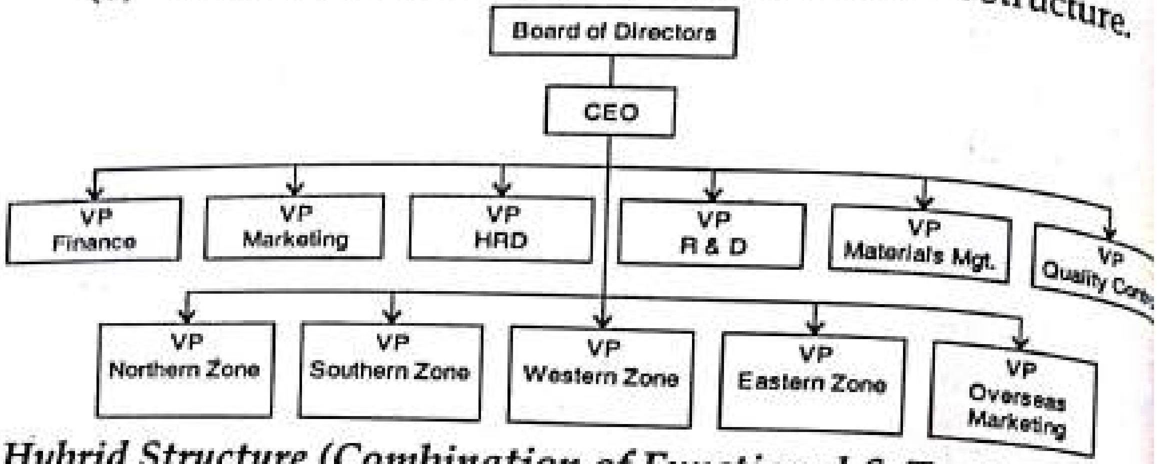
(i) Adaptability and flexibility.

(ii) Alignment of corporate and divisional goals.

(iii) Rich combination of efficiency and expertise.

(iv) Rapid response to change.

(v) Benefits of task-oriented and area-oriented structure.



Hybrid Structure (Combination of Functional & Territorial Base

Demerits:

(i) Difficult to handle emergency situations.

(ii) Excessive administration overheads.

(iii) Inter-departmental conflicts.

(iv) Lack of clarity and coordination.

(v) Employees find the organisation complex.

Suitability:

(i) The business is large sized.

(ii) When business can use a spider web based structure involving groups of individuals in different geographic areas.

(iii) When it is possible to plough back profits into the business.

(iv) The current organisation structure allows change over to hybrid structure.

(v) It is suitable in the present complex business world due to technological changes.

(B) DISTRIBUTION MANAGEMENT

MEANING AND DEFINITIONS OF DISTRIBUTION MANAGEMENT:

Distribution management is next to production management and is concerned with orderly distribution of goods and services to consumers for use i.e. for the satisfaction of wants. Production l be meaningless if goods produced are not supplied to isumers promptly, continuously and as per their need/ nand. Consumer goods need to be distributed regularly to isumers for the satisfaction of their wants. Physical distribution an essential supplement of large scale production. In the ence of orderly distribution, there will be artificial scarcity, ce rise and inconvenience/hardships to consumers. The cess of delivering goods to the consumers regularly at ivenient outlets is termed as distribution. Distribution nagement is an important area of marketing management. It isists of two aspects – **physical distribution and management distribution channels.**

For the distribution of consumer goods and industrial goods, ious channels of distribution are used. These channels are the ites taken by goods on their journey from producer to isumers. They play a useful role in bringing orderly tribution of goods. There may be one or more middlemen in distribution process. For example, many goods move from nufacturer to wholesaler and thereafter from wholesaler to ailer and finally to consumers. A manufacturer can select any innel which is economical, prompt and convenient to him. The sic purpose of distribution is to supply goods to consumers in orderly manner.

EFINITIONS OF CHANNELS OF DISTRIBUTION:

According to **Richard M. Clewett,** *"A channel is the pipeline through which a product flows on its way to the consumer. The manufacturer puts his product into the pipeline or marketing channel and various marketing people move it along to the consumer at the other end of the channel."*[2]

According to **William Stanton,** *"A channel of distribution (sometimes called a trade channel) for a product is the route taken by the title to the product as it moves from the producer to the ultimate consumer or individual user."*[3]

lewett, Richard M. – Checking Your Marketing Channels, p. 120.
tanton, Etzel Walker – Fundamentals of Marketing, p. 318.

IMPORTANCE OF DISTRIBUTION MANAGEMENT

Channels of distribution render useful services manufacturers and consumers and perform important marketin functions. Such functions and services indicate the importance marketing channels. Marketing channels **play a vital role in th distribution of consumer goods.** At present, goods manufacture at one place are sold in all parts of the country only because of th network of marketing channels. Marketing channels are mor useful to manufacturers than to consumers. They facilitate quic and large-scale distribution of goods and services. **The followin points suggest the importance of marketing channels in th distribution of consumer goods:**

(1) Distribution channels **facilitate large-scale distribution o goods.**

(2) Distribution channels **bring division of labour an specialisation** in the business field.

(3) Distribution channels are **useful for price determination o** goods.

(4) Distribution channels enable a marketing firm **to achieve it marketing targets/objectives.**

(5) Channels **perform financial function** by providing financ for movement of goods from producers to consumers.

(6) Channels of distribution **enlarge the scope of marketing** and facilitate sales promotion. Channels perform the role of salesmanship.

(7) Distribution channels are **useful for meeting the diversified needs of consumers** economically, quickly and continuously.

(8) Distribution channels help manufacturers **to distribute their goods quickly** throughout the country. In addition, they provide market information to manufacturers for finalising their production plans.

(9) Mass production needs the support of mass distribution which is possible through marketing channels. **They occupy strategic position in the field of distribution** and this suggests their importance.

ROLE OF DISTRIBUTION

1) **Facilitate movement of goods:** Distribution channels help to move goods from one place to the other. They naturally add place utility. They also bring transfer of ownership of goods. Large-scale distribution of goods is possible due to the availability of marketing channels.

2) **Ready supply to consumers:** Distribution channels bring goods to consumers when they need them. Goods are made available throughout the year due to marketing channels and consumers can purchase them as per their requirements. They also get different varieties of goods.

3) **Promote large-scale distribution of goods:** Distribution channels bring widespread distribution of goods and thereby bring expansion of trade. The channels are useful even for taking the goods to remote areas. They facilitate large-scale physical distribution of goods.

4) **Facilitate economical distribution:** Distribution channels bring distribution of goods in a quick and economical manner. The distributive channels are useful for reducing the selling costs. A manufacturer need not create his own marketing system by investing his funds due to the availability of marketing network. Secondly, these channels are economical and are easily available. Similarly, consumers get ready supply of goods due to marketing channels.

5) **Perform miscellaneous marketing functions:** Distribution channels perform various marketing functions. They provide a dependable and efficient distribution system. Marketing channels also act as a line of communication in the distributive system. Even information about consumer needs, expectations, reactions, etc., are available to the manufacturer through marketing channels. They ensure regular supply of goods to consumers and bring price stability.

6) **Create utilities:** Distribution channels create time, place and possession utilities.

7) **Risk taking:** The intermediaries in the channels undertake the risk in the marketing of goods. They place large orders and shoulder the risk and responsibility of selling to

consumers. This risk relates to transportation, warehousing and actual selling to consumers.

(8) **Facilitate introduction of new products:** Distribution channels are useful for the introduction of new products or new varieties of existing products in the market by the manufacturers. They can introduce the new product by placing it in the existing channel in use. This facilitates easy publicity and quick marketing in an economical manner.

(9) **Support of intermediaries:** Intermediaries undertake sales promotion activities through media and personal contacts. They negotiate prices and other terms and conditions between buyers and sellers. They collect information about demand, likes and dislikes, competition etc. from consumers and pass on to manufactures. They collect small orders from scattered places and place large order with manufacturers. They help to transfer ownership of goods from producers to consumers.

(10) **Promotes direct selling:** Direct selling is selling products directly to the consumers. It often eliminates several of the middlemen involved in product distribution. Direct selling is mostly adopted by network marketing companies B2B use direct selling to target and sell to end customers. In direct selling individual salesperson reach out to consumers directly. The supply goes from the manufacturer directly to the sales company or to the distributor and finally to the consumers.

ROLE OF INTERMEDIARIES

Marketing intermediaries include distributors, agents, wholesalers, retailers etc. The intermediaries play a crucial role in distributing goods and services so as to reach them in the hands of the final consumers. Intermediaries are the backbone of distribution management. Intermediaries have the responsibility to restrict abuse in distribution channels because they enjoy central position in the channels of distribution. Most intermediaries would not like to risk their reputation because it will affect their business adversely. The role of intermediaries can be illustrated as:

) **Service to Society:** Companies deal with large volume of production and marketing. It is not possible for them to cater to individual demand. In order to serve widely scattered consumers these companies need the services of established intermediaries who can meet the individual demand of consumers. Manufacturers can concentrate on production and hand over the marketing activities to the intermediaries. This brings about division of work.

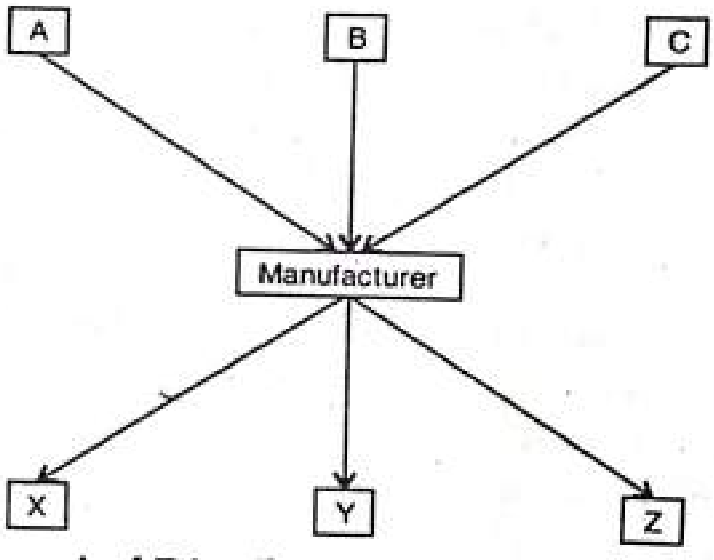
) **Smooth Distribution:** Goods need to be distributed regularly to consumers for the satisfaction of their wants. The smooth distribution is as important as production of goods and services on a large scale. In the absence of orderly distribution there will be artificial scarcity, price rise, inconvenience to consumers and malpractices in marketing. Intermediaries perform highly appreciative job of ensuring smooth distribution of goods and services for the benefit of consumers.

) **Integral Part of Distribution:** Intermediaries are necessary and useful. They conduct various functions and offer services to manufacturers and consumers. These intermediaries differ in their roles, capabilities, territories, size of operation, cost of operation and control. Elimination of intermediaries is rather difficult in the marketing process. Many efforts have been done to remove intermediaries from distribution channels and some progress is also achieved but total elimination is ruled out. Therefore, intermediaries continue as integral part of distribution channels.

) **Financial Functions:** Intermediaries can meet diversified needs of consumers economically, quickly and continuously. They maintain strong network to serve the consumers all over the country. They perform financial functions by providing credit facilities to small retailers. As per the agreement, they also keep unsold stock. This is particularly true about seasonal products. The unsold stock is retained by them giving tremendous relief to the manufacturers. They also stand guarantee for small retailers with whom they have long association without disputes.

(5) **Information Flow:** Intermediaries provide mark information to manufacturers for finalising their producti plans. Whatever feedback they get from the scattered retaile they forward them to the manufacturers who remain in li with the market preferences. Mass production needs t support of mass distribution which is possible through t services of intermediaries. In the absence of intermediari smooth and prompt distribution is unthinkable.

(6) **Economical Management:** There is nothing to sto manufacturers from selling directly to the consumers. Dire selling is costly that every manufacturer cannot affor Intermediaries reduce transaction cost. Intermediaries *"brea the bulk"* i.e. dividing a huge lot into small fractions and get distributed to widely scattered retailers. They also perfor the role of *sorting* i.e. buying in large quantities and the dividing and rearranging them into suitable combinations fo the buyers.



Economical Distribution with Intermediaries

(7) **Assembling Centres:** Intermediaries act as assembling centres as they procure different varieties of goods from many manufacturers and make them available to retailers. Consumers can make purchases with ease because they need not hop from one shop to another. Retailers stock many varieties and facilitate the purchases by making available goods throughout the year. Some intermediaries employ salespersons who sell merchandise through personal selling.

(8) **Risk Bearing:** Depending on the terms of agreement, they take the title of goods in their own name and bear the risk. In case the stock is not sold they bear the loss or they will work out means to sell it in some other segments. They also keep the stock in the warehouse and create place utility. They make the supply available immediately on the receipt of orders. Sometime they face the problem of bad debt when the retailers do not clear the credit amount. At times, retailers want intermediaries to take back unsold stock. If this happens intermediaries stand to face losses.

(9) **Stabilising Prices:** Intermediaries help to stabilise prices by keeping the stock up-to-date and releasing goods when demand develops. This equalises demand and supply factor. There is no scope to create conditions of scarcity. Normal price prevails not only in one market but throughout the market. Abnormal fluctuation in prices is not allowed. Consumers are benefited because they know the price prevalent in the market.

(10) **Range of Products:** The range of products to be stocked by intermediaries differ a lot from one intermediary to another. Although they are known to stock in large quantities but their nature of business also differs. General-line intermediaries carry a wide variety of merchandise such as FMCG products, groceries etc. On the other hand, some intermediaries operate on specialised-line and they deal in narrow line of goods such as tea, coffee or fast food packets.

EVOLUTION OF DISTRIBUTION CHANNELS

The mechanism by which products are directed to consumers either directly or through intermediaries relates to distribution channels. Every manufacturer aims at developing multiple distribution channels as the prime touch-point with the final customers by ensuring cost effectiveness. Intermediaries through their contacts, experience, specialisation and scale of operation offer the manufacturers more than they can achieve on their own. Distribution channels are an organised structure. They represent a choice among alternative channels of distribution. They describe different marketing situations faced by retailers, wholesalers and producers within the structure. These channels undertake a series of functions which must be performed in order to market the goods smoothly and effectively. The structure is highly complex consisting of several intermediary agencies. In order to provide profits to all institutions, distribution channels should be treated as a total system of action. The need for successful marketing is to coordinate the activities of the manufacturers with those of intermediary agencies. Now goods are produced in anticipation of demand. Mass production and mass consumption are outstanding features of sales management. The widespread use of technology in the distribution channels has changed the complexion of sales management, a component of which is distribution management. Some of the major developments in the process of evolution of distribution channels are outlined below:

(1) **Surplus Wealth:** Commerce began when exchange began. The world as a whole has been "Cradle of Commerce" because this exchange process led to develop relationships between people and among the countries. Creation of surplus wealth was the beginning of exchange process. Domestication of animals led to the development of agriculture. Transport system was not well developed. Producers found it convenient to sell their produce in the vicinity. In some crude form, marketing was launched.

(2) **Industrial Revolution:** The expression industrial revolution describes the series of economic changes which transformed the British and European society in the 18th and 19th centuries. A series of mechanical inventions were made by the British Scientists. Manual work was replaced by mechanical work. The ability to produce increased by many times. This period also heralded introduction of faster means of transport. With increased mobility new urban centres were established close to the industrial units. Goods were transported from one place to another setting up rise of channels of distribution.

(3) **Formation of Business Organisations:** With increase in the scales of production and marketing, ownership of business started taking concrete shape such as sole trading,

partnership, joint stock company, public and private sectors, public utilities, cooperatives etc.

(4) **Rationing During World War II:** This was an abnormal period causing hardships in availability of essential and non-essential items to the people all over the world. Distribution was thrown completely out of gear. Rationing was implemented to control the equal distribution of items in short supply. However, preference was given to meet supply to military. There was acute dearth of capital in the industries. This period is also noteworthy because it brought about many new dimensions in marketing such as advertising,, publicity, branding, media, distribution and so on.

(5) **Priority to Production:** Post World War II, production dominated the industrial scenario. Marketing is an extension of production function. The use of better and cheaper methods of production technology ruled the business world. With production activities widely practiced high production with reduction in cost became the standard formula getting supported by efficient distribution. The market was flooded with varieties of goods. The entire emphasis was placed in presenting the best quality products.

(6) **Emphasis on Selling:** According to **Theodore Leviet** excessive pre-occupation with product or production and ignoring selling resulted in *"Marketing Myopia."* Simply stated, it means a general short-sightedness about the business. The market is full of different varieties of products but consumers will not buy as long as they are not approached through advertising, salesmanship and sales promotion. Goods are not bought but they have to be sold through competitive advertising and publicity. No consumer can be forced to make purchases. The ability to build relationships with customers, persuade them to buy and generate respect. Business is at the heart of selling. Both direct and indirect distribution channels are combined.

(7) **Customer-friendly Marketing:** Customers and not the product is the centre of the entire business system. All

marketing operations revolve around customer satisfaction and service. ***Marketing starts with the determination of consumer wants and ends with the satisfaction of those wants.*** Consumer-friendly marketing is used to describe something that is good for people who are buying products and services for their own use. Customer-friendly marketing has one eye on profits and the other eye on how best to serve the customers. It pays to please the customers with greetings and empathy. Marketing becomes easy when the salespeople take time to establish a relationship and create a rapport with the customer. CRM is an effort to value the existing customers and help to grow the business. Everyone involved in the distribution channels recognise that the customer is always right.

(8) **Maintaining Relationships:** According to **William Stanton** "In the context of distribution channels, relationship marketing refers to a concerted effort by a company not only to work closely with customers to better understand and satisfy their needs but also to develop long-term, mutually beneficial relationships with them." Selling must not be viewed as one time job but recurring exercise to focus on customer loyalty and long term association. Retaining old customer is considered better rather than winning new customers. It is estimated that 2% increase in customer retention can decrease costs by as much as 10%. Money cannot buy one of the most important things needed to promote business viz., relationship. Powerful relationships do not just happen. Sales department plays a crucial role in building and maintaining customer relationships. The following suggestions will help to build and maintain relationship:

(a) **Build the network** of actual and potential buyers along with acquaintances, friends, suppliers and dealers.

(b) Maintain **two-way dialogue** with all parties.

(c) Use **e-mail** extensively.

(d) **Reward** loyal customers

(e) **Motivate** buyers to return to you.

In order to practice these everyone associated with distribution channels including intermediaries will have to contribute to achieve loyal customers' patronage.

9) **Distribution in Virtual World:** Virtual world is a computer-based online community. It is designed and shared by individuals so that they can interact in a custom-built, simulated world. There is no face-to-face meeting between sellers and buyers. Sellers in the virtual world use online advertising, press and electronic media to reach the consumers. Interested consumers buy online and mostly payments are made through debit and credit cards. Some online sellers permit cash on delivery. Barring few items, mostly they include delivery charges. If dissatisfied with the product, exchange is allowed. Refund of money is discouraged.

(10) **Distribution in Future:** In the future, physical distribution will continue and in addition digital channels, cloud computing (Virtual Storage), connected devices, mobile, social media and data analytics will govern distribution channels. Future direction of distribution will consist of:

(a) Rapid increase in information technology.

(b) Polarisation of customers (both consolidation and fragmentation of customers).

(c) Manufacturing operation that can mass customise.

(d) Common use of distribution logistics.

(C) INTEGRATION OF MARKETING, SALES AND DISTRIBUTION

Concept of Marketing: Integrated marketing creates a unified experience for consumers to interact with the enterprise and its range of products. It covers all aspects of integrated marketing communication (IMC). The importance of communication in business lies at the centre of IMC. Marketing is an ancient art. It has been practised in one form or the other from time immemorial. However, its emergence as a management discipline has got lot of prominence. Marketing has got so much importance and stature that it is considered as the most important of all business functions. Marketing begins with the fundamental ide that most human behaviour is a purposeful search for nee satisfaction and this activity is rooted in "exchange" notion Marketing is applied to all the business activities which ar directed towards the flow of goods and services from th manufacturer to the consumers. Marketing makes goods useful t the society by getting them where they are wanted, when they ar wanted and by transferring them to those people who want them In this sense, marketing is involved in the creation of place, tim and possession utilities.

Concept of Sales: Sales convert prospects into customers. The salespeople directly interact with customers, ask questions to them, reply to their inquiries, recommend the right product or service to them and close the sale. The importance of sales department cannot be underestimated because it generates revenues. A company may use latest technology, maintain tight financial goals, has progressive management but in order to succeed it requires efficient sales department which brings money into the business and generates profits. The sales manager is responsible to set practical selling and profit objectives, formulating sales related policies and designing sales strategies. He integrates the sales organisation with the distribution channels and other related departments such as advertising, sales promotion, online etc. Now with detailed information travelling in the market customers have complex needs. Meeting customer procurement requirements and perfecting the overall customer interface requires a customer focused sales team such as customer service, technical specialists and of course highly skilled salespeople. Coordination is critical to the success of sales team. There are three issues of great importance in the coordination of sales team efforts – (a) reward system, (b) goal selling process and (c) staffing and training.

Concept of Distribution: Distribution channels always include the manufacturer as well as the final consumer along with intermediary agencies involved in the transfer of title to goods. While companies can do with the help of certain channel members but some sort of channel partnership is needed. Consumers are presented with "assortment of items." This service is of great ssistance to consumers who are not satisfied with just one or two ems. Mass distribution requires large resources in terms of men, ioney and materials. The economical distribution needs the ervices of intermediary agencies without which it is not possible make direct contact with widely scattered consumers. When termediaries minimise the number of contacts and the firm sells s products, it is called *distribution efficiency*. Retailers face the al music of the market. Intermediaries collect information garding customers' opinion, company's products, position of mpetitors' products, and changes taking place in consumer haviour from number of retailers. In turn, intermediaries pass this information to the company which examines the formation and take necessary actions. The working of istribution channels is fast changing with the wide acceptance of ternet technology.

Marketing, sales and distribution are closely related and their tegration contributes to the overall better performance of sales anagement. **Integration between the three concepts can be nderstood as:**

) **Mutual Dependency:** Marketing, sales and distribution need each other. Marketing metrics drive sales and sales identify the right market. Distribution reaches goods into the hands of consumers.

) **Message Transfer:** Marketing creates message to be used by sales to attract and verbally or digitally present it to the customers. Distribution translates these efforts in actual practice.

) **Commitment:** Marketing fulfils consumers' wants and needs. Sales do business quickly to achieve sales volume objectives. Distribution creates utilities and keeps consumers content.

) **Expectations Fulfilled:** Consumers have expectations towards products and services. The expectations relating to products are fulfilled by marketing and sales justifies by giving satisfying service. Distribution ensures that products reach consumers as wanted by them at the right time and at the right place.

(5) **Common Goal:** Marketing, sales and distribution ha common goal i.e. increasing revenue. From this standpoi one cannot survive without the other two. Marketers genera leads and salespeople close the deal. The means to transla these in action is the work of distribution.

(6) **Communication:** The information collected in CRM hel marketers to determine a successful marketing strateg Marketing can use analytics to determine which of the marketing efforts are effective. Such information allows a organisation to design sales campaigns aimed at attractin new customers. Channel members cooperate by servin customers. This elaborate integration is based on effectiv communication between the three functional areas.

(7) **Close Harmony:** Marketing, sales and distribution must wor hand in hand to guide customers through the buying proces Marketing is part of sales function. If separated there is littl opportunity for accountability. Marketing and sales shoul jointly guide product development. When better product i produced we can demonstrate better results in sales Distributors build channels that they control which are usec to connect things to people.

(8) **Competitive Advantage:** Companies have realised that effective distribution system can be a source of competitive advantage. If finances permit companies can develop their own channels or delegate the functions to channel members who make best of efforts to achieve higher sales. The goodwill and reputation of the channel members goes a long way in scoring a lead over competitors. In order to gain advantage of integration, companies have developed vertical marketing systems.

(9) **Hybrid Channels:** Hybrid channels develop when organisations begin to use a number of channels to sell their products. These channels include retail selling, direct marketing, direct mail, telemarketing, online selling, catalogue selling and so on. In the process both the functions of marketing and sales are integrated with distribution. Many companies prefer hybrid channels because they offer many

advantages such as reduced transaction costs, better product promotion, increase in market and customer coverage and the benefit of developing a customised approach to selling and distribution of products.

(10) Customer Support: Customers support channels integration because they bring about best of marketing and sales. They look for a logical experience as they learn, try, buy, get help and share ideas. Business integrates by leveraging organisational expertise and resources through distribution channels using retailing, catalogues, web and direct selling. When marketing and sales strategies come up to the expectations of customers satisfying their needs, customers provide the much needed support.

Objectives Questions with Answers

(1) Select the most appropriate answer from the option given below:

(a) Sales department is __________ generating department.
(i) employment (ii) income (iii) records

(b) Sales and __________ work out step by step sequence of actions.
(i) organising (ii) leadership (iii) planning

(c) __________ maturity is the quality needed in sales manager.
(i) Leadership (ii) Administrative (iii) Emotional

(d) Relationship selling interacts between the __________ and customers.
(i) media (ii) salespersons (iii) distributors

(e) Efficiency maintains strict __________ orientation.
(i) financial (ii) time (iii) subject

(f) Internal marketing deals with __________ moment of interaction.
(i) derisive (ii) prized (iii) right

(g) __________ provides competitive advantage.
(i) AIDA (ii) CRM (iii) FMCG

(h) Negotiation skills builds __________ with customers.
(i) rapport (ii) satisfaction (iii) confidence

(i) __________ structure defines area of responsibility by customer groupings.
(i) Product Based (ii) Market Based (iii) Territory Based

(j) Channels of distribution __________ the scope of marketing.
(i) enlarge (ii) earmark (iii) set

[Ans.: (a - ii); (b - iii); (c - iii); (d - ii); (e - ii); (f - i); (g - ii); (h - i); (i - ii); (j - i)]

(2) Select the most appropriate answer from the option given below:

(a) Salesman are __________ not born.
(i) recruited (ii) made (iii) negotiated

(b) Selling process started with __________ and negotiation.
(i) offer (ii) incentives (iii) search

(c) __________ convinces others they need the product.
(i) Initiator (ii) Influencer (iii) Informer

(d) __________ separates a good manager from a bad one.
(i) Consistency (ii) Honesty (iii) Ethics
(e) Call centre staff are __________ communicators.
(i) backline (ii) frontline (iii) sideline
(f) Effectiveness __________ performing in the best possible way.
(i) reviews (ii) evaluates (iii) focuses
(g) The scope of CRM enlarges by serving __________ customers.
(i) existing (ii) potential (iii) online
(h) __________ structure has decentralised management control.
(i) Market-based (ii) Product-based (iii) Functional
(i) __________ intermediaries deal in narrow line of goods.
(i) General-line (ii) Specialised-line (iii) Professional-line
(j) In distribution __________, intermediaries minimise the number of contacts.
(i) management (ii) effectiveness (iii) efficiency

[Ans.: (a - ii); (b - iii); (c - ii); (d - i); (e - ii); (f - iii); (g - i); (h - i); (i - ii); (j - iii)]

(3) State whether the following statements are True or False:
(a) Better selling is the key to better business. ***(Oct. 19, April 19)***
(b) Sales quota represents geographic grouping of customers.
(c) Sales coordination discourages salespersons. ***(April 19)***
(d) Production oriented period emphasised best quality goods. ***(April 19)***
(e) Decision making is an art but not joint product.
(f) Customer orientation aimed at retaining customers.
(g) CRM needs salespeople who are customer focussed.
(h) Efficiency is doing the right thing.
(i) Channels of distribution perform miscellaneous marketing functions.
(j) Distribution in virtual world facilitates face to face meeting. ***(Oct. 19)***
(k) CRM provides competitive advantage. ***(Oct. 19)***
(l) Retaining customers for continued sales results in feeding marketing.
(m) Selling situations are uniform.
(n) Selling job opportunities are better in the current lockdown.
(o) Effective communication and professional selling are synonymous.
(p) Sales budget begins with sales forecast.
(q) Wastages of non-human resources are reduced through low-value orders.
(r) Decider starts the buying process.
(s) Selling is a mentorship-based profession.
(t) Digital communication is without accountability.

[Ans.: (a) True; (b) False; (c) False; (d) True; (e) False; (f) True; (g) True; (h) False (i) True; (j) False; (k) True; (l) True; (m) False; (n) False; (o) True; (p) True (q) False; (r) False; (s) True; (t) False]

(4) State whether the following statements are True or False:
(a) CRM enables companies to implement customer centric strategy. ***(Oct. 18)***
(b) Distribution management is same as production management. ***(Oct. 18)***
(c) Sales management only manages salespeople.
(d) Selling is a mentorship-based profession.
(e) Customer orientation approach meets short term needs and wants of consumers.
(f) Efficiency avoids errors and establishes cost effective sales process.
(g) Mass customisation is about choice.
(h) CRM provides 180 degree view of customer relationship.
(i) Intermediaries do not take risk in distribution of perishable goods.
(j) Effective distribution system can be a source of competitive advantage.
(k) Motivated salespeople need no supervision and direction.
(l) Sales audit and sales analysis control performance of salespeople.
(m) Periodic review of performance is the basic responsibility of sales manager.
(n) Under customer orientation, salespeople meet short-term needs of customers.

(o) Diversity in salesforce is an ad-hoc arrangement.
(p) CRM is based on data mining techniques.
(q) Salespeople must develop standards of right and wrong.
(r) There is no time orientation relating to efficiency.
(s) Virtual marketing has kept business going during lockdown.
(t) Social skills use only non-verbal communication.

[Ans.: (a) True; (b) False; (c) False; (d) True; (e) False; (f) True; (g) True; (h) False; (i) False; (j) True; (k) True; (l) True; (m) True; (n) False; (o) False; (p) True; (q) True; (r) False; (s) True; (t) False]

(5) (a) **Match the following:**

Group 'A'	Group 'B'
(a) Sales Management	(i) Consistency in performance
(b) Credit Sales	(ii) Handles change factor
(c) Customer Orientation ***(April 19)***	(iii) Uses software
(d) Sales Communication	(iv) Assembling centres
(e) Sales Manager	(v) Break the bulk
(f) Effectiveness ***(April 19)***	(vi) Digital format
(g) Sales Analytics	(vii) Integral part of marketing
(h) Internal Marketing	(viii) Management of information
(i) CRM	(ix) Want satisfaction
(j) Intermediaries	(x) No time orientation
(Oct. 18, 19; April 19)	(xi) Higher volume of sales
	(xii) Needs of customers

[Ans.: (a - vii); (b - xi); (c - ix); (d - vi); (e - i); (f - x); (g - xii); (h - ii); (i - iii); (j - v)]

(5) (b) **Match the following:**

Group 'A'	Group 'B'
(a) Hybrid Structure ***(Oct. 18)***	(i) Start buying process
(b) Sales Analysis	(ii) Data mining techniques
(c) Sales Manager ***(Oct. 18)***	(iii) Large scale production
(d) Salesforce Strategy	(iv) Interaction between salespeople customers
(e) Initiator	(v) Stock inventory
(f) Relationship Selling	(vi) Network marketing
(g) CRM	(vii) Values combination of various structure
(h) Interactive Marketing	(viii) Customer loyalty
(i) Physical Distribution	(ix) Achieving objectives
(j) Direct Selling	(x) Sales Management

[Ans.: (a - vii); (b - v); (c - x); (d - ix); (e - i); (f - viii); (g - ii); (h - iv); (i - iii); (j - vi)]

(6) (c) **Match the following:**

Group 'A'	Group 'B'
(a) Efficiency to Effectiveness ***(Oct. 19)***	(i) Tight-rope walking
(b) Sales Department	(ii) Sales manager
(c) Evaluating Salesforce	(iii) Increased use of internet
(d) Sales Strategies	(iv) Customer focussed
(e) Credit Sales	(v) Efficiency
(f) Customer Orientation	(vi) Feedback
(g) Emotional Maturity	(vii) Recent trend
(h) CRM	(viii) Retaining customers
(i) Avoiding Errors	(ix) Income generating
(j) Multi-channel marketing	(x) Winning customers

[Ans.: (a - vii); (b - ix); (c - vi); (d - x); (e - i); (f - viii); (g - ii); (h - iv); (i - v); (j - iii)]

Question Bank for Self-Practice

(1) Describe the qualities of a sales manager. *(Oct. 18)*
(2) Briefly explain any 2 structure of sales organisation. *(Oct. 18)*
(3) What is Distribution Management? Explain the importance of distribu management. *(Oct. 18)*
(4) Explain the importance of distribution management. *(Oct. 19)*
(5) State and explain any two structure of sales organisation.
(6) What is sales management? Explain the role of sales department. *(Oct. 18)*
(7) Define sales management and explain its role.
(8) What to you understand by sales management?
(9) Discuss role of sales management in achieving sales objectives.
(10) How will a sales manager design and manage salesforce?
(11) What are the managerial and administrative functions that sales managers w perform?
(12) Suggest measures to organise sales efforts.
(13) Explain the evolution of sales management.
(14) How would you establish interface of sales with other management functions?
(15) Explain the qualities of a sales manager.
(16) Discuss the major developments in Sales Management.
(17) Trace the developments in sales management.
(18) What is meant by effectiveness to efficiency in Sales Management?
(19) Distinguish between effectiveness and efficiency.
(20) What is the significance of multidisciplinary approach?
(21) How would you emphasise that sales management is multidisciplinary?
(22) Discuss internal marketing.
(23) Point out increased use of internet in the field of selling.
(24) The household items manufactured by Indian companies are facing stiff competition from low-priced Chinese goods. In order to combat this situation Radiance Ltd. has asked its salespeople to make frequent calls to its customers and attend to their needs and inquiries. Will this strategy help to win over customer patronage?
(25) The salespeople's professional life has changed a lot with the daily use of technological devices such as smartphones and email. How do they benefit the customers? Give your views.
(26) How MIS is helped by the internet?
(27) What is CRM? State the features of CRM.
(28) Explain the importance of CRM.
(29) How does selling improve with the use of CRM?
(30) Select a consumer durable making concern and study how it applies CRM programme for higher customer retention.
(31) What is professionalism in selling?
(32) What basic traits should salespeople possess to be called professionals?
(33) What is the concept of structure of sales organisation?
(34) Briefly explain any three structures of sales organisation.
(35) What is functional structure? State its merits.
(36) With the help of a diagram explain product based structure.
(37) Discuss market based structure and state its suitability.
(38) What is territory based structure? Point out its merits and demerits.
(39) Identify the need for hybrid structure. When is it suitable?
(40) A nationalised bank is currently using functional structure. It desires to convert its organisation structure into hybrid structure. As a student of sales management, what will be your advice?
(41) What is meant by distribution management? Describe its importance to business.

(42) Discuss role of distribution in current business scenario.

(43) What is distribution management? Explain the role of intermediaries in distribution management.

(44) Explain the role of intermediaries in facilitating smooth distribution.

(45) What is the role of intermediaries to distribute consumer goods in the city of Mumbai? Which channel members are indispensable?

(46) Describe the evolution of distribution channels.

(47) Why is it necessary to integrate marketing, sales and distribution?

(48) How would you integrate marketing, sales and distribution? Illustrate your answer.

(49) A FMCG company has decided to sell its products through zero-level channel. What advantages it is likely to enjoy and what obstacles it is going to face?

(50) Explain the qualities of sales manager. ***(Oct. 19) (April 19)***

(51) Explain any 3 structures of sales organisation. ***(Oct. 19)***

(52) Discuss the various development in sales management. ***(Oct. 19)***

(53) What is the role of sales department? ***(April. 19)***

(54) Elaborate the functions of sales manager. ***(April 19)***

(55) Explain the various structures of sales organisation. ***(April 19)***

(56) **Write short notes on:**

(a) Concept of Sales Management.
(b) Role of Sales Department.
(c) Evolution of Sales Management.
(d) Qualities of a Sales Manager.
(e) Diversity in Salesforce.
(f) Effectiveness vs. Efficiency.
(g) Internal Marketing.
(h) CRM and Selling.
(i) Professionalism in Selling.
(j) Functional structure of Sales Department.
(k) Importance of Distribution Management.
(l) Role of Intermediaries.
(m) Evolution of Distribution Channels.
(n) Integration of Sales.
(o) Integration of Distribution.

CHAPT

Market Analysis and Selling

2

What has happened in the part, will happen again and again and again.

— Jesse Livermore

Learning Objectives

(A) Market Analysis:

- Meaning
- Dimensions/Factors of Market Analysis
- **Sales Forecasting:**
- Meaning
- Definitions
- Essentials
- Short, Medium- and Long-Term Sales Forecasting
- Methods Techniques of Sales Forecasting
- Combining Qualitative and Quantitative Techniques
- **Sales Quota:**
- Meaning
- Definition
- Types
- Factors Determining Fixation of Sales Quota
- Assigning Territories to Sales People
- Concept/Meaning of Sales Territory
- Steps Involved in Assigning Territories to Salespeople

(B) Selling:

- Process of Selling
- Methods of Closing a Sale
- Reasons for Unsuccessful Closing
- **Theories of Selling:**
- Stimulus Response Theory
- AIDAS Theory of Selling
- Product Orientation Theory
- Need Satisfaction Theory
- **Selling Skills:**
- Meaning
- Types
- Communication Skill
- Listening Skill
- Trust Building Skill
- Negotiation Skill
- Problem Solving Skill
- Conflict Management Skill
- **Selling Strategies:**
- Meaning
- Softsell v/s Hardsell Strategy
- Client Centred Strategy
- Product-Price Strategy
- Win-Win Strategy
- Negotiation Strategy
- Difference Between Consumer Selling and Organisational Selling
- Difference Between National Selling and International Selling
- Objective Type Questions with Answers
- Question Bank for Self-Practice

(A) MARKET ANALYSIS

MEANING OF MARKET ANALYSIS:

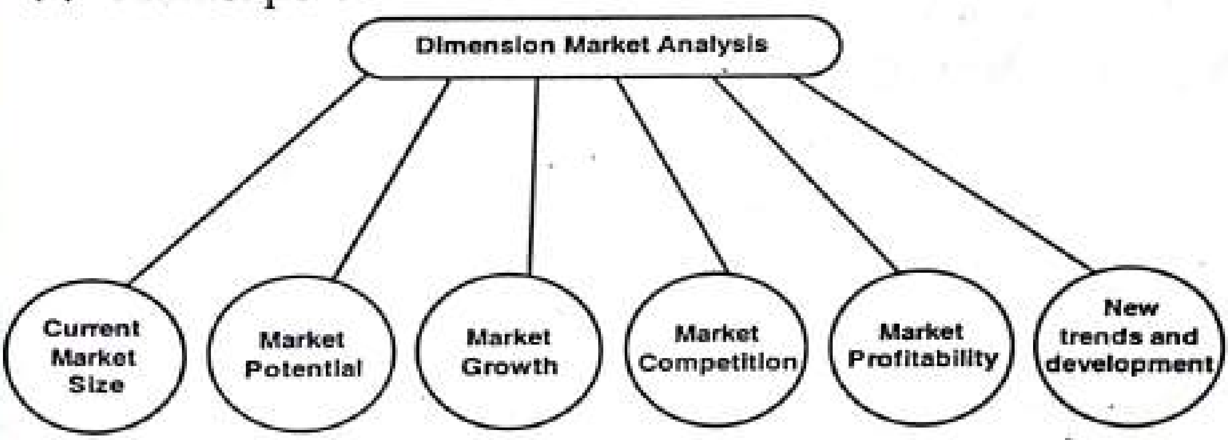
Market analysis is a study of the dynamism of the market. Primarily, it is a business plan that provides information regarding the market in which the business operates. Market analysis enables to prepare strategies based on which business can be operated. It also provides guidelines to decide whether it is financially worthwhile to continue the business. **It is a part of industry analysis.** It relates to an assessment indicating how suitable a particular market is for the industry. Market analysis is used not only to evaluate current market but also explore new markets. It determines attractiveness of the market. It can point out current and future risks of operating in a specific location. It also analyses the target market, conducts competitive analysis and identifies cultural and legal regulations. Marketing programmes should begin with a careful analysis of the market demand for products and services. Market consists of total number of prospective customers for products and services.

DIMENSIONS / FACTORS OF MARKET ANALYSIS

Market analysis helps to determine market situation in term of its attractiveness. Organisations conduct SWOT analysis to understand their capability to respond to the market changes based on market analysis. This analysis involves examining market data to identify patterns and predict future events. **David Aaker** outlined the following dimensions or factors of market analysis:

(1) Current market size.

(2) Market potential.



(3) Market Growth.
(4) Market competition.
(5) Market profitability.
(6) New trends and developments.

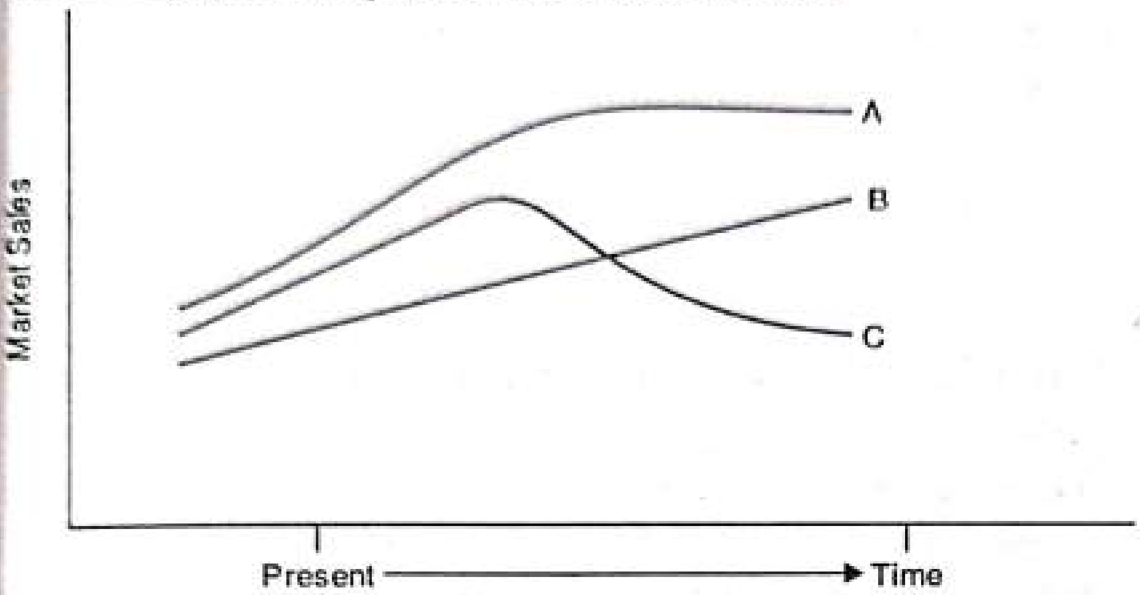
(1) **Current Market Size:** Market size is calculated on the basis of current sales volume and future growth potential. It is necessary to make appropriate assumptions regarding performance in market. The market size is determined by going through the information from sources such as trade associations, government data, customer surveys etc. Market size is composed of several sub-markets e.g., the market for cricket kit in Mumbai varies significantly. There is demand for cricket kit by professional players and clubs. Also it is needed by schools and colleges. Qualitative measurement of market size is based on sales turnover.

(2) **Market Potential:** Market potential is normally measured either by sales value or sales volume. Market potential indicates **possible or likely** market size. Market potential for gear bicycle may be worth Rs. 10 cr. per annum representing value or 5,000 units per annum representing volume. Market potential is a relative issue which changes with economic environment. Demand for automobiles and residential houses vary with rising and falling interest rates because people look for bank finance to meet their requirements. It is vital to examine the following three factors to establish market potentiality:

(a) Analysis of potential customer base.
(b) Analysis of competition.
(c) Analysis of current environment.

(3) **Market Growth:** Market growth refers to an increase in the demand for a particular product or service over a period of time. When consumers find the product or service useful at the present price growth is rapid. By contrast, market growth is slow if consumers find the product or service costly or it is not worth the money. The common market growth indicators are: demographic pattern, income and education level, lifestyle of users, changing customers' tastes and preferences,

influence of media etc. David A. Aaker has provided the following growth possibilities of a market:



Source: Strategic Market Management by David A. Aaker pg. 91

When we go through the diagram given above, we find that scenario A is ideal because it indicates market growth. Scenario B indicates status quo i.e. no change in market response. Scenario C is again a possibility because all markets do not react uniformly. It indicates adverse situation in the market. Decline phase in market growth is indicated by reduced brand loyalty, availability of better substitutes, emergence of stronger competitors, market saturation, economic recession and so on. Take the case of smartphones. With the widespread sale of smartphones the market for older models have vanished. Youngsters are more comfortable with the use of smartphones because it offers multiple usages. More functions in the smartphones has attracted one and all making it a grand success in India.

(4) **Market Competition:** Competition is the rivalry among sellers trying to achieve goals such as increased profits market share and sales volume by adjusting marketing mix. Business must evaluate competitors in the industry. Dimension of market analysis includes taking note of similarities and differences in key competitors' strengths. These strengths would include operational efficiency, product cost, brand recognition, market penetration, new market opportunities etc. In order to understand and evaluate

competition, business must obtain answers to the followi questions:

(i) Do competitors enjoy cost advantage?

(ii) What are the competitors' objectives and strategies?

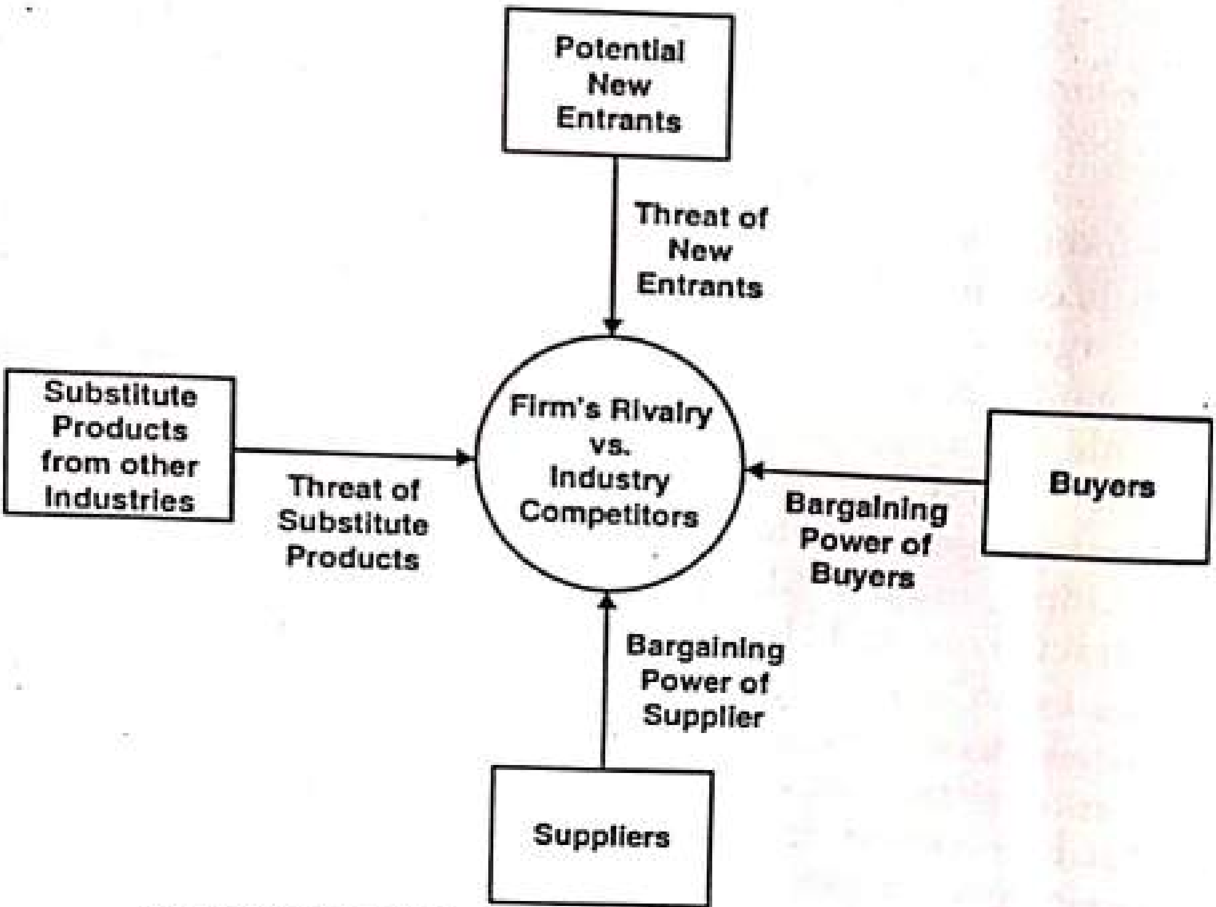
(iii) What is the result of SWOT analysis?

(iv) What are the reasons for the success or failure c competitors?

(v) What are the selling points of competitors?

(vi) What are the areas where competitors have edge over us etc.

When answers to these questions are obtained, it provide fair assessment of competition. **Michael Porter** presented fiv competitive forces that a business can face competitive threa from existing and potential competitors which are give below:



Source: Michael E. Porter - Competitive Strategy: Techniques for Analysing Industries and Competitors.

(1) **Threat of new entrants:** There is free entry of competitors in the market. Competitors well-equipped in

capital and possessing economies of scale can easily sail through. Such competitors lacking in capital and economies of scale will find it difficult to enter into the market e.g., a proprietor can easily run a travel agency but with the same resources he cannot enter into much complicated business of pharmaceuticals.

(2) **Bargaining power of buyers:** With **information revolution** customers are much better in the know of available goods and services in the market. Advertising plays a crucial role in keeping the customers well informed. Buyers know exactly about the full range of product and price options prevailing in the market. This makes them **empowered customers**. When a company depends on one or two large buyers, bargaining power of buyers improves.

(3) **Bargaining power of suppliers:** The monopoly supplier always exercises higher power as compared to a business that has many suppliers on its list. When a supplier is dealing with a company having many suppliers it cannot bargain for the best offer. He has to settle for most competitive offer. If he is not prepared to provide supply to the company, the business is never in trouble. The situation becomes alarming when the purchaser decides to self-manufacture the needed supplies.

(4) **Threat of substitute products:** Presence of substitutes products gives wide choice to consumers and no one business can dominate. Consumer loyalty can also shift e.g., with the alarming rise in number of diabetics in our country, sale of sugar substitutes has picked up significantly. Substitutes also secure good business when the price of the main product goes out of reach of the consumers. Many substitutes have good sale because of changes in the environment e.g., consumers buy bottled water because they fear tap water is contaminated.

(5) **Rivalry among competitors:** According to Michael Porter rivalry among competitors takes place because of the **first four forces** discussed above. There is rush among the competitors to occupy the topmost position and

Porter calls it *"advertising slugfest"*. Price and produ differentiation are the primary reasons contributing rivalry among competitors. The classic examples a warfare between Pepsi and Coke or between Airte Vodafone and Reliance cell phones. When Reliance ce phone announces a new scheme, it is rigorously followe by similar or dissimilar offers from Airtel and Vodafone.

Porter's Five Competitive Force Model

Competitive Forces	Reasons for Lower Profit Potential
Rivalry.	Various competitive tactics among rival lower prices that can be charged or rais costs of doing business.
Bargaining power of customers.	Customers force price reductions o negotiate increases in product quality and service at the same price.
Bargaining power of suppliers.	Suppliers threaten price increases and/ or reductions in the quality of goods o services.
Threats of new entrants.	New entrants bid prices down or cause incumbents to increase costs in order to maintain market position.
Threats of substitute products or services.	Availability of substitutes limits the prices that can be changed.

Source: Competitive Strategy by Michael E Porter pp 3-33

(5) **Market Profitability:** Profitability levels in an organisation are market dependent. Different firms have different levels of profitability. The average profit is used as a basis to know how much money a firm can earn. Profitability of a product is based on three major factors which are:

(i) Competition level in the market.

(ii) Product cost or cost structure.

(iii) Selling price of the product.

Conventionally, profit is measured as:

$$P_f = P - C$$

where,

P_f = gross profit per unit.

P = selling price of the product.

C = cost per unit.

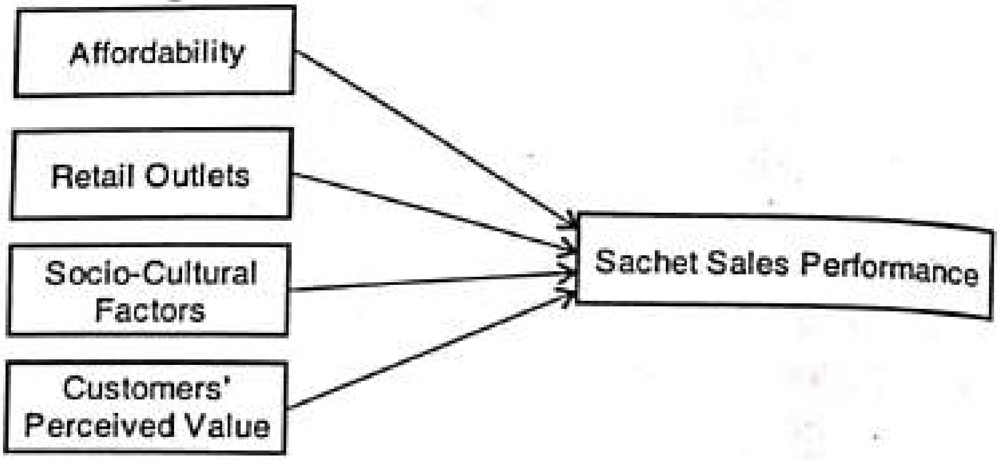
Total cost = Manufacturing cost plus selling cost.

When we look into the three factors mentioned above, a firm exercises control over its product cost. Selling price is influenced by market factors like price elasticity, market demand, prevailing competitive price etc. Market profitability establishes how difficult it is to make money in the market. In India, three top automobile companies viz., **Maruti Suzuki, Hyundai** and **Mahindra and Mahindra** hold 70% of market share. Market profitability of these three companies is reasonably good ensuring future growth. Take the case of Maruti. For the past five years the company has been consistently selling more than a million units annually.

(6) **New Trends and Developments:** The fluctuations in the market trends could be both opportunity and threat for a business firm. Market trends can be either industry specific or general. Industry-specific market trends influence firms that fall under the same industry. General market trends influence all firms irrespective of their industry group relating to regional trends, price sensitivity, nature of demand, prevailing competition etc. New trends and developments facilitate understanding future course and direction of the market. Marketing being an inexact and intuitive science has to constantly change and adjust to new consumers, their attitudes and behaviour and other changes in the market.

A new trend is now visible in India relating to digital launch which precedes mass media launch. Video as a medium first goes digital on channels like YouTube before it appears on television. Heavy users of digital media will be the first to see marketing and advertising efforts for a new brand or a brand re-launch. Such consumers provide mouth-to mouth publicity and influence the masses.

Selling products in a small quantity is a new development in India. Sachets are cheaper on a per unit basis e.g., shampoo is 50 percent cheaper per ml when sold in sachets. These sachets are easier to transport and customers find it convenient. Sachets are poor-friendly. Sachets facilitate buying less, more often. Tea, Shampoo, Wafers, Bisc Coffee Powder, fried snacks and other items are popu among the customers because they are available in sachet affordable prices.



Determinants of Sachet Sales Success

SALES FORECASTING

MEANING OF SALES FORECASTING:

Sales forecasting represents two words – sales and forecastin Sales means the transfer of some goods or services for som specific consideration. Forecasting means to estimate the future (the basis of past trends and present circumstances. Thus, sal forecasting refers to estimating sales of the company on the bas of past sales records, taking the present sales into account ar projecting future sales.

Sales forecasting is a prediction of expected sales. It coul relate to one product or a number of products. Although it is not scientific study but it is accurate. No matter how careful th forecaster is but some sort of deviation is bound to take place. A a practice, forecasting is done for a short period. A proper sale forecasting requires assessment of the following two sets (factors:

(1) Internal factors such as the product, quality, prices distribution, service and advertising.

(2) External factors which would include competitor's actions weather conditions, consumer behaviour and governmen policies.

Internal factors are mostly controllable whereas external factor are uncontrollable.

DEFINITION OF SALES FORECASTING:

Sales forecasting is *"an estimate of sales, in dollars or physical units, for a specified future period under a proposed marketing plan or programme and under an assumed set of economic and other forces outside the unit for which the forecast is made."*

– American Marketing Association

Sales forecasting is *"an estimate of sales during a specified future period which estimate is tied to a proposed marketing plan and which assumes a particular set of uncontrollable and competitive forces".*

– Cardiff and Still

Sales forecasting *"is the focus of integrative planning."*

– William Lazer

ESSENTIALS OF A GOOD SALES FORECASTING:

(1) **Simplicity:** Sales forecasting must be simple to prepare and easy to execute. Complicated or technically prepared sales forecasting will not only create problem of understanding but also create difficulty in achieving results.

(2) **Economy:** Economically prepared sales forecasting will not impose financial burden on the company. The preparation of a good sales forecasting should involve minimum possible time, energy and capital.

(3) **Stability:** Invariably sales forecasting is based on data. It is important to ensure that changes in the data are minimum. The results obtained on the basis of these data will be reliable because changes are within specified limits.

(4) **Accuracy:** The results of sales forecasting must be reliable and accurate. Every marketing plan is based on sales forecasting. Higher accuracy in sales forecasting will bring about more reliable results.

(5) **Utility:** The personnels devoted to the preparation of sales forecasting must be convinced that their work is of utility. This will keep them motivated who will provide best efforts.

(6) **Availability of information:** It should be the attempt of every company to collect and keep ready relevant data which will facilitate the finalisation of sales forecasting. The collection of data is a regular exercise round the year.

SALES FORECASTING – SHORT-TERM, MEDIU TERM AND LONG-TERM:

Short Term Forecasts: These forecasts are made for a peri ranging from few weeks to six months. They are geared to day-day operations. They are desirable when their activity is confined, that is, not feasible to look ahead a full year e.g., ma firms engaged in fashion merchandising prepare a forec covering one fashion season. While making short term forecasts is necessary to consider some factors which are subject to chan such as inventories, competitors' threats, new orders, bra hoppers etc. These forecasts are useful:

(i) To estimate inventory requirement.

(ii) To determine production feasibility.

(iii) To work out working capital needs.

(iv) To provide adequate shipping facilities.

(v) To fix sales quotas.

(vi) To establish production runs for each product.

Medium-Term Forecasts: These forecasts are prepared for period not exceeding two years. It is thought medium -ter forecasts are ideally suited for one year. In preparing medium term forecasts attention should be paid to government ta policies, bank credit, price trends, outlook for incomes, estimatin profits, operations schedules etc. It is necessary to meticulousl prepare these forecasts in order to find out the results.

Long Term Forecasts: These forecasts are generally for a perioc longer than two years. They are mainly used for strategic planning. They help to establish long-term goals, introduction of new product, enter new markets, adopt improved technology, develop new facilities, design better supply chain, adopt TQM and so on. **Hewlett-Packard's** long term forecasts are developed for two to six years whereas **Fiat**, the Italian auto maker, undertakes strategic plans that go into ten years. As the future of marketing cannot be accurately forecasted, it is advisable to keep ready alternate plans. Long-term forecasts are more detailed exercise because they involve heavy expenses. They facilitate:

(i) To anticipate the amount of capital expenditure.

(ii) To clear cash inflows from sales.

(iii) To establish long term personnel needs.

(iv) To keep ready future needs of raw materials.

(v) To adopt improved technology.

METHODS TECHNIQUES OF SALES FORECASTING

Methods/Techniques of Sales Forecasting

Qualitative Methods	*Quantitative Methods*
(1) Jury of Executive Opinion	(1) Correlation Analysis
(2) Sales Force Composite Method	(2) Simple Projection Method
(3) User Expectation Method	(3) Time Series Analysis
(4) Delphi Method	(4) Moving Averages Method
(5) Consumer Survey Method	(5) Sales Ratio Method
(6) Sales Hierarchy Estimate	(6) Regression Analysis

"Forecasting is like trying to drive a car blindfold, following the directions given by a person who is looking out of the back window." This statement should make it clear how difficult the sales forecasting can be. It is obvious that preparation of reliable forecasts requires adequate record of past sales, considerable time and money and qualified personnels.

QUALITATIVE METHODS / TECHNIQUES OF SALES FORECASTING:

(1) **The Jury of Executive Opinion:** The executives from production, marketing, statistics, research and finance are invited to develop a group forecast. The executives' judgement approach can be quick, easy and inexpensive. Such forecast is likely to be influenced by personal bias and inclusion of non-marketing executives can hardly be justified. Utmost care should be exercised to ensure that the basic data submitted to the executives is reliable.

Advantages:

(a) It is an economical method.

(b) It does not require collection and analysis of elaborate statistics.

(c) It provides forecasts easily and quickly.

(d) It is more realistic as it is made by the executives of t same organisation.

Disadvantages:

(a) It lacks scientific validity. The forecast may turn out to off-the-track.

(b) It is not possible to fix up responsibility for the fin forecast on any one executive.

(c) It may give biased estimate.

(2) **Sales Force Composite Method:** Under this metho individual salesman forecasts sales for his respectiv territories. The individual salesman's forecasts are combine and modified to meet management's conviction. It is judgement based method. This forecast is done by peopl who are closest to the market.

Advantages:

(a) The specialised knowledge of those company personne closest to the market is brought to bear on the forecasting problems.

(b) Forecasting responsibility is put on the shoulders of those who must produce the sales results.

Disadvantages:

(a) Salesmen are usually not trained forecasters and are ill-informed on the factors influencing sales.

(b) Many salesmen are born optimists and are inclined to overestimate their potentialities of making sales.

(c) This approach does not cover uncontrollable premises.

(d) This approach does not include historical data.

(3) **User Expectation Method:** This method is used particularly to forecast sales of industrial goods. There are limited users of industrial goods making it possible to survey them. The buyers of industrial goods make large volume purchases. Industrial buyers are located in the industrial belts. Most of the sales are direct to the buyers. As the buyers are professional, their behaviour is rational. This approach is best adopted for use in situations where the potential market is

made up of small numbers of customers and prospects. The manufacturer sells direct to users and customers are concentrated in a few geographical areas. Under such conditions it is feasible to survey a sample of customers and prospects, obtain estimated requirements for the manufacturer's product and project the sample results in order to obtain a sales forecast. The result of such surveys should be accessible for future reference.

Advantages:

(a) The forecasts are from the customers themselves.

(b) It provides readymade finance.

(c) It is highly suitable to forecast intermediate products.

Disadvantages:

(a) The buyers may not be always willing to discuss their purchase plans.

(b) At times, the buyers may not be clear about their consumption pattern.

(c) It assumes that buyer's plan once made will not change.

(4) **Delphi Method:** This method is used mainly for broad-based estimates of the future rather than sales forecasts. Under this method, experts are asked to give their opinion on the questionnaires. There is total transparency. Any information available with any one member of the panel is given to others. There is no question of majority opinion dominating the estimates. A checklist of questions is prepared and the panel members are asked to react to it. Their opinion and reactions are analysed. Any major difference on the issue is noted and members are allowed to interchange opinion. The final forecast is presented on case-to-case basis. Conflicts in opinions are settled during the course of the analysis. It is an open and democratic method.

(5) **Consumer Survey Method:** This method is a part of marketing research. A sample of potential buyers is selected and based on questionnaire, information is collected about their likes, dislikes and preferences. This method enables firms to forecast market demand. Often firms also use

consumer panels to obtain information relating to product quality, price, features and whether they would buy it. Consumers find it difficult to forecast their behaviour. There is always scope for impulsive buying. The positive response in questionnaire does not always translate into real purchases. This method is found effective where the number of buyers is limited. Sales forecasting is done by analysing the information obtained. When customers make initial payment or book the orders, the probability of buying increases.

This method is found effective to collect information relating to FMCGs. Test marketing is often a part of consumer survey method. In order to make consumer survey method successful, it is vital to include three factors: (a) the sample size (b) sampling pattern and (c) questionnaire. When the firm desires to make the survey broad – based it invariably adopts large sample size. Sampling pattern has to be representative of the population. The correctness of the information depend much upon the care with which the questionnaire is prepared. Further, to ensure that correct data is collected it is important to train the surveyors.

(6) **Sales Hierarchy Estimate:** At times, firm adopt sales hierarchy estimate wherein sales forecasts are made by sales management teams. This method is sometime called **stepwise estimate** because estimates are made at different levels of hierarchy starting from sales personnels to corporate sales manager. Sales personnels make estimate for their territory. The sales manager has a number of sales territories under him and he prepares estimates for his areas. The regional manager who is responsible for a combination of sales areas prepares estimates for his region. At every stage, persons responsible for their work prepare estimates based on their understanding and analysis of the market, competition, demand, consumer support and potential sales. The estimates thus prepared are sent to the corporate sales manager. The sales manager, based on his wide experience, will prepare the final forecasts on the basis of an average of these estimates. Ordinarily, there is no clash in the preparation of the final estimates. At times, problems arise

when the sales manager notices wide variation in the estimates. Under the circumstances, he sends the estimates at the appropriate hierarchy to take corrective measures and rectify the mistake. Psychologically, persons at different hierarchy will try to make simple estimates because if they make it difficult eventually they will have to work harder to achieve the target.

QUANTITATIVE METHODS / TECHNIQUES OF SALES FORECASTING:

(1) Correlation Analysis: Statistical techniques are used in correlation analysis to determine and measure the association between sales and one or more factors influencing demand. **Ferber** provides a brief description of sales forecasting by means of correlation – *"the method involves the fitting of an equation to explain the fluctuations in sales in terms of related and presumably casual variables, substituting for these variable values considered likely during the period to be forecasted and solving for the value of sales."* Hence, forecasting sales by this method is a three-step process. **(a)** Identification and selection of uncontrollable **(b)** Construction of a forecast of trends and **(c)** Derivation of a sales forecast from the forecasted values.

(2) Simple Projection Method: Under this method, current year's forecast is worked out by adding an assumed growth rate to the last year's sales. Some firms go by the industry growth rate and project the same accordingly. While some other take the growth rate adopted by the industry leader. This method becomes dependable only if the year by year sales are stable and show an increasing trend.

Advantages:

(a) Simple projection method provides ready forecast.

(b) This method of projection is simple and calculation is easy.

Disadvantages:

(a) This method takes into account only past sales as a factor determining future sales thereby not considering environmental changes.

(b) Sales year after year do not remain stable.

(3) **Time Series Analysis:** This method uses mathematical projection. Time series is a set of chronologically ordered points of raw data. It considers sales of a given product achieved each month for several years. It takes into account four kinds of sales variations viz.,

(a) seasonal variations;

(b) changes in the business cycles;

(c) long-term trends of sales; and

(d) irregular or unexplained variations.

An analyst by isolating and analysing these variations in sales can estimate with reasonable accuracy the probable level of sales for future.

Advantages:

(a) It is an objective method.

(b) It is suitable for long-range forecasts.

Disadvantages:

(a) It fails to explain why the trend is not going as it should.

(b) It involves comparatively more calculations.

(4) **Moving Averages Method:** While forecasting the future sales figures, the method helps to remove the effects of reasonable changes and other irregular trends in sales. This method can be applied where data is maintained for a minimum period of two years. This method is extension of time series analysis. Each point of the time series is the weighted average of a number of preceding consecutive points of the series.

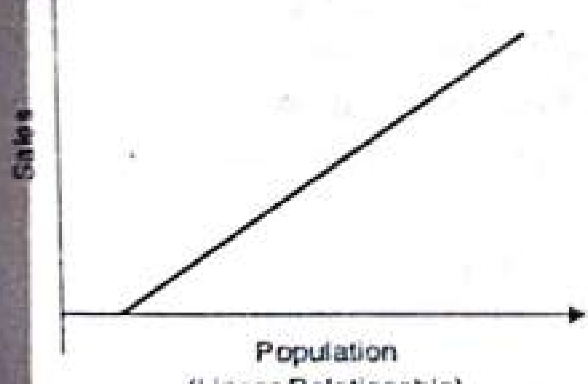
(5) **Sales Ratio Method:** Sales ratio is a valuation metric. It is calculated by dividing the company's market cap by the revenue in the most recent year. Sales ratio is estimated on the basis of past trends and is shown as:

$$\frac{S_t}{S_{t-1}}$$

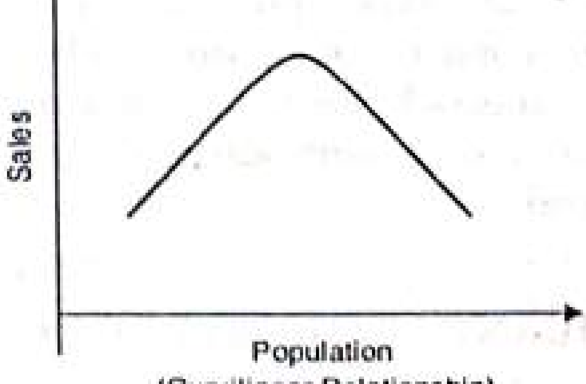
S_t: Sales during the current year and S_{t-1} = sales during the previous year. If the ratio is multiplied by 100 it shows the annual growth rate in sales. As a practice, companies consider data of five years to calculate sales ratio. It is found suitable to project short-term or medium-term forecasts. In case, the company desires to project forecast for long-term a longer time series of, say, 15 years may be used. In order to make the forecast more accurate, data should be smoothened as 3 years moving average.

(6) **Regression Analysis:** Regression analysis is a statistical process for estimating the relationships among variables. It focuses on relationship between dependent variables and one or more independent variables. Independent variables are developed through correlation analysis. There is only one independent variable with regard to simple regression model. Multiple regressions use two or more independent variables e.g., population and size of salesforce or population, income and size of salesforce. The relationship between the dependent and independent variables can be either **linear regression** or **curvilinear regression.** Linear regression assumes the relationship to be a straight line e.g., when population increases, sales also increase or when population decrease, so does sales. Curvilinear regression produces a line that is not a straight line as shown below:

The diagram given on the next page indicates that sales increase as population increases upto a certain point. Hereafter sales begin to decline.



(Linear Relationship)



(Curvilinear Relationship)

Regression analysis is widely used for forecasting. It is used to understand which independent variables are related to the dependent variables and to bring out the forms of these relationships. The performance of regression analysis depends on the form of the data generating process. Regression analysis assumes that it is possible to find out the unknown values of dependent variable from the known values of independent variable. When the relationship is identified between these two variables, it is possible to know the value of one when the value of the other is given. By finding out this relationship, it is possible to undertake sales forecasting.

COMBINING QUALITATIVE AND QUANTITATIVE TECHNIQUES:

The combination of qualitative and quantitative technique is represented by the term **triangulation.** Triangulation refers to designing combination of several qualitative and quantitative techniques to obtain realistic sales forecasts. Qualitative techniques are judgemental whereas quantitative techniques are objective. Sales forecasting can be more reliable and accurate provided these two techniques are joined together e.g., sales ratio can be combined with salesforce composite method. Likewise, jury of executive opinion can be combined with regression composite method or jury of executive opinion can be combined with regression analysis. Qualitative and quantitative techniques can be conducted at the same time. Qualitative technique can be continuous whereas quantitative techniques are used to measure changes. Qualitative techniques can precede quantitative techniques e.g., we expect consumers to spend lavishly during festivals. When purchases are low during festival time, the firm can conduct qualitative techniques to find out the reasons for unexpected consumer behaviour. Both techniques complement one another and are not rivals. In practice they work hand-in-hand.

SALES QUOTA

MEANING OF SALES QUOTA:

Sales quota can be expressed either in rupees or in units of goods and services sold. Sales quota is the minimum sales goal for a given period of time. It is fixed slightly higher than the estimated sales to encourage salesforce to work hard. Sales quotas are the sum of the total sales of a future period. Sales personnels are handed over the assignment at the beginning of the period. Sales quota is an amount of target sales that is estimated on daily or monthly basis. When the sales personnel succeeds in achieving the target, it indicates his ability and competency. Individual sales target figures are assigned to each sales unit such as sales person, dealer, distributor, region or territory for a specified period such as month, quarter and year. Sales quotas provide a means for determining which sales units are doing an average, below average or above average job. It is the yardstick to measure sales performance. Quotas are designed to keep selling expenses within limits. Companies may use quota to motivate sales persons to increase their earnings through higher commission and bonus, when quota is surpassed with better performance. If sales persons fail to attain the quota, the company can take corrective measures to rectify the situation. A good quota plan is SMART:

S = Specific: Necessary to concisely and precisely define the goal.

M = Measurable: Quota should be so defined as it is easy to measure.

A = Attainable: Goal should be within the reach of the employees. Realistic and achievable quota required.

R = Relevant: Goal should be connected to return on investment.

T = Time Specific: There should be a time or date by which the goal should be achieved.

DEFINITION OF SALE QUOTA:

"A sales quota is the sales goal set for a product line, company division or sales representative. It is primarily a managerial advice for defining and stimulating sales effort."

Philip Kotler

"Sales quota is the goal of sales accomplishments, a task, objective or a standard that sales organisation strives to attain."

TYPES OF SALES QUOTA

There are different types of sales quotas established by the companies. The type of sale quota found suitable in a company is mainly influenced by nature of business, design of organisation and competition prevailing in the industry. S quotas are of the following types:

(1) Sales Volume Quota.

(2) Sales Budget Quota.

(3) Sales Activity Quota.

(4) Combination Quota.

(1) **Sales Volume Quota:** Sales volume quota is the oldest an the most common type. It communicates, "how much fo what period." The smaller the firm, the more effective th quota to control sales operation. It is set for geographica areas, product lines and marketing channels. This type o quota facilitates to evaluate the performance of individu salesman, intermediaries and branch e.g., if a salesman has t sell 50,000 units of stationery items from April to June the this is called sales volume quota for three months. This type of quota can be set for geographical territories, differen product lines, different marketing intermediaries or for a combination of these. Ordinarily, annual quota is divided into specific time periods such as weeks, months, and quarter. It is broadly used in two situations: **(a)** When prices fluctuate considerably and **(b)** When narrow product lines are sold at stable prices. When selling broad product line, quota is set in monetary terms for each sales unit separately e.g., salesmen selling furniture items in specific sales territory fulfil sales quota in monetary terms.

Some companies use **points** with regard to sales volume quota, when they use money or unit sales or both. A multi-product firm may fix a point volume quota. Where sales of one unit will bring a certain point, whereas the other will bring a higher point for the salesmen e.g., when a salesman is assigned a quota of 40,000 points by the sales manager, he is supposed to get sales order of 40,000 points as a combination of any product mix of the firm. It fulfils management's expectations of the minimum level of performance for a given period of time. As a practice, sales volume quota is determined on the **basis of past sales.** Under this approach, percentage increase in the market is determined and added to the last year's quota. The last year must be a normal year.

(2) **Sales Budget Quota:** This type of quota is sometimes called **Financial Quota**. The objective of setting budget quota is to inform salespeople that they are responsible not only to obtain the desired sales volume but also to earn good profits. ***The cost to acquire customers should be less than the revenue generated from those new customers.*** Companies emphasise on expense quota in order to control the cost of selling (travelling) and selling expenses along with the cost of acquiring customers. Salespeople are offered financial incentives to control their own expenses. When salespeople incur lesser expenses to obtain sales, they are given expense control bonus. Where a salesman maintains his own motorbike he is likely to make more number of calls and also realise higher sales. If the result is positive, the sales manager will sanction expense control bonus. When salesmen go out of station on official visit, management sanctions fixed budget within which they have to manage lodging and boarding.

Companies want salespersons to generate profitable sales rather than mere sales. This is because profits enable business not only to survive but also show excellence. Salespersons remain motivated to cut down their expenses and increase sales leading to increased profits. In working like this, salespersons achieve higher net profits. The company can determine the net profits by subtracting the cost of goods sold and the direct selling expenses from the sales volume. On regular basis, the sales manager has to monitor the performance and expenses of the salespersons to manage profitable sales. When sales budget quota is well managed, it enables the companies to earn good profits regularly.

(3) **Sales Activity Quota:** The total sales of a company is directly dependent on the activities of salespersons. All of them are not involved in sales realisation e.g., a retail salesperson has the job of providing information only. These salespersons not only generate sales but also develop the market by undertaking certain activities such as:

(a) Number of old customers contacted.

(b) Number of new customers contacted.
(c) Number of calls made to recover dues.
(d) Number of distributors/dealers contacted.
(e) Presenting product demonstration.
(f) Number of new accounts opened.
(g) Number of emails to potential clients etc.

Activity quota set objectives for job related studies. Th type of sales quota is of great help to inexperience salespersons who tend to place emphasis on the wror activities. This type of quota is commonly used i pharmaceutical industry and insurance sector. Activity quo shows proof of work even if the result is not obtaine Activity quota helps to find out the strengths and weakness of the salespersons by looking at the amount of quo completed e.g., a salesperson is asked to complete 10 col calls per month and try and convert them into sales. If th salesperson succeeds in getting some calls converted int sales, it indicates his calibre and competency. Where th salesperson fails the company can provide interpersonal an communication skills to improve his performance. Activit quota suffers from the problem that non-selling activities ar not quantifiable and cannot act as a basis for reward.

Comparative Activities:

Persons	Number of Calls	Number of Orders	Order/Call Ratio	Actual Sales	Average Salesperson's Order	Total Customers
Arvind Fernandes Mehra Jitesh						

(4) **Combination Quota:** Combination quota control performance of both selling and non-selling activities. The most common combination is the sales volume and activity quota e.g., a salesperson can set target of 500 calls per month, identifying 70 prospects, regaining 25 lost customers and developing 15 new accounts. Sales performance is calculated based on selling and non-selling activities. It overcomes the difficulty of using different measurement units to appraise

different aspects of performance. Performances are computed as percentage known as **points systems**. This quota normally uses **points** as common measuring tool to win over the difficulty of evaluating the different units. Under this type, rupee sales volume and activity quotas are combined. Combination quota suffers from certain problems:

(a) Salespersons may face difficulty in understanding and appraising their own achievements.

(b) Salespersons may place too much emphasis on one component activity.

(c) Often reduces the expected understanding level of the job for a newcomer.

Combination Quota:

Type	Quota	Actual	Percentage	Weight	Points
Sales Volume	50,00,000	52,00,000	104	3	312
Selling Expense	5,00,000	5,20,000	96	1	96
New Customer	10	13	130	4	520
Total					928

FACTORS DETERMINING FIXATION OF SALES QUOTA

(1) **Analysis of the Past Sales:** In order to maintain accuracy, it is necessary to consider sales during a longer period of time. This will depend on the availability of past records. These records and data are kept, tabulated and analysed. Quotas that really help management is based on statistics. These statistics combined with a knowledge of market conditions, sound judgement and common-sense enables setting of accurate quota. If performance of only last year is taken into account it may give misleading data. It is always desirable to consider an average of three or five years. It may not always result in increase of quota. Sometimes quota can be reduced also.

(2) **Buying Capacity of Customers:** All sales territories do not have the same buying power or the same need for the product. One area can give little more than another. At times, a territory may have a very high sales potential but requires a

long period of hard work. Hence during the initial period it can only carry a small quota. Further, all salespersons are not having uniform ability. No business can afford to sell only in the most lucrative areas neither can it hope to employ only result-oriented salespersons. Buying capacity of customers becomes the barometer to decide the quota. Certainly, a territory with financially well-off buyers will get higher quota. Rest depends on the ability of salesforce.

(3) **Degree of Competition:** Degree of competition is an important factor to consider while determining sales quota. In case, the competition is acute, chances are lower quota is assigned. On the other hand, where competition is weak, higher quota is determined. If lead is established over the competitors, it is feasible to establish higher quota because of the possibility of attaining higher sales.

(4) **Demand Trend for Industry:** Every industry is known to indicate demand trend. This trend may be fluctuating upward or downward. The causes of this trend should be understood to set more realistic quota. Demand trend is ascertained through past performance charts and data. Take the case of automobile industry. Major transitions are under way. Three powerful factors will determine fixing sales quota viz., shift in consumer demand, expanded regulatory requirements and adequacy of data and information.

(5) **Potentiality of Territory:** Companies create a territory based on geographical population and sales potentiality. This territory is assigned to salespersons to achieve sales quota. Much depends on the potentiality of the territory. In case the territory relates to metro cities or tier I cities, adequate information is available from the secondary sources based on which quota can be assigned. Small companies have to collect their own data to decide about quota. Generally, the potentiality of territory is linked to purchasing power of the buyers and the extent of competition.

(6) **Estimate of Salespersons:** Few progressive companies consider the opinion of salespersons to decide about quota. It is assumed that these salespersons are well-versed with their territories. They are in a position to give estimates about the

approximate sales to be generated. Much depends on honesty and objectivity of the salespersons to present fair estimate about the territory. There is a possibility that some salespersons may have the feeling that if they give higher estimates, they will have to work hard. Therefore, the estimates given may involve controversy.

(7) **Sales Policies and Strategies:** No business can flourish unless it practices sale on credit. Credit has become an integral part of today's selling. With cashless transactions catching up in India sale on credit has emerged as a basis to sell more. Along with this the quality of goods, instalment payment facility, discounts etc. motivate customers to buy the products. Under the circumstances, it is possible to increase sales quota. Sales strategy is a comprehensive plan to get customers to buy products and services. It focuses on making the sale rather than increasing the visibility of the company.

(8) **Economic Cycle:** Economic cycle is the fluctuation of the economy between periods of growth and recession. During the period of growth, market is more receptive and consumers are prepared to spend money. There are more economic activities and companies assign higher sales quota. Recession is temporary decline in economic activities. As consumers become savings conscious, companies assign lower sales quota. Accordingly, salespersons adjust their work but are responsible to achieve their quota.

(9) **Production Capacity:** The determination of sales quota is also influenced by production capacity. When the production is increased, companies are forced to enhance sales quota for the salespersons to ensure that more products are sold in the market. When, due to economic reasons, production is restricted, companies assign lower sales quota. Once again, to help the salespersons to fulfil their quota. Precisely, production capacity keeps fluctuating depending on market conditions.

(10) **Standard of Living:** Income of the people and their consumption habits also affect the size of sales quota. The sale of capital goods and luxury items largely depends on the economic wellbeing of the consumers. Consumption habits

are the index to judge the standard of consumers. Such consumers are certain about the products and services needed by them. If salespersons can provide the same, sale is made. In a market having economically poor consumers mostly items of necessities are sold. Companies adjust their sales quota in the light of economic prosperity.

CONCEPT/MEANING OF SALES TERRITORY

A sales territory is a grouping of customers and prospects assigned to an individual salesperson. Most companies allot salespeople to geographic territories consisting of current and prospective customers. Control units working in sales territories include states, metros, cities, districts, towns, pin code area, industrial estates and major customers. Information about current customers are available from the company's sales analysis and market research reports. Sales territories are assigned to salespeople on the basis of their abilities and effectiveness in the market. Sales territory is a basic unit of sales planning and sales control, representing a certain segment of the future sales and profits of the company. Sales territories are carried out in order to secure maximum coverage of market and to control selling expenses. It helps to meet competition more effectively because salespeople can concentrate their efforts in the area assigned to them. In order to ensure economical coverage salespeople are given territory of proper size who can conveniently attend to customers' needs. Importance of sales territories lie in:

(i) Preventing duplication of efforts;

(ii) Providing proper and efficient routing of salespeople;

(iii) balancing sales responsibilities and the work of each salesperson;

(iv) enabling sales manager to compare selling possibilities of each territory and the performance of each salesperson; and

(v) controlling salespeople intelligently to meet competition.

ASSIGNING TERRITORIES TO SALES PEOPLE

Sales territories are defined on the basis of geographical boundaries. It is the geographical area that identifies and serves a category and a certain number of customers. There are some situations where companies build sales territories on the basis of the urgency and frequency of customer requirements rather than geographical coverage. A territory is a salesperson's battleground. It is the turf that he defends. Territory assignment is a complex process. Territories are drawn in such a manner as to minimise the time and travel expense of serving customers. The companies try to balance the potential sales in each territory to compare sales efforts and results e.g., a pharmaceutical company may assign a territory in the city of Mumbai where there is high concentration of hospitals, health centres and clinics. Another medical representative who is assigned distant suburbs need to be given much smaller quota. Without this balance, the company will assign salespeople either too much or too little work. In order that sales territories are properly assigned, the sales manager must consider the following:

(a) Preparing balanced workloads.
(b) Exploring sales potential.
(c) Developing compact territories.
(d) Minimising disruptions.
(e) Ensuring good service throughout.

STEPS INVOLVED IN ASSIGNING TERRITORIES TO SALESPEOPLE

(1) **To define sales territories:** The success of selling programme largely depends on proper definition of sales territories. When sales territories are properly defined in terms of company's marketing plan and customers' expectations, the company can get optimum benefit from territories. The most common criteria is to base the territories on geographical basis. Territories should be so defined that the expected commission for each salesman may be roughly the same. Territories should neither be too big nor too small. The company should create a master list of all actual and potential prospects in territories.

(2) **To collect data:** Most companies use some form of analytics software to figure out the best way to establish their sales

territories. The quality of allocation depends on the quality of data. Companies rank customers based on the percentage of revenue they generate and time spent servicing them. Da should be collected about the location of customers and ho much time a salesperson spends servicing them in person o on phone. Data collected from primary sources is costly bu highly reliable secondary data is only supportive. Normally separate marketing mix is worked out because of diversifie nature of consumers.

(3) **To consider consumers:** It is necessary to find out th differences between one customer group and the other i terms of their needs and their likely responses to the product and services. Having noted consumer characteristics an wants, it becomes easier to identify sales territories. By taking into account demographic and behavioural traits o consumers, it is possible to assign territories to salespeople.

(4) **To consider presence of competitors:** The role of competitors is highly unpredictable but the company understands tha their presence will create obstacles for salespeople. A sales territory that has many competitors will make the task of salespeople difficult and where there are few competitors, salespeople are going to give better performance. Entry into the sales territories and exit from them are both voluntary. Competitors should be faced boldly.

(5) **To evaluate territories economically:** Companies conduct cost-benefit analysis to determine which territories they should adopt. It is desirable to estimate the potential levels of purchase by the consumers. Companies concentrate on those territories that are likely to generate higher sale. Territories having good infrastructure reduce expenses of marketing as compared to those territories which lack proper infrastructure. Sales territories which offer higher potential and is convenient from the marketing point of view is considered favourably and salespeople are assigned the work.

(6) **To allocate territories:** While allocating territories to salespeople companies should consider various parameters

such as size, density of consumers, nature of market etc. Every salesperson would be given optimum size of the territory with uniform distribution pattern in the form of market coverage. When an optimum size of territory is assigned to salespeople it helps them to serve the customers properly with motivation and willingness. Consumers get quick and efficient after-sales service, prompt disposal of complaints and individual satisfaction due to the regular visits of salespersons. The allocation should be so done that duplication of efforts is avoided.

(7) **To review territories periodically:** Review of sales territories is an ongoing process. Such reviews will take care of the changes influencing the business. The sales manager must be careful not to mess with the territories too often because this will hurt relationship with customers. It is important to perform regular maintenance on the territories to ensure they are functioning well. There is no hard and fast rule but companies conduct reviews twice a year. This exercise enables them to take correct measures to minimise or remove deviation.

(B) SELLING

PROCESS OF SELLING

MEANING OF PROCESS OF SELLING:

Essentially, process of selling consists of the series of steps followed by salespeople while selling products and services. Process of selling is largely considered to be a psychological process. It involves intellectual efforts on the part of salespeople to impress the prospective customers to make purchases. Selling involves tactful persuasion. Salespeople must know their sales talk in order to convert the prospective customers into actual buyers. They must possess the knowledge what to say, when to say, how much to say and when to keep quiet. In performing selling activities, the salespeople get involved with customers, elements of marketing mix, organisational functions and environmental factors. They participate in all phases of the marketing activities. It is said **sales process is 90 percent** preparation on customer handling strategy and 10 percent on sales presentation. Selling process is an orderly arrangement in which a salesperson can respond to the decision making process of the customers and close the sale at the end of the process. In order to obtain orders in future he follows up the existing customers. He can also measure the success and customer satisfaction level of the current products and service offerings. Companies attach lot of importance to pre-sale presentation. Here the salesperson acquires product knowledge, learns about his company and the market, becomes familiar with competitive products and prices, acquaints with category of customers to target and cultivates selling techniques that he will apply during the sale. **Process of selling consists of the following stages/steps:**

(1) Prospecting.
(2) Pre-approach.
(3) Approach.
(4) Presentation and Demonstration.
(5) Handling Objections.
(6) Closing.
(7) Follow up.

(1) **Prospecting:** Prospecting relates to developing a list of potential customers. *Prospecting is the process of identifying prospects based on how well they match certain user characteristics.* Salespeople are interested to identify who really need offerings; who have the ability to buy and the willingness to pay. The names of prospects are collected from published materials such as telephone and trade directories, yearbooks, who's who, Trade Association lists etc. **The process of collecting customer data and checking lead customers is called prospecting.** Lead customers relate to those customers having desire and need to purchase the product but having inadequate purchasing power. The prospects have current demand for the product and get substantial benefits from its possession. The salesperson identifies the current stage of decision making of the customers and then takes them higher in the decision making process to obtain sales. On the part of consumers, they move from the stage of awareness about the product to being interested in them. Hereafter, they evaluate the alternatives before making final purchase. According to **David Ogilvy,** "Non-addition of new customers is a process

of bleeding towards death". The salesperson is able to concentrate upon those prospects that are target customers and avoid those who appear to be unprofitable prospects. Prospecting can involve **cold-calling** as well as reaching out to leads that have gone cold. Cold calling means calls made to individuals and businesses who have not been informed in advance about the call. The salespeople can help achieve return on investment by creating a steady stream of opportunities for the company. Prospecting is the act of seeking out new customers for business. It is associated with a goal of increasing the customer base of the company and generating new sources of revenue. The following are the common methods of prospecting:

(i) Email.
(ii) Networking.
(iii) Cold Canvassing.
(iv) Endless Chain.
(v) Telemarketing.
(vi) Trade Shows/Demonstration.
(vii) Centre of Influence.
(viii) Non-competing salesforce.
(ix) Observation.
(x) Friends and Acquaintances.
(xi) Prospect Pool.

(2) **Pre-approach:** Pre-approach means **sizing up** the prospects with regard to their buying motives. The salesperson is expected to collect information regarding education, age, social status, habits, financial status, buying habits and so on. This will enable him to plan his 'sales talk' when he actually approaches the prospects. As selling is a continuous process, it is difficult to point out when the job of prospecting ends and the job of pre-approach begins. A clear-cut demarcation between prospecting and pre-approach does not exist. A wise salesperson tries to obtain as much information as possible about the prospective buyers. Armed with all possible knowledge about the potential customers, the salesperson can plan his sales campaign intelligently. The more the salesperson is aware of the potential customers, the better he is able to influence them through well-placed sales presentation. ***All the preparations made before approaching the prospects is called pre-approach.*** Pre-approach involves information-gathering activities. A thorough knowledge of

product features, performances, capabilities is also gathe besides the knowledge about competitor's prod environmental conditions, company policies and procedu allowances, services and warranties and so on.

(3) **Approach:** ***Approach consists of making the initial conta with prospects.*** Making an appointment to see the buy increases the chances that the salesperson will have t buyer's attention during their meeting. Approach is systematic way involving a series of steps that enables th salesperson to make more sales through referrals, increa margins and close more deals. Approach is *"custome centric"*. The salesperson comes into direct touch with th prospect through email, phone calls, personal letters, visitin cards etc. He should begin his sales talk with confidence, ski and tact. He is expected to be courteous in his expression and well-balanced in his arguments. In order to make favourable impression with prospects, the salesperson shoul be professionally attired and make good eye contact. Each cal starts with an introduction followed by small talk. Normally, approach takes few initial minutes and this can make or break the entire presentation. What type of approach would be suitable, depends upon the salesperson's preferences, products being sold, company's resources and the characteristics of the prospects. The prospects are convinced that it will be rewarding to spend time with him.

There are different approaches adopted by the salespeople such as (a) benefit approach (b) referral approach (c) introductory approach (d) product approach (e) consumer centric approach etc. The most commonly used approach relates to consumer benefit approach where salesperson begins by saying "Would you like to save your costs by 20 percent through buying lap machine and also save 10 percent on maintenance cost?" Introductory approach is also quite common wherein the salespeople introduce themselves and the company. The salesperson must ask the right questions at the right time. He can ask open-ended questions allowing prospects to open up his mind and enabling salesperson to understand the motives of the prospects. However, only few questions will be close-ended.

(4) Presentation and Demonstration: Sales presentation is a persuasive, vocal and visual explanation of a proposition. The salesperson presents the *selling points* of his products to prove their utility. Effective presentation is the crucial step in the process of selling since it seeks to condition the prospect's mind to buy the product. According to **Russel and Beach,** "*A sale is made not in the mind of the salesman, not over the counter or desk, but in the mind of the buyer.*" The objective of presentation is to convince the buyer that the product of service being sold will satisfy his needs better than the competitive brand. For each feature and advantage that a salesperson presents, he should also present one or more benefits of that feature to the buyer. A prepared sales talk is of advantage to make organised presentation. Sales talk becomes appealing when it is supported by personal feelings. Try and keep the presentation simple. Talk from the point of view of the prospect. Point out how the product or service will help to solve the problem. The key to successful selling lies in making credible statements. Sales presentation closely follows AIDA formula. Presentation follow the 4 Ps: (a) Prepare (b) Practice (c) Perform and (d) Perfect.

Some consumer durable products are better sold through demonstration. It helps to answer the inquiries of the prospects. Demonstration is considered effective because it:

(a) increases retention;

(b) strengthens the message;

(c) lessens misunderstanding;

(d) creates unique and lasting impression; and

(e) establishes the professional approach.

Getting customers involved in demonstration will not only increase sales but also increase the value of what is being sold e.g., when a salesperson helps a customer to try out shoes, this participation lays the foundation of a satisfying buying experience. The need-satisfying characteristics of the product are demonstrated. The prospect may be made to understand the benefits of the product. The salesperson may also sh the survey reports, relevant data, component parts of product etc. The prospect must be convinced and an inter in processing the product must be assured. "**You and not** attitude must be followed.

(5) Handling Objections: ***Opposition to the salesperso request is called sales objection.*** Objections are rais anytime from the introduction to the close. There are certa objections which can be anticipated and their answers a kept ready before the sales interview takes place. Son objections cannot be anticipated because they arise on t spur of the moment. Objections are "***adverse reasons arguments***". Behind each objection lies a sense of fear, a element of mental reservation or some hesitation on the pa of the prospect. Salespeople must welcome objections becau they enable them to understand how the sales talk is gettin registered in the minds of prospects. It is easier to deal wi those prospects who speak up their mind as compared those who do not speak. At times, objections are excuses fo not buying. An objection is always interpreted as "I am no yet ready for the real buying." It is the responsibility of th salespeople to remove doubts and suspicions about th quality, quantity, price, contents, usage of the product etc The prospect can raise objections when he feels th advantages of the product is exaggerated. Likewise, he raise objection when he fails to understand proposition of th salesperson. Objection is also raised when the customer ha bias towards similar products available in the market Attentive listening is necessary before responding to a customer's objections.

Methods of Handling Customer Objections:

(1) Direct denial method: As the name indicates, this method directly denies the objections of the customers. It is not a good method because the customer will feel offended.

(2) Indirect denial method: It is the most widely used method. It is a compromise because both salesperson and customer agree that they are right but there is the other side of the problem to consider also. It is also called **yes but** method.

(3) **Boomerang method:** Senior and experienced salespersons use this method. The objection raised by the customer often comes back to him as a valid reason to buy the product.

(4) **Comparison method:** Salesperson points out similar products available in the market and tries to remove objections by comparing the benefits of his products with others.

(5) **Pass out method:** When the objection is of insignificant nature, the salesperson will try to smile and pass out the objections because it does not deserve thoughtful reply.

(6) **Testimonial method:** Often salespersons use celebrity endorsements to counter customer objections. They stress that the celebrities are happy to use the product.

(7) **Question method:** Salesperson asks questions regarding objections. Objections are answered with the word why. The word why opens up the discussion resulting in sale.

(8) **Compensation method:** It upholds the validity of the objection but the salesperson points out advantage of the product that is likely to compensate for the objection such as longer lasting, better quality, lower price etc.

(9) **Another angle method:** The salesperson requests the customer to look at the positive side of the product and not to consider negative aspects. He emphasises that benefits will outnumber disadvantages.

(10) **Narrative method:** Salespeople enjoying the **gift of the gab** can fruitfully use this method. They listen to the objections of the customers and objections are answered through narration of a story where customer gets his answer.

) **Closing the sale:** Closing the sale is the final stage in the selling process. The salesperson makes *effective summarisation of selling points*. He tries to stimulate final purchase of the product. Low pressure sales are closed more easily as compared to high pressure sale. In case of low pressure s the customer feels he is pushed to the decision to buy. T salesperson should tactfully request the customer to book order. He must compliment his decision to buy and assu the customer of the best of services. He must assure earli delivery. **Most of the sales are lost at the eleventh hour.** T salesperson should not become lethargic when the custom is about to place the order. He must remain vigilant all t time and ensure the sale is obtained. The salesperson ma employ "trial close" by asking questions that assume t customer will buy the product. The salesperson can as questions relating to delivery arrangements, terms payment, desired colours and sizes, quantity to be bought et Sale is closed by considering mood, attitude and perceptio of the customers. It is necessary that the salesperson throug proper prospecting, presentation and demonstration shoul keep the customer attentive on the sales talk so that he doe not change his mind. The salesperson should make hi customer say "yes" in the major part of conversation. He ca also influence customer's thought by saying that the produc is best suited to his needs or you will not get a better deal o you will not regret your decision to buy. Some of the effectiv ways to close the sale are:

(a) offer incentives like price discount or free sample;

(b) telling stories how others have benefited;

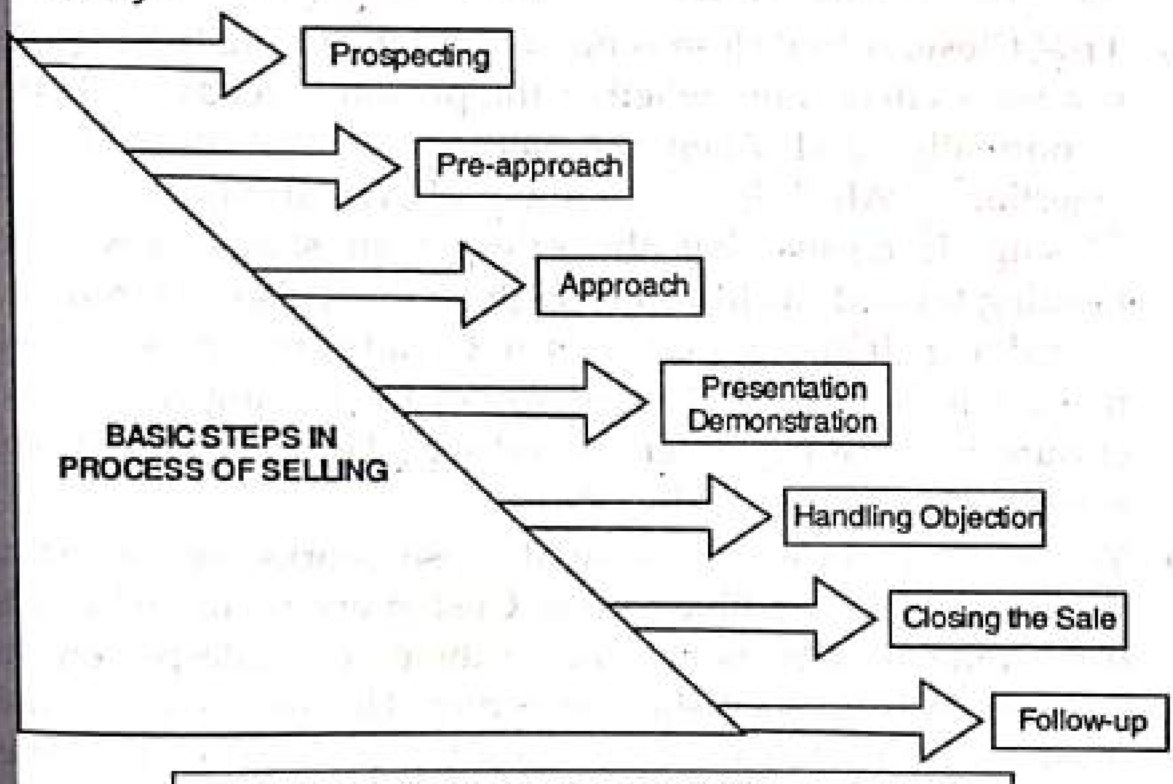
(c) stressing interesting details;

(d) fear of loss;

(e) making straight request like order now before we are out of stock.

(7) Follow-up: After a sale is closed, it should be properly followed. After sales service should be punctual, quick and satisfactory. Follow-up is a critical stage because it is linked with customer satisfaction and repeat orders. Instead of focussing on one-time sales, today's salespeople work to build and maintain long-term mutually beneficial relationships with the customers. If sales people forget customers after the sale, customers will forget the company and its products forever. Companies cannot take this risk.

Relationship marketing has gathered great importance lately. Retaining old customers is economical as compared to the cost of winning over new customers. In marketing technical products, salespeople help in the installation of the product and in ensuring that the customer's employees are operating it properly. Periodic visits are necessary. Thank you notes along with emails are common to impress the customers that company is interested to maintain good relations with the customers. Follow-up helps to maintain goodwill and take corrective measures for the promises made during the sale and discrepancy arising out of non-performance of the product. Self-assessment by the salesperson will enable to identify personal strengths and weaknesses in product, company and selling skills that needs attention for improvement. A comparison with past year performance will present to the salesperson with clear picture about where he stands vis-à-vis his customers. The salesperson not only procures sales but he wants to ensure that orders are not cancelled. For this reason, follow-up measures are of great utility.



METHODS OF CLOSING A SALE

Closing is a make-or-break moment in sales. This is the moment at which a salesperson will know whether his efforts will pay or not. The final closing conversation is full of anxiety. It thought that a salesperson should start by helping the customer identify his needs and present the product that will solve his problem. With this foundation, the salesperson can cement the deal. When sale does not come to a natural close, the salesperson may be required to stimulate the decision. In case of an indecisive customer the salesperson should continue with his presentation and demonstration and try to convert the "No" into a "Yes". The salesperson should maintain a positive attitude towards the close. The customer must not feel that a sale is being imposed on him. Selling points can be stressed many times. As the sales talk progresses the salesperson should watch for the signs of acceptance from the customer. The following are the methods for closing the sale:

(1) Trial close.
(2) Testimonial close.
(3) Alternative close.
(4) Affordable close.
(5) Adjournment close.
(6) Demonstration close.
(7) Question close.
(8) Compliment close.
(9) Balance-sheet close.
(10) Concession Close.

(1) **Trial Close:** A trial close is not a normal 'closing technique'. It is a test to determine whether the person is ready to close. It is normally used when the salesperson has answered the objections. 'ABC' is a common abbreviation: Always Be Closing. It means that the salesperson should always be heading towards a close, although he must also be careful not over-doing. If the customer is not ready, this pressure will make him angry. Trial close works by putting the idea of closure into the customer's mind e.g., How this laptop will speed up your work in the office?

(2) **Testimonial close:** Testimonial close works by providing evidence from a credible source. Customers are more likely to trust someone who is familiar to them. The salesperson can show letter from a satisfied customer. The satisfied customer must agree to act as reference. Reward the satisfied customer with thanks which may be in the form of a letter of appreciation, a discount coupon or a small present. The customer should be pleased to continue his conversation. The

salesperson can show his courtesy by saying: Would you like me to arrange a visit for you?

3) **Alternative close:** Basically, this method works through the assumption principle. The customer acts as if he has already decided to buy and the only question left is to make the choice e.g., shall we meet next week or the week after? The customer is offered more than one alternative. This method works well where the salesperson is seeking agreement and not just selling products. It is not advisable to offer too many alternatives because the customer may get confused. By offering limited alternatives, the customer is helped to make the final choice.

4) **Affordable close:** The customers are known to use stocked objection such as "I can't afford it". This kind of objection is more in the form of excuses. Affordable close works by structuring the finance of the deal to fit into the customer's ability to pay e.g., How much can you afford per month? or if we bring down the price to what you say, will you buy today? If the salesperson can provide schemes of instalment payments, the customer will find the proposal affordable. In line with this, the salesperson can sell him something else that he can afford.

(5) **Adjournment Close:** Under this method, the salesperson does not go for the sale now. He gives customers time to think. He tells them that they probably need time to consider the offer made by him. The salesperson has created enough tension. The customer will seriously consider the deal and is likely to come back. The salesperson can setup the next meeting, when perhaps he will be able to close the deal e.g., Shall we discuss the details next time I see you? Or I can see you are thinking very carefully about this proposal. Shall I come back next week to see how you are progressing then? In many situations, the relationship is very important as the salesperson will be going back to the customer for more orders. Adjournment can be a nice surprise for the customer.

(6) **Demonstration close:** Demonstration of the product results in conviction. Seeing is believing. The customer sees for himself

how the product operates and gets convinced e.g., you w believe this. I did not either when I first saw it. Just watc It is common to give demonstration with audio-vis equipment. It is a good practice to allow the customer to and find out himself. Demonstration is highly effect because it educates the customer how to correctly use product and ensure its longer life.

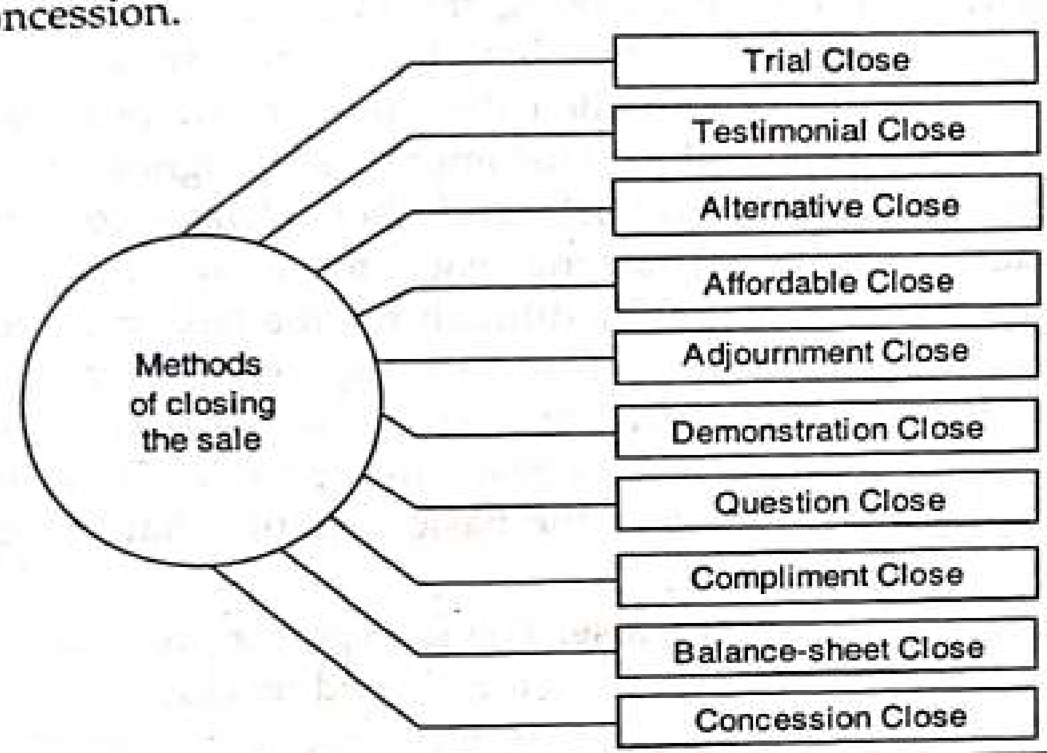
(7) **Question Close:** This method of closing is used by salesperson who asks probing questions to the customers. asking probing questions he eliminates the objections not buy. The customer remains attentive because he may required to answer the questions e.g., Don't you think th product will solve your problem? If the customer says y the close takes place and if he says no, other methods can adopted or other questions can be asked.

(8) **Compliment close:** This method is used by skilf salespersons who flatter the customers by payir compliments in nice and pleasant words. It satisfies their eg and are prepared to listen to the proposal of the salesperson By being nice to the customers they also feel obliged to b nice and get ready to buy the product e.g., as you ar knowledgeable, I hardly need to say anything more or afte your correct observation I have nothing to add. Th salespersons can admire their integrity.

(9) **Balance-sheet close:** Senior salespersons use this metho because it requires higher level of tact. The salesperson make objective presentation by enumerating the positive and negative aspects of the product. In the final analysis th positive aspects win. The salesperson can write it down like a balance-sheet. He must ensure that positive aspects column is larger and more impressive. Certainly, the negative aspects column will be short. This approach has to be reasonable, free from bias e.g., let's evaluate. You are getting it within your budget and certainly the best deal. The salesperson maintains a balanced and fair approach and succeeds in building up trust with the customer.

(10) **Concession close:** This is perhaps the most commonly used method to seal the deal. The customer is motivated, with the

offer of concession to buy. The salesperson can be specific about wanting an order in return for the concession offered e.g., I am going to give you three services free or if you are ready now, I'll make sure the product is delivered to you today itself. Concession close works by offering an incentive to the customer and expecting an order in return. Concession can be in both monetary and non-monetary forms. Extended credit period or discount on cash payment, is also considered concession.



REASONS FOR UNSUCCESSFUL CLOSING

All the steps of the selling process eventually lead to the closing of the sale. It provides tangible results to the salespeople in the form of sale of products. Hence, it is the aim of every salesperson to close the sale successfully. It is easier said than done. Many a time salespeople do not prospect *efficiently, effectively and enjoyably.* Some selling prepositions remain unsuccessful due to some reasons. Some of the important reasons of unsuccessful closing are enumerated below:

(1) Wrong Attitude.
(2) Never Attempted to Close.
(3) Trial Close.
(4) Inadequate Presentation.
(5) Wrong Interpretation.

(6) Unwillingness to Deal with Emotions.
(7) Lack of Belief in the Product.
(8) No Financial Plan in Place.
(9) Misinterpreting the Prospect.
(10) Third Party Interruption.

(1) **Wrong Attitude:** In closing a sale the attitude of a salesperso plays a vital role. Salespersons with positive attitude go long way in amicably closing the sale. Negative attitude o the salespersons impose obstacles in the smooth closin Wrong attitude arises when the salespersons feel we kno everything and the customers are ignorant. Som salespersons are pessimists and they always consider th negative aspects of selling e.g., these are the days o demonetisation, it will be difficult for the customers to clos the deal on my first visit. In fact, the negative reply of th customer should not discourage the salesperson. He mus maintain positivity and try and close the sale. Thus, positiv mental attitude is one of the basic qualities that salespeopl should possess.

(2) **Never Attempted to Close:** The salesperson must know that he has to bring the sale to its logical end by closing it. Closing does not happen of its own. It requires constant efforts of the salesperson. Unless the salesperson makes efforts sale may not close because customer keeps on shifting his views. The salesperson must not regret that I never attempted to close the sale. In all fairness, it is the basic responsibility of the salesperson to initiate the process of closing. In case, sale does not materialise. He will have the satisfaction that he tried.

(3) **Trial Close:** Under this approach, the salesperson tries to understand the psychology of the buyer. Trial close may not be the final close. As the sales talk progresses, mid-way the salesperson may ask certain questions to find out if the customer is prepared to buy e.g., Sir, should I book your order for a free trial of the car? If the customer says yes, it implies he is prepared to buy. On the other hand, if he says no, the salesperson will continue with his sales talk. Further he will make another attempt to see if the customer is ready

to wind up. Normally, more than one attempt is made by the salesperson to practice trial close.

(4) **Inadequate Presentation:** Not even senior salespersons can think of approaching the customers abruptly. They must approach the customers with proper preparation to justify adequate completion of the stage of selling process viz., prospecting, pre-approach, approach, presentation and demonstration and handling objections. If the salespersons commit mistakes and do not perform the process properly the entire selling process will suffer. Lack of proper presentation will not only delay the close but will also make the task of closing difficult. When process of selling is smooth, even the customers are in the mood to bring the sale to a close. Inadequate presentation is a hurdle in the process of closing a sale.

(5) **Wrong Interpretation:** Every salesperson is expected to possess product knowledge alongwith company policies, market competition and government regulations affecting his business. In case, the salesperson is not uptodate in his professional calibre he is bound to give wrong interpretation to some of the inquiries. When customers learn that the salesperson is not well-quipped with relevant information, they cultivate poor opinion of him and may not be prepared to continue the deal. It is of great importance that the salesperson must get sufficient knowledge about all relevant matters relating to the sale, otherwise he will cut a sorry figure. In his attempt to protect his position, the salesperson would be forced to give wrong interpretation.

(6) **Unwillingness to Deal with Emotions:** Emotions have not taught mankind to reason. When a person is emotional he is not rational. Salespeople are trained to control their emotions. Salespeople are often found unwilling to deal with the emotional discomfort that takes place between "no" and "yes". When a customer presents personal story of financial hardship, the salesperson may not get emotionally upset. During the training programme salespeople are taught to make nothing of it, give importance to the prospect and certainly avoid getting emotional. It is sometimes seen that

salespersons get emotional while dealing with wom prospects.

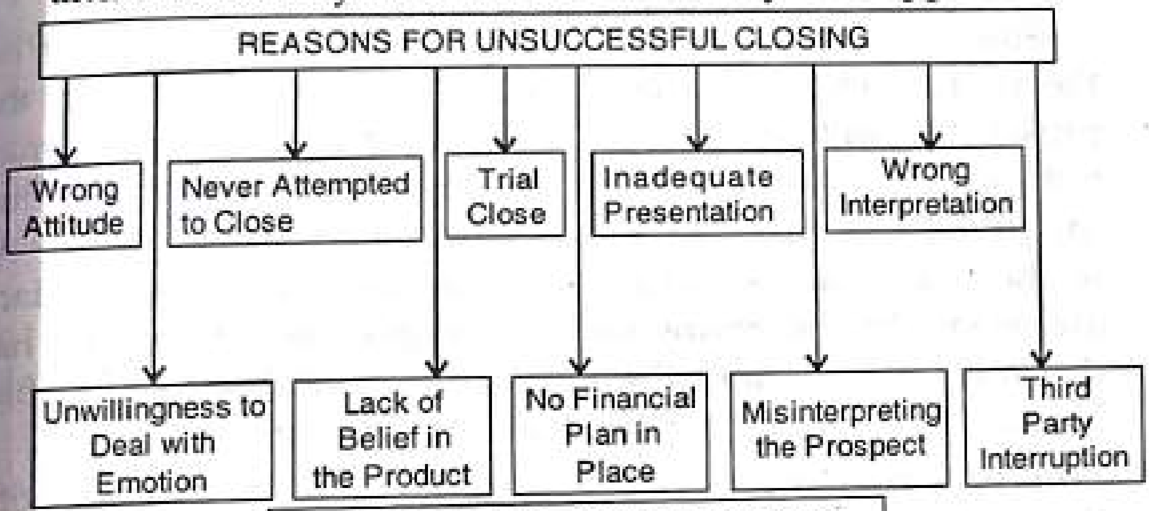
(7) **Lack of Belief in the Product:** It is the right of the prospe to express their disbelief about the product relating to i quality, price, packaging, image of the company etc. At time they also express imaginary complaints against the produ which cannot be linked to the features of the produ Salespersons are expected to present documentary eviden to win over the resistance of the prospects. They can als convince the prospects with the trial use of the product e.g., salesperson selling unbreakable crockery throws a piece o the ground to establish that if it falls, it will not break. Thi demonstration will certainly develop belief of the prospect i the quality of the product.

(8) **No Financial Plan in Place:** Most of the prospects suffer from no financial plan in place. They make purchases depending on the availability of disposable finance. When they posses the money, they are more prepared to close the deal. The salesperson finds it easy to perform closing. Only few organised prospects undertake financial planning. Their purchases are based on well thought out plan of action. The salesperson can only persuade but cannot do aggressive selling. The prospects are known to perform impulse buying where the salesperson stands to gain.

(9) **Misinterpreting the Prospect:** Correctly reading the minds of the prospects is an added advantage enjoyed by the salespeople. For this reason, companies train salespeople in consumer psychology. The prospects who talk are easy to handle because they enable the salespeople to understand how the sales talk is getting recorded in their minds. During the progress of the sales talk, the prospects can raise doubts, complaints and observations which the salespeople must understand in the right perspective otherwise misinterpretation is bound to take place. Misinterpretation will result in loss of sale.

(10) **Third party Interruption:** When the salesperson deals with the prospect on one-to-one basis it is easier to close the deal.

The salesperson can draw the attention of the prospect to what he is saying and meaningful dialogue can follow. At times, there is unwanted interruption e.g., friend or acquaintance of the prospect interfere with his/her opinion and the sale is derailed. They will speak from their point of view and it will be difficult for the salesperson to start convincing them in order to win over the sale. This unwanted and unnecessary interference can hardly be stopped.



THEORIES OF SELLING

Selling is both an art and a science. Selling is an art because it represents a field of creativity. The salesperson is expected to tailor his approach keeping in view the type of prospect that he is meeting. Selling is a science because it represents a body of organised knowledge. Selling is multidisciplinary in nature. It combines economics, management, mathematics, social sciences and so on. Because of this reason people differently look at selling. Some consider it as an art while others view it as science. For this reason, selling is explained by different theories which are:

(1) Stimulus Response Theory.

(2) Product Orientation Theory.

(3) Need Satisfaction Theory.

(1) **Stimulus Response Theory:** Stimulus response theory states that if the salesperson uses the right **stimulus** of an appropriate strength, the prospect will respond the way the salesperson wants him to act. There is possibility of the salesperson offering all sorts of concessions to motivate the prospect. It can take the form of price discount, buy one, get

one free, free sample etc. In doing so the salesperson is tak[...] the chance. He is being optimist that by doing so he w[...] procure the sale. When the prospect starts using the prod[...] and if he is satisfied he will become loyal consumer even [...] the concession is withdrawn.

Definition: Stimulus response relates to saying the rig[ht] thing at the right time by guiding the prospect along [a] standard question-answer (stimulus response) sequence.

Stimulus response theory assumes that certain actions o[n] the part of the salesperson may initiate a response in th[e] prospect resulting in purchase e.g., the salesperson ma[y] induce a sense of fear in the prospect that if he does not bu[y] the product he may face loss at a later date. This could relat[e] to the sale of insurance policies, fire extinguishers, burglar[y] alarm etc. In the entire selling process the salesperson ha[s] dominating role and the prospect maintains low profile[.] Nowadays this theory is given less importance.

(2) Product Orientation Theory: Product orientation deals with the quality of the product. The salespeople assume that as long as product quality is good people would buy the product. Under product orientation, company focuses on developing high quality products which can be sold at the right price. This approach stresses R & D of products and the continuous evolution during their life cycles in order to keep the customers attracted. Consumers recognise product quality and differences in the performance of alternative products. An average consumer chooses between different products based on getting the best quality for the price paid. Improving quality and reducing costs are the key factors in the fight to maintain and attract consumers. This strategy assumes that if the company offers a superior product, customers will buy and the company does not have to adopt discounts of various types. Such companies learn what the market wants, developing or modifying products to meet these needs.

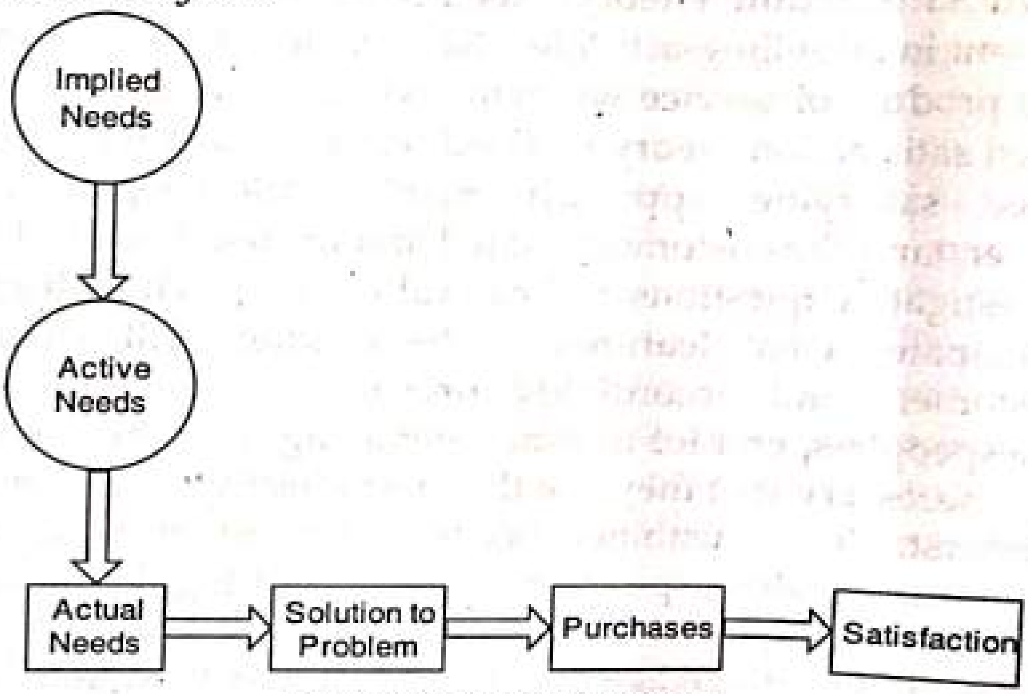
Product-oriented companies train their salespeople in consultative marketing. It equips them to identify potential customers and win them over. They can convince potential customers as to why this product is best for them. Selling style of the salespeople include **describing, outlining, explaining and detailing** the product features and benefits. Product orientation has three major tools: (a) product research (b) product testing and (c) product focus. Precisely, product orientation emphasises on *product excellence.* This means to improve the quality of the product, raise its utility and durability. Product companies go about designing a high quality product as they feel that large scale marketing is possible by improving the quality of the product.

In product orientation salesperson mostly depend on presentations, demonstrations and explanations. They appeal to the consumers to consider the positive features of the product. As the market is full of substitutes many consumers get impressed with other alternative products because their brand loyalty is low. Such companies may fail on marketing front as they do not bother to study the consumers and their needs, expectations and likes and dislikes. They give attention to product innovation but neglect the consumers and their requirements. Innovative products need effective sales talks. The services of salespeople are required to sell the idea and the product to the consumers.

(3) Need Satisfaction Theory: Need is the fundamental concept present in all selling activities. Need arises because of absence of a product or service wherein an individual feels deprived. Need satisfaction theory is based on the interactive approach. Need satisfying approach enables salespeople to first understand the customer's stated and unstated needs through investigative questions and careful listening. The salesperson anticipates what features of the product will satisfy the customers and accordingly prepares his sales talk. The salespeople spend lot of time interacting with the customers. It is necessary that they use the most effective sales approach. Understanding customer needs is important to deliver a memorable sales experience. The concept highlights the key factors to implement need satisfying selling. Also how salespeople can engage customers to build trust and loyalty. Customers buy to satisfy a particular need or a set of needs.

Need satisfaction theory support mutual benefits is both to salespeople and the customers must feel satisfied at the end of the sale.

The skilled salesperson correctly read the needs of customers and tailor their sales talk accordingly in order to convince them to make purchases to solve their problems and experience satisfaction. The customers are given adequate freedom to speak their mind. In case they have objections these are tactfully answered. The customers are given sufficient time to open-up which enables salespeople to understand what is going on in their mind. Although the salespeople give patient listening but they also utilise the time in presentation and explanation. Satisfaction is a state of mental being. The satisfied customers enjoy better relations with the salespeople. The future sales largely depends on pleasant relations between the salespeople and the customers. The salespeople do not create needs. Needs can be implied or active. The salespeople through persuasion make the customers aware about the needs. The customers want respect, fairness, approval and appreciation. In the words of **Andrew Carnegie,** *"You can take away my money and take away my factories, but leave me my sales staff and I will be back where I was in two years."*



Process of Need Satisfaction

SELLING SKILLS

MEANING OF SELLING SKILLS:

Selling is a planned communication which adds utility to the product. The customers are helped to determine needs. Skilled salespersons can create desire for the products. Salespersons must constantly try to acquire new skills to deliver effective sales presentations. *Selling is a process of informing prospects and persuading them to purchase products through personal communication in an exchange situation.* Effective selling is possible through (a) hard work (b) showing maturity (c) setting goals (d) communicative ability (e) honesty and integrity and (f) possession of requisite selling skills. Some salespersons possess inborn qualities and excel in their profession while majority of them acquire selling skills through training and practice. *Selling skills are a set of characteristics that are necessary for a salesperson to possess, failing which he may not be successful in selling.* Salespersons do not possess uniform skills. These selling skills differ from person to person e.g., a salesperson commands good control over language resulting in better communication skills whereas another salesperson enjoys higher IQ resulting in better understanding of human psychology. Situations differ and composition of prospects also change, hence salespersons must possess adaptability to deal with different situations and prospects. In order to be successful in selling career, salespersons must possess a variety of selling skills.

TYPES OF SELLING SKILLS

(1) Communication Skill. (2) Listening Skill.
(3) Trust Building Skill. (4) Negotiation Skill.
(5) Problem Solving Skill. (6) Conflict Management Skill.

(1) **Communication Skill:** Communication is a process by which all forms of information are transferred from one person to another Communication is considered successful only when the receiver understands it in the sense the sender expected him to understand. 70% of our communication efforts are (a) misunderstood (b) misinterpreted (c) rejected (d) distorted and (e) not heard. Effective communication skills are a critical

factor in the career of salespeople. They are required to use variety of communication techniques to both understand and be understood. Communication is the process of sending and receiving information among people.

No selling efforts will result in sale unless the salesperson has an appealing tone of communication style. He must possess good vocabulary in order to present sales talk effectively e.g., a salesperson selling hardware meets a prospect who says "but my business is different." The salesperson pauses for a moment and says, "sir, when we manufacture hardware we keep in view that we are making it for the prospects who think their business is different." The salesperson got the order. The reason for which the prospect was not prepared to buy was converted into the reason for which he bought. This is possible only when the salesperson has good command on communication skills. The salesperson can be successful in his profession when he is found possessing the following traits:

(i) Truthful presentation.

(ii) Stressing integrity of approach.

(iii) Competent on the job.

(iv) Enjoying buyer's confidence.

(v) Use of empathy.

Communication Process:

Communication is vital to all selling jobs. The salesperson identifies the common intentions and interests by interaction of views through different communication channels. Communication is complete when the receiver understands the message and emotional feelings of the sender in the same sense as intended by him. Feedback facilitates proper understanding. When the receiver asks for classifications to any question, the information is transferred more accurately. Two-way communication between the salesperson and the prospect avoids distrust and builds a healthy relationship. By providing opportunity to the prospects to disagree, complain, suggest and file objection, the salesperson is advancing closer to successful closure of the sale. Sales communication must combine personal and non-personal means of communication. Communication is a process consisting of:

(i) **Source:** Sender of the communication.

(ii) **Encoder:** Ideas, feelings and mental perceptions translated into a code.

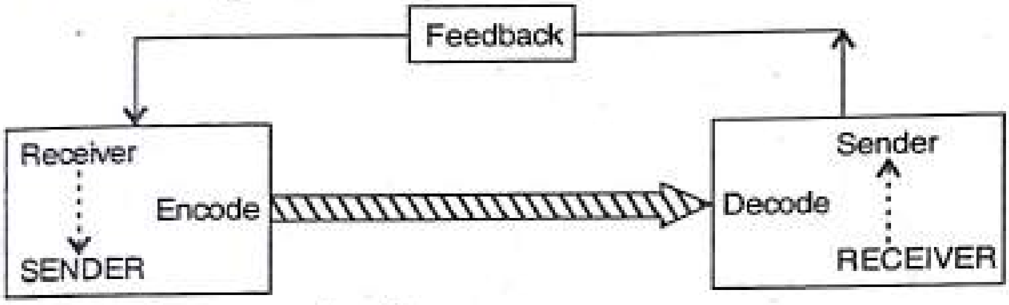
(iii) **Message:** Actual subject matter.

(iv) **Channel:** Link connecting the sender with the receiver after encoding the manager.

(v) **Receiver:** Person getting the message.

(vi) **Decoding:** Putting in simple language for easy understanding.

(vii) **Feedback:** Sender indicating whether he has understood the message correctly.



Effective Communication:

Effective communication requires efficiency on the part of the sender as well as receiver and a smooth transmission system. Effective communication is the key to building confidence and trust with a new prospect to whom you plan to sell products and solutions. This calibre of the salesperson will lay the foundation of long term relationship and determine how much to sell, how quickly and within what time. Successful salesperson is a "good talker" who has developed storytelling into an art. Gaining meaning from what one sees is also an essential part of communication. Communication is the most important component of successful sales transactions and the development of future business. Effective communication in selling process depends on the following:

(1) Use simple language.
(2) Give complete message.
(3) Maintain clarity.
(4) Consider status of receiver.
(5) Maintain consistency.
(6) Message at right time.

(7) Control emotions.
(8) Encourage feedback.
(9) Use empathy.
(10) Consider long term association.

(2) **Listening Skill:** According to **Roy Barfell**, *"Most people think 'selling' is the same as 'talking'. But the most effective salespeople know that listening is the most important part of their job."* Listening is perhaps the most important type of on-the-job communication. Listening can improve work quality and boost productivity. Poor listening leads to many mistakes. Good listening helps to improve speaking. Listening is an active search of meaning in the message received. It is often said *"Listening is the hardest thing in the world."* Listening skills are the ways to help you listen something more effectively, when people compliment someone on being a great communicator, they often mean that the person is a good listener. Listening is an active process. It is not just about being quiet while someone is speaking. Listening is the process of **receiving, constructing meaning** from and **responding** to spoken or non-verbal messages. Listening is important to avoid communication errors.

Types of Listening:

(i) **Active Listening:** Active Listening relates to understanding all things. There is proper interaction and proper feedback. It requires that the listener fully concentrates, understands, responds and remembers what is being said. Active listening is a skill that can be acquired and developed with practice. Active listening involves listening with all senses. The prospect can be shown interest by using verbal and non-verbal messages e.g., maintaining eye contact, nodding the head, smiling, agreeing by saying "yes" and gesturing to continue. Automatic reflection of any facial expressions used by the speaker can be a sign of attentive listening. Active listening involves:

(a) Hearing.
(b) Filtering.
(c) Comprehending.
(d) Remembering.
(e) Responding.

(ii) **Selective Listening:** Selective listening involves selecting the desired part of the message and ignoring the undesired part of the message. The listener hears some of the message and immediately begins to formulate the reply without waiting for the speaker to finish. In the words of **Paulo Coelho,** *"Don't waste your time with explanations, people only hear what they want to hear"*. The salespeople spend no less than 50% of their time in listening. Listening is following and understanding the sound. It is hearing with a purpose. Listening is a complete process. It is an integral part of the total communication process of which a part is often ignored.

(iii) **Empathetic Listening:** Empathetic listening is paying attention to another person with empathy i.e. with compassion and feelings. It is a way of listening and responding to another person that improves mutual understanding and trust. This kind of listening builds trust and respect. It reduces tension and creates a safe environment that is conducive to problem solving. The speaker gets undivided attention. The salespeople should consider emotions behind the words. Is the speaker happy, angry, afraid, resentful or frustrated? Accordingly, the salespeople should respond. Empathetic listening affords tremendous healing touch for someone struggling with a problem. It allows them to solve their own difficulties in the company of a caring listener.

(iv) **Analytical Listening:** It is also known as **"Critical Listening"**. Analytical listening evaluates a message for purposes of accepting or rejecting. It focuses on evaluating whether a message is logical or not. The prospect can challenge the sales talk by evaluating its accuracy. Similarly the salesperson can challenge the hypothetical objections. Under this type of listening, judgements are made based on speaker's arguments. The persons use critical thinking skills.

(v) **Comprehensive Listening:** Comprehensive listening result into selection of the needed information out of the total information. Here the goal is to learn, remember and be able to recall what has been said. In communication, some words are more important and some less. Therefore, comprehension often benefits from extraction of key facts and items from a long talk. Comprehensive listening is closely linked to understanding the body language. Every good conversation starts with good listening. It is important to pay close attention to words spoken, tone of the voice, body language and the situation.

Process of Listening:

(i) **Attention:** Attention is selective and so is our memory of what is remembered. The prospect physically responds to the message by taking note of it. Normally a person remembers only 50% of what has been said. Listening is a complete process requiring skills, energy and effort. When a person is paying attention he will have to make up for speaker's lack of ability. The reception of spoken words are blocked by noise and impaired hearing. When a person is attentive he is alive to the environment. He knows about the surroundings.

(ii) **Interpretation:** The salesperson's statements and prospect's observations differ. The aim of the salesperson is to achieve the sale and the aim of the prospect is to have best bargain. Interpretation is assigning meaning to the spoken words. The prospect interprets keeping in view his feelings, values, needs, beliefs and expectations. The salesperson will try to fit his proposal within the approved framework of the prospect. In doing this, the prospect gets to realise that he is being benefited.

(iii) **Remembrance:** At this stage, both the salesperson and the prospect store the information for future use. The concerned individuals have not only understood the message but also added to the memory. As our attention is selective so is our memory. A part of it may be forgotten.

(iv) **Evaluation:** The prospect applies his thinking skills and evaluates the proposal of the salesperson. The prospects weighs evidence, differentiates fact from opinion, determines the presence or absence of bias in the message. Often this evaluation process goes on without much conscious awareness.

(v) **Responding:** Responding relates to the prospect completing the process through verbal or non-verbal feedback. The salesperson clarifies his company position. He may either accept or make counter offer against the statements made by the prospect.

(3) **Trust building skills:** Trust is the essence of successful selling. Trust builds relationship. The salespeople should make conscious efforts to build trust with prospects. Because of some unpleasant experiences in life, prospects often look at salespeople with an eye of suspicion. Ordinarily they do not trust salespeople. The salespeople must use empathy and tackle every situation from the point of view of the prospect. This will help to build trust. Listening patiently to the views of the prospects will build confidence in them. The salespeople must not try to impose the sale. Even if they succeed in getting the sale, the prospect may not cooperate next time.

In order to build trust the prospect must feel that the decision to buy was independently arrived at by him. Once trust is built it becomes easier to win over the prospect. The salespeople must master the art of need-satisfaction presentation. They must focus on problem identification. They must identify the problem and offer the most befitting solution. The prospect would be happy to get solution to his problem. *"The best and fastest way to learn is to watch and imitate a champion."* The salespeople must keep their eyes and ears open and learn from the success of outstanding salespeople. It is often seen that some prospects feel more at ease dealing with a particular salesperson. It is because they **trust the person.** The important thing about problem is not the solution, but the strength of finding the solution. Trust building ensures that solution is jointly worked out. In order to clinch a sale, the salesperson has to first build trust.

(4) **Negotiation Skills:** Negotiation is the process of getting what you want from another person. Negotiations take place:

(a) To convince prospects.

(b) To agree on how to share benefits.

(c) To resolve a problem.

(d) To sell a product or service.

Successful negotiations need both skills and strategies. Negotiations can be continuous at different points in the sales process. Negotiations become necessary because of customer's attitude relating to: (i) objection (ii) indifference (iii) skepticism/(attitude of doubt) and (iv) acceptance. Negotiation skills enable to change attitudes towards the products and services. The salesperson should avoid negotiation unless he had an opportunity to fully present his product and services. The salesperson should use open ended questions to confirm the needs of the prospect. When the prospect and the salesperson are satisfied with the terms of the sale, a good business relationship develops. Negotiation is a kind of bargaining. The prospect asks for a lot and finally settles for something in the middle. A good negotiation needs two elements viz., ***reasonableness*** and ***flexibility***.

Basic Components of Negotiations:

(i) **Preparation:** The salesperson must prepare for negotiation if he wants to succeed.

(ii) **Objectivity:** To assess strengths, weaknesses and goals, the successful negotiators make a point to capitalise on the strengths.

(iii) **Strategy:** The salesperson should plan a realistic course of action based on sound preparation and objective appraisal of resources.

(iv) **Technique:** The salesperson must maintain self-discipline. He must combine a wide range of skills based on his experience. The success of any negotiation is based on the principle that both parties feel they are benefited.

Principles of Negotiations:

Selling involves use of negotiation skills. The two parties viz., the salesperson and the prospect must reach agreement on conditions of sale. Price is the most common negotiated issue. Other issues includes time element, quality of products and services, purchase volume, responsibility for financing, risk taking, product safety etc. The salesperson must know when and how to negotiate. For this purpose he will require certain traits of presentation such as knowledge of subject matter, ability to think clearly, sustain pressure, ability to express thoughts verbally, listening skills, integrity, communication with persuasion, patience and tolerance. The experienced salespersons use bargaining strategy while negotiating with the prospects. A bargaining strategy involves overall approach to achieving the negotiator's objectives. The basis should be mutual gain and not one party dominating the other. In a research project known as **"Harvard Negotiations Project", Roger Fisher and William Ury** have established four principles to conduct successful negotiations which are given below:

(i) Separate the people from the problem.

(ii) Focus on interests, not on positions.

(iii) Invent options for mutual gains.

(iv) Always use objective criteria.

(5) **Problem Solving Skill:** Problem solving is a systematic approach to defining the problem and creating a vast number of possible solutions. Problem solving is based on analytical skills. Efficient salespersons can think of alternatives even when no clear solution is visible. Running away from problem only increases the distance from the solution. The easiest way to escape from the problem is to solve it. Problem solving is a skill, tool and process. It is a **skill** because the salespeople have to use it repeatedly. It is a **tool** to achieve a goal. It is a **process** because it involves taking a number of steps.

Problem Solving Procedure:

(i) To define the problems.

(ii) To specify objectives.

(iii) To collect the facts.

(iv) To analyse the facts.

(v) To evaluate possible courses of action.

(vi) To decide and implement.

(vii) To review and modify solution.

Using Problem Solving Skills:

(i) **Routine Approach:** The salespeople practicing rou approach adopt traditional means to help the prosp to workout solution to his problem. They try to g reference to habits and make the problem solving sim Utmost care is taken by the salespeople not to hurt sentiments of the prospects.

(ii) **Scientific Approach:** The salespeople follow rational a logical methods to help the prospects. They correc identify the problem and analyse it in the rig perspective. They consider alternatives and recommen the best available solution. With the consent of prospect, they settle for the best alternative.

(iii) **Decisional Approach:** Decision making is an art. Not a prospects possess the ability to work out a decisio Indecisiveness is a serious problem with most of th prospects. The salespeople act as friends and help th prospects to select the best solution to their problems This selection will establish that the best decision is taken by the prospect.

(iv) **Creative Approach:** It is not always advisable to repea the choice done in the past. With the passing of time changes in the environment takes place and it is desirable to work out the solution to the problem keeping in view the present scenario. Such a thinking provides adequate scope to practice creativity. In the light of this, the possibility is that each time the problem is differently solved.

(v) **Quantitative Approach:** This approach is highly effective to deal with price minded prospects. When they are shown how much discount is given or the extent of saving in price, the prospects are willing to go for the sale. The benefits enjoyed by the prospects must be measurable. The calculations of benefits done in quantitative terms convinces the prospects e.g., reduction in price, increase in quantity, buy one, get one free, free delivery and installation etc.

Seven Habits of Problem Solving:

Effective problem-solvers develop mind-sets and habits that enable them to solve difficult situations. **Stephen Covey** in his famous book "The Seven Habits of Highly Effective People" has enumerated seven habits that enable people to become effective problem-solvers. These habits are enumerated below:

Habit 1: *Be Proactive:* It is always desirable to be the first and take initiative by practicing new ideas and innovations. Remove pessimism from life. Always capitalise on your strengths and be honest to admit your mistakes.

Habit 2: *Begin with an End in Mind:* Organise yourself and proceed in the right directions. Define your goal and try hard to achieve it. This will indicate where will you be in future.

Habit 3: *Put First Things First:* Practice time management and review your goals periodically. Avoid waste of time. Concentrate on important tasks.

Habit 4: *Think Win-Win:* Mutual benefits represent win-win situation. Involve everyone in the group towards decision making because they must feel good about it.

Habit 5: *Seek First to Understand, then be Understood:* Always use empathy and solve problems from other people's point of view. Maintain honesty, integrity and credibility along with flexibility.

Habit 6: *Synergies:* Make the whole greater than the sum of its parts. Keep communication line open and recognize differences in people. Provide opportunities for everyone to show their best.

Habit 7: *Renewal:* Individuals have four dimensions viz., **physical, mental, spiritual** and **emotional**. Physical dimension can be improved with exercise, nutriti and by controlling stress. Mental dimension c improve with reading, writing. thinking a planning. Spiritual dimension is linked to meditati and practising higher values of life. Emotion dimension can be renewed with service to mankin respecting sentiments of others and empathy.

(6) **Conflict Management Skill:** Conflict is an integral part o human life. Conflict is a disagreement between people o emotional issues. Conflict in sales organisation is more visib as compared to other organisations. Sales organisation i composed of a large number of people with conflicti interests e.g., the sales manager may want salespeople t cover the entire sales territory but the salespeople want t make few calls to loyal customers and fulfil the quota. Th **process of identifying the nature of the conflict and takin corrective measures to restrict conflict is called confli management.** Conflict management should aim at **win-wi conflict.** In this, the conflict is resolved to everyone's benefi Win-win conditions are created by eliminating the underlyin causes of the conflict. The salespeople must always aim a cutting down conflicts and managing the problem so as t improve relations with prospects. When conflicts are no well-handled by the salespeople it results in damagin relationship and loss of business. Conflicts do not profi anyone. The aim of every sales organisation should be "t *limit the negative aspects of conflict while increasing* th *positive aspects of it"*. Always work out ways to deal wit conflict in a rational, balanced and humane way. Conflicts ar well handled through (a) effective communicatio (b) problem solving abilities and (c) good negotiating skills.

Types of Conflict:

(i) Intra-Personal Conflict
(ii) Inter-Personal Conflict
(iii) Inter-Group Conflict
(iv) Functional conflict
(v) Dysfunctional Conflict

(i) **Intra-Personal Conflict:** Intra-Personal conflict is als known as **individual level conflict.** This conflict take place within every individual because there are a number of competing needs and roles, a variety of ways that drives the goal both positive and negative aspects attached to desired goals. The conflict may be due to frustration, task allotment, goal and role conflict.

(ii) **Inter-Personal Conflict:** This conflict develops when two or more individuals interact with one another such as superiors and subordinates or between co-employees. When the subordinate expresses displeasure about control exercised by the superior, conflict takes place. Conflict arises because two people think differently about the line of work e.g., the salesperson maintains human touch while dealing with prospects and the sales manager feels he ought to be more aggressive.

(iii) **Inter-Group Conflict:** Inter-Group Conflict takes place due to interaction of various groups. Inter-group relations are decided by relations prevailing between two or more groups. The positive factors help to retain pleasant relations. The problem arises when the factors are negative because they create conflict e.g., the achievement of one group depends on pleasant relationship maintained with another group. Travelling salespeople and speciality salespeople must work in proper understanding in order to achieve the target. If they quarrel, the goal cannot be achieved.

(iv) **Functional Conflict:** It is also called constructive conflict. It draws people towards creativity, cooperation and sustained efforts for good performance. It enables people to learn how to work in a group, survive with dignity and contribute towards attainment of goals e.g., a new salesperson enters into the organisation with a pre-conceived thought about his role. As time passes, he learns the importance of working in groups where he is prepared to sacrifice his personal interests.

(v) **Dysfunctional Conflict:** It is also called **destructive conflict.** This conflict develops where there is either very low or very high intensities. It damages the task performances. Where dysfunctional conflict exists, the work environment gets spoilt. Each one starts doubting the integrity of the other. There is no feeling for others. Even slight provocation leads to major conflict. Some salespeople may think of migrating to a better organisation e.g., a major source of conflict among salespeople relate to additional income based on commission of all types.

Conflict Resolution Process:

Whenever conflicts occur they should be resolved by some specific actions popularly known as *conflict resolution*. Conflict resolution is the removal of the substantial and emotional reasons for a conflict. Conflict resolution removes the underlying causes of conflict and reduces the potential for similar conflicts in the future. **Ruble and Thomas** have identified five types of actions which are as follows:

(i) Avoidance: The person is uncooperative and unassertive. He pretends that conflict does not exit. He either remains neutral or withdraws from the situation.

(ii) Accommodation: Accommodation plays down differences. It points out similarities to reduce conflict. The person is cooperative but unassertive. In order to maintain harmony he allows the wishes of others to rule.

(iii) Competition: The person is uncooperative but assertive. He is working against the wishes of the group. He makes use of his authority and superior skills to win a conflict.

(iv) Collaboration: The person is cooperative and assertive. The mission is problem solving. It involves working through conflict differences and solving problems so that everyone gains.

(v) Compromise: The person is cooperative and assertive. Each person gives up something of value to the other. The solution consists of each party winning and losing partially.

Nader and Todd in their book ***"The Disputing Process Law in Ten Societies"*** have identified eight procedures to handle conflict:

(i) Lumping.
(ii) Avoidance.
(iii) Coercion.
(iv) Negotiation.
(v) Mediation.
(vi) Conciliation.
(vii) Arbitration.
(viii) Adjudication.

(i) **Lumping:** Lumping refers to ignoring the issues that gave rise to the conflict. One of the parties decides not to follow up the complaint. The relationship with the offending party continues.

(ii) **Avoidance:** The party withdraws from the scene of the conflict. This happens when the parties to the conflict fail to arrive at mutually-agreed solution. They think conflict avoidance is more mature rather than getting involved in wasteful actions. They treat conflict as good as closed.

(iii) **Coercion:** In this case, one party feels powerless to conduct the dispute in any other way. There is an element of threat and force involved. The decision is imposed on the party.

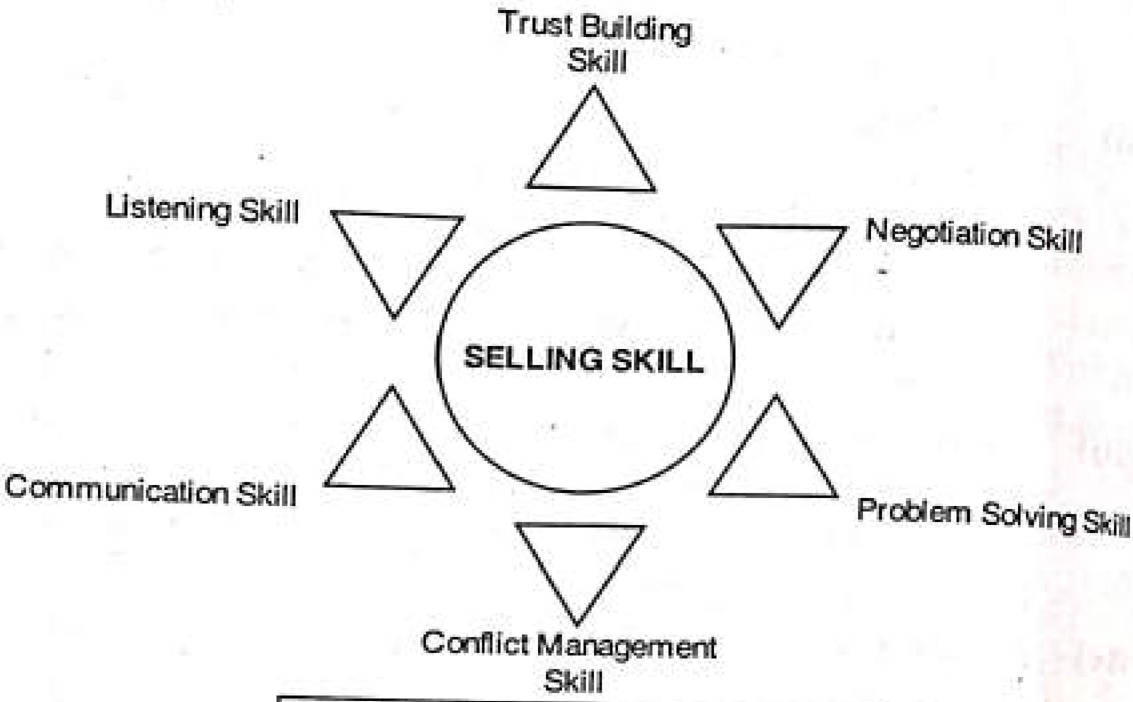
(iv) **Negotiation:** Negotiation is an attempt to arrange a new combination of conflicting interests of the parties towards mutual settlement without interference from the third party. Here the objective is to settle the dispute and work in harmony.

(v) **Mediation:** Mediation is called alternative dispute resolution. A neutral person known as mediator is appointed by the disputing parties with adequate authority. He helps the parties to reach their own negotiated settlement. It is informal, quick, flexible and cost effective means of settlement.

(vi) **Conciliation:** Conciliation is similar to mediation except for the active role of the third party (conciliator) in putting forward suggestions for compromise. It brings disputing parties to acceptable agreement through concessions.

(vii) **Arbitration:** Arbitration is a formal mechanism of dispute resolution conducted outside a court. Both parties agree to the appointment of arbitrator whose judgement they will accept. It is time saving and economical.

(viii) Adjudication: An independent third party, called adjudicator, awards the decision. Its decision is binding on both the parties. The judiciary is the best example of adjudication.



SELLING STRATEGIES

MEANING:

Successful selling is a deliberate and thoughtful activity. Experienced salespersons develop relationships with customers, define their needs and wants and propose solution to their problems. This requires using strategies. The type of strategy to be used will depend on the nature of market and prevailing competition. Selling strategy considers the product/service, determines the best steps to reach potential customers and increase sales. Consider for instance, a company desires to market a health drink. The company will consider (a) define target market (b) prepare marketing plan (c) build a website (d) create brand awareness (e) prepare strong salesforce and (f) follow up plans. Hence selling strategies deal with how to go about selling products and increasing profits. Having selling strategy makes accomplishing goals much easier. The salespeople know the end goal is to make a sale but what steps are required to achieve success. This is where selling strategies come in consideration. By having an effective selling strategy the salespeople will increase the chances of success in assignment and also streamline day-to-day tasks. Some of the selling strategies are discussed below.

(1) SOFT SELL VS HARD SELL STRATEGY

MEANING OF SOFT SELL STRATEGY:

Soft sell is a low pressure sales technique. Quite likely, it may not result in a sale the first time a product is presented. Soft sell is customer-centred and persuasive. Rather than forcing a customer to make a decision, he is allowed to arrive at the decision on his own. There is a greater likelihood of creating a loyal customer base. Soft selling focuses on the relationship-building aspect of sales. It is a passive way to point out to the customers that salespeople have solution to their needs. With this strategy, a company can encourage a customer to buy a product without looking too pushy. The idea is to show the benefits of making a purchase while putting the customer at ease. Soft selling involves promotions like money back guarantees and free-trial periods. By promising the customers that they will be happy with the purchase, the company earns trust and gets repeat orders. This will keep financial goals on track. Sometimes good word of mouth can make all the difference in how many orders the salespersons get. Soft selling is less direct and more toned down. Soft selling shows concern for customers and provides buying opportunities. It is designed to avoid angering potential customers and pushing them away. A salesperson may use a more conversational approach in order to allow customers to relax. The sale proceeds with probing questions and careful listening.

MEANING OF HARD SELL STRATEGY:

Hard sell is an **aggressive sales tactic**. It is used to persuade customers to make an immediate purchase. A salesperson tries to sell a product applying pressure that suggests a sense of urgency to the buyer. The customer is told that he will get a specially discount price if he purchase today. The sales talk quickly gets to the point. Salespersons should be careful because customers must not feel they are being manipulated. Hard sell is designed to get a customer to purchase the product in the short term rather than evaluating options and decide to wait e.g., a salesperson selling cars might focus on the limited availability of the model, how other people are waiting to buy the car and chances of increase in price if it is not bought now. There is more of talking than listening resulting in one way presentation. It uses push strategy whereby weak and nervous customers are imposed with the sale. When aggressive sales technique is used this will prompt the potential buyer to act with negativity. Arguments will follow one after the other. Hard sell makes the salespersons sound desperate to sell. Consumers need reasons to buy. Hard sell usually tries to sell the features rather than the benefits. Selling largely depends on building rapport with the customers. When salesperson tries hard sell, the potential buyer feels he may be exploited leading to loss of sale. Hard sell is against the basic freedom of consumers who desire to enjoy little space when making purchases.

HARD SELL VS SOFT SELL:

Hard Sell	Soft Sell
(1) Aggressive selling.	Passive selling.
(2) Uses 'push' strategy.	Uses 'pull' strategy.
(3) Performance-oriented.	Customer-oriented.
(4) Mostly salesperson talks.	A large part listening.
(5) Presenting product features.	Presenting product benefits.
(6) Compulsive and direct sale.	Persuasive indirect sale.
(7) Quick sale with price discount.	Sale is the result of process.
(8) Guarantee for the product.	Suggestion of possible results.
(9) Advocating without acknowledging.	Acknowledging needs.
(10) Hopping customers.	Loyal customer.
(11) Short term relations.	Long-term relations.
(12) Stereo-type sales talk.	Adaptive sales talk.

COMBINING HARD SELL AND SOFT SELL:

When hard sell and soft sell work separately they succeed with limited success. The more satisfying result is obtained when they are joined together. As a matter of fact, both these strategies have different approach. Hard sell is hard-hitting and aggressive whereas soft sell is subtle and friendly. It is not desirable to recommend these two approaches for all occasions. It should be left to the salespersons to decide which approach to adopt depending on the situation. Hard sell tactics are unwelcomed and regarded negatively. Consumers are more likely to be put off by the hard sell. Salespersons who practice soft sell are often regarded as helpful and informative. The success of soft sell is proof that consumers are benefited and their life become better. Consumers respond better to persuasion than to aggressiveness. The ultimate goal of hard sell and soft sell is to close the deal. Soft sell is all about adding value that consumers will appreciate. This will ensure that potential buyers are prepared to accept the price tag on the product because of value added service. Hard sell tries to obtain sale by putting consumers under stress. The salespersons will opt for a combination of the two in order to perform well.

(2) CLIENT CENTRED STRATEGY

This strategy is consumer-centric. It focuses the entire selling process and efforts are put on the clients' needs and problems. It considers everything about the client - who he is, what he does, where, when and how he makes purchases. In order to make this strategy successful it is important to possess full knowledge about the clients. This strategy shifts the emphasis of the selling process away from the product and concentrates on the clients. Their wants and needs become the most important factor driving the selling process. This strategy upholds the supremacy of the consumers. The goal of the company is to secure higher sales as compared to competitors but by attaching highest priority to the needs of consumers.

Salespersons emphasise that they can provide the best service and serve the needs of consumers better than the competitors. Problem-solving approach appeals to the clients. It is more likely that clients will turn to the salesperson who appears ready to provide solution to the problem. In client-centred strategy, the information and product benefits presented by the salespersons and the service being offered should be targeted and personalised to each individual customers e.g., the salesperson is dealing with an aggressive buyer who is hostile and uncompromising. The salesperson must show highest degree of patience and answer the objections of the customer with documentary evidence. A logical and calm reply to the objection based on facts is highly effective to win over the customer. When the customer is not prepared to listen to salesperson's point of view, he must not lose his patience. It is only through effective communication that a salesperson can convince a hostile customer. As buyers today are more knowledgeable and less loyal, only information-based sales talk with good quality product can conquer their resistance. The salespersons must adopt consultative approach so that consumers are given due recognition. Mutual benefits should be the bottom line of client centred strategy.

(3) PRODUCT-PRICE STRATEGY

Product-pricing decisions have strategic importance in sales management. Product is viewed from the point of view of quality, appearance, durability, usage benefits etc. where price is viewed as affordable, value for money, income for sellers etc. Price has far reaching effects beyond the cost of the product. Price defines the issues like who are the buyers and what is their attitude, which competitors will be encountered, who will be negotiated with and what the customers' expectations are. The most important thing in developing selling strategy is to understand as much as possible about current and potential customers when the salespeople come to know about customers' motivations, sensitivities, needs and problems; there is high possibility to maximise both the effectiveness of the product as well as company's income. The main areas covered by product are branding, positioning, promotion, feedback and so on. Pricing of product calls for the determination of a correct pricing strategy such as penetration pricing, skimming pricing, premium pricing, below market pricing, marking-up pricing etc.

Product strategy allows the business to zero in on specific target audiences and draw focus on the product and consumer attributes. Product strategy is the roadmap of a product and outlines the end-to-end vision of the product and what the product will become. Pricing strategy takes into account segments, ability to pay, market conditions, input costs, trade margins and so on. Better quality products are priced more and consumers are prepared to buy them depending on affordability. A large number of consumers who are price-minded are motivated by discount pricing. In this case, the consumers are ready to compromise low price for interior quality. Quality - minded buyers will not settle for inferior quality even when they can save money. They are absolutely clear about the product they are looking for and the price they are willing to pay. There is always a tug-of-war between the product and price. The most acceptable criteria is: acceptable quality along with affordable price.

COMPARISON BETWEEN PRODUCT-CENTRED SELLING AND CLIENT-CENTRED SELLING:

	Product-Centred Selling	Client-Centred Selling
1) **Meaning:**	Focuses on the product.	Focuses on the client.
2) **Strategy:**	Creates the best product.	Offers best solution to the customer.
3) **Process:**	New product development and continuous research.	Problem-solving from customers' point of view.
4) **Structure:**	Organisation based on product division.	Customers are segmented based on fixed criteria.
5) **Culture:**	New product culture i.e. continuous search for better products.	Fulfilling customer needs with new uses of the product.
6) **Influence:**	Selling is influenced by part performance, competition and present scenario of business.	Selling is influenced by customer loyalty, brand hopping and prevailing environment.
7) **Information:**	Complete product information required.	Complete information needed concerning all aspects of marketing.
8) **Rewards:**	Rewards for new products.	Rewards for absence of consumer complaints.

(4) WIN-WIN STRATEGY

Win-Win Strategy is a collaborative strategy. It is designed in uch a way that all participants can profit from it in one way or he other. All parties to a deal stand to realise their fair share (not 00 per cent) of benefits. This strategy allows both sides to gain and getting satisfied. In order that this strategy works both sides must remember:

(a) To focus on maintaining good relationship.

(b) To focus on interests not positions.

(c) To generate a variety of options.

(d) To aim for the result based on objective standard.

Collaborative strategy is described as being a win-win agreement because both parties come out of the engagement completely satisfied with the results. It is an integrative process which may involve ideas, beliefs and feelings resulting in an optimum result. Collaborative strategy is high in cooperation working best when the qualities of relationships are important as in a win-win situation. In this context collaborative strategy is related to win-win situation.

Win-Win strategy leaves both parties feeling that they have won, in some way, after the event or meeting. The salespeople do not come across win-win situation easily because ideal product, price combination is found only rarely. Both quality and price of the product are found to be debatable and not suitable for win-win situation. One party is bound to feel unhappy. The basis for any win-win situation is that compromise and cooperation must be more or at least as important as compromise. Attitude of both the parties should be suitable for win-win strategy. Salespersons who do not succeed in win-win strategy end up with win-lose situation when an attempt is made to divide resources, it results in win-lose situation.

FEATURES OF WIN-WIN STRATEGY:

(1) Both the company and the customer are considered important.

(2) Identify the cause of the problem and try to solve it.

(3) Help others to lead better quality of life.

(4) Learn from the past, live in the present and plan for the future.

(5) Maintain positive attitude and outlook.

(6) Honour commitments to increase acceptability.

(7) Respect sentiments of all.

(8) Essential for stable and profitable running of business.

STEPS INVOLVED IN WIN-WIN STRATEGY:

(1) **To understand people:** The market is composed of varied people. The salespeople have to put in lot of efforts to convince the people that win-win situation is beneficial to all. People have different style of thinking, attitude and perception. It will take time for the salespeople to understand the composition of people. Understanding their interests and issues is a time consuming exercise.

(2) **To explore options:** One option is not suitable to all people concerned. The salespeople have to weigh different options and workout one or more than one options acceptable to both the parties. Such an option has to be sensible, appealing and practical.

(3) **To come upto expectations:** The salespersons must know what will make win-win strategy fair to all. Talk to all the key people involved and make sure you know what they want. It is necessary to adapt your style to come upto the expectations of the other party. The expectations would relate to price, delivery, after sales service etc.

(4) **To focus on underlying interests:** The demand of the two parties might not be compatible but their underlying interests are often very compatible. Try and confine the conversation into demands. It is not possible to meet every one's interests but a via media can be worked out to ensure that all interests are considered.

(5) **To provide proof of fair treatment:** Fairness is needed both in words and actions. People consent to the proposal having element of fairness. When one party feels the other is taking undue advantage, relationships suffer. Customers are more likely to accept hike in price, if they know all others are paying the same price.

(6) **To rebuild trust:** Rebuilding trust is one of the greatest challenges a relationship can face. When we trust someone, we freely share our hopes and fears. Ultimately, it is our trust that allows us to give and receive. If the relationship is re-established it will emerge stronger and more rewarding e.g., a

salesperson who clears the mist of misunderstanding with the customer, he succeeds in rebuilding the trust.

(7) **To know authority limits:** When a salesperson is negotiating on behalf of the company, he should know exactly what are his authority limits. It is not desirable to keep personal opinion prominent because a salesperson can negotiate only within the authority delegated to him. There can be serious consequences if the salesperson crosses the authority.

(8) **To look for shared interest:** An intelligent salesperson will find and establish similarities. Since differences tend to magnify disagreements and minimise similarities, look for common goals and objectives to establish that all are together. Focus on the future, talk about what is to be done and tackle the problem jointly. Always deal with facts, not emotions.

(9) **To present alternative:** Salespeople must create options and alternatives that indicate willingness to compromise. Consider giving up in areas that might have high value to others but are not that important to you. It is important to frame options in terms of other people's interests and provide reasons for your stand.

(10) **To end on a good note:** When the procedure for win-win situation comes to an end, everyone must feel they have won. Agree to disagree is the basis to make win-win strategy successful. Appreciate the benefits of learning other people's perspective. People report that relationship grew stronger after participating in win-win proposal. The success of win-win strategy takes place when participants claim to have enjoyed the process of settlement.

WIN-LOSE APPROACH VS WIN-WIN APPROACH:

Factors	Win-Lose Approach	Win-Win Approach
(1) Meaning	This approach takes competitive view. Resources are divided resulting into win-lose situation.	This approach allows both parties to gain and remain satisfied.
(2) Time	No regard for building future relationships.	Past experiences become guidelines. Present taken into account to plan the future.

'riority	Company is given first preference and customers to follow.	Both company and customers enjoy same position.
Creativity	Little time or energy is needed to resolve conflicts because creative solutions are not considered.	Time consuming exercise because creative solutions are worked out for both parties.
Result	Only one side perceives the result as positive.	Both sides feel they have won.
Resolution	Resolutions are not accepted willingly.	Resolutions to the conflicts are accepted willingly.
Consideration	All considerations are shown to retain self-interest.	All considerations are shown to give respect to the other party.
Blame	Blame is directly fixed on the other party.	Blame is defined objectively and the cause of blame is identified.
Viewpoint	It is negative approach.	It is positive approach.
Commitment	Commitment not always honoured.	Commitment always honoured.

NEGOTIATION STRATEGY

:ANING OF NEGOTIATION STRATEGY:

A negotiation strategy is the overall approach when a person hanges proposals and counterproposals with another person en negotiating a settlement. Most frequently negotiated terms : (a) price, (b) product safety, (c) promotion and title, responsibility for financing, (e) risk taking, (f) contract npletion time, (g) purchase volume, (h) quality of goods and vice offered (i) delivery schedule etc. Negotiation strategy is y popular. Negotiation is a strategy by which people settle ferences. It is a process by which compromise or agreement is ched while avoiding argument and conflict. Negotiation is said be successful when it is based on principles of fairness, seeking ural benefits and maintaining sound relations are the keys to cessful completion of this strategy. Negotiation skills can be of at benefit in resolving differences between the salespersons d customers. These negotiation skills can be learned and applied in a wide range of situations. Negotiation has spec place in sales management because relationship with custome do not operate at optimal level of openness, trust and bondin During negotiation, the parties to the dispute exchange views a revise their stands based on the proposals provided by the oth party. No negotiation can take place unless both parties agree negotiation. At times, negotiating parties do not reveal their re interests. Negotiations can be either formal or informal dependir on the relationships between the parties.

The parties coming to negotiating table do not adopt unifor strategies. They tend to drift in different directions. It sometimes argued that negotiation strategies cannot be predicte and they come naturally. The practise indicates that it is alway possible to pinpoint strategies used by both the parties. Thes negotiation strategies are patterns of behaviour used by th parties to resolve the conflict.

There are five distinct types of negotiation strategies:

(1) Competing or Aggressive

(2) Collaborative or problem-solving

(3) Compromising

(4) Avoiding

(5) Accommodating

(1) **Competing or Aggressive:** In competing negotiation, the approach is to treat the process as a competition that is to be won or lost. Self-interest occupies main consideration. The interest of the other party is not recognised. Competing strategy does not give any room to the opponent and makes way for self-matter. When competing strategy is adopted the relationship with the other party gets severally damaged. It becomes extremely difficult to solve the problem when both the parties take aggressive stand. Take the example of a marketer who comes to know that a reputed company is soon likely to market a better quality product which will come directly in competition with its own products. The company will increase the commission of the dealer so that the competitive brand is not purchased in the market.

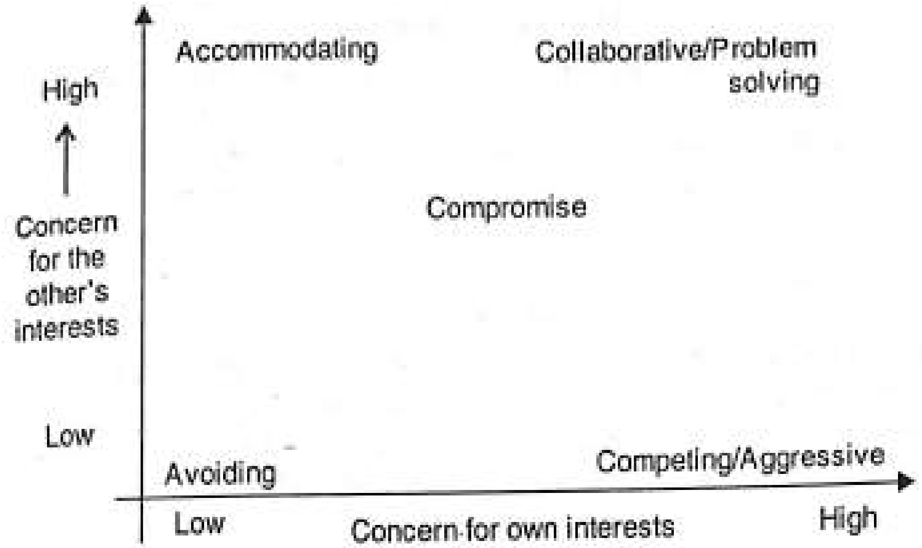
(2) **Collaborative or problem-solving:** Collaborative negotiation enables parties to desire and work towards a mutually beneficial settlement. Each side brings problem and issues that need to be resolved. Both parties try to solve the problem based on two-way dialogue. The parties attempt to decide by consensus rather than by vote. Communication is direct and parties are asked why they like or dislike a particular solution. Objections of individuals are given serious considerations. Constructive discussion helps to build agreement. No issues are discarded without the agreement of both the sides. Issues that are not resolved are moved to future negotiation. If all agree, the matter is handed over to the third party to work out solution. Collaborative negotiation is interest-based negotiation. It treats "relationship" as an important and valuable element of what's at stake while seeking an equitable and fair agreement. This strategy may result in win-win or lose-lose position. Negotiation is joint problem-solving.

(3) **Compromising:** Compromising is a basic negotiation. Both parties give up something to get something more. Compromise usually occurs in win-lose situations when there is fixed money or resources to be divided up and whatever one side gets, the other side loses. There are two main ways to negotiate a compromise until they meet somewhere in the middle. Normally, this negotiation is meant to settle single issue e.g. price of a product. Secondly, when there are multiple issues to be negotiated, then parties may make additional concessions e.g., price, delivery and after sales service. Compromise is seen differently in different cultures. Educated and enlightened people are more prepared to go in for compromise whereas poor and less educated people do not view compromise with favour. Compromise is a way out even from the most complicated situations. Two things that usually are not compromised are **values** and fundamental **human needs.**

(4) **Avoiding:** In avoiding strategy, one party gives in to all the demands of the opponent without putting up any resistance. This is done either to maintain good relations or because the

party does not want any showdown. A party opts for avoiding because it feels confrontation is not worth it. It would lead to unproductive relationship. Conflict is put off indefinitely. Those who regularly avoid conflict have low esteem or hold a position of low power or genuinely dislike conflict. Avoidance strategy is adopted when the value of investing time to resolve the conflict outweighs the benefit or the issue is too insignificant. It is better to avoid highly emotional and charged issues. Avoiding is a sensible thing to do when a person is not prepared for the discussion. **John F. Kennedy** said "The time to repair the roof is when the sun is shining." When avoidance strategy is adopted, one party allows the other party to win.

(5) Accommodating: Accommodating strategy is one of sacrifice, selflessness and low assertiveness. In order to preserve relationship with the other party, one is prepared to give up just about everything. This style of negotiation is characterised by the desire to please others at the expense of one's own interests. It is often called "lose-win" negotiation. It deals with the principle of making concessions in negotiation. It is found highly suitable when the issues are much more important and there is opportunity to improve relations. When a party finds that it is in the wrong, it is advisable to go for accommodating. Accommodating is adopted when a party desires to look reasonable and thinks continued competition will only spoil the relationship. Preserving the relation is important and the party minimises losses by conceding early. Here self-interests are least considered and others' interests are given maximum importance. Accommodating is viewed as the *"peacekeeper"* mode as it focuses more on preserving relationship than on achieving a personal goal. It is a lose-win relationship where accommodation is made either out of kindness or to avoid stress and conflict. It can be both productive and unproductive strategy in the "give and take" process.



Negotiation Strategies

DISTINCTION BETWEEN CONSUMER SELLING AND ORGANISATIONAL SELLING

Consumer Selling	Organisational Selling
(1) Meaning:	
Consumer selling is the sale of goods and services from the producer to the end customers e.g. selling organic food is becoming more and more profitable as more consumers are willing to pay a premium for the benefit of food that is considered healthier.	Organisational selling deals with sale of goods and services from one business to another (B2B). Anticipates and plans to purchase on routine basis. Conducts cost-benefit analysis. Calculation of re-order as well as time and place of delivery.
(2) Relationship:	
Interaction between salespersons and consumers are for short term association. Consumers have tendency to switch to another brand. During this short relationship both parties must maintain conflict free dealings.	There are limited number of buyers. Organisations must maintain sound relations aimed at long term association. The value of orders is high. Experienced persons are given the job to execute the work.
(3) Communication:	
Mass media is used to speak to the consumers including internet. The buyers are kept well-informed. Sales promotion schemes are also communicated from time to time. Samples are distributed. Consumers can get trial experience and later place the order. They can file their complaints which is replied by the company.	Personal communication is more important. Personal selling, direct selling and trade exhibitions are used to procure orders. Competent persons are given the job to provide information to the interested buyers and also to solve their objections. Demonstration of the product plays an important role.

(4) Buyer Behaviour:	
Consumers have limited product knowledge. Buyer behaviour is non-uniform and unpredictable. They make decisions based on individual perception.	Organisational buyers have more product knowledge due to their training and job related experience. They are competent to check quality and will never sacrifice quality for price.
(5) Product:	
Products are meant for mass consumption. Products are standardised and meant for daily use. They are available in different sizes and quantities.	Products are complex and technical. Some are custom-made. They are also used for further processing. On-time delivery, warranty and guarantee are important.
(6) Decision Making:	
Majority of households include more than one member and each member has a voice in many consumer buying decisions. Consumers are prepared to accept substitutes if specified products are not available.	Officials with authority to buy work for the organisation with a formal chain of command and defined responsibilities. They insist on specification laid down by the organisation.
(7) Objectives:	
Consumers buy for their own use or for use by people close to them such as family members. Personal objectives are important when deciding what to buy.	Organisational buyers purchase for the business. Personal and organisational objectives play equally important role. They also aim that organisation must not face loss.
(8) Negotiation:	
Consumer selling involves very little scope for negotiation about price, quality, quantity and other terms of sale. Only when the dispute takes place, negotiation starts.	There is great scope for negotiation. Buyers and suppliers enter into differing terms of sale and eventually agree to a common settlement relating to price, installation, guarantee etc.
(9) Composition of Market:	
Consumers are scattered all over the market. Their needs must be met by making available products at the nearest point. Large companies dominate the market but niche marketers also survive.	Markets are geographically concentrated. As sellers are few in number, price variation has major impact. Personal visits by sales personnels is necessary.
(10) Customisation:	
Products are not customised to meet individual needs. Products are manufactured for mass consumption, that too, in anticipation of demand. As	Customisation is extremely common in case of organisational selling. Each manufacturer would desire to incorporate some changes to

purchases are in small quantities, customisation will be financially unsound. Standardisation is the basis of production and marketing.	meet its production requirements. Purchases are in huge quantities involving huge sums. Hence, customisation is found economical.

DISTINCTION BETWEEN NATIONAL SELLING AND INTERNATIONAL SELLING

National Selling	International Selling
(1) Meaning:	
National selling involves transactions within one country. Market for operations is homogeneous e.g., products are sold indigenous in India.	International selling involves transactions at the global level. Market for operations are heterogeneous e.g. Haldiram snacks are sold overseas. It's also known as "Borderless Selling".
(2) Climatic Variations:	
India is known to have climate variations. North India is extremely hot during summer and experiences chilling cold during winter. South India has equatorial climate. Advertising and marketing are adjusted accordingly.	Climatic variations are too evident in global market. Europe experience biting cold during most part of the year whereas Africa and South East Asian countries experience hot climate. Exporters have to adjust the nature of product and marketing in keeping with the needs of varied markets.
(3) Environmental Issues:	
Changes in the economic, political and social environment create limited effects. Transport cost is low because quantity and distance to be covered are limited. There is limited interference from the government.	Changes in the socio-economic and political environment create far reaching effects. Transport costs are high as more quantities and distances are covered. There is considerable interference from the government.
(4) Financial Agreements:	
It is possible to operate the business with limited finance. The sales team is given limited target to achieve. Bank loans are available. Mostly transactions are cash and credit sale is secondary.	It requires big capital. The sales team is under stress to achieve the target. Credit sale is an integral part of international selling. Liberal bank loans are available.
(5) Culture:	
India is having diversified culture but people are tied together. Marketing is simple because all relevant data and information are available to organise selling effectively.	Culture differs significantly all over the world. Marketers must consider culture of a specific country to ensure effective selling. Collection of relevant data and information is an uphill task.

(6) Competition:	
National market faces limited competition. Competitors are less with fewer products, Risk is limited due to fixed area of operation, political stability and uniform rules and laws.	International selling is known to face stiff competition with much higher risks. Competition from local producers and exporters from other countries is a regular feature.
(7) Terms of Payment:	
No payment difficulty because only one currency exists. Payments are by cheques, cash and e-payments. No incentives are available to traders and manufacturers.	As multiple currencies exist payment faces difficultly. Payments are by LC and bills of exchanges. Special incentives and concessions are available.
(8) Role of Government:	
Role of government is strictly limited to implementation of business laws. Business community is given free hand to run the show.	Government is intimately involved in the running of overseas selling. Separate laws exist for payments, shipments, documentation, taxes and duties.
(9) Technology:	
National selling is known to employ regular technology. Online transactions are catching up but hybrid modes both online and offline are present.	International selling in known to employ latest technology. Sales strategies must be changed in keeping with changing technology. Online business is too common.
(10) Media:	
Traditional media plays a key role in successful selling. Internet selling is still at its infancy.	Both traditional and non-traditional media are used extensively. Online marketing is very popular. More than one language need to be used at global level.
(11) Trade Blocs:	
Absence of trade blocs and tariff and non-tariff barriers provide ample scope to execute simplified national selling. National selling is free from licensing and lengthy procedures.	Trade blocs and tariff and non-tariff barriers exist making international selling a complicated exercise. They restrict free trade among the countries. Selling is time consuming because of the presence of licensing and lengthy procedures.
(12) Tax Burden:	
National selling involves few taxes which are simple e.g., sales tax, VAT, local taxes etc.	International selling involves different types of tariffs and duties. Local taxes are applicable.

Objectives Questions with Answers

(1) **Select the most appropriate answer from the option given below:**

(a) Market analysis is a part of __________ analysis.
(i) research (ii) planning (iii) industry

(b) Sales forecasting is known for __________.
(i) accuracy (ii) deviation (iii) specification

(c) Delphi method maintains __________.
(i) openers (ii) transparency (iii) privacy

(d) Time series analysis considers __________ variations.
(i) seasonal (ii) regular (iii) occasional

(e) __________ quota controls performance of both selling and non-selling activities.
(i) Sales activity (ii) Sales ratio (iii) Combination

(f) __________ is linked to user characteristics.
(i) Prospecting (ii) Approach (iii) Closing

(g) __________ listening is paying attention to another person with feelings.
(i) Active (ii) Analytical (iii) Empathetic

(h) Dysfunctional conflict is also called __________ conflict.
(i) constructive (ii) destructive (iii) group

(i) Soft sell uses __________ strategy.
(i) pull (ii) push (iii) selling

(j) In __________ resolutions to the conflicts are accepted willingly.
(i) Negotiation Strategy (ii) Win-Win Strategy (iii) Client Centred

[Ans.: (a - iii); (b - ii); (c - ii); (d - i); (e - iii); (f - i); (g - iii); (h - ii); (i - i); (j - ii)]

(2) **Select the most appropriate answer from the option given below:**

(a) Market potential is measured either by sales __________ or sales volume.
(i) target (ii) review (iii) value

(b) Simple projection method provides ready __________.
(i) results (ii) forecast (iii) quota

(c) Sales __________ is estimated on the basis of past trends.
(i) quota (ii) ratio (iii) forecast

(d) __________ quota makes salespeople responsible to earn good profits.
(i) Financial (ii) Combination (iii) Volume

(e) A territory is a salesperson's __________.
(i) domain (ii) battleground (iii) arena

(f) Collecting customer data and checking lead customers is called __________.
(i) prospecting (ii) approach (iii) selling

(g) __________ are adverse arguments.
(i) Refusal (ii) Objections (iii) Complaints

(h) __________ close provides evidence from a credible source.
(i) Trial (ii) Question (iii) Testimonial

(i) __________ listening represents total information.
(i) Empathetic (ii) Analytical (iii) Comprehensive

(j) __________ strategy honour commitments to increase acceptability.
(i) Client centred (ii) Win Win (iii) Hard sell

[Ans.: (a - iii); (b - ii); (c - ii); (d - i); (e - ii); (f - i); (g - ii); (h - iii); (i - iii); (j - ii)]

(3) **State whether the following statements are True or False:**

(a) Current market size is calculated on the basis of past sales volume.
(b) Profitability levels in an organisation are market dependent. *(April 19; Oct. 19)*
(c) Medium term forecasts are prepared for a period not exceeding five years.
(d) Jury of executive opinion has scientific validity. *(April 19; Oct. 19)*
(e) Multiple regressions use two or more independent variables.
(f) Pre-approach and sizing up are synonymous.

(g) Salesperson gets benefits of doubt while making wrong interpretation.
(h) Product orientation theory relates to saying the right thing at the right time.
(i) Active listening ignores the undesired part of the message. *(Oct. 18)*
(j) Intra-personal conflict is often called individual level conflict. *(Oct. 18, 19)*
(k) Business cannot evaluate competitors in the industry.
(l) No one business can dominate when market is flooded with substitutes.
(m) New trends and developments are well-studied by SWOT Analysis.
(n) Long term forecasts can be conducted for any length of time.
(o) There is no transparency in Delphi method.
(p) Times series is a set of chronologically ordered points of raw data.
(q) Sales volume quota is the latest type of sales quota.
(r) Sales quota is directly influenced by the standard of living of the people.
(s) Assigning sales territories cannot avoid duplication of efforts.
(t) Sales manager controls salespeople through assigning sales territories.

***[Ans.:** (a) False; **(b)** True; **(c)** False; **(d)** False; **(e)** True; **(f)** True; **(g)** False; **(h)** F*a* *(i)* False; **(j)** True; **(k)** False; **(l)** True; **(m)** True; **(n)** False; **(o)** False; **(p)** True; False; **(r)** True; **(s)** True; **(t)** True]*

(4) State whether the following statements are True or False:

(a) Compromising negotiation strategy assumes that a win-win situation possible. *(Oct. 18)*
(b) Volume quota is used when selling activities are combined with important n selling activities. *(Oct. 18)*
(c) Sales forecasting is an accurate estimate of sales.
(d) Time series analysis is a subjective method.
(e) Combination quota includes sales volume and sales projection.
(f) Territory assignment is a complex process.
(g) Pre-approach involves information gathering activities.
(h) Effective summarisation of selling points is the cornerstone of closing of sale.
(i) Stimulus response theory is based on investigative questions and care listening.
(j) Conflict management limits the positive aspects of the situation.
(k) Cold-selling is meeting customers with prior appointment.
(l) Pre-approach and sizing up customers are synonymous.
(m) Approach is final contact with customers.
(n) Demonstration lessens the impact of advertising message.
(o) Objections are always stocked criticisms.
(p) Closing the sale is the effective summarisation of selling points.
(q) Final close is an effective method of closing the sale.
(r) Sales people sometime give wrong interpretation.
(s) Product-oriented companies equip salespeople to identify potential customer and win them over.
(t) Conflicts in selling process are totally preventable.

***[Ans.:** (a) True; **(b)** False; **(c)** False; **(d)** False; **(e)** False; **(f)** True; **(g)** True; **(h)** True *(i)* False; **(j)** False; **(k)** False; **(l)** True; **(m)** False; **(n)** False; **(o)** False; **(p)** True; (q) False; **(r)** True; **(s)** True; **(t)** False]*

(5) Match the following:

Group 'A'	Group 'B'
(a) Forecasting *(Oct. 18)*	(i) Future Growth Potential
(b) Hard Sell *(Oct. 18)*	(ii) Sales Potential
(c) Collaborative Strategy *(Oct. 18)*	(iii) Commitment honoured
(d) Current Market Size	(iv) Indirect Denial
(e) Sales Quota	(v) Time to Think
(f) Sales Territories	(vi) Push Strategy
(g) Handling Objections	(vii) Tailored Sales Talk
(h) Adjournment Close	(viii) Win-win Strategy

(i)	Need Satisfaction	(ix)	Analysis of Past Sales
(j)	Win-Win Strategy	(x)	Process of Predicting Future Happening

[Ans.: (a - x); (b - vi); (c - viii); (d - i); (e - ix); (f - ii); (g - iv); (h - v); (i - vii); (j - iii)]

(6) Match the following:

Group 'A'		Group 'B'	
(a)	Threat of New Entrants *(April 19; Oct. 19)*	(i)	Flatter the customers
(b)	Sales Forecasting *(April 19)*	(ii)	Welcome
(c)	Sales Volume Quota	(iii)	Hurdle to salespersons
(d)	Economic Cycle	(iv)	Win-Win strategy
(e)	Sales Territories	(v)	Learning Process
(f)	Objections of Customers	(vi)	Problem solving
(g)	Compliment Close *(Oct. 18)*	(vii)	Correlation analysis
(h)	Inadequate Presentation *(April 19; Oct. 19)*	(viii)	Routine approach
(i)	Functional Conflict	(ix)	Competitors
(j)	Client Centred Selling *(Oct. 19)*	(x)	Evaluating individual performance
		(xi)	Review periodically
		(xii)	Growth and recession

[Ans.: (a - ix); (b - vii); (c - x); (d - xii); (e - xi); (f - ii); (g - i); (h - iii); (i - v); (j - vi)]

(7) Match the following:

Group 'A'		Group 'B'	
(a)	Market Analysis	(i)	Controls selling and non-selling activities
(b)	Rivalry Among Competitors	(ii)	Identifying prospects
(c)	Short-term Forecasts	(iii)	Damages performance
(d)	User Expectation Method	(iv)	Estimate inventory requirement
(e)	Correlation Analysis	(v)	Avoiding duplication of efforts
(f)	Combination Quota	(vi)	Market profitability
(g)	Assigning Sales Territories	(vii)	Third-party interruption
(h)	Prospecting	(viii)	Statistical technique
(i)	Unsuccessful Closing	(ix)	Occupy topmost position
(j)	Dysfunctional Conflict	(x)	Sales of industrial goods

[Ans.: (a - vi); (b - ix); (c - iv); (d - x); (e - viii); (f - i); (g - v); (h - ii); (i - viii); (j - iii)]

Question Bank for Self-Practice

(1) Define sales forecasting. Discuss the techniques of sales forecasting. *(Oct. 18)*
(2) What is selling skills? Explain the various types of selling skills. *(Oct. 18)*
(3) Explain the various methods of closing a sale. *(Oct. 18)*
(4) What are the steps involved in the process of selling. *(Oct. 18)*
(5) Differentiate between Consumer Selling and Organisational Selling. *(Oct. 18)*
(6) **Distinguish between:**
   (a) Product Centred Selling and Client-Centred Selling.
   (b) Win-lose Approach and Win-Win Approach.
   (c) Consumer Selling and Organisational Selling.
   (d) National Selling and International Selling.
(7) What do you understand by market analysis?
(8) Discuss the dimensions of market analysis.
(9) What are the factors affecting market analysis?
(10) What is sales forecasting? Discuss the qualitative techniques of sales forecasting.
(11) Define sales forecasting and state its essentials.
(12) How is sales forecasting used for short, medium and long term?
(13) Why is there need to combine qualitative and quantitative methods of sales forecasting?

(14) Describe the quantitative techniques of sales forecasting.
(15) Explain the term sales quota.
(16) Discuss the types of sales quota.
(17) Explain the factors determining fixation of sales quota.
(18) How territories are assigned to salespeople?
(19) What are the steps involved in assigning sales territories to salesperson? *(Ap*
(20) What do you understand by process of selling?
(21) State the importance of pre-approach and approach in the process of selling.
(22) Why are objections important to the salespeople?
(23) Describe the methods of handling customers' objections.
(24) What are the steps involved in the process of selling?
(25) Discuss the methods of closing a sale.
(26) Point out reasons for unsuccessful selling.
(27) Describe the theories of selling.
(28) How stimulus response theory works in selling?
(29) Discuss product orientation theory.
(30) Do you agree that need satisfaction theory is customer-friendly?
(31) Explain the selling skills at length.
(32) Explain the various types of selling skills.
(33) How communication process works in selling?
(34) What constitutes effective communication?
(35) How is trust building skill an asset to the salespeople?
(36) What are the components and principles of negotiation?
(37) What are the different forms of using problem solving skills?
(38) Explain seven habits of problems solving.
(39) How conflict management skill is used?
(40) Describe the types of conflict.
(41) What is conflict resolution process?
(42) Outline the procedure to handle conflict.
(43) What are selling strategies?
(44) Describe hard sell vs soft sell.
(45) Explain client centred and product-price strategies.
(46) Identify the steps involved in win-win strategy.
(47) Discuss negotiation strategies.
(48) What are the methods of sales forecasting? ***(April 19; Oct. 19)***
(49) What are the different types of sales quota? ***(April 19)***
(50) Elaborate the process of selling. ***(April 19; Oct. 19)***
(51) What are the different types of sales closing techniques? ***(Oct. 19)***
(52) Discuss the different types of selling strategies. ***(Oct. 19)***
(53) **Write short notes on:**
   (a) Market Analysis.
   (b) Stimulus Response Theory. ***(Oct. 18)***
   (c) Sales Territory. ***(Oct. 18)***
   (d) Types of Sales Quota. ***(Oct. 18)***
   (e) Process of Selling.
   (f) Essentials of a Good Sales Forecasting.
   (g) Listening Skills.
   (h) Quantitative Methods of Sales Forecastin
   (i) Negotiation Skill.
   (j) Factors Determining Sales Quota.
   (k) Conflict Management Skill.
   (l) Steps in Assigning Sales Territories.
   (m) Methods of Closing a Sale.
   (n) Reasons for Unsuccessful Closing.
   (o) Need Satisfaction Theory.
   (p) Soft Sell Strategy.
   (q) Product-Price Strategy.
   (r) Win-win Strategy.
   (s) Selling Skills. ***(Oct. 19)***
   (t) Sales Quota. ***(Oct. 19)***

CHAPTER 3

Distribution Channel Management

A product with better distribution will always win over a superior product with poor distribution or customer access. Its not fair. Its not right. But its reality.

— Stephen Davis

Learning Objectives

- Meaning of Distribution Channel Management
- Need for Distribution Channel
- **Channel Partners:**
- Meaning of Channel Partners
- **Wholesalers-Distributors:**
- Meaning, Functions and Role, Difference Between a Wholesalers and a Distributor
- **Retailers:**
- Meaning, Features and Functions of Retailers
- **Choice of Distribution System:**
- Intensive, Selective and Exclusive
- **Factors affecting Distribution Strategy:**
- Meaning, Locational Demand, Product Characteristics, Pricing Policy, Speed or Efficiency, Distribution Cost
- **Factors Affecting Effective Management of Distribution Channels:**
- Channel Design, Channel Policy
- **Channel Conflicts:**
- Meaning, Definitions, Types and Reasons for Channel Conflicts
- **Resolution of Conflicts:**
- Kenneth Thomas's Five Styles of Conflict Resolution
- Motivating Channel Members
- Selecting Channel Partners
- Criteria and Selection Process of Channel Partners
- Evaluating Channels
- Channel Control
- Objective Type Questions with Answers
- Question Bank for Self-Practice

MEANING OF DISTRIBUTION CHANNEL MANAGEMENT

Consumer goods move from manufacturer to consumers through a specific route called channel. Goods are distributed/ sold out over wide geographical area through such channels also called channels of distribution. Manufacturer-Wholesaler-Retailer-

Consumer is one popular and extensively used channel of distribution, particularly for the distribution of consumer goods of daily use. **In brief, marketing or distribution channel is the route taken by goods on their journey from the producer to the ultimate consumer.** It is the mechanism used for funnelling **goods and services from producers to consumers. Distribution channels are also called trade channels/marketing channels.** Every distribution channel starts with the producer and ends with consumers. There may be one or more intermediaries in between the two ends. Such intermediaries may be mercantile agents or merchant middlemen.

The word "channel" has its origin in the French word used for canal. Channel is a medium through which goods are made to move smoothly to the desired places. A channel always includes the producer as well as the final consumer along with intermediary agencies involved in the transfer of title of goods.

Distribution channel management is ***the collective set of activities and operations employed by firms to get their products to the market with help from channel partners.*** Every year companies lose huge amount of money in their distribution channel operations because of:

(a) loss of revenue opportunities;

(b) leakage of information;

(c) channel inefficiencies; and

(d) poor compliance of understanding.

Management of distribution channel affects sales, profits and influences customer satisfaction. Every company has to manage every distribution channel efficiently in order to create time, place, possession and information utilities. Effective distribution takes place when a limited number of retailers account for a significant percentage of the market e.g., the product is distributed 25% of available retail outlets but those retailers account for 80% of the market. Distribution channel reduces considerable administrative burden because wholesalers and other agents take over marketing function and allow the manufacturers to concentration on production. Management of intermediaries is a challenging task before every marketing company. Intermediaries are specialists in selling. They have the contacts, experience and scale of operation which ensures higher sales than if the manufacturing company tried to run a sales operation itself. Consider for instance, a Maruti Car dealer depends on the Maruti Suzuki Company to design cars that fulfil consumer expectations. In turn, Maruti depends on the dealer to attract and persuade consumers and provide after sales service. Maruti has multiple dealers to widen the sale of the cars. The success of individual Maruti dealer depends on how well the entire Maruti distribution channel competes with the channels of other automobile manufacturers. Management of distribution channel requires use of all principles of management.

DEFINITION OF DISTRIBUTION CHANNEL:

(1) According to **Richard M. Clewett,** *"A channel is the pipeline through which a product flows on its way to the consumer. The manufacturer puts his product into the pipeline or marketing channel and various marketing people move it along to the consumer at the other end of the channel."*[2]

(2) According to **William Stanton,** *"A channel of distribution (sometimes called a trade channel) for a product is the route taken by the title to the product as it moves from the producer to the ultimate consumer or individual user."*[4]

NEED FOR DISTRIBUTION CHANNEL

Distribution channels render useful services and perform important marketing functions. Distribution channel is a path traced in the direct or indirect transfer of ownership of goods as it moves from producers to consumers. Goods manufactured at one place are sold all over the world only because of the network of distribution channels. Distribution channels bring division of labour and specialisation.

Distribution channels are needed for large-scale distribution of goods in an orderly and economical manner. Distribution channels also perform the role of salesmanship. Mass production needs mass distribution which is possible only through extensive use of distribution channels. These channels are needed as they

[2] Richard M. Clewett – Checking Your Marketing Channels, p. 120

[4] William Stanton M. J. Etzel & B. J. Walker – Fundamentals of Marketing, p. 318

facilitate expansion of trade. They also act as line of communication in the distributive system. Even new products can be introduced in the market easily, quickly and economically through such channels. **The following points suggest the need for distribution channels:**

(1) **Facilitate movement of goods:** Distribution channels are needed as they facilitate large-scale distribution of goods to consumers spread over wide geographical area. Goods are taken directly to consumers easily and quickly through distribution channels. **Distribution channels are needed for decentralisation of marketing.**

(2) **Create utilities:** Distribution channels are needed as they create time, place and ownership (possession) utilities. Such utilities give convenience and satisfaction to consumers.

(3) **Facilitate division of labour and specialisation:** Distribution channels are needed as they bring division of labour and specialisation in the field of production and marketing. Manufacturers can concentrate on production activities by using the marketing channels for distribution purpose.

(4) **Act as connecting links:** Distribution channels are needed as they act as connecting links between manufacturers and consumers and are useful for the transfer of ownership of goods from the producer to actual user.

(5) **Element in marketing mix:** Distribution channels constitute an element in the marketing mix and offer services to producers and consumers. Risk taking, financing and large-scale distribution are some useful functions performed by distribution channels and this justify their need and utility.

(6) **Indispensable in present marketing:** Channels of distribution are indispensable in the present highly competitive and consumers-oriented marketing due to their functions and services. They are absolutely needed for orderly marketing of goods. Channels are needed as they offer useful services to producers and consumers.

(7) **Conduct useful functions:** Distribution channels are useful for large-scale marketing and transfer of ownership of goods. In addition, they offer services in sales promotion, consumer

service, financing and risk bearing. These services of distribution channel justify their need in the physical distribution of goods.

(8) **Useful to manufacturers and consumers:** Marketing channels are useful to manufacturers for wider distribution and sales promotion. Channels are outlets developed by manufacturers and naturally offer services to manufacturers on priority basis. Channels are also useful to consumers in getting regular supply of goods and in meeting their wants. This suggests the need of distribution channels.

(9) **Raising marketing efficiency:** Distribution channels are needed as they raise the efficiency of marketing system. Large scale marketing is possible because of the services of distribution of channels.

(10) **Cost reduction:** Distribution channels are needed as they reduce cost of transactions. Manufacturers supply goods economically to consumers because of the services of channel participants. Consumers also get regular supply of goods at fair prices.

IMPORTANCE OF DISTRIBUTION CHANNELS:

Channels of distribution render useful services to manufacturers and consumers and perform important marketing functions. Such functions and services indicate the importance of marketing channels. Marketing channels **play a vital role in the distribution of consumer goods.** At present, goods manufactured at one place are sold in all parts of the country only because of the network of marketing channels. Marketing channels are more useful to manufacturers than to consumers. They facilitate quick and large-scale distribution of goods and services. **The following points suggest the importance of marketing channels in the distribution of consumer goods:**

(1) Distribution channels **facilitate large-scale distribution of goods.**

(2) Distribution channels **bring division of labour and specialisation** in the business field.

(3) Distribution channels are **useful for price determination** of goods.

(4) Distribution channels enable a marketing firm to achieve **marketing targets/objectives.**

(5) Channels **perform financial function** by providing finan for movement of goods from producers to consumers.

(6) Channels of distribution **enlarge the scope of marketing** a facilitate sales promotion. Channels perform the role salesmanship.

(7) Distribution channels are **useful for meeting the diversifie needs of consumers** economically, quickly and continuously

(8) Distribution channels help manufacturers **to distribute the goods quickly** throughout the country. In addition, the provide market information to manufacturers for finalising their production plans.

(9) Mass production needs the support of mass distribution which is possible through marketing channels. **They occupy strategic position in the field of distribution** and this suggests their importance.

DISTRIBUTION CHANNELS:

(1) **Nature of product:** The nature of product is one significant factor influencing the selection of the distribution channel. The nature of product means the characteristics of the product. The product for marketing may be a new product or an established one. It may be a cheap or costly and finally it may be perishable or durable. If it is perishable like fruits or vegetables, it will be better to sell it directly to consumers. Similarly, costly products requiring after-sale service should pass on through few hands. Thus consumer durables like automobiles, television sets and scooters, are sold either directly by the manufacturer or through one area distributor.

An industrial product is usually sold directly to the industrial user. If a product is new, active support of middlemen is necessary. Once it is established in the market, some middlemen can be eliminated. In the case of local market, direct sale is possible and also preferred. Thus, nature of product is one important factor which needs careful consideration while selecting specific distribution channel.

(2) **Nature of market:** The size and location of the market also influence the choice of distribution channel. In the case of

national markets, the producer may be compelled to avail of the services of intermediaries for effective marketing of goods. Similarly, if the number of customers is very large and if they are widely scattered, the services of middlemen are essential. On the contrary, in the case of local market and a small number of customers, the manufacturer may resort to direct channel. For example, in the marketing of consumer items, wholesalers and retailers are inevitable but they are not essential for marketing industrial goods. Finally, for mass distribution of goods, the services of middlemen are required but for selective or exclusive distribution one or two dealers are adequate.

(3) **Nature of market competition and marketing environment:** The nature and intensity of market competition is another factor connected with the selection of distribution channel. In the case of keen competition, the manufacturer has to seek active support of middlemen. Similarly, in the case of certain products like medicines, a manufacturer has to follow the same channel as used by his competitors. A manufacturer can use a shorter channel if the market competition is limited. Similarly, shorter channel can be used during the recession when the demand is less. Longer channel will be more useful during the period of prosperity when demand is more and also increasing.

Along with market competition, marketing environment needs careful consideration while selecting the marketing channel. Such environment is the net result of various factors such as entry of new products in the market, government policies and so on. The channel should be selected after due consideration of market environment-present and future.

(4) **Nature and features of customers:** While selecting distribution channel, the convenience of the prospective customers should be taken into consideration. Selecting channel from the viewpoint of customers requires information regarding prospective customer's age, income group, sex, etc. The buying habits of customers should also be taken into consideration while selecting a marketing channel.

(5) **Financial resources and cost of distribution:** Another significant factor influencing selection of a marketing/distribution channel is the financial resources available at the disposal of the manufacturer and the cost of distribution in relation to the product. A manufacturer with limited financial support has to use the services of middlemen for the distribution of goods. He can use shorter channel or can sell his goods directly to consumers if he is financially strong and capable to establish his own sales organisation. Similarly, if the market is local, direct sale to consumers is possible. However, a longer channel is required if the market is too wide. New companies depend heavily on the middlemen for distribution due to lack of finance but established companies try to sell their products with minimum number of middlemen. The company's product mix influences the selection of marketing channel. Finally, a company interested in keeping greater control over the marketing channel prefers a shorter marketing channel.

Availability of middlemen: The manufacturer of a particular product may need a large number of middlemen for efficient distribution of his product. He may also be willing to pay them attractive commission. However, he may not get the services of middlemen on fair terms and conditions. Under such circumstances, he has no alternative but to establish his own sales organisation for marketing. This is because of non-availability of suitable middlemen. In brief, availability of middlemen, willingness of middlemen and the services which the middlemen are willing to provide are three broad factors connected with the selection of distribution channels.

CHANNEL PARTNERS

MEANING:

Channel partners (also called channel members) are intermediaries who sell the manufacturer's products and services. A channel partner is a third-party organisation or individual. Not only domestic manufacturers but also MNCs form channel partner relationships at different levels to multiply product distribution and sales. Channel partners could be an intermediary or a local company with marketing expertise. Thus, channel partners may be distributors, vendors, retailers, consultants and value-added resellers. Manufacturers feel that by working with channel partners they can achieve more. By combining their strengths, they can explore new market opportunities. The products that channel partners sell are manufactured by some other companies. The focus is on improving supply chains and creating economies of scale. Channel partners are transaction-oriented. End-user reach and loyalty are more important elements. Channel partners **constitute delivery mechanism** driven by efficiency. The type of channel partner that a manufacturer needs depends on the type of business pursued by it.

NEED FOR CHANNEL PARTNERS/MEMBERS:

Goods need to be distributed continuously to consumers for the satisfaction of their wants. The smooth distribution is as important as production of goods and services on a large scale. In the absence of orderly distribution, there will be artificial scarcity, price rise, inconvenience to consumers and mal-practices in marketing. For large scale distribution, different channel partners are used such as retailers, wholesalers, commission agents, sole selling agents, stockists, dealers and so on. Middlemen are necessary and useful. They conduct various functions and offer services to manufacturers and consumers. In marketing channels, one or more intermediaries operate. These intermediaries differ in their roles, capabilities, territories, size of operation, cost of operation and control by the principal. Elimination of intermediaries is rather difficult in the marketing process channels.

Manufacturers deal with large volume production and marketing. It is not possible for them to cater to individual demand. In order to serve widely scattered consumers, these manufacturers need the services of established intermediaries who can meet the individual demand of consumers promptly. There is division of work in physical distribution. Manufacturers can concentrate on production and hand over the marketing activities to the intermediary agencies. These agencies perform financial functions by providing credit facilities to small retailers.

They can meet diversified needs of consumers economically, quickly and continuously. They maintain the network to distribute the goods quickly throughout the country. In addition, they provide market information to manufacturers for finalising their production plans. Mass production needs the support of mass distribution which is possible through the services of channel partners. **They occupy strategic position in the field of distribution.** Smooth and prompt distribution is unthinkable in the absence of channel members/partners.

TYPES OF CHANNEL PARTNERS:

(1) **Merchant Middlemen** buy and sell goods on their own account and at their own risks. They include wholesalers and retailers. Merchant middlemen are merchants and they take the risk involved in marketing. They also perform a number of diverse marketing functions and earn a margin of profit and not commission on their trading activities. **Merchant middlemen act as link in many channels of distribution.** Their elimination in the process of large scale distribution is practically impossible even when their elimination is advocated on certain valid grounds.

(2) **Agent Middlemen** do not take ownership of title to goods but only negotiate the transfer of ownership from the seller to the buyer. Such middlemen are also called **mercantile agents** or **functional middlemen.** Selling commission agents, brokers and other mercantile agents such as factor and auctioneer are the examples of agent middlemen. A manufacturer has to select suitable middlemen for large-scale distribution of his goods. These middlemen charge commission for performing/providing various marketing services. Moreover, they do not act as principals but as agents of the owners of goods.

(3) **Facilitators:** These are independent business units that facilitate the flow of goods and services from the producer to the customer without taking title to them or negotiating for them on behalf of the producer. Such facilitators include transport companies, banks and independent warehouses. These institutions are paid for their services. For example, a transporter

gets paid on the form of freight charges while a banker collects services charges and warehouses, cold storages and godowns earn rent. The facilitators are different from wholesalers, retailers, dealers, brokers, jobbers and so on. However, they are useful for quick movement of goods which is necessary for large scale orderly physical distribution.

Channel partners in the distribution network, **are indispensable** as they perform useful functions and provide services to manufacturers directly and consumers indirectly. They facilitate large-scale distribution of goods. It is just not possible to remove/eliminate the partners from the distribution network. In recent period, efforts are being made to remove intermediaries from the distribution system. This was due to some undesirable practices of channel partners. It is necessary to check such undesirable practices effectively. However, channel partners are necessary and useful.

WHOLESALERS

Wholesaling includes all activities in selling goods and services to those who buy for resale for business use. It excludes manufacturers and farmers because they are engaged primarily in production. It also excludes retailers who supply goods to ultimate users. The term wholesaler applies to only merchant middlemen engaged in wholesale activities i. e. they take title to the goods they handle.

Wholesalers differ from retailers in different ways. This relates to functions and services offered, capital requirement, operational area, position in the marketing channels and so on. Wholesalers are important marketing intermediaries and provide useful services to manufacturers and retailers directly and the consumers indirectly. They are important and useful in the distribution channels as they provide different services.

MEANING OF WHOLESALING:

Wholesaling means selling in large quantities. Wholesalers purchase goods in large quantities from the manufacturer and provide to many retailers as per the requirement of retail trading. Wholesalers proper are individuals who purchase goods from the manufacturer in large quantities and supply to retailers in smaller quantities for reselling to final consumers. Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. A firm engaged primarily in wholesaling activity is regarded as wholesaling organisation. Wholesaling establishments are rightly described as the link roads along which goods move from producers to those who sell on retail basis. According to **Evelyn Thomas**, *"A wholesaler is himself neither a manufacturer nor a retailer but acts as a link between the two."* Wholesalers buy mostly from producers and sell or supply to retailers and industrial consumers.

FEATURES OF WHOLESALERS/WHOLESALING:

(1) **Wholesalers operate in the central market** and act as first outlet in the process of distribution. They occupy important position in the channel of distribution.

(2) **A wholesaler requires huge capital,** regular administrative office and also adequate storage facility for his business.

(3) **A wholesaler normally specialises in the distribution of one or two commodities only.** He acts as a link between manufacturer and retailers and offers various services.

(4) In the absence of wholesaler, retailers and manufacturers will have to face many difficulties and inconveniences. This **suggests his special position in the distribution of goods.**

(5) A wholesaler is **neither a producer nor a supplier to final consumers** but only an intermediary between manufacturer and retailers. His elimination in the distribution process is difficult.

(6) Wholesaler specialises one product line.

(7) He does not sell to the ultimate consumer.

(8) Wholesalers buy in bulk and resale to retailers in small quantities as per their need.

(9) Wholesalers act as vital link between the producer and the retailers.

(10) Wholesalers set their distribution centres in different parts of the country and maintain warehouses to store goods for ready supply to retailers.

FUNCTIONS OF WHOLESALING/WHOLESALER:

(1) **Assembling of goods:** Wholesaler purchases goods from right source, at the right price and at the right time. He purchases goods from different producers/manufactures as per market demand and his purchasing capacity. Goods purchased are supplied to retailers in smaller quantities as per their need.

(2) **Dispersion of Goods:** The wholesaler collects goods from different sources of supply and thereafter supply them to the retailers. The retailers are often scattered over a wide area and the wholesaler undertakes to supply them goods regularly as per their needs.

(3) **Warehousing (Storage) of Goods:** Warehousing of goods is one more important function of a wholesaler. By storing surplus stock of goods, the wholesaler acts as a warehouse-keeper of the market. He is also useful for bringing stability in the price level. This is possible because he keeps huge stocks with him and releases them according to market demand. This function of the wholesaler relieves the manufacturers and the retailers from botheration of storing surplus stocks of goods.

(4) **Risk-bearing:** After purchasing goods from the manufacturer, all risks in the process of distribution are shared by the wholesaler. The risk arises out of fluctuations in prices, spoilage of goods, deterioration in quality, theft and loss by fire. By accepting all such risks, he renders very valuable service to manufacturers and retailers. **He is the real risk bearer in the distribution of goods.**

(5) **Financing Marketing:** The wholesaler grants liberal credit facilities to the retailers while supplying goods to them. Similarly, he gives advances to manufacturers and asks for a relatively short period of credit from them. Thus, the task of financing marketing activity largely falls on the wholesaler.

(6) **Transportation of Goods:** The wholesaler has to collect goods from different manufacturers and supply them to retailers. Hence, he has also to perform the function of transportation of goods. He makes arrangements for transporting goods from the manufacturer's warehouse to his own godown and

thereafter to the retailer's shop or warehouse. Retailers secure ready delivery of goods at their shops due to the transportation function of wholesaler.

(7) **Grading and Packaging:** The wholesaler on certain occasions provides specialised services like grading, packaging, etc. He sorts out the entire stock into lots indicating uniform quality on the basis of specified standards. Similarly, packaging goods in smaller lots for the convenience of retailers is also undertaken by the wholesaler. Some wholesalers also provide facilities for branding and labelling.

(8) **Miscellaneous Functions:**

(a) Providing marketing information to producers and retailers.

(b) Facilitating large scale sales and promotion.

(c) Expert services to retailers in training, shop layout, etc.

SERVICES OF WHOLESALERS:

(a) **Services Offered to Manufacturers: In the case of manufacturer, the wholesalers are useful** for large orders for goods manufactured. The wholesalers enable manufacturer to concentrate on production activities as distribution function is normally managed by wholesalers. They also provide financial support to manufacturers by placing advanced orders with full or part payment. The wholesaler helps manufacturers in framing manufacturing policy for the future period. A manufacturer need not maintain his sales organisation because of the services of the wholesaler. Even information and guidance about modifications in the existing products, new products required by consumers, etc. is given by wholesalers to manufacturers. In short, wholesaler plays an important role in the internal distribution system. **In fact, he acts as a backbone of the entire distribution system.**

(b) **Services Offered to Retailers:** Retailer gets regular supply of goods (as per his requirement) from the wholesaler. He also assumes most of the risk connected with marketing. Retailers are supplied goods on credit basis. Thus, the wholesaler finances the bulk of retail trade. The wholesaler gives information about market situation, new products introduced, etc. to his retailers. Finally, retailers offer wide choice to customers because of the services of wholesalers. Retailers can manage their business with small capital and even offer credit facility to their customers because of the support and cooperation of wholesalers.

TYPES OF WHOLESALERS:

(1) **Merchant Wholesalers:** These are the largest group of wholesalers. Merchant wholesalers independently own business. They take title to the goods they handle. Merchant wholesalers are classified into **(a)** Full service wholesalers and **(b)** Limited-service wholesalers. Full service wholesalers, as the name indicates, provide full set of service. In contrast, limited-service wholesalers provide fewer services to their suppliers and customers.

(2) **Industrial Distributors:** They specialise in selling industrial goods and raw materials. They sell directly to manufacturers. They are not interested in executing small orders. They aim at getting large volume orders. They also supply related items to the main business. They provide services like credit, carrying stock and providing delivery.

(3) **Cash and Carry Wholesalers:** They deal in selling limited line of fast moving goods. They sell to small retailers for cash. As a practice, they do not deliver goods to customers but expect them to visit his shop e.g., A small store selling children garments will visit cash and carry wholesaler. He purchases his requirements by paying cash. He brings the goods to display and sell in his store. Such wholesalers have to keep in touch with the latest fashion sweeping the market.

(4) **Rack Jobbers:** Rack jobbers are typically different type of wholesalers. They retain title to the goods. They bill the retailers only for the goods sold to consumers. Unsold stock is taken back by them. They send delivery trucks to stores. As the business is fast moving, they normally provide fresh stock. They setup point of purchase displays and also keep inventory records. For providing additional services they may charge marginally higher price.

(5) **Drop Shippers:** They operate in bulk industries such as coal, heavy equipment, machinery and timber. They do not carry

inventory or handle the product. They approach prospective buyers and obtain order from him. Thereafter, they select a supplier/manufacturer who ships goods directly to the customers. Drop shippers take over title and risk from the time the order is accepted and delivered to the customers.

(6) **Mail Order Wholesalers:** This business is conducted through the mail. These wholesalers maintain **mailing list** of actual and prospective buyers. They send catalogues to big buyers, retailers and institutional customers mostly featuring fashionable goods, speciality foods, cosmetics and jewellery. They do not take service of sales force. Order forms are filled in and goods are dispatched by mail. Delivery is against cash payment. Instalment payment facility may be given. Generally bulk of orders are from rural and semi-rural areas.

ROLE OF WHOLESALER IN DISTRIBUTION CHANNEL:

The functions and services of wholesalers in the distribution of goods are already discussed previously. They are, in fact, adequate to suggest the positive role of wholesalers in the distribution or distributive channel. Wholesaler is an important and useful intermediary in the distribution process. He is useful to manufacturers in quick, efficient and economical distribution of goods produced. He brings large scales distribution of goods over wide geographical area. He also provides many other services to manufacturers and facilitates their production activities as per the needs and expectations of final consumers. Wholesalers provide variety of services to retailers and support their marketing operations. Finally, consumers get indirect services from wholesalers. They get ready delivery of goods locally and that too regularly and at fair prices. All this suggests positive role of wholesalers in the distribution channels. Wholesalers are very common operators in the distribution of consumer and industrial goods.

Wholesaler buy and sell goods on their own account and risk. They take title to goods and resell the goods at a profit. This is one useful marketing service which they offer. They play a useful role in the orderly and efficient distribution of goods for the benefit of consumers spread over wide geographical area. Wholesalers offer supporting hand to producers and retailers through their financial transportation and information services. In fact, **wholesalers constitute financial and marketing support to distribution management.** Due to phenomenal expansion of marketing activities and the entry of many foreign exporters, the wholesaling has changed dramatically in India. The vast popularity of Internet and mobile phones have enhanced the importance of wholesaling in India.

In short, wholesaler as an intermediary in the distribution network, is indispensable as he performs useful functions and provides variety of services to manufacturers directly and to consumers indirectly. Wholesalers facilitate large scale distribution of goods quickly and economically. They also provide financial, transportation, risk-bearing and storage service to other connected with them. In fact, wholesalers make distribution channels strong, stable and utility-oriented. **Complete elimination of wholesalers is neither possible nor desirable** particularly for large scale distribution of consumer goods for the benefit of consumers who are spread all over the country and need regular supply of gods locally.

It is true that wholesalers introduce certain unfair and undesirable practices in their marketing activities. Such practices prove harmful to manufacturers and consumers. In fact, such practices are harmful to the entire distribution system. It is desirable to regulate and control such unfair practices or objectionable practices of wholesalers. For this, **extreme step of elimination of wholesalers** from the distribution channels is not required and may not prove useful.

Various arguments are made in order to justify elimination of wholesalers from the distribution channels. It is argued that **wholesalers do not offer any valuable services to anyone.** They operate only as order takers for profit at the cost of consumers. Efforts are also made by manufacturers and retailers to have direct contact for marketing purpose. For example, departmental stores, malls, chain stores and other large retail organisations purchase their requirements directly from manufacturers. Such efforts are successful to certain extent but not fully. Complete elimination of wholesalers has not taken place in India as well as in other countries. The demise of wholesaling as a major distributive institution in marketing channels has been predicted for many decades. However, the actual progress in this regard is limited. Moreover, elimination of wholesaler does not mean elimination of his marketing functions and services.

Elimination of wholesalers from the distribution chain is regarded as beneficial to others including consumers. However, existence of wholesalers in the distribution channel suggests their need and importance of their services. This suggests that elimination of wholesalers is difficult under the current distribution environment. This also suggests that wholesalers will continue to operate in the distribution channels with their normal functions and services. They are, now, treated as **"necessary evil"** in the distribution channels.

DISTRIBUTORS

MEANING OF DISTRIBUTORS:

A distributor is a person or a business organisation who is involved in supplying goods to dealers and other businesses. He purchases goods directly from the manufacturer and distributes it in the market to several vendors. He is an agent and creates a link between manufacturer and dealer. He deals in variety of products. He faces moderate competition but operates in large areas. Distributors buy from the company and warehouse the products and sell them to retailers and end-consumers. A distributorship agreement is a contract made between the company and the distributor, setting out the terms under which the distributor may sell the products. These products are sold to retailers or consumers at a higher price to cover the distributor's costs and earn a profit. The distributor is considering an independent selling agent. He has permission to sell the products as specified in the contract but is not entitled to use the trade name as part of its business. The agreement may also specify that he cannot sell similar products from another supplier.

A distributor is sometime granted exclusive distribution rights to be the only dealer in a specified area or to be the only dealer to supply the products to a specified group of people. Distributor must maintain trained staff to sell high-end products and justify exclusive distribution. An exclusive distributorship agreement gives the manufacturer or supplier greater control over how its products are sold. Exclusive distribution provides some protection to the distributor that other individuals or entities are not allowed to sell the same product at a lower price. They are known to provide various services such as credit facility to consumers, after sales service, product information, technical support, estimates, installation etc. Their functions are similar to those provided by the wholesalers. Business ethics plays an important role e.g., a distributor marketing Parle biscuits will not sell Britannia biscuits.

FUNCTIONS OF DISTRIBUTORS:

(1) **Operational excellence:** Distributors give the company the assurance that their products will reach customers on time and it will be seen that consumers have no objection.

(2) **Adaptability:** Distributors can easily adapt to changing market trends. They provide regular feedback to the company which prepares its products to be customer-friendly.

(3) **Priority to ethics:** Distributors do not only comply with the law but also practice business ethics. No harm is caused to the company by their activities. By following ethical norms the interests of the company is well-protected.

(4) **Explore opportunities:** Distributors explore market opportunities to enlarge their turnover. They adopt innovative way to market the products and achieve highest customer satisfaction.

(5) **Pleasant experience:** Distributors so perform the business that retailers and end-users enjoy pleasant experience. The dealings are transacted with a touch of class.

(6) **Trusted agent:** Distributors operate trade schemes on behalf of the company. They select and pay display contest prizes with the help of company persons. They effectively use company's POP material. They are the trusted agents.

(7) **Inventory keeping:** Distributors take over the responsibility to store the unsold stock. Later when the demand develops the stock is marketed. Inventory keeping is an important service rendered by distributors.

(8) **Skill to sell:** Distributors gather product knowledge which enables them to answer consumer objections and also facilitate to sell the goods tactfully.

(9) **Connecting link:** Distributors are connecting link between manufacturers and dealers. They purchase in large quantities and fulfil small orders of dealers.

(10) **Assume risk:** Distributors assume risk arising in selling the products. They deliver products and offer post-sales support. They add value to the sale. Credit risk is an essential service offered by the distributors.

(11) **Represent company:** Distributors represent the company by stocking their products. They represent the brand in the market and add to company reputation. They also gather marketing intelligence.

(12) **After sales service:** Distributors process orders, provide information and provide after sales service. Consumer durable goods are sold on the strength of good after sales service. For this purpose they keep maintenance staff.

DISTINCTION BETWEEN WHOLESALERS AND DISTRIBUTORS

Wholesalers	Distributors
(1) Meaning:	
Wholesalers are independent business firms that engage primarily selling products manufactured by the company.	Distributors buy non-competing products, warehouse them and resell them to the retailers and end-users.
(2) Services:	
They fulfil orders from retailers and satisfy retailer demand.	They not only execute orders but also act as sales representative for the producer.
(3) Scope:	
They rely on orders from retailers and mostly work with large producers.	They have wider scope and supply to wholesalers and retailers. They work with both small and large producers.
(4) Revenue:	
They purchase products in bulk at a lower price from producers and sell to retailers in smaller units that attract higher prices.	They charge service fees and demand a percentage of the net sales for rendering the services.

(5) Support:	
They receive from manufacturers some marketing support such as advertising when they work for a single manufacturer.	They receive staff training and technical support to develop the business.
(6) Terms of Business:	
They do not have services such as contract negotiations and handling warranties.	They look after contract negotiations, handling warranties and marketing for resellers.
(7) After Sales Service:	
They do not provide after sales service.	They provide after sales services which is their selling point.
(8) Orders:	
They mainly procure orders from retailers.	They procure order from several sources.
(9) Alliance:	
They are known to have alliance with more than one manufacturer including competitors.	They strictly maintain alliance with one manufacturer only.
(10) Feedback:	
They provide feedback to manufacturers as received from retailers.	They provide feedback to the manufacturer has received from diversified buyers.

RETAILERS

MEANING OF RETAILER:

The word *"Retailer"* is derived from the French word *"retaillier"* meaning "to cut a piece off" or "to break bulk". In simple words, it implies first-hand transaction with the customer. A retailer cuts large stocks of goods into small pieces and sells them to customers i.e. final consumers. In the present system of mass production and mass distribution, a manufacturer is not in a position to sell his goods directly to consumers. A number of intermediary agencies are involved in the distribution process till the goods reach to final consumer/user. In this distribution chain, retailers occupy key position. Retailer is the merchandising arm of manufacturers or the neck in the bottle of distribution.

Retailing involves a direct interface with the customers/ consumers and the coordination of business activities right from the concept of a product to its delivery and post-delivery service to the customer. Retail industry is useful in every country and contributes to its growth. It is one of the fastest changing and dynamic industries world over.

In spite of the fact the corporate world is growing into bigger and biggest organisations, the small retailers survived even when there is large scale competition. In India, organised retailing is making rapid progress in recent years. However, nearly 90% of retailing is managed by small, independent retailers who are not very much affected (at least for the present) due to the progress of organised retailing. This is because of *human touch* in their business. The small retailers go out of the way and offer various services to their customers. It is rightly said that **"the warmth of human heart governs the business"**. This is certainly applicable to unorganised retailing in India. Retail stores serve as a communication hubs for customers. Retail store is also described as the **Point of Purchase (POP) or the Point of Sale (POS).** Large majority of consumer goods move through popular distribution channel in the form of Manufacturer-Wholesaler-Retailer and finally consumers/customers. Retailing is the last but most important station/stop in the marketing process. Retailers provide goods to consumers for final use. His business is local in character. Goods are supplied to consumers regularly in small quantities as per need. Retailers deal in a variety of goods. He is concerned with the satisfaction and welfare of his customers. He acts as a good buying agent for his customers.

Retail sector is the second largest employer in India after agriculture. In India, small retailers dominate the retail sector. Retailer is useful to consumers and manufacturers.

DEFINITION OF RETAILERS:

(1) According to **Philip Kotler,** *"Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing."*

(2) According to **W. J. Stanton,** *"Retailing includes all activities directly related to the sale of goods or services to the ultimate consumer for personal, non-business use."*

FEATURES OF RETAILERS:

(1) **Retailing is local in character** and retailers supply different types of goods to local consumers.

(2) **Retailers offer various services and conveniences to** their regular customers. (e.g., credit facility, home delivery, etc.)

(3) **Personal selling plays an important role in retailing** as retailers keep direct and close contact with their consumers.

(4) **Retailers or retail store keep close contact** with varied types **of customers** and deal with them tactfully.

(5) **Retailer or retail store acts as a link** between wholesaler and final consumers.

(6) The organisational structures used in retailing are not uniform. The retail structures include **small dealers, departmental stores, chain shops, malls, speciality shops, and so on.**

(7) Retailers include **store retailers** (supermarkets, malls, departmental stores), **non-store retailers** (direct marketing, direct selling, etc.) and other **retail organisations** (corporate chain store, voluntary chain, etc.).

FUNCTIONS OF A RETAILER:

(1) A retailer provides **form utility** to a product that is acceptable to the customer. He performs the function of storing the goods and providing them to his customers as per their need. He provides regular supply of goods and services to his customers as per their requirements.

(2) The retailer creates **time utility** by keeping his store/shop open when the consumers prefer to shop.

(3) The retailer opens his shop at a convenient location and thereby he creates **place utility** to his consumers/customers. He is easily accessible to his customers and keeps close and cordial relations with them.

(4) The retailer sells the product to his customers and thereby creates **ownership utility.**

(5) The retailer acts as a **marketing intermediary** and serves his customers by providing goods and other services/facilities promptly and regularly. Such services include home delivery,

credit facility, fair pricing and cordial treatment. He stocks goods for ready supply to consumers.

(6) The retailer also **serves the manufacturer** by performing the function of distribution of goods to the end consumers. He also acts as a **channel of information to manufacturers**. He **acts as the last outlet in the channels of distribution.**

(7) The retailer provides **personal services** to all customers. He also **assumes marketing risk.**

(8) The retailer **undertakes physical movement and storage of goods.** He also undertakes sales promotion activities and create demand by window displays, etc.

(9) **Extend credit facility** and create demand by window display and show cases etc. Retailers contribute towards increasing **the product value** and **satisfying the consumers.**

(10) The retailer also **assumes the risk of loss of goods** by fire, theft, etc. as long as they are not sold out to consumers.

Retailers perform variety of functions and thereby offer useful services to manufacturers and consumers. His existence is universal since the olden days. Retailers play a useful role in business growth and employment generation. Society supports retailing because of its importance and positive role.

CHOICE OF DISTRIBUTION SYSTEM

Having decided the channel of distribution, the manufacturer has to decide about the number of middlemen to be employed. He has to take decision regarding the intensity with which he desires his products to be marketed. He has to find out whether the objective of sales promotion will be achieved by selective distribution or by giving sole selling agency to certain distributors. Intensity of distribution covers three alternative strategies which are:

(1) Intensive Distribution,

(2) Selective Distribution, and

(3) Exclusive Distribution.

(1) **Intensive Distribution (also called Mass Distribution):** *When the distribution of goods is effected through a large number of middlemen it is called intensive distribution.* It is *"maximum*

exposure of the product for sale in the market". A company adopts channel-mix so that its products get maximum exposure in the market. These products are for mass consumption and their unit cost is low. Products suitable for intensive distribution would include soaps, detergents, tea, soft drinks, toothpastes, pens, chewing gum, bread, medicines etc. These products do not require after sale service and are used as routine consumption. Companies use as many channels as available so as to give the products highest coverage. Consumers are looking for convenience and availability. They would prefer to buy products that are being sold in the vicinity. Brand loyalty is limited and brand hopping is common. Ready availability of the product is crucial. Large concerns like **HUL, Amul, Cadbury, Godrej, ITC** and **Nirma** use intensive distribution. As mass consumption goods are widely sold in rural India, distribution should be so done as to ensure its brands of products are commonly available everywhere. In this context intensive distribution of **Dabur** products in rural India requires special mention. Hindustan Lever uses intensive distribution technique to reach to every potential buyer. FMCG manufacturers do go for intensive distribution of their products.

Advantages of Intensive Distribution:

(1) A manufacturing company achieves **greater security and stability in the volume of sales** since the loss in one or a few outlets from amongst several do not impair its selling programme.

(2) **The overhead distribution cost spreads over a wider network** or dealers and sales volume.

(3) There is **minimum waste in communication** by reaching a large number of buyers.

(4) There is maximum exposure of products to consumers and this promotes large scale sale which is beneficial to producers.

Limitations of Intensive Distribution:

(1) It is an **expensive policy** because selling through small dealers for maximum sale exposure entails small and

frequent orders which are relatively expensive to service. Thus, intensive distribution is **costly.** The expenses on distribution are high and may not be justified by the profit realised. Intensive distribution places most of the advertising and promotion burden on the producer.

(2) It is **incompatible with manufacturer's desire for maximum market control** because a large network of retailers spread over a whole country defies all control measures.

(3) Few companies have the **ability and potential to regularly monitor prices and stocks** in respect of a large number of outlets. This leads to periodic shortages and price rise.

(4) **It leads to wasteful and unhealthy competition** and much of the energy is wasted in competitive selling.

(5) It is **difficult to establish contact with large number of dealers** and secure their co-operation for sales promotion.

(2) **Selective Distribution:** *When the distribution is undertaken through a highly selected groups of outlets it is called selective distribution.* Some companies use less than all the available channels of distribution to market their products. The distribution is organised economically. Selective distribution is adopted where the products need after sale service e.g., consumer durable goods like refrigerators, air conditioners, music system, PCs for home and personal care goods, TV, washing machine, mixer grinder etc. In addition to this, costly products such as branded garments, sportswear and jogging shoes are marketed through selective distribution. These products are bought by consumers after making proper inquiries because the unit cost per price is quite high. Consumers move from one shop to another comparing price, features, design, style and unique selling proposition before they make up their mind to purchase. Most of the electronic products require after sale service which is an important selling point of the seller. Some of the manufacturers distribute their products through their own showrooms such

as Bata, Raymond, Zodiac, Titan watches, Godrej, Vimal etc. Marketers for shopping goods and speciality goods normally go for selective or exclusive distribution.

(3) **Exclusive Distribution:** *When distribution is effected through a single dealer or distributor within a particular market segment, it is called exclusive distribution.* Companies that opt for limited channel outlets, exercise tighter image control. An intermediary agency or a dealer allowed to market its products, are not permitted to stock competitive brands. There is an exclusive agreement with the dealers e.g., total commitment to business, inform quality of customer service, carry complete inventory, employment of trained personnels, uphold business image and participate in promotional activities. On the part of consumers they buy these products infrequently and use them over a period of time. Mostly designer products are distributed through exclusive distribution because there are very few buyers belonging to this category such as film stars, cricketers, media magnets and business tycoons. Other products suitable for exclusive distribution would include high-priced pens and wrist watches, branded jewellery, expensive cars, fashion garments, exclusive perfumes, costly cameras etc. The target audience is defined. This channel does not cater to common men. Exclusive distribution is restricted to metro cities and their clientele include rich and famous.

Advantages of Exclusive Distribution:

(1) **Greater loyalty of intermediary** and relative loss of intermediary's interest in the competitive brands.

(2) **Greater motivation** for **aggressive promotion** and **selling** of manufacturer's products **by the intermediary.**

(3) Guaranteed and **efficient after-sale service** by **intermediaries.**

(4) **Reduction in** distribution **cost** as small and frequent orders from the intermediaries are avoided.

(5) The problem of inventory **management** becomes easy as the intermediaries carry more inventory.

(6) This arrangement **reduces marketing expenses of the producers** as they have to spend limited amount on advertising and publicity.

(7) **Introduction of product by the manufacturer is easily facilitated** due to the goodwill and prestige of the sole selling agent.

(8) Exclusive distribution facilitates planned production and distribution of a product.

Limitations of Exclusive Distribution:

(1) **The best intermediaries are not available easily** as available intermediaries are already tied up with other manufacturers and some promising intermediaries available are unwilling to commit themselves.

(2) **Consumer coverage is likely to be spotty** on account of consumer reluctance due to various reasons.

(3) Due to assured business, **intermediaries are always susceptible to complacence with regard to sales promotion.**

(4) Exclusion distribution arrangements are criticised as **they are treated as anti-competitive and restrictive in nature.**

(5) Due to limited outlets, the **exposure to goods is limited.** All prospective customers will have to go to the dealer appointed for that area.

(6) The **manufacturer is entirely dependent upon the sole distributor for promoting sales.** In the case of poor performance of the distributor, the manufacturer is likely to come in difficulties.

(7) Exclusive distribution policy is **not-suitable for products which need large scale distribution.** However, it can be used for durable and speciality products like automobiles, scooters, oil engines, etc.

FACTORS AFFECTING DISTRIBUTION STRATEGY

Meaning of Distribution Strategy:

Distribution strategy is a plan created by the company that works out how it desires to make its products available to retailers, intermediaries and consumers. Direct selling is mostly done by small companies. In case of large companies, they find it cheaper and easier to market their products through intermediaries. Before deciding distribution strategy, the companies consider number of customers, cost and methods used by the competitors. In deciding the most appropriate distribution strategy, a manufacturer should ask the following two questions:

(a) What is the most effective way to reach the end customer?

(b) What are the benefits and costs of a particular method?

The formulation of distribution strategy is a time consuming exercise. Sound distribution strategy must enable companies to maximise sales and profits. It is necessary to map products to the end-users and consider customer channel preferences. In order to establish effective distribution strategy, it is essential to examine competitors' strategies and compare them and their effectiveness with own strategies. The company must encourage confidential interviews with the channel partners to identify existing strengths and areas of improvement. **Factors affecting distribution strategy include the following:**

(1) Locational Demand
(2) Product Characteristics
(3) Pricing Policy
(4) Speed or Efficiency
(5) Distribution Cost

(1) **Locational Demand:** Locational demand is based on where consumers live and how they like to go about their shopping. The bulk of sales take place in urban areas rather than rural areas. In urban areas, suburban shopping area has become dominant where there is concentration of population e.g., the city of Mumbai.

Factors determining locational demand are:

(a) **Number of buyers:** Where the number of present and potential customers is large as in case of FMCG, the company will settle for indirect distribution. If the number of customers is limited, the company will opt for direct distribution.

(b) **Types of buyers:** While selecting distribution channel, the convenience of the prospective customers should be considered. Consumer goods are bought by a large number of buyers anytime and anywhere. Hence these goods must be made available 24 × 7. These goods are mass consumption and a channel-mix becomes necessary. In contrast, industrial goods are bought by few and they need to be sold by qualified and trained staff through direct distribution. This selling requires explanation and demonstration.

(c) **Buyer-seller relationships:** A purchase can be seen as part of a larger relationship between buyers and sellers. By keeping track of customer's purchase history, service schedule and special requests, a firm can do a better job of anticipating the customer's needs, deciding which new products are best suited to customer's needs and providing preventive maintenance before problems take place. Channel partners can be of great help to realise this goal.

(d) **Time saving:** Consumers want to buy their preferred products conveniently. If his choice of product is not available he can buy another brand because the consumer is not prepared to travel to another retail outlet. Retailers having good location should be given preference. In case of consumer's durable products, markets develop their product specific identity. The majority of consumers visit those markets because all popular brands are available. It saves enormous time of consumers. In case of wholesalers location is not important because retailers approach them.

(e) **Credit facility:** Where consumers are in the habit of buying on credit, it is advisable that companies take services of intermediaries. With cashless sales catching up in India, the concept of credit facility has undergone a change with the widespread use of debit and credit cards along with other forms of plastic money.

(f) **Location of buyers:** When buyers are located in a fixed area the company can think of selling directly e.g., in urban markets. In case the customers are scattered, the company is forced to use the services of intermediaries.

In order to market products in hilly regions of our country, companies invariably use intermediaries because consumers are widely scattered.

(2) **Product Characteristics:** Any difference in buying intentions among consumers can be attributed to the product characteristics e.g., a working couple use disposable crockery for themselves and regular crockery when guests visit. So the selection of disposable crockery is due to convenience factors. Product characteristics also affect distribution strategy in the following manner:

(a) **Type of product:** A company dealing in consumer products will settle for indirect channel of distribution because it is required to cover much bigger area of the market. On the other hand, for industrial and speciality products it will opt direct channel of distribution. When a manufacturer aims at niche marketing it will use direct distribution. Similarly a company marketing luxury products will opt for retail outlets.

(b) **Perishability:** A company dealing in perishable goods will settle for direct channel of distribution e.g., fruits, vegetables, ice, bakery products such as cakes etc. A perishable product is one which faces loss in value with the passing of time. When the product is non-perishable the company may use indirect channel of distribution.

(c) **Newness of the product:** When the company is positioning an innovative product, the use of direct channel of distribution will be more appropriate. Such products need support from aggressive advertising and personal selling. After getting the product established, the company may use indirect channels of distribution for maximum market coverage.

(d) **Unit price of the product:** Products with high unit price need exclusive marketing. The company will select direct channel of distribution e.g., costly watches, cars, health care products etc. If the unit price of the product is less the company will give preference to indirect channel of distribution.

(e) **Technicality of the product:** Technical products such as industrial machines or sophisticated gadgets need lot of explanation and demonstration along with assurance for after sales service. Direct distribution is highly suitable. Non-technical products can be sold through intermediaries.

(3) **Pricing Policy:** Management seeks to achieve desired results with its pricing policy. Price acts as a powerful marketing tool because it acts as a demand regulator. Pricing acts as an important input for distribution strategy decisions as explained below:

(a) **Price of the product:** When a company is selling costly products such as cars and consumer durable products it has to choose direct channel of distribution. By contrast, when a company is selling low priced products requiring mass consumption, it has to adopt indirect channel of distribution.

(b) **Pricing new product:** A company introducing a new product has to carve a place for itself in the market. Therefore it has to determine price at a lower level i.e. charging penetration pricing policy. Once the product gets established in the market and is doing well, the company can use skimming the cream pricing policy.

(c) **Target return on investment:** Price is often fixed in order to achieve certain target return on the investment made e.g., rupees fifty thousand profit per month or 10% return on net sales. The profit target is decided and pricing decisions are adjusted accordingly. Here, certain rate of return on capital invested is taken as base for price fixation. In order to achieve target return on investment, the company has to combine both direct and indirect channels of distribution.

(4) **Speed or Efficiency of Channel:** When introducing a new product in the market the focus should be on reducing time and increasing speed and optimising existing channels. Products must reach the end-users within the time specified. This is possible only when the distribution is carried out

efficiently. The customer satisfaction is directly dependent on speed and efficiency as distribution involves transportation, warehousing and inventory of finished products. There is a tendency on shifting from product focus to a consumer-centric view for better reaching and retaining customers. The company must put customers at the heart of the business. Customers must have accessibility to the company anytime from anywhere. Speed and efficiency must integrate distribution channels across all touch points such as producer, agents, call centre and web. Efficient and speedy channels helps a business to save money, faster deliveries, shorter marketing time and better inventory management.

(5) **Distribution Cost:** Distribution cost refers to the expenses relating to the transportation of goods from the point of production to the point of consumption. The final sale price is influenced by distribution cost such as warehouse charges, transportation cost, inventory cost and other expenses. Hence distribution cost is incurred by the manufacturer while placing finished products in the hands of end-users. When the manufacturer sells to the distributor, who further sells to the retailer and the retailer sells to the final consumer then all the separate distribution costs at each stage would be included in the total distribution cost. In case the manufacturer has a production unit at one place and the "pick up place" somewhere else; the cost of moving the product from the place of production to the pickup place is also included in the distribution cost. Handling cost of inventory at all points is a part of distribution cost. Freight cost is a component of distribution cost. Distribution for moving FMCG is quite high approximately 25% whereas moving industrial goods the distribution cost is low of about 10%. The salary of personnels looking after distribution is also included in distribution cost. All these costs are interlinked. It is necessary to use these links to find the lowest possible cost for the required level of efficiency and flexibility in the distribution system. Ordinarily, the channel member who is sending the product to the channel member, next in the link, has to bear the distribution cost.

FACTORS AFFECTING EFFECTIVE DISTRIBUTION CHANNELS MANAGEMENT

The following are the factors affecting effective management of distribution channels:

(1) Channel Design.

(2) Channel Policy.

(3) Channel Conflicts.

(4) Resolution of Conflicts.

(5) Motivating Channel Members.

(6) Selecting Channel Partners.

(7) Evaluating Channels.

(8) Channel Control.

CHANNEL DESIGN

Every firm has to decide **the pattern of channel** which is suitable for marketing its product. This is designing the channel. It is a decision about the structure of the channel. Here, factors like length of the channel, number of intermediaries involved and the role assigned to them need to be considered and finalised. Channel designing includes developing altogether new marketing channel or modifying of existing channels.

A marketing firm can take its product to the consumers in more than one route or way. Naturally, **every firm has to design its own channel or channels** for use in order to reach consumers. The firm can design the channel in different ways. For example, it can have a single-tier or a two-tier or even three-tier channel structure. A firm can reach different market segments by designing different channels. In addition, the firm can use different channels for reaching the consumers of the same segment.

Important considerations while deciding the channel design are as noted below:

(1) The channel should be viewed as a value-network for reaching the consumers.

(2) The channel designed/selected should provide maximum convenience to consumers. It should be easily accessible to them as and when necessary.

(3) All channel arrangements – wholesaling, retailing, etc. should have integrated handling.

(4) The channel designed/selected should be best suited to the firm's requirements. Here, the cost, funds required and funds available with the firm need careful consideration. The designed channel should facilitate large scale sale easily and quickly.

After giving attention to these basic considerations, the firm can move forward in designing its marketing channel. While designing a marketing channel system, the marketing firm has to give attention to the following:

(1) Customer needs and wants,

(2) Channel objectives and constraints,

(3) Evaluation of major channel alternatives.

Steps in Designing the Channel:

(1) **Analysing Customer Needs and Wants:** A marketing firm has to give attention to the needs and wants of customers while designing its marketing channel. Consumers/ Customers may choose the channels they prefer based on price, product assortment and convenience. When market is segmented, the marketing firm must be aware that different consumers have different needs during the purchase process.

It may be noted that the same consumers may choose different channels for different functions in a purchase deal. The channel cost increases when better service is provided to consumers. As a result, product price increases. However, consumers are willing to sacrifice service for lower price. For example, people prefer to purchase in discount stores (like Big Bazaar) because of lower prices. Here, the consumers are willing to sacrifice service.

In brief, a marketing firm has to consider customer needs and wants as well as their psychology while designing the channel for marketing its products. Channel design must be finalised as per the needs and expectations of target customers. For this, through customer research is necessary. Efforts should be made for a **complete matching of channel type with customer types.**

(2) **Establishing Objectives and Constraints:** Here, the marketer has to decide his channel objectives. The objectives clarify what is sought to be achieved through the channels selected for marketing purpose. All firms desire to achieve some common objectives by having channels. However, channel objectives are not uniform for all firms. This is because the weight age they assigned to the channel functions vary. In addition, the firms may desire to achieve some special objective through the channel selected. The channel design strategy of a firm normally flows from its channel objectives.

Channel objectives determine channel design. In addition, since channel objectives of firms differ, their channel designs also differ.

Firms state channel objectives in terms of service output levels, and support levels.

Channel objectives also vary with product features. For example, products requiring maintenance services are usually sold and maintained by the company only or by franchised dealers. High-unit-value products e.g., generators and turbines are sold through a company sales force rather than through intermediaries.

Marketers also consider the overall business environment while deciding channel objectives. For example, when overall economic conditions are depressed, producers prefer to move goods to market by using shorter channels and without services that add to the final price. While entering new markets, firms closely observe what the other firms are doing. Some firms may not like to use the channels available. Such firms may prefer to open their own stores for marketing goods directly to consumers/users.

(3) **Identifying and evaluating major channel alternatives:** In this step of channel design decision, the marketing firm has to identify possible channels which can be used for marketing his product. For this, functions of different channels need to be studied. Channel design depends on the specific functions which the firm seeks from the channel. Out of alternative channels available, he can select one or more promising

channels for his use. For such selection, critical evaluation of suitable channels is necessary so that out of many two or more suitable channels will be used for selling goods to consumers. This step involves two broad activities: (a) identify suitable channels for marketing, (b) select the best channel for use prefer going online.

(4) **Evaluating the variables affecting channel design:** A number of variables affect the channel design which must be taken into account. If these variables are ignored, the channel design will be exposed to several weaknesses. **The main variables affecting channel design are as noted below:**

(a) **Product variables:** Product variables are never constant. They change relating to its nature, unit value, appearance, bulk and weight, size, standardisation and so on.

(b) **Market variables:** These are external factors which affect the market relating to geographical area, nature of market, market density, market behaviour, competition, etc.

(c) **Company variables:** Company variables are influenced by both random variables and variable cost and include management composition, organisation structure, business policies, financial strength, size of business, future plans, etc.

(d) **Intermediary variables:** These are mostly subject to great change with respect to hold on the market, quality of service, distribution costs, availability/non availability and so on.

(e) **Environmental Variables:** These are a set of factors that directly or indirectly influence the distribution e.g., economic, political, regulatory, socio-cultural, technological factors, etc.

(5) **Selecting the "best" channel structure:** Choosing the best channel of distribution is a decision of great importance. What the company selects determines how the products are handled and the speed in which they are delivered. Marketing actually comes after this decision. Always look at

your competitors, examine costs and benefits and rank your opinions. Distribution cost analysis is the most important consideration based on cost-benefit analysis. The best channel need not be only "one" channel. As a matter of fact, best channel is mostly represented by channel-mix. Selecting an optimal channel structure is always difficult. Here, experience and maturity are required.

CHANNEL POLICY

Channel policy must keep up-to-date with market dynamics. A sound channel policy is necessary to supply channel partners as they deal with the end-users. Channel policy can allow access or restrict access to distribution channels. Channel policy is always temporary. It needs to be reviewed at regular intervals in order to incorporate changes in the existing channels. With a sound channel policy, company can develop multi-channel business. Policy is the broad framework that will define channel partners and the role of distributors. **Channel policy covers the following six major areas:**

(1) Market Coverage.

(2) Channel Coverage.

(3) Product Lines.

(4) Product Pricing.

(5) Choice of Channel Partners.

(6) Termination of Channel Partners.

(1) **Market Coverage:** Market coverage relates to the extent to which a manufacturer covers the market through distribution channels. It represents the number of retail and wholesale outlets devoted to distribution of products. The most popular method to achieve market coverage is based on **concentrated marketing, differentiated marketing and undifferentiated marketing strategy.** With neck to neck competition sweeping the market, every manufacturer is interested to provide his products everywhere. No consumer should complain that he/she did not get the product. For this reason, a large number of sole selling agents and distributors are appointed. Market coverage is a method to capture a good share in the

market and steal a march over the competitors. *Market coverage would be the percentage of outlets where the product is available compared to the number of possible outlets where the product could be available.*

(2) **Channel Coverage:** Channel servicing relates to the process of making product or service available for use by consumers using both direct and indirect channels of distribution. The company can expect to provide best quality service by combining distribution channels. Various channels are used to reach the diversified group of consumers through different pricing strategies keeping in view the income of segment members. The objective should be to adopt low-cost channels. Direct sales are made through visits, retailing, emails and online to exercise complete control over presentation by the sales people. Consumers have satisfaction that the services of company and intermediaries are **always available.** The company knows that channels are **several separate entities.** The phones of some intermediaries are available only during the day and offer "leave your message" option during the night. Other channels like email, help desk or social media are used to collect inquiries 24 × 7 but these inquiries are answered only when the office opens. The company must **reorganise its support** to be more like what the customer expect it to be. The best option is multi-channel customer service. Better service depends on feedback from the channels. The company should be strict not to offer **poorly managed channels**. The company can help the customers by **finding solution** suggested by intermediaries. A good practice is to integrate more and more channels to make sure that **good customer service** is available on all of them.

(3) **Product Lines:** According to **Philip Kotler** and **Gary Armstrong** product line is *"a group of products that are closely related because they function in similar manner, are sold to the same customer groups, are marketed through the same types of outlets or fall within given price ranges."*

A product line is a group of products offered by a single firm that have similar uses e.g., **Bata products** satisfy a specific need by making available shoes and accessory items. In addition, **Nike** produces several lines of athletic shoes. At times, a firm may start as a single product line company and with the passing of time go on adding other product lines e.g., Reliance and Nirma. Product lines are closely related because:

(a) They are **used together** e.g., shoe brush and shoe polish.

(b) They **satisfy a specific need** e.g., Airtel cell phone service.

(c) They are generally purchased by **same customer group** e.g., costly perfumes bought by rich class of consumers.

(d) The **outlet** used to sell the product is the same e.g., all travelling goods are sold by the same shop.

(e) They fall within **given price range** e.g., Arrow Shirts.

The major product line decision involves product line length i.e. the number of items in the product line. Such length is influenced by the objectives and resources available with the company. Product lines of a company tend become longer over a period of time. A company "X" may prefer to add new items to its product line in order to create growth in sales and profits. A company has to manage its product line carefully. It can increase the length of its product line by **stretching** its line and by **filling** its line.

(4) **Product pricing:** In the words of **Philip Kotler**, *"Price is not just a number on a tag."* There are different functions e.g., commissions, wages, rent, tuition fees, toll rates and fares are common illustrations of pricing paid for goods and services. When a customer purchases a refrigerator he gets rebate on printer price thereby increasing his satisfaction. Traditionally, *price is the amount of money paid for a product or service.* It is the total value that customers exchange for the advantage of using the product or service. Precisely, price generates revenue. All other elements of marketing mix generate only cost. Price directly influence the amount of profit earning. Price competition is a major feature of every market thereby making pricing highly dynamic and crucial. To an average customer, pricing is the **perceived value of the product or**

service. Pricing is a risky issue. A mistake committed in pricing will affect the profit and growth of the company adversely. Competitive pressures, consumer behaviour, middlemen actions and short-term orientation of the companies have made price discounting and sales promotion a common market activity.

Pricing decision is a matter of vital importance to consumers, businessmen and the national economy. In money economy, there cannot be marketing without pricing system. In fact, price is the focus point around which the entire economic system revolves. **Price acts as a powerful marketing instrument/ tool.** It is like a double edged weapon and needs cautious and delicate handling. Every marketing plan involves a product pricing decision. Pricing decisions should be taken accurately as long term success of a product depends on the pricing strategy introduced.

Pricing as an important marketing tool plays a significant role in both the macro and micro levels. Large majority of companies formulate their marketing strategy taking price as a base. **Pricing is important because of its role in the following areas:**

(a) Pricing acts as **a demand regulator** and controls the demand for the products of the company.

(b) Pricing acts as **a marketing tool** for successful marketing operations in a competitive situation. Price is an important competitive weapon in the marketing armoury of a company. It can be used effectively for adjusting with the market changes or changes in the policies of competitors.

(c) Pricing acts as **a major tool determining profitability** of a firm.

(d) Pricing acts as an important **input for various marketing strategy decisions.**

(e) Price can be used as a **sales promotion technique** by offering discount and other incentives to consumers and dealers.

(f) **Pricing supports product promotion or sales promotion.** Pricing can be used as a tool of promotion. Marketers use different pricing and promotion techniques. This leads to market competition. Price and promotion differentiation are the primary causes responsible for rivalry among competitors. Such rivalry may be beneficial to consumers but harms the competitors and the volume of sales.

(5) **Choice of Channel Partners:** Goods need to be distributed continuously to consumers for the satisfaction of their wants. The smooth distribution is as important as production of goods and services on a large scale. In the absence of orderly distribution, there will be artificial scarcity, price rise, inconvenience to consumers and mal-practices in marketing. For large scale distribution, different channel members are used such as retailers, wholesalers, commission agents, sole selling agents, stockists, dealers and so on. Middlemen are necessary and useful. They conduct various functions and offer services to manufacturers and consumers. In marketing channels, one or more intermediaries operate. These intermediaries differ in their roles, capabilities, territories, size of operation, cost of operation and control by the principal. Elimination of intermediaries is rather difficult in the marketing process.

Manufacturers deal with large volume production and marketing. It is not possible for them to cater to individual demand. In order to serve widely scattered consumers these manufacturers need the services of established intermediaries who can meet the individual demand of consumers. There is division of work. Manufacturers can concentrate on production and hand over the marketing activities to the intermediary agencies. These agencies perform financial functions by providing credit facilities to small retailers. They can meet diversified needs of consumers economically, quickly and continuously. They maintain the network to distribute the goods quickly throughout the country. In addition, they provide market information to manufacturers for finalising their production plans. Mass production needs the support of mass distribution which is possible through the services of intermediaries. They occupy strategic position in the field of distribution. Smooth and prompt distribution is unthinkable in the absence of channel members.

(6) **Termination of Channel Partners:** For a very long time companies in India appointed channel partners based on convention. It is only recently that companies have started signing agreement with the channel partners. The agreement covers terms of appointment, commission, insolvency event, default in performance, intellectual property rights, sales targets, support material, partner's obligations, product liability and insurance, terms of termination and so on. Termination is an unpleasant situation which both parties would like to avoid. Channel partners must practice business ethics so that the association continues for a long time. Many a time, goods are sold in the market purely on the goodwill of the channel partners. The relationships become bitter when it is found that channel partners are also selling products of competitors. The matter is sorted out in the light of the agreement leading to arbitration, negotiation or litigation.

CHANNEL CONFLICTS

MEANING OF CHANNEL CONFLICT/WHAT IS CHANNEL CONFLICT?:

Channels and distribution are managed by independent businessmen. They are motivated by personal goals and self-gain. Often they tend to develop major differences which eventually takes the shape of conflicts. In our country, wholesalers are considered to be the most important link distributing goods. Their services are crucial for the smooth and efficient distribution of goods but there are major complaints about their style of functioning which finally results into conflicts. Each channel member is interested to make profits and their relationship is mainly confined to buying and selling goods from one another. Each channel member is self-centred and does not much worry about others. *Thus, when one channel member's actions prevent another channel from achieving its goal, channel conflict occurs.*

Channel conflict can cost a company and its partner's money as partners try to undercut one another. It can also lower morale within the channel and cause some partners to consider other vendors. **Conflict is opposition, disagreement or discard among the marketing organisations.** It is not always undesirable to have conflicts. At times, conflicts will plug the loopholes in the existing distribution system and improve performance. It can keep other channel members on their toes knowing that a decline in performance might lead to a change in the channel arrangements. Conflicts must be managed effectively and not allowed to increase. Faith and trust are two main foundations to have pleasant channel relations. It is desirable for every company: **(a)** to develop specific channel products and **(b)** to check behavioural performance. Channel conflicts are rather natural but are unfair and undesirable. They need to be resolved quickly and through fair means. Here the role of members of the distribution channel is important and useful.

DEFINITION OF CHANNEL CONFLICT:

According to **Louis W. Stern** and **J. J. Heskett** *"Channel conflict is a situation in which one channel member perceives another channel member(s) to be engaged in behaviour that prevents or impedes it from achieving its goals. The amount of conflict is, to a large extent, a function of goal incompatibility, domain descensus and differing perceptions of reality."*

TYPES OF CHANNEL CONFLICT:

In any distribution channel arrangements, three types of conflict are possible. There are:

(1) **Vertical Channel Conflict:** This conflict relates to different levels within the same channel e.g., conflict between the manufacturer and distributors. Currently, the city of Mumbai is witnessing the conflict between the film producers and multiplex owners regarding the percentage of commission to be shared by them.

(2) **Horizontal Channel Conflict:** Horizontal conflict takes place on the same level of distribution. This conflict relates to difference between members at the same level within the channel e.g., dealers often overlap and interfere with sales territory assigned to the other dealer or dealer takes one-

skilled decision and adopts price-cutting for obtaining higher sales turnover.

A classic example is the business of cellular phone. Cell phone equipment and services can be bought anywhere. Basically, horizontal conflict is a form of business competition which may occur among:

(a) middlemen of the same type; and

(b) different types of middlemen on the same level.

(3) **Multi-Channel Conflict:** This conflict arises when the manufacturer uses two or more different channels to sell the product to the same target market e.g., a manufacturer sells his product through sole selling agent and also online. If prices differ in the two channels conflict automatically takes place.

REASONS / CAUSES OF CHANNEL CONFLICT:

Possible reasons for channel conflicts are as explained below:

(1) **Goal Incompatibility:** When a manufacturer utilizes the services of dealers to sell his products, their goals may be different e.g., the manufacturer may desire to adopt penetration price in order to capture the market but the dealers may be guided by short-term objectives of earning higher profits by charging higher prices.

(2) **Ambiguous Roles and Rights:** An unpleasant situation arises when the roles and rights of producers and dealers are not clearly divided e.g., a manufacturer of stationery goods sells directly to educational institutions and sales personnels of the dealers also approach the same institutions. Apart from the ambiguity, the total sales tend to get reduced.

(3) **Differences in Perception:** Producers and dealers may differently view the economic situation in the country. At the time of economic recession producers may show optimism and pressurize dealers to go for higher stocks. On the part of dealers they may be pessimistic that higher stocks may result into blocking of funds and may desire to keep their risk of business under check. This difference in perception will lead to conflicts.

(4) **Too much Dependence on Manufacturer:** Some dealers have heavy reliance on the manufacturer e.g., dealers of HUL are heavily dependent on the company for the supply of reputed brands. If the supply is restricted or delayed conflicts arise.

(5) **Demand for higher commission:** We are now passing through a time when products are showing upward revision of price as prices of raw materials have substantially increased. Retailers demand higher commission which the manufacturers are not able to provide. Currently the conflict between Reckitt Benckiser (India) and dealers where the retailers selling the reputed brand Dettol will get reduced commission. Some major retailers like Big Bazaar have retaliated by taking these reputed brands off the shelf.

(6) **Unethical practices of channel members:** Channel members often resort to unethical practices like not passing price discount or free samples to the consumers. At times, they charge more than the printed price in the garb of providing better facilities. Artificial scarcity of supply is created through hoarding.

(7) **Multiple dealers:** The manufacturers in their attempt to increase the total sales may appoint additional dealers/ distributors in the same sales territory. Such a decision may irritate current dealers/distributors leading to conflicts.

(8) **Stocking of competitive brands:** Without the knowledge of the manufacturer some dealers/distributors stock competitive brands. On their personal reputation they sell these brands which eventually results in cutting down the sale of the main brand.

(9) **Miscellaneous Causes:**

(a) Poor territory allocation and poor channel member selection.

(b) Pressure from manufacturer to carry too much inventory.

(c) E-commerce and online marketing by manufacturer.

STEPS TO RESOLVE CHANNEL CONFLICTS:

Channel conflicts are a common occurrence. However, conflicts need to be avoided in order to maximize profits for the entire channel chain. The following remedial measures are worth noting.

(1) **Effective communication:** Good communication helps in resolution of channel conflicts. Effective and regular communication between the producer and channel members can improve relations and minimise conflicts. Progressive companies organise one or two formal meetings with channel members to listen to their grievances, solve channel problems, provide platform for two-way dialogue and get the members familiarised with future plans. Some companies prepare newsletters and mail them to the dealers to keep them updated with the latest company policies and achievements. In short, regular personal contacts and formal meetings are useful and can minimise the chances of conflicts. Effective communication needs a good mixture of face-to-communication, e-mails/SAF tools, phone dialogues and written reports.

(2) **Arbitration:** Arbitration is a blessing in disguise. Companies discourage litigation which is cumbersome, time consuming and expensive. The best way out is to go for third party intervention which is economical and time saving. Even courts favour arbitration. An arbitrator is not a judge, he is a friend to the conflicting parties. He does not give verdict but works out a compromise between the parties. Channel conflicts is well managed by arbitrators.

(3) **Co-option:** Some large companies co-opt channel association leaders in various advisory bodies to keep them associated with the decision-making process. Such inclusion of dealer leaders makes them happy because they are treated as insiders.

(4) **Formation of dealer councils:** Dealer councils are representative body of the dealers who enjoy the right to negotiate and settle channel conflicts with the producers. Some companies consider formation of dealer councils as an unwanted evil because they fear dealers will pressurise the companies with unreasonable demands. Those companies that favour formation of dealer councils get them established on regional basis. Frankly, dealer councils are considered controversial.

(5) **Mediation and diplomacy:** Mediation means acting as peacemaker between the conflicting parties. It is third party intervention to arrive at a compromise. If it is agreeable to both the parties, mediation is a good option. Diplomacy takes place when each side sends one or more persons to meet with its counterpart to settle the conflict.

Channel conflicts are undesirable and should be avoided or atleast minimised. For this, manufacturers have to take initiative. Efforts should be made to solve conflicts through suitable compromises in the policies. Manufactures need the channel partners and their services. Naturally, adjustment with them is a better solution so that conflicts are avoided. It is also necessary to solve channel conflicts peacefully, quickly and with full satisfaction to both the parties.

KENNETH THOMAS'S FIVE STYLES OF CONFLICT RESOLUTION:

Conflict is an integral part of human life. Conflict is a natural part of our interactions with others because no two individuals have exactly the same expectations and desires. At times, conflicts are visible and at other times conflict remains invisible. Conflict can take several different forms such as hostility, incompatibility, disagreement, showdown, contradiction between individuals and against the company. It is possible to analyse causes, processes and manifestations of conflicts to work out solutions.

Kenneth W. Thomas and Ralph H. Kilmann developed five styles/stages of conflict resolution. It assesses individual's behaviour in conflict situations i.e. situations in which the concerns of two people appear to be incompatible. In conflict situations, we can describe a person's behaviour along two basic dimensions:

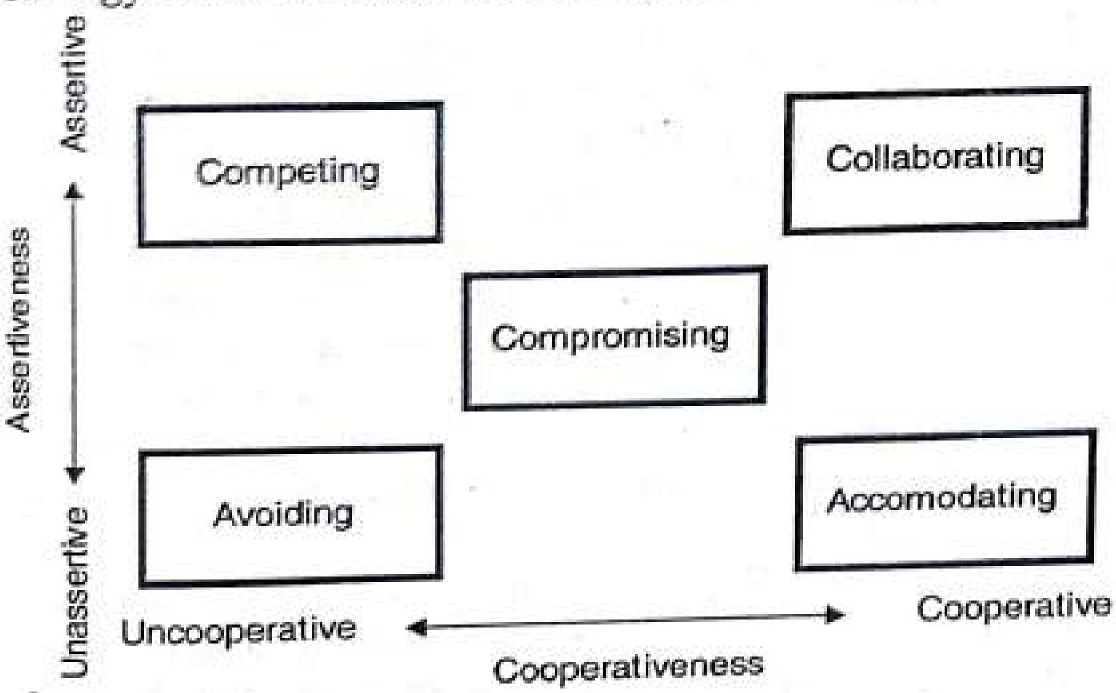
(a) **assertiveness,** the extent to which the individual attempts to satisfy his own concerns; and

(b) **cooperativeness,** the extent to which the individual attempts to satisfy the other person's concerns.

The two dimensions of behaviour can be used to define five methods of dealing with conflict. **The five conflict-handling methods are as follows:**

(i) Competing
(ii) Collaborating
(iii) Compromising
(iv) Avoiding
(v) Accommodating

(i) **Competing:** Competing is assertive and uncooperative. Competition results from the desire to survive. Hence, an individual follows his own concerns at the other person's expense. He would not mind if the other person suffers loss because of his actions. Competition is a power-oriented mode. Individuals possessing traits to win such as confidence, communication skills, agreeable interactions and showing concern always win the battle. Competing brings about prompt and decisive actions which enable the individual to deal with emergencies effectively. Such individuals are prepared to face the music and take unpleasant decisions relating to cost cutting and imposing discipline. They are always prepared to preserve harmony and avoid disruptions. They also allow competent subordinates to learn from their own mistakes. The overall performance is likely to improve but care must be taken to restrict conflicts. Competing can emerge as a winning strategy when assertive individuals are on the job.



(ii) **Collaborating:** Collaborating is both assertive and cooperative. People tending towards collaborating style try to meet the needs of all people involved. Although they are assertive but they cooperate and acKnowledge that everyone is important. This style is highly suitable when it is necessary to bring together diversified viewpoints to obtain the best solution. Collaborating believes that when two parties are at loggerheads, it is possible for both sides to come out with what they want. It requires developed conflict resolution skills based on mutual respect, a willingness to listen to others and creativity in finding solutions. Both sides are willing to cooperate and listen to others. Collaborating between two persons might take the form of exploring disagreement to learn from each other's insights, resolving some condition that would otherwise have them competing for resources or confronting or trying to find a creative solution to an interpersonal problem.

(iii) **Compromising:** Compromising is moderate in both assertiveness and cooperativeness. People who prefer compromising style attempts to find a solution that will at least partially satisfy everyone. All concerned persons are expected to give up something. The compromiser himself also expects to give up something. Compromising is considered a better option when the cost of conflict is higher than the cost of losing group. At some other time, when opponents are of equal strength or it is necessary to meet the deadline, comprising is considered to be the way out. Compromising is like finding a middle ground where both parties can claim to victory. In order that better work environment prevails compromising has to be optimum. In case, there is too much compromise it will signal that people concerned do not uphold firm values. It is also true that too little will result in power struggle and confrontation. The practice has shown many times compromising is the ideal resolution because it cuts short conflicts.

(iv) **Avoiding:** Avoiding is unassertive and uncooperative. Avoiding leaves the conflict unresolved. Some individuals support avoiding because they want to see the change. Some individuals who desire to play safe go for avoiding least they are rejected. Those feeling they have contributed to the problem may opt for avoiding. When the issue is insignificant avoiding is considered a better strategy. Avoiding is adopted when damage of confronting a conflict is more than its benefits. Avoiding gives opportunity to the individuals to reduce tension and work in composed style. Where people are not willing to face the difficult situation they opt for avoiding.. Some persons will avoid and thereby postponed confrontation until situations improve. Avoiding has to be done diplomatically otherwise opponents will call the persons timid and non-confident. When avoiding, individuals do not face the conflict instantly. They allow little time to pass. Avoidance strategy is adopted by those persons who do not wish to get involved or would like to part with responsibility and accountability.

(v) **Accommodating:** Accommodating is unassertive and cooperative. Accommodating strategy is used by large-hearted people. It takes place when a person does not mind losing at his end. This strategy accounts for maximum cooperation and minimum assertiveness. Only those people willing to sacrifice their ego can adopt accommodating. They are required to focus on the expectations of the other party in conflict. An accommodator is not assertive but is highly cooperative. When peace is more important than winning, accommodating is found suitable. Although the accommodator sacrifices and "favours" the other party but the other party may not return "favours". In this regard, this strategy is not likely to give the best results. Accommodating is opposite of competing. It involves meeting the needs of others at the cost of own needs. Conflict is seen as a social and emotional issue. It can be resolved with support and understanding. Accommodating is best used when maintaining harmony and avoiding conflict is more important. Accommodating can work when a person develops self-realisation. He admits his mistakes and allows a better solution to be considered.

MOTIVATING CHANNEL MEMBERS

Distribution channels are a set of independent organisations devoted to marketing of products and services. Intermediaries are called channel members through whom products and services reach the final consumers. Channel members add value by bridging the major time, place and possession gaps that separate goods and services from those who use them. Channel members help manufacturers to complete transactions by giving services such as:

(a) **Information:** gathering and distributing marketing information to facilitate planning.

(b) **Promotion:** persuasive communication about the offer.

(c) **Contact:** locating potential buyers.

(d) **Matching:** fitting the offer to buyer needs.

(e) **Negotiation:** reaching an agreement on price.

(f) **Distribution:** transporting and storing goods.

(g) **Financing:** acquiring and using funds.

(h) **Risk taking:** facing risk of carrying out marketing.

A company needs to view its intermediaries in the same way that it views end-users. The company has to position its channel members in such a way that the selling job is made easier and simpler. In order to improve intermediaries' performance, the company offers training programmes and other capability building programmes. As their survival and progress is mutual, the company has to maintain effective communication with the intermediaries. When intermediaries realise that the company is helping them they get motivated. The performance of motivated channel members is certainly praiseworthy. Loyalty of channel members is well-rewarded by the company. It results in lower defection. Motivating channel members is important if goods are to flow smoothly through the channels and reach the satisfied customers. *Motivation relates to the actions taken by the company to improve channel member cooperation in implementing its distribution objectives.* Motivating channel members involves the following:

(i) To learn about the needs and problems of channel members.

(ii) To develop programmes to support their needs.

(iii) To provide leadership to channel members.

METHODS FOR MOTIVATING CHANNEL MEMBERS:

(1) Rewards: The company provides two types of rewards for motivating channel members viz.,

(a) financial rewards, and

(b) non-financial rewards.

(a) **Financial rewards:** It has become a challenge to all companies to keep channel members motivated so that they give their best performance. Financial reward is an important motivating factor to obtain support and cooperation of channel members. **Financial rewards include:**

(i) extended credit time;

(ii) highest margins;

(iii) bonuses;

(iv) reimbursement of expenses;

(v) sponsor holidays for higher performance dealers;

(vi) Travel Rewards to dealers;

(vii) Gift Cards (pre-paid retail cards);

(viii) Merchandise rewards like key chains or costly electronic item.

The problem with most financial rewards, more particularly higher margins and bonus is that the wholesalers use them to reduce prices for their customers. They sacrifice profit in order to increase their turnover. It is argued that channel members do not retain increase in margins. Channel members constantly pressurise the company to increase margins.

(b) **Non-financial rewards:** Non-financial rewards are also very popular. The task of motivating channel members is becoming full of challenge. Innovative methods are needed to keep the morale of channel members high. Non-financial rewards include:

(i) contests and reward/recognition for excellent performance.

(ii) paid holidays at company's expense, flexible work hours etc.

(iii) momentos for better performance, issue of certificates and T-shirts with banner logos like "Star Performer".

(iv) public recognition for better/higher performance and publicity to such recognition.

(v) paid training programmes.

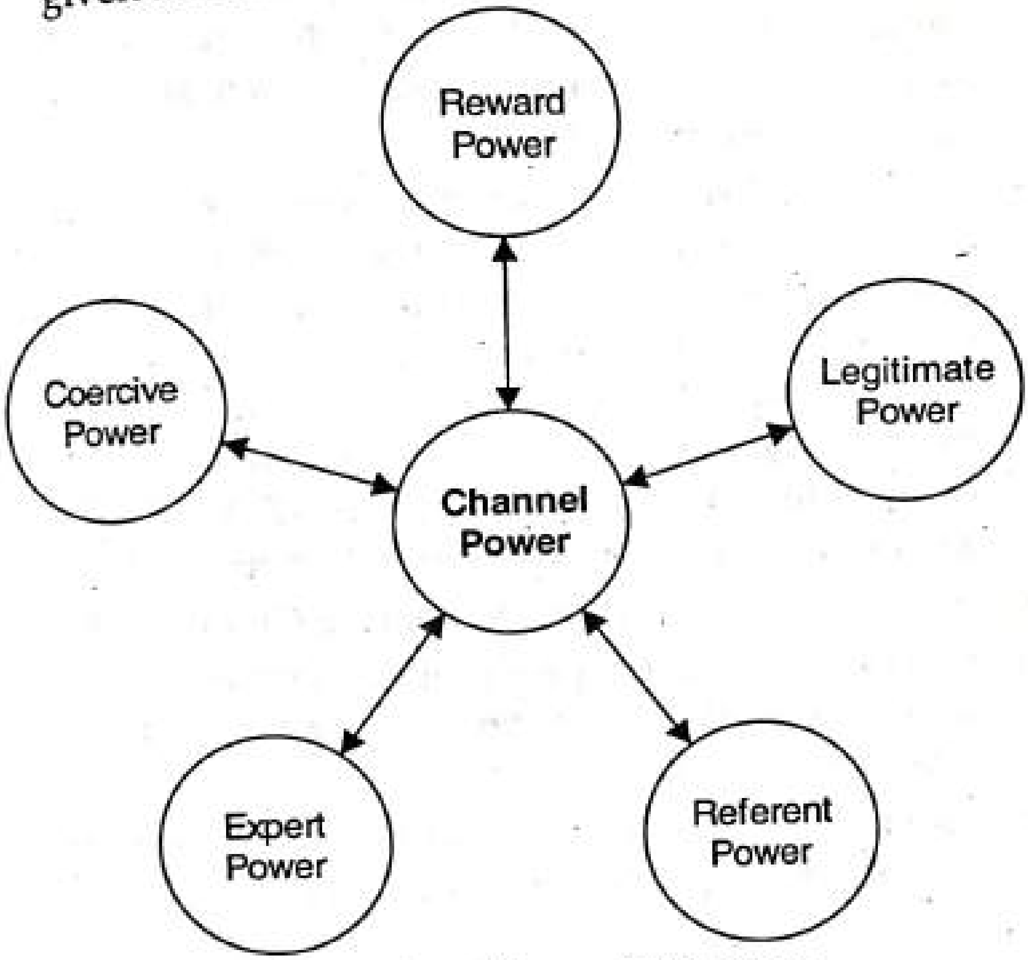
(vi) 'back-up' support on request by channel members.

Many companies such as Reliance, Videocon, Philips and Bajaj Electricals offer financial and non-financial records to channel dealers for better performance in future. They prove useful to company and channel members.

(2) **Channel Power:** Channel power relates to the ability of any one channel member to change the behaviour of other members in the distribution channel due to its relatively strong position in the market. Well-established companies exercise control on channel members. The situation is different where the company is trying to encash the goodwill and reputation of the channel members. In this case, channel members hold the keys. The main channel powers are as follows:

(a) **Coercive Power:** When the company is unhappy with the performance of the channel members, it may threaten to withdraw the resources or to appoint new channel members. By doing this, the company establishes its superior position and exercises control over the channel member. Quite likely, the channel member may not take this lying down. After all he is also an independent businessman and may enter into new relationship with another company. Coercive power is a harsh exercise of power. If there is any possibility of the relationship becoming better, the company can postponed its decision. People in business do not like to pick up conflicts. Hence the company has better option in persuasion. Coercive power cannot be a motivating factor.

(b) **Reward Power:** The company has an arrangement with the channel member that if it helps to achieve a certain objective, the company will reward it. The proposal of reward is highly motivating. The channel member will go out of the way to help the company to realise its objective. The flip side is that every time the company wants a certain result, channel member will demand reward. Both financial and non-financial incentives are given as reward.



Motivating Channel Members

(c) **Legitimate Power:** This type of motivation works where the company has signed an agreement with the channel member. The company wants performance as included in the contract. The channel member is under obligation to fulfil the terms of the agreement. Legitimate power should work on understanding and pleasant relations; only then it acts as a motivator. Any kind of compulsion used will spoil the relation. Going to the course of action as included in the agreement should be the last resort.

(d) **Expert Power:** Some large companies are well-equipped in expert knowledge relating to the business. As they possess expertise in technical skills, channel members understand that this can be benefit to them also. The channel members feel there is strong backing from the company. The channel member would be interested to learn this expertise. It is seen when channel members acquire expertise from the company their relations become bad with the passing of time. Expert power, as a motivating factor, works best when the product being marketed is of technical category such as industrial and consumer durable goods.

(e) **Referent Power:** Some companies enjoy very high goodwill and reputation in the market. It is a matter of pride for the channel members to get associated with such reputed companies. Selling becomes a routine job for the channel members because consumers buy it on the basis of market reputation enjoyed by the brand of the product. Companies such as IBM, HP, Titan, ITC, Mahindra & Mahindra command referent power.

(3) Miscellaneous Methods of Motivating Channel Members:

(1) Enhancing dealer's profit opportunities through easier terms, effective advertising and sales promotion schemes.

(2) Providing training opportunities to dealers and liberal supply of supporting materials like samples, brochures, etc.

(3) Introducing innovative and attractive incentive systems for dealers.

(4) Maintaining constant communication with distributors, listening to their problems/difficulties and solving them promptly for mutual benefits.

(5) Frequent and timely delivery of goods, display material, etc. to dealers/distributors.

SELECTING CHANNEL PARTNERS

The companies/manufacturers depend on channel partners to deliver products and services to customers and also help them to control costs and risks. Traditionally, channel partners have worked towards implementing sales to end-users. Of late, we notice consumer behaviour has changed significantly. In order to get the best deal consumers hop from one channel to another. Consumer loyalty has reduced with the onset of internet marketing. Channel partners must adjust their business to meet the demands of changed consumer behaviour. Finding the right channel partners is not an easy task. Channel partners must efficiently perform the distribution tasks necessary to implement the channel strategy. Just as manufacturer is interested to select most reliable and result-oriented channel partners similarly channel partners would be interested to maintain business interests with such manufacturers who enjoy good market reputation with fast selling product. "Together they form a team and teamwork is essential if the association is to prove mutually beneficial." While selecting channel partners the company will evaluate various characteristics of channel partners. Some of the characteristics are:

(a) Reputation.
(b) Location.
(c) Number of years of business.
(d) Cooperativeness.
(e) Lines specialisation.
(f) Profit records.
(g) Size and quality of sales force.
(h) Future growth potential.

CRITERIA FOR SELECTING CHANNEL MEMBERS:

There are **four major criteria** used to select channel partners which are:

(a) Market factors.
(b) Product factors.
(c) Channel factors.
(d) SWOT analysis.

(a) **Market factors:** The manufacturer has to consider channel partner's target market, their focus, their customer base and their marketing strategy. Market factors are external agents that affect the demand and price of goods and services. Common market factors are demand and supply, consumer preferences, government policies, location of channel partners, composition of buyers, competition, selling process, impact of media etc. These are some of the major market factors that manufacturers have to consider while selecting channel partners.

(b) **Product factors:** Product factors represent product characteristics which indicate benefits enjoyed by the end-users. Product factors increase its appeal to potential buyers and facilitate framing product strategy. Product factors include its appearance, size, shape, colour, capabilities, durability, physical properties, technical components etc. With improvement in technology, new features can be added in the product. Product features must be prioritised effectively. It is also important to consider at what stage of product life cycle (PLC) the product is placed in the distribution channel. More efforts are needed at the introductory stage and less efforts at maturity stage because by now products are sold on their reputation. Channel partners adjust their policies accordingly.

(c) **Channel factors:** Channel factors are a comprehensive term. The cost and efficiency of distribution depend largely upon channel factors which consist of: availability of channel partners, their attitude, services offered, legal constraints, financial position, market reputation, selling capabilities, after sales service and so on. Channel partners serve as connecting link between the manufacturer and ultimate consumers. They direct the smooth flow of goods from the manufacturer to the final consumers. Every channel partner does not promote the sale of every product. Some channel partners are specialists and they carefully select the products that they can successfully market. There is high demand for specialist intermediaries who ensure satisfying performance and enable the manufacturers to get regular revenue.

(d) **SWOT analysis:** SWOT is basically the acronym for: strength, weakness, opportunities and threats. SWOT analysis enables to determine the exact status of channel partners. Strengths and weaknesses of channel partners differ. Some channel partners have result oriented sales force; better selling know-how, elaborate customer base, ideal location, strong financial base and long history of conflict-free relationship with the manufacturer. When the earlier mentioned factors do not exist, channel partners suffer from weaknesses. Channel partners can profit from changes in trade cycle. Both prosperity and decline are seen as good opportunity to enhance business. Uncontrollable factors in the environment will lead to threats. The manufacturer will evaluate channel partners in the light of SWOT analysis and accordingly decide to use their services.

SELECTION PROCESS OF CHANNEL PARTNERS:

The selection process includes the steps as explained below:

(1) **To find prospective channel partners:** Finding the right channel members is not an easy task. The main sources of finding channel members are: (a) advertising (b) trade sources (c) trade shows (d) reseller inquiries (e) others. At times, channel members are appointed on the basis of recommendations. The company will look into only those recommendations that are made by non-competitors. Certainly the reputation of the channel partners counts. Enjoying good reputation in the market gives an edge to the channel partners. When the company fails to get the right channel partner it will give advertisement in the trade journals or regular newspapers to motivate channel partners to apply for the position.

(2) **To apply selection criteria:** It is not possible for the company to prepare a list of criteria complete in all respects. Some flexibility is desirable for future additions or eliminations. **Brendel and Pegram** have given a list of 20 criteria which are accepted as representative. Some illustration is provided below:

- (a) How well established is his business?
- (b) What is his reputation with the customers?
- (c) What is the distributor's financial position?
- (d) What territory does the distributor actually cover?
- (e) Are the distributor's salesforce trained?
- (f) Does the distributor believe in active cooperation, sales training and sales promotion? etc.

The criteria must include in geographical terms and in market segment terms. During the selection process the company would also like to find out about competitive position in the market, internal strengths and weaknesses, current products handled by them, conflict-free association in the past etc. It is advisable that the company should develop a check list that express what its customers want from the channel partners. Apply this check list to select the channel partners. The company must remember that check list should include most important business issues combined with end users satisfaction requirements.

(3) **To secure the prospective channel partner:** A typical feature of selection process of channel partner is that not only the manufacturer does the selecting but also the intermediaries. It is because the intermediaries would like to be certain that they are willing to work for reputed and ethical manufacturer. The manufacturer has to offer to the channel partners support and assistance in the form of (a) a good product line (b) advertising and promotion (c) management assistance like training programme (d) fair dealing and friendly relationship. Well-established companies have checklist for appointment of channel partners which include the following:

(a) Duly signed appointment form of channel partners with photographs.
(b) Channel partner agreement.
(c) Copy of Service Tax Registration.
(d) PAN card copy.
(e) ID proof (Aadhar Card/Voter ID card/Driving License/Passport).
(f) Residence proof.
(g) Bank verified signature.
(h) Cancelled cheque for disbursement of brokerage/commission etc.

When this formality is over channel partners are appointed. In case of large companies the job of selecting and appointing channel partners is outsourced to consultants. Their job is done with utmost trust and privacy.

EVALUATING CHANNELS

Evaluating channels relates to the distribution management during which a manufacturer determines how well it is achieving the goals. While evaluating distribution channels it does not mean that the manufacturer should settle for one channel. Often it is advisable to use more than one channel to widen the market reach. Channel performance is evaluated in terms of contributions made by channel partners to the society with regard to:

(a) channel efficiency (b) productivity (c) effectiveness (d) equity and (f) profitability. **Channel efficiency** emphasises controlling costs incurred by intermediaries while performing channel functions. **Productivity** refers to maximising output for a given level of input. **Channel effectiveness** is related to the proficiency of channel partners to satisfy customer needs. **Equity** measures the distribution to accessibility of the channel among customers. **Profitability** concerns financial performance bringing about revenue to the manufacturer.

While evaluating channels, sales obtained is the most important barometer. Other possible performance criteria are: maintaining adequate inventory, selling capabilities, attitude of intermediaries, and competition from other intermediaries and so on. Good performance of channel depends mainly on (a) loyalty of the existing customers to a particular channel and (b) the ability of the channel to attract switching customers. Performance evaluation is done on regular basis by large companies such as Cadbury, Nestle, Britannia, HUL, ITC, Colgate, Wipro and so on. No manufacturer can compromise on the quality of service offered by the intermediaries. The success of a channel and its efficiency are determined by the efficiency of channel intermediaries in delivering goods and services to customers along with high quality service. A good channel has to adapt itself to the demand of customers. Within its limitations it has to create outstanding and noticeable position.

As a policy matter, the manufacturer must periodically conduct channel evaluation within the terms and conditions as prescribed in the agreement. Result-oriented performance makes the channel reward worthy. When the channel falls short of its performance, the manufacturer is compelled to issue warnings. It is not always possible to terminate the contract because of legal complications. The process of evaluating channels keeps both the parties vigilant. On the one hand, the manufacturer ensures that he has not neglected any of his commitments and on the other intermediaries justify that they have made all possible efforts to present a good performance. Both the parties should be willing to incorporate changes caused by modifications in the marketing environment.

CHANNEL CONTROL

MEANING AND FEATURES OF CHANNEL CONTROL:

Channel control refers to verify whether specified functions have been carried out in accordance with pre-determined targets and to rectify the errors, if any. Channel control is a continuous process. When channel operations are properly controlled it helps to remove the wastage of time, energy, capacity and helps to perform assigned functions adequately. The need for control channel arises because coordination of activities within the distribution system has to be properly carried out. When channel control is inadequate, the resources are not put to optimum use. Distributors for example, cannot be allowed to work as per their whims and desires. They are provided with a detailed work schedule and all of them have to follow it. When some distributors follow their independent style of working thereby disturbing the overall schedule, the manufacturer has to exercise his authority in the form of penalty. Personal intervention of the manufacturer becomes necessary to ensure major deviation in performance is avoided. Moreover, the manufacturer would desire to get orders from the distributors as per notified number of days in advance to facilitate production during the next month. Distributors cannot place rush orders when sufficient time was at their disposal. Discipline is an integral part of successful business. Both the parties have to comply with the overall schedules. The exercise of authority by the manufacturer must follow obedience otherwise authority becomes meaningless.

According to **Chester Barnard** "There exists a zone of indifference in each individual within which orders are acceptable without conscious questioning of their authority." Simply put, it means every channel has a zone of indifference within which it will accept orders without consciously questioning authority. The manufacturer has to provide sufficient inducements to broaden each channel zone of indifference so that orders are obeyed.

INSTRUMENTS OF CHANNEL CONTROL:

(1) Contract or Agreement.

(2) Budgets and Reports.

(3) Distribution Audit.

(1) **Contract or Agreement:** Nowadays big manufacturers desire to have written agreement before taking channel partners/ distributors and other intermediaries. Distribution agreement is a legal document. It is signed between the manufacturer and intermediaries. It may be categorised as **exclusive or non-exclusive.** Distribution agreement is a contract between channel partners that outlines the responsibilities of both parties. The manufacturer can enter into the contract with more than one channel partner. **In case of exclusive** agreement, the intermediary will be the sole distributor with the right to sell the product within a particular geographic region or within multiple regions. With regard to **non-exclusive** agreement, the manufacturer may supply other distributors. Distribution agreement works best for companies with limited sales force because it eliminates the need to hire additional employees. Ordinarily, the distributor takes responsibility to sell the products to retailers and final consumers. Distributor can also provide a range of after sales services like servicing, repairs, technical support and so on. **Main clauses of the agreement include the following:**

(a) Parties related to the agreement.

(b) Validity of contract.

(c) Products to sell.

(d) Terms of payment and credit.

(e) Where and to whom to sell the products.

(f) A system of reporting.

(g) Sales targets.

(h) Intellectual property rights.

(i) Inventory keeping.

(j) Circumstances in which the contract may be terminated.

(k) Consequences of termination, etc.

(2) **Budgets and Reports:** Budgets are prepared in advance relating to channel control. Budgets are in keeping with objectives to be accomplished. It enables the concerned party to make rational use of financial resources. It is based on a future plan of action. Budgets indicate the framework within which the entire operation is to be completed. It also indicates how much commission and other incentives can be paid. It provides a standard by which actual performance is evaluated and also to find out deviations from the planned expenditures. It is in the interest of the manufacturer to keep the budget under control.

In order that channel control is proper, reporting must keep the manufacturer informed about what is going on. Some kind of reporting system is necessary to obtain regular feedback about the progress of work and difficulties encountered. The success of the channel depends on how well it collects, processes and uses information. Effective reporting is the art of providing the manufacturer with the information it needs to control the channel. Reports provide information to process transactions, budgeting and making distribution decisions. The manufacturers have realised that quality of service, customer satisfaction and resource management are as important to profitability as basic cost controls. Reports are prepared in three formats viz., weekly, monthly and quarterly. Weekly and monthly reports are the most common. These reports are precise and to the point. Quarterly reports are elaborate in presentation. Reports ensure smooth feedback. Feedback is recognised as a form of reporting. Based on this feedback manufacturers give information to all concerned parties. It is important to remember that feedback should come in small doses.

In this **digital age,** transmission of reports is done instantly. This facilitates to take corrective measures by both the manufacturers and the channel partners. As instant corrective measures are possible, better channel control is exercised. This makes way to improve performance an generate more revenue which is found beneficial to both the parties.

(3) **Distribution Audit:** Distribution audit is a systematic and objective criteria to study the distribution efficiency. It evaluates the distribution policies of the manufacturer. It explains how distribution practices contribute towards achievement of overall channel goals. Distribution audit consists of financial and marketing tools. It is a mechanism to analyse and control channel operations. Distribution audit looks into selling, distribution system and appraisal of its effectiveness. Every manufacturer wants to minimise the cost by eliminating wastage and utilising full manpower to make distribution smooth and successful. Distribution audit is highly effective in improving channel operations. It identifies the target for a specified period and evaluates results of channel member. As the nature of work is objective analysis, it points out shortcomings in the operation. It summarises the result of operations. Distribution audit is mainly to inform the manufacturer about the total revenue generated, producing operational and management reports and increasing the probability of correct sales projection.

Distribution audit is unbiased and fair evaluation identifying key areas for improvement in channel control. It assesses risks, economy, efficiency and quality. In order that distribution audit does justice to the work, it is necessary to identify the problem of the assignment correctly. Arrange matter to be included in the report in a logical sequence and also pre-decide the report writing style. Use simple language and substantiate the report with graphic details. The report should be neatly presented and carefully documented. Distribution audit is a systematic and comprehensive exercise. It examines channel's performance to determine problem areas and strengths of channel partners. It also extends help to the manufacturer to work out future plans to better performance of the channels. In the event of poor report, the manufacturer can consider changing its channel partners.

Objective Questions with Answers

(1) Select the most appropriate answer from the option given below:

(a) Channels of distribution are necessary for __________ distribution of goods.
(i) small scale (ii) local (iii) large scale

(b) Channels of distribution starts with __________.
(i) producer (ii) distributor (iii) consumer

(c) The word "channel" has its origin in __________ language and used for canal.
(i) English (ii) French (iii) German

(d) Channel partners act as __________ in distribution process.
(i) intermediaries (ii) dealers (iii) agents

(e) A wholesaler is neither a producer nor a __________ to final consumer.
(i) retailer (ii) supplier (iii) commission agent

(f) A wholesaler can be eliminated but not his functions and __________.
(i) commission (ii) services (iii) need

(g) Distributors __________ after sales services.
(i) provide (ii) do not provide (iii) sometimes provide

(h) Articles of mass consumption are sold through __________ distribution.
(i) selective (ii) intensive (iii) exclusive

(i) Momentos for better performance is a __________ reward to channel members.
(i) monetary (ii) non-monetary (iii) general

(j) Distribution audit is used as an instrument of __________.
(i) channel control (ii) measuring distribution efficiency (iii) distribution management

(k) Principles of management are __________ for the management of distribution channels.
(i) useful (ii) not useful (iii) unnecessary (iv) not relevant

(l) Budgets and reports act as instruments of __________.
(i) distribution control (ii) channel control (iii) channel evaluation (iv) channel formation

(m) Intensive distribution is suitable for the distribution of __________.
(i) mass consumption goods (ii) consumer durables (iii) goods requiring after sale services (iv) costly items.

(n) Companies apt for limited channel outlets in __________ distribution.
(i) Exclusive (ii) Selective (iii) Intensive (iv) Promotional

(o) Channel policy must be updated with __________ dynamics.
(i) pricing (ii) market (iii) product (iv) promotion

(p) Contract/Agreement with channel partner acts as an instrument of __________.
(i) distribution audit (ii) channel control (iii) channel evaluation (iv) channel selection

(q) __________ are mainly useful for motivation of channel members.
(i) Sales training courses (ii) Foreign tours (iii) Financial rewards (iv) Sales exhibitions

[Ans.: (a - iii); (b - i); (c - ii); (d - i); (e - ii); (f - ii); (g - i); (h - ii); (i - ii); (j - i), (k - i); (l - ii); (m - i); (n - i); (o - ii); (p - ii); (q - iii)]

(2) State whether the following statements are TRUE or FALSE:

(a) Distribution management is next to production management. ***(Oct. 19)***

(b) Channels are routes taken by goods on their journey from producer to consumers.

(c) Distribution channels are useful for large scale distribution of goods over wide geographical area.

(d) Types of wholesalers include industrial distributors and mail-order wholesalers.

(e) Wholesalers and distributors are the same. ***(April 19)***

(f) Exclusive distribution system is used for the distribution of goods of mass consumption.

(g) Pricing acts as a demand regulator. ***(April 19)***

(h) For motivating channel members, non-financial rewards are more attractive than financial rewards.
(i) Distribution audit is not used as an instrument of channel control. ***(April 19)***
(j) Channel policy must be updated with market dynamics. ***(Oct. 19)***
(k) Pricing acts as demand regulator. ***(Oct. 18)***
(l) Price and promotion differentiation are the primary reasons contributing to rivalry among competitors. ***(Oct. 18)***
(m) Distribution audit evaluates the distribution policies of the manufacturer.
(n) Channel control is an occasional activity.
(o) Wholesalers operate in local as well as central market,.
(p) Price is just a number on a tag.
(q) Distribution channels are needed for large scale distribution of goods in regular and economical manner.
(r) Facilitators are not treated as channel partners.
(s) Channel conflicts are useful to manufacturers.
(t) Distribution audit may be unbiased or biased.

[Ans.: (a) True; (b) True; (c) True; (d) True; (e) False; (f) False; (g) True; (h) False; (i) False; (j) True), (k) True; (l) True; (m) True; (n) False; (o) False; (p) False; (q) True; (r) False; (s) False; (t) True]

(3) **State whether the following statements are TRUE or FALSE:**
(a) Articles of mass consumption are sold through exclusive distribution. ***(Oct. 19)***
(b) Channel of distribution starts with consumer. ***(Oct. 19)***
(c) Distribution channels are not indispensable in present marketing.
(d) Channel partners and channel members are two different identities.
(e) Agent middlemen only negotiate the transfer of ownership from the seller to the buyer.
(f) Wholesalers are risk-bearers.
(g) Distributors procure orders from several sources.
(h) Retailers are best known for providing personal services.
(i) Dabur adopted intensive distribution in rural India.
(j) Exclusive distribution adopts unlimited channel outlets.
(k) Formulation of distribution strategy is a quick-fix arrangement.
(l) There is one uniform way of preparing channel design.
(m) Intermediary variables are permanent.
(n) Channel policy is always temporary.
(o) Distribution channels are several separate entities.
(p) Price is the value that customers exchange for the advantages of using the product.
(q) Channel conflict blocks actions of channel members.
(r) Companies are free to appoint multiple dealers.
(s) Competing is both assertive and cooperative.
(t) Companies views intermediaries in the same way that it views end-users.

[Ans.: (a) False; (b) False; (c) False; (d) False; (e) True; (f) True; (g) True; (h) True; (i) True; (j) False), (k) False; (l) False; (m) False; (n) True; (o) True; (p) True; (q) True; (r) True; (s) False; (t) True]

(4) **Match the following:**

Column 'A'	Column 'B'
(a) Conflict Resolution ***(Oct. 19)***	(i) Marketing expertise
(b) Intensive Distribution ***(Oct. 19)***	(ii) Unsold stock taken back
(c) Distributors ***(April 19)***	(iii) Backbone of distribution system
(d) Budget ***(April 19)***	(iv) Kenneth Thomas
(e) Channel Partners	(v) After sale service
(f) Facilitators	(vi) Unassertive and cooperative
(g) Wholesalers	(vii) Maggie
(h) Rack Jobbers	(viii) Instrument of channel control
(i) Selective Distribution	(ix) Break the bulk
(j) Accommodating	(x) Independent warehouses

[Ans.: (a - iv); (b - vii); (c - ix); (d - viii); (e - i); (f - x); (g - iii); (h - ii); (i - v); (j - vi)]

(5) **Match the following:**

Column 'A'	Column 'B'
(a) Channels of distribution	(i) Distribute products through their showrooms
(b) Distribution channels	(ii) Should not be allowed to increase
(c) Distributors and retailers	(iii) Useful for resolution of channel conflicts
(d) A wholesaler	(iv) Channel partners
(e) A distributor	(v) Create time, place and ownership utilities
(f) Merchant wholesalers	(vi) Neither a manufacturer nor a retailer
(g) Retailers	(vii) Routes taken by goods to consumers
(h) Bata, Raymond and Titan	(viii) Type of wholesaler
(i) Channel conflicts	(ix) Granted exclusive distribution rights
(j) Effective communication and arbitration	(x) Provides value addition to goods
(k) Financial and non-financial rewards	(xi) Useful for motivating channel members
(l) Distribution Audit	(xii) Instrument of channel control

[Ans.: (a - vii); (b - x); (c - iv); (d - vi); (e - ix); (f - viii); (g - v); (h - i); (i - ii); (j - iii); (k - xi); (l - xii)]

(6) **Match the following:**

Column 'A'	Column 'B'
(a) Supply Chain Management (SCM)	(i) Needed for large scale distribution.
(b) Channels of distribution	(ii) Link between manufacturer and dealer.
(c) Channel partners	(iii) Line of communication in distribution system.
(d) Facilitators	(iv) Useful for quick movement of goods.
(e) Distributor	(v) Large scale distribution.
(f) Intensive distribution	(vi) Sell products through intensive distribution.
(g) Contract/Agreement	(vii) Maximum exposure of the product for sales.
(h) Market factors and product factors.	(viii) Useful for motivation of channel members.
(i) Financial rewards	(ix) Useful for selection of channel members.
(j) Amul, Nirma and Cadbury	(x) Instruments of channel control.

[Ans.: (a - v); (b - iii); (c - i); (d - iv); (e - ii); (f - vii); (g - x); (h - ix); (i - viii); (j - vi)]

Question Bank for Self-Practice

(1) **Explain the following:**
   (a) Intensive Distribution.
   (b) Selective Distribution.
   (c) Exclusive Distribution.
(2) What is meant by management of distribution channel?
(3) State the need for management of distribution channel.
(4) Who are channel partners? Discuss functions of wholesalers. *(Oct. 19)*
(5) Point out the features of wholesalers.
(6) Describe the position and functions of wholesalers.
(7) What are the services rendered by the wholesalers?
(8) Write in detail role and function of wholesaler.
(9) Discuss types of wholesalers.
(10) How are distributors placed in distribution channels?
(11) Explain the functions of distributors.
(12) Differentiate between Distributor and Wholesaler.
(13) Distinguish between wholesalers and distributors.
(14) What do you understand by the term "Retailers"?
(15) Define retailers. What are the main features of retailers?
(16) Discuss the functions of a retailer. *(Oct. 18)*

(17) Discuss different choice for selecting distribution system.
(18) What is choice of distribution system?
(19) Under what circumstances would you suggest using intensive and exclusive distribution?
When is selective distribution found suitable?
(20) Explain distribution strategy.
(21) Describe the factors affecting distribution strategy.
(22) Discuss Locational Demand.
(23) Highlight the place of product characteristics in distribution strategy.
(24) How pricing policy affects distribution strategy?
(25) Write a note on speed and efficiency.
(26) What is the importance of distribution cost in distribution strategy?
(27) What are the factors affecting effective management of distribution channels?
(28) Enumerate the factors affecting effective management of distribution channels and explain channel design.
(29) **Explain the following concepts:**
(i) Channel Control.
(ii) Channel Design. ***(Oct. 18)***
(30) Outline important considerations in channel design.
(31) What are the steps involved in designing the channel?
(32) What is the concept of channel policy?
(33) Discuss the areas covered by the channel policy.
(34) What is meant by choice of channel partners?
(35) Is termination of channel partners advisable? Give your views.
(36) Why do conflicts develop between channel members?
(37) What is channel conflict? Explain briefly the types of channel conflicts. ***(Oct. 18)***
(38) Point out the reasons for channel conflicts.
(39) How would you manage channel conflicts?
(40) Why do conflicts occur in distribution channel?
(41) Is it possible to eliminate all types of conflicts in a channel relationship?
(42) What do you understand by resolution of conflicts?
(43) Discuss Kenneth Thomas' five styles of conflict resolution.
(44) What are the services offered by the channel members to the manufacturers?
(45) Discuss the methods for motivating channel members.
(46) Describe the importance of channel power in distribution system.
(47) Explain the criteria for selecting channel members.
(48) What is the selection process of channel partners?
(49) How will you evaluate performance of channels?
(50) What is channel control?
(51) When do channel members resent additional channel?
(52) Discuss instruments of control at length.
(53) What are the factors affecting the choice of distribution channel? ***(Oct. 19)***
(54) What are the types of channel conflict? Explain with suitable examples. Discuss the ways to resolve conflicts. ***(Oct. 19)***
(55) What are the functions performed by distributors? ***(April 19)***
(56) What are the factors affecting the choice of distribution strategy? ***(April 19)***
(57) What are the types of channel conflict? ***(April 19)***
(58) Elaborate the Kenneth Thomas styles of conflict resolution. ***(April 19)***
(59) **Write short notes on:**
(a) Distribution Channel Management.
(b) Channel partners.
(c) Intensive distribution.
(d) Channel design.
(e) Channel control.
(f) Evaluating channels.
(g) Channel conflict - causes and remedies.
(h) Distribution strategy.

CHAPTER 4

Performance Evaluation, Ethics and Trends

Amateurs sit and wait for inspiration, the rest of us just get up and go to work.
— Stephen King

Learning Objectives

(A) Evaluation and Control of Sales Performance
- Sales Performance – Meaning
- Methods of Supervision and Control of Salesforce
- Sales Performance Evaluation Criteria–Key Result Areas (KRAs)
- Sales Performance Review
- Sales Management Audit

(B) Measuring Distribution Channel Performance
- Evaluating Channels: Effectiveness, Efficiency and Equity
- Control of Channel – Instruments of Control, Contract or Agreement, Budgets and Reports, Distribution Audit

(C) Ethics in Sales Management

(D) New Trends in Sales and Distribution Management
- Objective Type Questions with Answers
- Question Bank for Self-Practice

(A) EVALUATION AND CONTROL OF SALES PERFORMANCE

MEANING AND FEATURES OF SALES PERFORMANCE

Sales performance means the performance or achievement of an organisation on the sales/marketing front. For the evaluation of sales performance, the basic sales data such as revenue earned, no. of customers, area coverage, etc. are used. It is actually **critical analysis** of sales data available. Such sales performance is the basic consideration/parameter for judging overall success or failure of a business/marketing organisation. Such sales performance includes the performance of sales manager, sales department and sales personnel appointed. Sales performance indicates financial strength and potentials of a company for future growth and expansion. It acts as an indicator of financial strength and stability of a business organisation. **Sales performance management is the practice of monitoring and guiding sales personnel to improve their ability to sell products or services.** Software programmes are, now, available to enhance the sales performance management process.

Sales performance is measured through the total sales or turnover of the organisation and also through the revenue earned year after year. Increase in yearly sales or increase in the revenue earned indicates that the sales performance is improving and is showing satisfactory progress. On the other hand, reduction in total yearly sales or reduction in the revenue earned in the current year as compared to previous year indicates that the sales performance is negative or unsatisfactory. As a result, remedial measures need to be introduced for improving the sales performance in the future. For promising, sales performance, sales people should be **selected properly.** In addition, they should be given **proper training and guidance.** Motivation of sales people is also necessary **for improving the sales performance** of the salesforce of an organisation. Purposeful supervision and control of salesforce is also useful for improving sales performance of an organisation.

MEANING OF EVALUATION OF SALES PERFORMANCE:

Evaluation of sales performance means **critical study or analysis of selling activities** of an organisation. Evaluation of sales performance is necessary and useful for judging actual sales performance. All marketing companies make such sales performance evaluation on yearly basis or in a continuous way. Here, sales targets are used as base and actual sales results or performance is critically analysed in the context of sales objectives or targets (long term and short term) decided by the company. Such evaluation covers all aspects/activities relating to sales/ marketing.

The purpose of sales performance evaluation is to study/ analyse the current position of sales. If the performance is satisfactory, efforts will be made to improve the performance at the higher level. If the performance is not satisfactory, remedial measures will be introduced to set right the situation and to improve the overall sales performance in the near future. Sales performance needs to be evaluated at the departmental level and also at the level of sales manpower connected with actual sales performance. Such periodical evaluation is useful for deciding sales objectives and for removing deficiencies in the functioning of sales department and company's sales manpower. Sales performance indicates growth in customers and their loyalty, revenue earning capacity, market standing and capacity to face market competition by a company. Even company's growth potentials can be judged through the evaluation of sales performance.

Evaluation of sales performance periodically or regularly is a normal practice in marketing organisations. Sales targets or sales quotas fixed can be used for such performance evaluation. **Performance evaluation is useful as planning and controlling device.** It guides in deciding sales objectives, sales policies and sales targets. It is also useful for controlling poor sales performance and in improving it through suitable remedial measures.

Advantages/Benefits of Evaluation of Sales Performance:

(1) Analysis of actual sales performance in the context of sales objectives, sales targets and sales quotas fixed/decided.

(2) Deficiencies/Shortfalls in sales performance and measures needed to remove such deficiencies.

(3) Positive/favourable factors in sales performance and how to make them more effective/fruitful.

(4) Formulation and implementation of long term sales strategy for improving sales performance of an organization.

(5) Measures to be introduced for improving the performance of sales personnel in terms of their motivation, loyalty, job skills and personality development.

In simple words, sales performance evaluation is **a systematic and purposeful study of selling activities** of an organisation in order to judge the present position on sales. If satisfactory, efforts should be made to improve the position further. If not satisfactory, remedial measures should be introduced to improve sales performance in future.

MEANING AND FEATURES OF SUPERVISION AND CONTROL ON SALESFORCE:

Salesforce or sales people means people employed for selling and sales promotion. Salesforce plays an important and positive role in the overall sales performance of an organisation. They contribute substantially in achieving sales targets fixed from time to time. Sales people are selected properly and are given necessary training. They are made competent to carry on different selling related activities efficiently. In addition, adequate supervision and control on salesforce is necessary **for their optimum performance.** The organisation achieves sales targets through guidance and motivation as well as through supervision and control of salesforce.

Supervision refers to time spent working with employees (Here, salesforce) in order to guide and motivate them to perform their duties and responsibilities effectively. It is an integral aspect of leadership which deals with directing, supervising and controlling of usual/routine activities assigned to salesforce. The purpose is to see that sales objectives and targets are achieved in a satisfactory manner. The responsibility of supervision and control of salesforce is normally assigned to sales manager. He uses different methods/techniques for such supervision and control.

Control/controlling involves measuring the performance of salesforce and comparing it with the standards decided. If the deviations are noticed, suitable corrective measures will be taken so that the actual performance of salesforce will be as per the expected or targeted performance in the near future. For controlling, suitable procedure needs to be followed. It involves many steps. Normally, supervision and control are integrated functions and move hand in hand or side by side.

It may be noted here, that supervision and control are closely related functions and move closely together. In the case of salesforce, supervision and control involves directing and guiding salesforce while they are performing their duties/functions, measuring their performance in the light of the standards fixed and introducing remedial measures if shortfall is noticed between expected performance and actual performance.

Supervision and control of salesforce **should not be merely fault-finding** but should be basically **fact finding** for the introduction of remedial measures, if necessary. It should not be for punishing sales people but for directing, guiding and motivating them in the right direction. In addition, **unnecessary interference** in the routine work of the sales people should be avoided during the process/course of supervision and control.

PURPOSES/OBJECTIVES OF SUPERVISION AND CONTROL ON SALESFORCE:

Supervision and control of sales persons is a common practice followed under sales organisation of an enterprise. It is necessary for orderly and efficient working of salesforce. It is also useful for co-ordination in sales operations and for achieving sales target decided. Supervision and control are also required for efficient execution of sales plan.

Supervision and control of salesforce are required for **achieving the following purposes/objectives:**

(1) **Integrating/co-ordinating Sales Efforts:** Supervision and control are necessary for effective co-ordination of sales related activities in different sales territories and regions. This facilitates orderly execution of sales planning at the organisational level. It is also easy to achieve sales targets when sales efforts are properly co-ordinated. Even remedial measures can be introduced in the regions/territories where sales are not satisfactory.

Co-ordination and control are useful for orderly growth of sales in all territories and regions. Co-ordination is useful for uniform rules of discipline for the entire salesforce. The entire salesforce moves in one direction and also as per certain rules, discipline and incentives when sales efforts are properly co-ordinated. **Co-ordination brings uniform progress of entire sales organisation.**

(2) **Directing and guiding salesforce:** Supervision and control involve directing and guiding salesforce in the right manner.

This gives proper training to salesforce for discharging the duties and responsibilities assigned. Salesforce becomes competent to handle different situations due to such guidance. Sales objectives/targets are achieved fairly well due to such training and guidance. Co-ordination and control are not related to supervision and close watch on salesforce. It is more concerned with **directing, guiding and motivation.** Sales persons operate efficiently on their own due to such direction and guidance. **Sales objectives are also achieved easily through such positive supervision and control.**

(3) **Improving efficiency in selling/marketing:** Supervision and control are useful for raising efficiency of salesforce in selling operations. This is because of guidance and motivation of salesforce during the course of supervision and control. In addition, there is regular follow-up of sales activities due to which shortfalls in sales performance are noticed quickly for remedial measures. This maintains stability in total sales. In short, sales persons are guided and motivated for higher sales. In addition, regular monitoring of sales performance of sales personnel avoids shortfalls in sales.

This is how supervision and control of salesforce play a useful role in improving efficiency in selling/marketing.

(4) **Evaluating performance of sales personnel:** Supervision and control facilitate evaluation of performance of salesforce. Sales persons are given short term targets and their actual performance is evaluated periodically. In the case of lower performance, necessary guidance and training are given to them. As a result, performance of sales people is maintained at a higher level. Frequent performance evaluation makes sales persons alert and conscious. They have to maintain fair performance in the evaluation process. Moreover, action is also possible, if the evaluation reports are negative in the case of sales persons. In brief, supervision function involves evaluation of sales performance of sales persons regularly. The purpose is to maintain high performance level of sales persons continuously over a long period.

METHODS OF SUPERVISION AND CONTROL OF SALESFORCE

Sales force management involves supervision and control of salesforce. Sales, control, facilitates orderly achievement of selling objectives. Sales control must be always focused.

Adequate supervision and control of sales persons is necessary for achieving sales objectives. Performance of sales persons will be promising only when there is adequate supervision and control on them. Such supervision enables organisation to introduce suitable remedial measures for improvement in sales performance. Effective management of salesforce is possible mainly through supervision and control.

There are varied methods which can be used for the supervision and control of salesforce. They include **direct supervisory methods** and **indirect supervisory methods.** Allocation of sales territories and sales quotas can be used for evaluating sales performance of salesforce. In addition, different types of reports and statistical information are collected regularly from sales persons. The scrutiny of such reports and date are useful for supervision and control of salesforce. Written reports of sales persons are used extensively for the scrutiny of sales performance. Guidance and instructions can be issued on the basis of the scrutiny of reports submitted. They, certainly, act as effective instruments of supervision and control of sales staff.

BRIEF DETAILS OF SUPERVISION AND CONTROL METHODS/METHODS OF SUPERVISION AND CONTROL OF SALESFORCE:

(1) Direct Methods of Supervision and Control of Salesforce: Direct methods of supervision and control include the following:

(a) Telecommunications: Sales personnel including sales managers use communication outlets like telephone, mobile, e-mail, fax messages, voice mail, etc. for sales purpose. Multinationals like IBM and Procter and Gamble provide a laptop to their sales persons for carrying out their varied activities quickly and correctly.

The functions conducted by using communication outlets include report writing and statistical tables, accessing customer information, call planning, correspondence with customers, supplying quotations, monitoring customer orders and so on. Selling activities as well as supervision and control process are made prompt, reliable, accurate and productive due to extensive use of modern computer technology.

(b) **Sales Meetings and Conferences:** Periodical sales meetings are used by the sales managers to supply updated information on changes in sales policies and procedures, to arrange for training of sales persons and guidance and motivation of salesforce. The purpose of such sales conferences/meetings is to encourage sales people to achieve sales targets fixed. This improves sales performance of sales people and ensures easy and quick achievement of sales targets. In brief, periodical sales meetings act as a positive method of supervision and control on salesforce.

(c) **Personal Contacts:** Every sales person is given specific number of customers for selling purpose. The sales manager visits such customers for various purposes such as handling of a particular problem, training of salesperson, team selling efforts and collection of information on market situation and trends. The sales manager also discusses plus and minus points (strength and weaknesses) of the sales person after the sales call. Such personal contacts with customers are useful for supervision and control of sales persons.

(d) **Coaching of Salespersons:** Here, the sales manager acts as a friend and guide of sales persons. He guides and motivates the sales persons through supervisory feedback and role modelling. Efforts are being made to improve the performance of sales persons through training, guiding and motivation. It is like on–the–job training of sales persons. For such coaching, mutual trust and understanding between sales manager and sales person are required. Coaching of sales persons is possible in joint sales call. After such call, sales manager discusses the sales person's areas of weaknesses which need improvement. Sales manager can improve sales performance of his sales persons through regular coaching and discussion sessions. Sales persons can **improve their selling skills, communication skills,** and **work habits, through such coaching.** Such coaching is one direct method of supervision and control of sales persons. It is more lively and effective as compared to other direct methods.

(2) Indirect Methods of Supervision and Control of Salesforce: Many companies use indirect supervisory methods for supervision on salesforce. The purpose is to achieve sales objectives or targets through effective but indirect supervision on salesforce. Such methods include **sales reports, compensation plan, sales analysis and expense accounts/ reports.**

Indirect Methods of Supervision and Control of Salesforce are as explained below:

(a) Sales Reports: Sales reports are integral to sales management and control. Sales persons prepare periodical reports on sales made, market competition, customer details and so on. Such reports are available for scrutiny and are useful as supervisory tool. The activities of sales person can be monitored and evaluated through such sales reports. Some useful information on market situation, market competition, etc. can be incorporated in the company's marketing information system through such reports. Sales reports facilitate checking how far the sales persons "Plan their Work" and "Work their Plan".

Sales reports also contain information on the calls made, orders collected from clients, new customers available, customer needs and problems faced by them. Salesperson's call plan is useful for collecting details on overall performance of a salesperson. Companies use sales reports purposefully.

Salespersons are required to submit such reports regularly as such reporting is made a part of their normal responsibility. Salespersons are evaluated and also guided and motivated through such sales reports. Sales persons are also rewarded for providing useful sales information regularly. This indicates how companies give special importance to sales reporting and use sales reports for supervision and control on salesforce working in the company.

(b) **Compensation Plan:** Compensation is paid regularly to salesforce employed. The salary/compensation plan is also useful as a tool for motivating sales persons to take more interest in the sales and show better performance for higher salary payment. Compensation plan directs the activities of salespersons and encourage them to spend more time for better performance. This will give higher sales to company and higher income/ compensation payment to salespersons. Salespersons are **indirectly encouraged to show better sales performance /results** on their own and are also rewarded accordingly.

(c) **Sales Analysis:** A sales manager can evaluate the sales performance of each salesperson by studying sales analysis report. He can compare what was sold and how much was sold with reference to sales quota assigned. If the sales are above the quota fixed, the sales performance will be treated as fair/satisfactory. If actual sales of a salesperson are lower than the quota given, his performance will be treated as unsatisfactory. Here, the sales manager will give direction/guidance or necessary assistance so as to enable him to improve his performance in the near future and achieve sales target given. This is how sales performance reports of salespersons are useful for supervision and control of salespersons.

(d) **Expense Accounts/Reports:** Selling expenses should be always proportional to sales performance. Expense reports indicate total money spent by salespersons on travelling, accommodation, meals, entertainment, etc. as compared to the company's policies in various sales related expenses. This type of analysis is useful to keep effective control on selling expenses. Such expenses should give proportionate benefit in terms of additional sales and profitability. A sales manager will be liberal as long as such expenses are moderate and also provide corresponding benefit to the company in terms of more sales and profitability. He may adopt strict policy on expenses by salespersons if such expenses are high and that too without corresponding benefit in terms of sales and profitability.

(3) Misc. Methods of Supervision and Control of Salesforce:

(a) Sales targets.

(b) Sales expenditure budget and expenditure reports.

(c) Watching the salesmen in the field.

(d) Information gathered from dealers and major customers.

(e) Inspection of depots/warehouses.

SALES PERFORMANCE EVALUATION CRITERIA - KEY RESULT AREAS (KRAs)

MEANING OF SALES PERFORMANCE EVALUATION CRITERIA:

Evaluation of sales performance means critical study/analysis/scrutiny of sales performance of salespersons. The organisation has to study such performance for different purposes. Such performance is directly related to sales objectives and sales targets decided. It also facilitates training and motivation of salesforce for improving their performance in the future. In short, **the objectives of sales performance evaluation are:**

(a) To monitor the performance of salespersons and to ensure that it is as per the sales objectives and targets.

(b) To appreciate good performance and to introduce remedial measures where the performance is below performance standards fixed.

(c) To review and update the standards of performance.

(d) To take decisions on sales promotion and sales targets for the future.

(e) To discuss critically overall performance of salesforce and to suggest ways to overcome deficiencies and shortcomings.

Sales performance evaluation process is lengthy and involves the following broad steps:

(a) Selection of criteria for salesforce evaluation. (Sales performance Evaluation Criteria)

(b) Establishment/Fixation of performance standards.

(c) Comparison of salesforce performance with standards decided.

(d) Performance review and follow-up for improving performance as per the requirement of sales targets and objectives decided.

KEY RESULT AREAS (KRAs):

The essence of Sales Performance Evaluation is the decision on performance evaluation criteria. This criteria acts as a focus point. The evaluation will be as per this criteria. Such **key result areas (KRAs) are rather uniform for all companies.** However, every company may give special stress on few key areas. Some companies may introduce **one or more special KRAs applicable to their companies.** Performance evaluation of sales persons are conducted by the field sales managers (area managers, regional managers, etc.) to whom the salespeople report and who supervise the operations of salespeople.

Key Result Areas (KRAs) are the factors/aspects of sales plan or sales strategy in which a salesperson is expected to outperform the competitors. The salesperson needs capability to show good performance in KRAs. KRA analysis indicates the importance of relationship between resources, competencies and choice of sales plan and strategy which is important for assessing performance.

KRAs are given in the form of ratios. They are quantitative indicators. They act as effective evaluation of sales performance for most of the salesforces.

Important Key Result Areas (Ratios) are:

(1) Appointments to enquiries/proposals.

(2) Sales approaches to appointments.

(3) Enquiries/proposals to sales.

(4) Orders to sales calls.

(5) Sales revenue per order.

(6) Sales per hour of selling time.
(7) Sales in relation to cost of sales.
(8) Gross profit or margin to sales.
(9) Call rate per account.
(10) Rate of business development (New accounts to existing accounts).
(11) Actualisation rate (New customers to new prospects).
(12) Sales to market potential.

BROAD CONCLUSIONS RELATING TO KRAs:

(1) Measuring absolute results in terms of volume of sales, value of sales, cost of sales, profit, etc. does not make a complete analysis of sales performance of sales person. This should be done on relative basis. For this, the ratios are the best criteria. The performance of each sales person in terms of these criteria should be assessed against benchmarks set by the company.

(2) Sales management of individual company **may assign weights/priorities to each of these twelve KRAs** and work out a weighted average index or measure of performance of each salesperson.

(3) **The above noted twelve KRAs are not fixed or rigid but flexible.** Company's sales management may select or modify some of these KRAs. **The company may also add new KRAs according to its policy, suitability or appropriateness.** In short, **twelve KRAs noted above are flexible.** It may be used or may be replaced by new ones as per the requirement of each company. In fact, each company should establish its own KRAs relating inputs (efforts) and output (result). Above noted twelve KRAs are only for the information and guidance of companies for performance evaluation of salesforce.

(4) **KRAs differ from industry to industry as per the features.** KRAs of a capital goods manufacturer will be different from those of a consumer goods manufacturer/company.

(5) The companies which have the strengths or competencies matching the KRAs perform significantly better than others. This indicates the importance of appropriate KRAs in performance evaluation of salespersons.

SALES PERFORMANCE REVIEW

MEANING AND FEATURE OF SALES PERFORMANCE REVIEW:

The details of sales performance evaluation and the evaluation criteria (KRAs) are already discussed previously. Let us, now turn to **sales performance review which is next to sales performance evaluation.** Here, critical review of sales performance of a salesperson is made by sales person and the sales manager. In addition, remedial measures are suggested for improving the sales performance.

Sales performance is an important aspect of organisation's overall performance. Future expansion and growth of a company mainly depends on its sales performance. Sales performance review can be undertaken at the **level of an organisation** and secondly **by the type of sale.** The level of the organisation can be national, regional, branch, etc. The type of sale may be by product, by customer, etc.

Sales performance review is an analysis of an employee's work habits undertaken at a fixed point in time to determine the degree to which stated objectives and expectations have been reached. Such performance review should be conducted by the sales manager with concerned salesperson. The purpose of such review is to analyse a salesperson's efforts by measuring the amount of work he completed. Such performance review may also focus on an employee's sales results. It is possible to measure the number of products sold by a sales person and how much revenue he generates for the organisation.

Sales performance review will help sales manager to determine which salesperson has performed well and who has failed to perform in a fair/satisfactory manner. Such review enables management to give promotion to capable and efficient salesperson. It also enables management to introduce suitable training and guidance programme to sales people who proved poor in their sales performance.

After the salesperson's performance has been evaluated, the sales manager should conduct **sales performance review or appraisal session** with concerned salesperson. This constitutes an important and challenging part of sales manager's job. Here, the sales manager has to contact the salesperson and set a time and place for the performance review meeting. Before such meeting, concerned salesperson should be asked to review his/her own job description and the past sales performance, by using the company's evaluation forms.

It may be pointed out that both salesperson as well as sales manager should consider sales performance review **as a positive method** that helps the salesperson to solve his existing sales related problems and improve his performance in future. **In brief, both need to have positive attitudes towards the performance review.** It should not be regarded as fault finding review but fact finding review for improvement in sales performance in future. **Close co-operation between the two in the basic requirement of sales performance review process.**

GUIDELINES FOR EFFECTIVE SALES PERFORMANCE REVIEW:

Normally, salespersons, evaluate themselves better than their manager does. **The following guidelines are worth noting while reviewing sales performance.**

(1) Initially i.e. at the beginning, **performance criteria** or bases should be discussed by both (sales manager and salesperson) i.e. jointly.

(2) The salesperson should be asked to review his/her own performance independently.

(3) The sales manager should present **his own view** on the salesperson's performance review.

(4) **Mutual agreement on the performance review must be established.**

(5) In case of disagreement or serious differences of opinion occur, the sales manager should carefully explain the reasons to the salesperson. This avoids possible conflicts and makes performance review beneficial to concerned salesperson and the organisation.

In the performance review process, the sales manager should first make a review of each criterion, by reviewing the high ratings of the salespersons and thereafter go down to other ratings. Thereafter, the sales manager should summarise the total performance evaluation. Finally, the sales manager and concerned salesperson should jointly decide the new sales objectives and the action plan for achieving the same in the future period.

After above noted review session, the sales manager should write a letter to concerned salesperson informing him about performance review results and the objectives for the future period. A copy of this letter should be sent to sales manager's immediate superior. **Sales performance reviews should be made in written form for future reference.**

Sales performance review is useful for improving the performance of salespeople in the future period. During the review process, problem areas in sales management are decided, the causes responsible are identified and corrective action of sales management are finalised for execution. As a result, overall sales performance of the organisation will improve in the future period. In short, during the performance review meetings, the sales manager is expected to analyse the salesperson's performance on each performance criterion, identify the problems and causes responsible and finally suggest ways to improve sales performance in future.

The basic approach in performance review remains the same. However, the causes and corrective measures will be different for different sales persons. If the performance of salesperson is good, he/she will be rewarded suitably. This suggests that sales performance review is important and useful in the case of all salespersons. Those with lower level performance, will be told to improve their performance in future. For this, remedial measures will be suggested to them through performance review meeting. Salespersons with good performance will be only rewarded. In brief, performance review procedure is useful for improving the performance of salespersons in the future period. This procedure needs to be taken in a constructive way by sales managers and salespersons. The purpose of performance review is not **merely fault finding** but improving sales performance in the near future. It is always desirable to improve the sales performance at the organisational level.

STEPS IN SALES PERFORMANCE REVIEW:

Three steps are normally involved in sales performance review. These are:

Step 1: Before conducting the Performance Review.

Step 2: During the Performance Review.

Step 3: After conducting the Performance Review.

SALES MANAGEMENT AUDIT

MEANING/CONCEPT OF SALES MANAGEMENT AUDIT:

Audit is inspection or scrutiny of an activity or function. The purpose is to evaluate the performance of that activity. Statutory audit is compulsory and must be conducted by joint stock companies operating in India. In addition, there are other types of audit. Social audit, for example deals with the social performance of an enterprise. Similarly, marketing/sales audit, personnel audit, shareholders audit, issue audit, etc. are some more types of audit. **Sales management audit** is one type of audit which relates to sales management activity of an organisation. Such audit is performed by the sales auditor who can be from within the organisation or from outside the firm. An organisation can select any one method which suits well.

Sales management audit is a review of a company's entire sales process, from the use of particular types of softwares, to the staff to management strategies. It is different from a financial audit in which a company evaluates its operating costs against its sales revenue. The purpose of sales management audit is to determine the final result of organisational performance relating to sales. The results of audit–achievements and failures are used as feedbacks or lessons for the next year's budgeting, target setting and sales planning.

Sales management audit is a systematic, diagnostic and prescriptive tool for analysing, reviewing and controlling sales operations or sales management process. Such audit suggests the areas of problems and opportunities and recommend the plan of action for improving sales performance. This audit focuses on the activities and performance of company's sales staff. Here, critical review is made about sales plan, sales objectives, sales target and sales performance of the organisation and suggests ways and means to improve the sales performance in the near future. Such audit is not fault finding but fact finding for future performance improvement.

Salesforce occupies key position in the sales management process. The deficiencies/shortfalls of sales persons need to be analysed critically for training, directing and motivating salespersons so that the objectives of sales management audit are achieved. Salesforce audit is a comprehensive, systematic, diagnostic, and prescriptive tool that is used to assess whether a firm's sales management process is adequate to give direction for performance improvement and to recommend the needed changes i.e. remedial measures.

Sales management audit is similar to management audit but differs from financial audit or audit in the accounting sense. **The basic objective/purpose** of sales management audit **is to assess whether a firm's sales management process is adequate to give direction for performance improvement, and to recommend the needed changes.**

FEATURES OF SALES MANAGEMENT AUDIT:

Important features of sales management audit are as briefly noted below:

(1) Sales management audit **is a review of company's entire sales process.** It covers all aspects like sales target, management strategies and so on. This type of audit is different from a financial audit in which a company evaluates its operations against the sales revenues.

(2) Sales management audit **should be conducted on a periodic** basis–monthly or quarterly.

(3) Such **audit needs to be objective i.e. without bias.** Naturally, it should be carried out by some team from outside the sales organisation. It can be the corporate planning group. Such audit can also be given to external agency–a consulting organisation especially appointed for this purpose.

(4) **Managers of the sales organisation should be associated with the auditing process** mainly as provider of sales and

related information. The role of managers should be a passive one in the actual audit process/work.

(5) **Companies should undertake sales management audit on a regular basis to diagnose the correct potential or emerging** problem situations before such situations become serious and get out of control or the correction/rectification process becomes costly and lengthy.

(6) **Many companies do not conduct sales management audit. Such policy is unfair and may bring sales aspect of business in danger.** As a better alternative, it should be undertaken by all promising and growth-oriented companies even when it is costly to a certain extent.

(7) **Sales management audit is a systematic and lengthy process.** It should be undertaken **in a step-by-step process** for reliable results. In this process, reasons for deviation/ shortfalls are detected and corrective measures/course of action are suggested.

(8) **Sales management audit has wide coverage** as it covers every aspect of the sales process and guides the management in promoting sales. Components of such audit are: hiring and training of sales staff, market conditions, sales procedures, customer service and office environment.

(9) **Sales Management Audit Report:** The final outcome of sales management audit is in the form of audit report which contains factual data details of expected and actual sales performance and recommendations for further improvement. The top management of the company and the sales department has to consider this report minutely and has to prepare plan for improvement in the sales performance in the near future. The report is by experts with in depth study on sales management activities. **The report has academic as well as practical importance.**

(10) **Co-operation of sales staff essential:** Sales management report is for execution and not for filing in the office. The execution will be mainly by the sales organisation of the company. The staff working in the sales department has to offer full co-operation for execution.

STEPS IN SALES MANAGEMENT AUDIT PROCESS:

Sales management audit involves a continuous process. It should be conducted in a gradual i.e. step-by-step manner. Four major steps are involved in such audit process. **The steps involved in sales management audit are as noted below:**

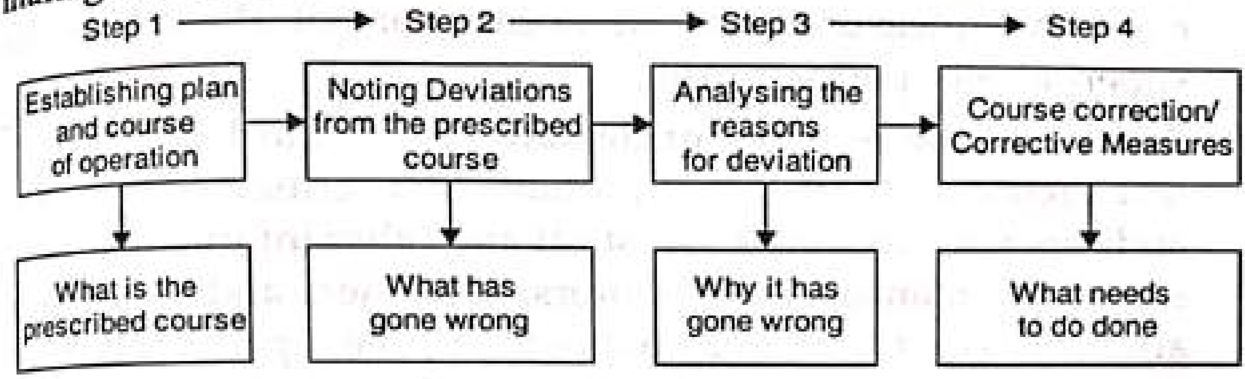
(1) Establishing plan and course of operation of audit work.

(2) Noting deviations from the prescribed course.

(3) Analysing the reasons for deviation.

(4) Course correction/corrective measures.

The following figure indicates **the steps involved in sales management audit.**



Steps in Sales Management Audit

BRIEF DETAILS OF STEPS IN SALES MANAGEMENT AUDIT:

(1) **Establishing plan and course of operation:** This is the first or initial step in the sales management audit process in which detailed outline of audit process will be decided. It is a planning stage as audit work will be conducted as per the plan prepared. Basic decisions on procedural steps are decided in this step. The audit work will move forward as per the course of operation decided. The prescribed course of audit work will be finalised and the audit process will start functioning accordingly. This steps in sales management audit is important as it lays down the foundation for steady and systematic audit work. It ensures completion of the entire audit process in an orderly manner and the benefits available will be fairly promising.

(2) **Noting deviations from the prescribed course:** In this step of audit process, deviations of salespersons from the expected

sales results are noted/recorded. In other words shortfalls in the sales, target achievement, revenue earned, cost incurred, etc. will be recorded. These deviations are important because necessary remedial measures will be adjusted accordingly. The deviations are related to prescribed course. This means the sales targets or expected sales performance. The deviations may be related to any aspect of sales. The auditors will make a precise list of deviations for further scrutiny and remedial measures. The deviations may be related to consumers (consumer loyalty, quality, confidence of consumers, consumer behaviour, etc.) distributors, salesforce, managers and so on. All deviations are equally important as corrective measures are necessary for all deviations for superior sales performance.

(3) **Analysing the reasons for deviation:** This third step in sales management audit is important and critical. Here, the auditors have to collect statistical and other information from salesforce, managers distributors, customers and so on. It is always easy to note deviations in sales performance as deviations are to be noted with the help of statistical data on sales. However, the causes/reasons responsible for the deviations are difficult to find out. The reasons decided need to be accurate and reliable as well as factual. This is necessary as remedial measures will be directly based on such causes of deviation. Sales auditors have to use their knowledge, skills and maturity for finalising the reasons for deviations in sales. The corrective/remedial measures may not give expected results, if the causes of deviation are not discovered correctly. This is an important step in sales management audit and auditors have to give maximum attention to this step in the sales management audit process.

(4) **Course correction/corrective measures:** This is the fourth and last step in the sales management audit. It is closely related to the third step. In this step, remedial measures will be finalised and made ready for execution by the sales organisation. Remedial measures may be related to all aspects of sales performance. Measures may be related to volume of sales, number of orders, cost and revenue involved, number

of distributors and customers and so on. This step indicates what needs to be done in order to remove deviations in the near future. Positive results will be available, if the causes of deviations are identified correctly and appropriate remedial measures are introduced by the sales organisation. Here, it may be noted that sales management audit is important. However, it is a means and not the end in itself. It acts as a tool for improving sales performance of an organisation. Such audit will prove ineffective/meaningless if the benefits are not available in due course. **Companies should not conduct sales management audit as a mere formality.** It is necessary to have positive results in concrete form.

CONCLUSION:

Sales management audit is necessary and beneficial to companies interested in expanding their sales through systematic efforts. Such audit may not be compulsory like statutory audit. However, **it should be conducted on regular/periodic basis.** It is not merely fault finding but **for training, directing and motivating salesforce operating in an organisation.** Such audit is partly future-oriented. It indicates emerging problem situations before they become serious and go out of control. Such audit enables companies **to introduce innovative remedial measures promptly for achieving sales targets in the future.**

(B) MEASURING DISTRIBUTION CHANNEL PERFORMANCE

MEANING OF EVALUATING DISTRIBUTION CHANNELS:

Channels of distribution are used for large scale, quick and economical distribution of goods/services. Channels involve intermediaries for orderly distribution. Distribution is the most critical interface between a marketing company and its customers. A distribution channel, actually, eliminates the gap or distance between the company and its customers. **Distribution channels maintain regular, quick and economical flow of goods to consumers.** They constitute an important link in effective sales management. Channels are different alternatives that connect the producers to ultimate consumers.

Channel is a route through which goods move from the point of production to the point of ultimate consumption. Distribution channels include the agents, dealers, distributors, wholesalers and retailers. In terms, of distribution, channels, there may be zero level, one level and more level channels. Channel level depends on various factors like size of the market, product variety, service requirements and order lot size. In the distribution channels, the functions and role of intermediaries are important.

Starting and designing a channel system is the starting point of channel management. During the process of implementation, the channel designs may be modified as per need.

The channels in use need periodical evaluation in order to study their functioning, contribution and profitability. New channels may be added or costly and ineffective channels may be modified or dropped. For this, evaluating channels is needed. It is an integral part of channel. Such policy is useful for proper functioning of the channel system.

There are **two broad objectives of channel evaluation process. The objectives are:**

(a) **To assess the performance level of existing channels** and to distinguish between good, average and poor performance channels.

(b) **To use the channel evaluation process/system as a feedback process for improving the performance of channels** through suitable modifications, motivations and training of salespersons.

Evaluation and control of channels are two essential ingredients in effective management of distribution. Evaluation process is a continuous or regular process not merely for fault finding but for removing deficiencies of channels which prove ineffective in their performance. Evaluation is possible on monthly or quarterly basis as per need. Such evaluation is not the end in itself but for improving the performance of channel system of an organisation. It is a systematic analysis of working of different channels for more effective and customer-friendly performance of the channels. .

The performance and success of the company's business mainly depends on the effectiveness of its distribution channels.

for maintaining and raising such effectiveness, the company has to constantly keep reviewing the performance of its channel partners. This ensures the highest standards of performance and help them to improve where required. The evaluation will be against the targets on sales quota achievement, average level of inventory held, productive calls per day, number of servicing complaints attended and so on.

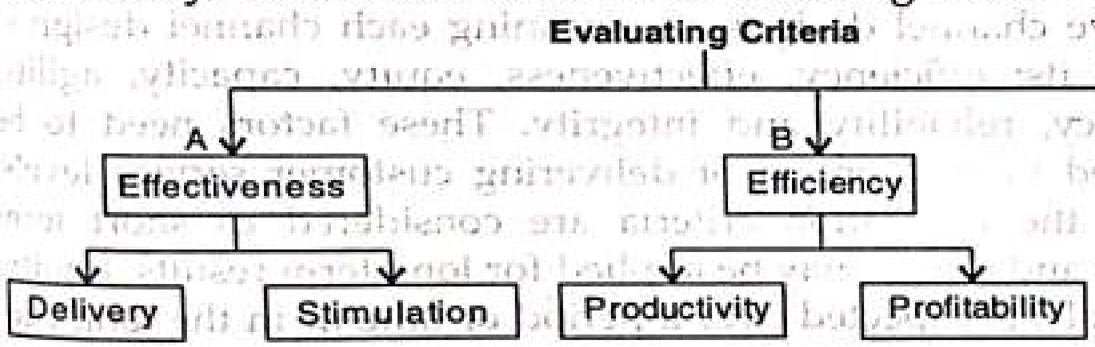
Leading companies like Coca-Cola, Colgate, HUL and Nestle (in the FMCG sector) not only evaluate the performance of their distributors on monthly results but also keep tracking their return on investment (ROI). Performance evaluation is normally done on the basis of set standards, targets and tasks. The tasks and targets refer to sales volume/value, channel inventory level, efficiency and profitability. Evaluation norms are usually decided and agreed between the company and particular channel member partner.

The purpose of evaluation of channels is to help improve the performance of the channel partners through counselling, retraining and motivating. However, in extreme cases, it may also be necessary to terminate a partner from a channel. This alternative is rather very unpleasant and used in exceptional cases only.

CRITERIA FOR EVALUATING PERFORMANCE OF CHANNEL MEMBERS:

Stern et al have suggested five measures/criteria for evaluating performance of channel members. This includes three basic criteria: **Effectiveness, Efficiency and Equity.**

Effectiveness criteria is assessed in terms of **delivery and stimulation**, and efficiency is measured by **productivity and profitability**. This is made clear in the following chart:



DETAILS OF EVALUATION/EVALUATING CRITERIA:

(a) **Effectiveness:** Effectiveness is the analysis of how well the channel system meets it objectives. For example, if one of the objectives of the channel network is to achieve 100 percent on time, in full deliveries, the number of times this objective is achieved over the number of deliveries can be measured and this would indicate the effectiveness of the system. In the case of existing channel system, this data is readily available. However, for a new channel design, this can only be estimated. Effectiveness is one of the criteria for comparing two channel systems. Effectiveness of channel systems is to be measured in terms of delivery and stimulation. The term "Delivery" shows the extent to which or how much the channel members are able to meet the demand of consumers by ensuring prompt or timely delivery of goods. The term "Stimulation" assesses the extent to which the channel members stimulate latent demand and convert this latest demand into actual demand to maximise or optimise sales.

(b) **Efficiency:** Efficiency relates to input vs output. The inputs may be related to the number of people involved, the inventory support, the financial implications like credit and so on. The outputs may be related to productivity and profitability. For higher efficiency of a channel system, the output should be higher as compared to inputs in terms of employees involved and the inventory used.

(c) **Equity:** Equity means the extent to which distribution/ marketing channels serve the problem of markets/segments such as distinct or isolated consumer pockets along with normal consumers or markets.

In short, the factors normally considered for looking at alternative channel designs are scanning each channel design in terms of its: efficiency, effectiveness, equity, capacity, agility, consistency, reliability and integrity. These factors need to be considered in the context of delivering customer service levels. Some of the evaluation criteria are considered as short term measures and others may be applied for long term results. Equity, for example, is expected over a period of time or in the long run.

the same may be true in the case of stimulation. Delivery is short term measure. Productivity and efficiency should be both short term and long term criteria.

The success of a channel and its efficiency are determined by the efficiency of channel intermediaries in delivering goods/ services to final customers and the quality of service offered in the distribution process.

CONTROL OF CHANNEL

MEANING OF CONTROL OF CHANNEL:

Channel control is one aspect of channel management. It is the measurement of progress towards achieving the channel system objectives. Channel control is required to optimise the performance of the channel system as the resources are better utilised and there is an element of compliance and co-operation between the channel members.

Channel control is complimentary to channel operations. Control keeps the operations on the right track/course. Control prevents operations from drifting from the prescribed norms/ standards. The scope of control can be wide. It can be flexible or lose or fully structured or rigid as per requirement.

Channels **control can be physical or financial.** They can be qualitative or quantitative. Controls can also be formal or informal. Channel control system depends on the way a company designs its control system. Control system is administered through the **instruments of control** (explained below). These instruments of control can be used **through persuasion or through authority.** The companies can adopt a coercive method if none of these two work.

INSTRUMENTS OF CHANNEL CONTROL:

Different devices or instruments can be used by companies as instruments of channel control. **Three major instruments of channel control commonly used are:**

(1) Contract or Agreement.

(2) Budgets and Reports.

(3) Distribution Audit.

DETAILS OF INSTRUMENTS OF CHANNEL CONTROL:

(1) **Distribution Contract/Agreement:** Contract or agreement is one of the oldest, and also the most conventional instrument/method of exercising control over operations or functioning. All most all marketing companies enter into a **written agreement or contract** with C and F agents, dealers and distributors. Such agreement specifies the details of association/relationship between two parties and also the terms of operations. This may include many aspects of the relationship and operations of the channel members. **Major elements of distribution contract/agreement are;**

(a) Product/products to be handled.

(b) Territory/territories to be covered.

(c) Types/categories of customers to be death with

(d) Selling prices and margins.

(e) Inventory level/management by the channel member.

(f) Sales promotion responsibilities of channel member.

(g) Payment and credit mechanism–payment by company as well as by the channel member.

In the case of contract or agreement, the channel members are bound by the terms and conditions of contract. They have to function/operate as per the contract/agreement made. As a result, **the chances of channel conflicts are minimised.** In the case of conflict, settlement by mutual negotiations and consent is possible. In addition, legal settlement of the conflict is also possible. **Written agreement or contract acts as an easy and effective instrument of control on the channel of distribution.** It has inherent capacity to operate smoothly over a long period. **This makes such agreement a normal feature of channel management.**

(2) **Budgets and Reports:**

(a) **Budgets:** A budget is a plan which slates expected results for a specific future period which may be one year or five years. Budgets serve as standards of performance. Budgeting is one of the most important and useful techniques of control. In fact, it is a useful tool of planning and control.

Contract/agreement is implemented in practice through budgeting and reporting. Budgeting is useful as an instrument of channel control. Here, expected results are compared with actual results achieved and remedial measures are introduced, if shortfalls are noticed. Such budgetary control enables managers to monitor actual situation. Budget as a controlling device, promotes co-ordination and communication. It facilitates introduction of remedial measures/action for improving performance in the near future.

(b) Reports/Reporting: Contract/agreement is executed in practice through budgeting and reporting from time-to-time. Monitoring and control become easy, prompt and effective if there is a proper and timely reporting system. **Reports are summary statements** prepared on weekly, monthly, quarterly or yearly basis. Such reports may be prepared in different formats as per need. Normally, they are brief, factual and easily understandable for follow-up steps.

Weekly reports are short, precise and give updated operational results. Monthly reports provide more detailed information for scrutiny. Many companies use reporting system effectively for the purpose of controlling.

Reports suggest actual performance against the budgeted performance. **Report serves as a control measure against deviations** and reflects the performance of the distribution channel.

(3) **Distribution Audit:** Companies use distribution channel audit as a means or mechanism for analysis and control of channel operations. Distribution channel audits are designed to measure the product's presence in trade channels, either in the entire target market or only in a representative sample area. Such audit enables a company to evaluate the performance of its distribution system intermediaries and the distribution structure.

The basic objective of distribution channel audit is systematic analysis of targets, activities/operations and results of a channel member for a specified period.

Distribution channel audit can identify any shortcoming in operations or shortfalls in results. This can be further analysed and necessary corrective measures can be undertaken by the channel members as per the findings based on the review or audit made.

Distribution channel audit is not like financial audit relating to financial matters. It is more like management audit relating to distribution of company's product or products. Distribution audit identifies opportunities to lower costs, streamline marketing operations, reach wider markets and capitalize on economies of scale. This audit concentrates on the demand side of sales management and suggests ways and means to provide goods regularly to consumers to meet their needs.

(C) ETHICS IN SALES MANAGEMENT

MEANING OF ETHICS IN SALES MANAGEMENT:

The term **ethics** refers to the **Code of Conduct that guides an individual while dealing with others.** Ethics relates to the social rules and cardinal values that motivate people to be honest in dealing with others. Ethical values such as honesty and fairness are universal and stable over centuries. All (including businessmen) are expected to follow ethical rules while dealing with others. This gives protection to customers and more business, profits and market standing to sales organisations.

The **Oxford dictionary** defines **ethics** as a "set of moral principles" or "the science of morals". The term **ethical** means conforming to professional standard of conduct. Ethical action means an action which is socially and morally good or fair. Ethics may also be defined as **a system of moral values.** It is concerned with that branch of philosophy which deals with values relating to human behaviour.

The concept of ethics is applicable to all aspects of life. Business ethics refers to the system of moral principles applicable to business activities. It deals with morality in business. Business activities (production, marketing, sales promotion, advertising, etc.) should be conducted according to **self-recognised moral standards.** Business ethics is important as it makes business fair and favourable to all social groups like shareholders, employees, consumers and the society at large. Ethical business gets support from the government and society. It makes, business social oriented. Ethical principles need to be followed by businessmen as well as by business organisations such as companies, co-operative societies, multinationals and so on. An organisation consists of individuals. These individuals' ethical values help shape those of the organisations. Business ethics deals with business practices which should always be **fair, consumer-friendly** and **ethically sound.** Companies following ethical and socially responsible policies and practices get popularity and social recognition. Such companies expand their business due to support from customers and other social groups. **In the long run, ethical business gets social recognition and support.**

BUSINESS ETHICS AND SALES MANAGEMENT:

Sales management is one important branch of business. The concept of business ethics is equally applicable to sales management. Unfortunately, selling/marketing is a profession that has been widely criticized for the unethical dimensions associated with it. We have many unethical practices in retailing, advertising and sales promotion. **Salesforce of an organisation should be ethically conscious and alert.** They should follow fair/ethical practices while dealing with customers, distributors, clients and so on. Sales managers have ethical responsibilities with respect to their own actions and the actions of their salespeople. On many, occasions, sales managers face **ethical dilemmas** in conducting various management tasks like getting orders from government customers, pricing decisions, hiring salespersons, evaluating sales persons and so on. Sales managers are responsible to develop ethical standards among salespersons. Unfortunately, sales managers and salespersons do not follow ethical/fair practices in their operational area. Voluntary as well as legal responsibilities are neglected for business expansion. This leads to cheating of customers. This is unfair. **Ethical values need to be honoured in sales management.** This is one responsibility of sales managers and salesforce. Sales managers are accountable for their decisions/actions as well as for the decisions and actions of their salesforce. They normally will act as per the guidelines of sales manager. Here, the sales manager should not endorse salespersons to use unfair or unethical trade practices. It is also necessary to train and motivate salespersons in this direction. This will lead to ethical sales management which will prove profitable to consumers, organisations and the society as a whole. The sales policies of the company describe what is acceptable and what is not in the company. **This limits ethical environment in the company.**

ETHICAL SITUATIONS/INVOLVING SALESPEOPLE AND SALES MANAGERS (Ethical Issues in Sales Management):

On many occasions, salespeople and sales managers are involved in some critical ethical situation. Sales people face **ethical challenges** often. They have to deal with unethical requests from customers, dealers, suppliers and so on. On one side, they have to promote sales and on the other side they have to avoid unethical practices. As a result, they have to face delicate and uncomfortable situations. Here, they should support ethical practice and also bring expansion in the volume of sales. For this, they have to use their skills, maturity and experience. While handling ethical challenges, it is necessary to consider all aspects of the situation and take decisions which are ethically fair and sound. Here, unethical decisions are possible but should be avoided. Taking such sound and ethical decisions constitute social and moral responsibility of concerned sales person and sales manager.

Important ethical situations or ethical dilemmas faced by salespeople and sales managers are as explained below:

(1) **Relations with the organisation/company:** Changing job, expenses incurred for company's work and damaged merchandise credits are some examples of ethical problems where salespeople and sales manager's relations with the company are involved. A salesperson or manager may give credit for damaged merchandise when no damage has taken place. **Secondly,** while changing the job, a manager may desire to take key customers to the new employer who happens to be the competitor of the company. **Thirdly,** a

salesperson can charge certain expenses on the company even when such expenses are not actually made. In all such cases, the salesperson or sales manager should be fair and ethical. He should be true to himself and also to the company. For example, a sales manager can leave his job with due notice and procedure. However, he has no right to take key customers to his new employer. Such action will be unethical as well as harmful to the company where he has put some years of service. Similarly, collecting money from the company without actually spending is unfair and unethical. It is also dishonesty on the part of salesperson. Such act puts unnecessary financial burden on the company. A salesperson has to take right/ethical decision which will be fair to him and also to the company.

2) **Relations with customers:** Business is basically with the customers and for **their benefit, pleasure and welfare.** Business practices should be fair and favourable to customers/consumers. For this, application of ethics is a must. Business/marketing, practices should be ethical. They should be based on moral values. Customers demand ethical and fair business for their satisfaction and protection.

As regards **relations with customers,** the ethical situations/issues/challenges relate mainly to:

(a) Giving Gifts to customers,

(b) Supplying information to customers, and

(c) Providing business entertainment to customers.

In such situations, salespeople should be honest and ethical in their approach and avoid, cheating of customers for sales promotion purpose. Customers, in general, are very much against unethical practices by salespeople. They avoid such companies when possible. Companies should take consumers anger in the right sprit and avoid the use of unethical practices as such practices are harmful to consumers and also to the company in the long run.

Details of cheating of customers for sales promotion:

(a) **Gifts:** Offering gifts to customers on New Year Day or during festival season, is a normal practice with companies particularly pharmaceutical companies. Sometimes, doctors are offered new car or foreign trip. He may be sent on all-expense-paid seminar abroad. Customers are offered cash discount, bigger quantity, small prizes and so on. Such small or large gifts are offered very often in business world. Here, decisions are taken by sales personnel. Here, they are expected to follow time-tested guidelines. **Gift giving which is unfair, unethical and in bad test** should be avoided. It is not a fair practice for him as well as for his company. **Important ethical guidelines while offering gifts by salespeople are:**

(i) Follow strictly your company's policy on gift giving.

(ii) Keep the value of gift low/fair/reasonable to the company.

(iii) Do not give gifts to customer's spouses.

(iv) Avoid giving gift before a customer does business with the firm.

(v) Avoid any underhand dealing while giving company's gift.

(vi) Move away from the business if the customer demands something that exceeds above noted guidelines.

(b) Supply of Information/Misrepresentation to Customers: Salespersons, sometimes, make loose statements or offer incomplete or false information about products or services to customers. The purpose is to close a sale with positive benefit. In addition, sales person sells a higher prices product to a customer when lower price product is available and adequate for meeting the need of consumer. This happens in the case of medicines and other items of daily use. Finally, false information or promises are given to customers for promoting sales. In addition, exaggerating features and benefits of products, giving false answers to questions of customers, making non-binding oral promises, and selling products which are defective are also unethical and unfair practices in relation to customers. All such practices constitute cheating of customers. Such practices are unfair, unethical and against consumers.

There is no social or moral justification for such unethical practices in sales management. Salespeople should avoid them as sales promotion through false/ unethical methods is dangerous and anti-consumer. Sales manager should not encourage salespeople to use such unethical practices. In addition, sales manager should see that salesforce working under his control is promoting sales through fair and ethical practices.

(c) **Entertainment of Customers:** Business entertainment is a part of sales promotion. Salespeople are permitted to incur such expenditure as per rules and guidelines decided by the sales organisation. Such expenditure is useful for sales to customers with less business potential. However, excessive spending on customer entertainment may prove costly. Such heavy expenditure is unfair/ unethical and may prove costly to the organisation. **In this regard, useful guidelines are as noted below:**

(i) Keep the expenditure limit suitable to the customer and his business potential.

(ii) Be sensitive to customer attitudes towards types of entertainment.

(iii) Entertainment should not be for securing only one order but for building long term business relations.

(iv) Entertainment provided should be decent, of good taste, not too costly and legally and socially permitted.

(v) Expenditure on entertainment should be fairly rewarded in the long run in terms of sales promotion.

(vi) Giving bribes for retaining customers or for bringing customers from competitors is unfair and unethical. Bribe giving is unfair, illegal and unethical and should be avoided in sales promotion.

(3) **Honouring Social Responsibilities: Business has to accept certain social responsibilities/social obligations.** Business is for the benefit of the society and for raising economic and social welfare. Business has various obligations towards different social groups such as customers, employees, creditors, government, suppliers, shareholders and so on. Business should not be unfair or unethical to social groups. This social aspect is equally applicable to sales management. Social responsibility of management is to make decisions and take actions that will support the welfare and interests of society and company. Sales management should not give attention only to sales promotion and profits but also to social welfare. Salespeople should be always fair and ethical to major stakeholders, consisting of consumers, creditors, government, owners, employees, suppliers and managers. Disregard to economic and social responsibilities means unethical business. Salespeople and sales managers should give careful attention to this ethical aspect of sales management.

(4) **Legal Responsibilities:** Business has to accept legal obligations. Business must be legal and also by honouring the legal framework created. Salespersons and sales managers have to conduct marketing activities within the legal framework available. Sales targets are to be achieved by honouring laws and regulations in operation. Sales promotion through unethical practices is unfair. Neglecting legal provisions is unfair. There is no justification for illegal business. Sales management should be within the scope provided by legal environment. Ethical sales means sales within the legal framework provided by the government.

GUIDELINES FOR ETHICAL SALES MANAGEMENT:

Every company needs code of conduct, policies and practices for managing sales activities properly/fairly/ethically. Sales managers and salespersons must understand the importance of ethical business. They have to honour the code of conduct of their company and should not cross ethical limits for promoting sales.

Ethical behaviour of salespersons is necessary for long term sales promotion. There should be code of conduct or code of thics for the guidance of salespersons and sales managers. Such de of ethics may be prepared by sales organisation or by siness associations or by professional bodies. This will courage sales managers and salespersons to manage sales tivities ethically. They will be fair and favourable to their mpany and consumers.

The code of ethics adopted by the **American Marketing ssociation** is a good example towards ethical business. Such de can create general ethical climate for an organisation. It acts s an effective means for guiding salesforce towards ethical sales anagement.

Many companies have developed **code of conduct or code of hics for their sales managers and salespersons.** This indicates nagement's support to ethics in sales management.

Some companies take disciplinary action against salesperson volved in unethical practices. Here, the sales manager has to hare major responsibility. He should be away from unethical ractices and should motivate his subordinates (salespeople) to be onest and ethical in their dealings with others. Unethical ehaviour or lack of social responsibility by sales person may damage firm's reputation and make it less appealing to different social groups.

For ethical sales management, companies should follow the following guidelines:

(1) **Reference in Mission Statement:** In the mission statement of the company, clear reference should be made that the **company stands for ethical values, respect to business laws and social responsibilities.** The culture of the company should be made favourable to ethical and consumer friendly business. Companies should always support ethical principles and avoid any direct or indirect support to unethical marketing practices which are harmful to long term survival and growth of business enterprises. **In fact, decisions taken within an organisation are influenced by the culture of an organisation.**

(2) **Preparation of Code of Ethics:** The company should prepare a handbook of code of ethics for its employees. It should be

given wide publicity among employees for their guidance and follow-up. Employees should be encouraged to follow the code of ethics honestly. Suitable incentives should be offered to employees following ethical standards honestly.

(3) **Training and guidance of Salespersons:** Company's sales managers and salespersons should be given proper guidance and training as regards code of conduct. They should be motivated to follow the code with honesty and fairness. This avoids extensive use of unethical practices by salespersons.

(4) **Disciplinary Actions for Unethical Behaviour:** Company should investigate unethical behaviour of salespersons as and when necessary through **company's ethics officer.** Sometimes, company may get letters/e-mails relating to unfair behaviour of salespersons. All such cases should also be investigated and suitable action should be taken against concerned salesperson. This will have favourable impact on the behaviour of all salespersons. They will naturally follow ethical principles while performing their duties. The overall environment in the sales management will be for ethical sales management. Sales persons will have clear message that the organisation supports ethical sales management and expects ethical behaviour from staff members.

These guidelines are useful for ethical sales management at the company level. Here, the top management of the company should take initiative in promoting ethical sales management. Unethical practices may damage a firm's reputation and make it less **appealing to stakeholders.** Even the profit and market reputation could fall gradually.

(D) NEW TRENDS IN SALES AND DISTRIBUTION MANAGEMENT

New developments are taking place or new trends are developing in all aspects/branches of business and sales and distribution management is not an exception to this rule. Such new trends are necessary **to keep pace with the changing marketing environment.** The environmental factors play a leading role in the introduction new trends in selling and distribution. The emerging trends are necessary and useful for raising speed and efficiency in sales and distribution management. **Consumers, middlemen and dealers support the new trends** as they get some benefits from new trends and developments which are partly commercial and partly technological. The new trends are favourable to **speed, efficiency in operations and greater focus on customers.** Introduction of new trends in sales and distribution management is a continuous or online process.

Growing and changing expectations of consumers and technology developments are two basic factors which act as driving force to new trends. New trends are the natural result of changing global environment. Sales managers have to understand and introduce new trends in the sales and distribution management. Three major environmental factors responsible for new trend are: **increasing competition, speed or efficiency in operation** and **greater focus on the customer.**

Sales managers have to study new trends and incorporate them in their sales and distribution activities. This is necessary for facing new challenges developed due to changing marketing environment. For successful sales and distribution management, sales managers have to understand importance of emerging/New trends in sales management.

Emerging trends/New trends/Recent trends in sales and distribution management are as noted and explain below:

(1) Global Perspective.
(2) Revolution in Technology.
(3) Growing Importance of Customer Relationship Management (CRM).
(4) Salesforce Diversity.
(5) Team Selling Approach.
(6) Managing Multi-channels.
(7) E-selling (E-commerce).
(8) Ethical and Social Issues in Sales Management.
(9) Professionalism in Selling.
(10) Miscellaneous Trends in Sales Management and Distribution Management.

DETAILS OF NEW TRENDS

(1) Global Perspective:

The process of globalisation is moving fast and thereby bringing integration of economies of different countries/nations. Europe is, now, an intergraded market with common currency and liberal trade policies. Countries have to join globalisation process out of necessity and compulsion. Global competition is intensifying. Domestic marketing companies have to face severe competition from other domestic companies as well as from foreign companies and multinationals. The job of salespeople has become more difficult and challenging. Sales managers have to manage their salesforce to meet competition in their domestic market and also to improve their company's personal selling efforts in foreign countries.

Sales managers selling goods and services in foreign/global markets have to face new challenges such as differences in cultures, language differences, requirements for buying, socio-economic and cultural differences, legal differences, different styles of negotiations, consumer psychology and so on.

Marketing opportunities are growing and expanding in emerging global markets and also in less developed countries. Sales managers have to study such global opportunities and exploit them fully for the benefit of their companies. Wide scope is available to all types of companies. A company need not be very large (like multinational) for marketing globally. Small and medium sized companies can sell effectively in global niche markets.

Globalisation concept is extremely appealing at present but some trends towards **de-globalisation are also noticed.** UK, for example, has given up the membership of EU under "Brexit" and will have bilateral trade agreements with other countries. Multilateralism is being replaced by bilateralism. Free movement of labour and capital are restricted by some countries. Laws relating to immigration are made strict by countries. USA, for example, wants to provide employment to its own people. Such protective trends may lead to new environment for sales managers of domestic companies for domestic and global marketing. Introduction of protective policies is a **new trend** developing in global marketing and distribution management.

(2) Revolution in Technology:

Technology is making rapid progress in recent years. **Digital technology** and **management of information** have increased the capabilities of consumers and marketing organisations. Buyers, now, get information on products, compare suppliers' prices and place orders through the Internet within minutes. They can use online facility for quick information about anything. Selling/marketing organisations have a new set of capabilities. By using Internet, they can collect more detailed information about customers, markets and competitors. They can even establish their websites and communicate information about the company, its products and services to interested customers. Marketing organisations can customise their products and services to the needs of individual customers. Companies can have quick and two way communication with customers, intermediaries and suppliers.

Sales managers and salespersons will have use new/latest technology in their selling activities. Some technological innovations for sales and distribution management such as portable and desktop computers, mobile phones, videoconferencing and videotape presentations are easily available. **Technology offers convenience and quick service to salesforce.** It makes sales activities quick, efficient and cost effective. Along with extensive use of technology, direct face-to-face discussion with customers is needed for selling technology complex products and services.

Use of new technology is quite easy and normal with sellers and buyers. The share of marketing through Internet, smart phones, etc. will be more as compared to sell by traditional methods in the near future. Marketing organisations have to use modern technology in their selling and distribution operations. There is no alternative available. **In fact, their survival is linked with the extensive use of technology innovations.** The use of website is a must for modern competitive marketing. Sales persons and sales managers can face market competition effectively only through the use of latest technology in an extensive manner.

(3) Growing Attention and Importance of Customer Relationship Management (CRM):

The customer relationship marketing concept is new but very popular in the present marketing world. It is useful for cordial relationship with customers and also for sales promotion. **This trend is the outcome of combination of relationship marketing with information technology (IT).** The concept of relationship marketing came earlier. It is the outcome of quality, customer service and marketing combined. Friendly/intimate relationship is the base of modern marketing-domestic and foreign. Marketers have to establish long term relations with customers through fair treatment, prompt service and proper guidance.

Customer relationship management aims at developing long term, mutually satisfying relations with key marketing parties-customers, distributors and suppliers. This is necessary to retain long term preference and business. Such favourable relationship enables companies to provide fair and prompt customer service by focussing attention on meeting individual needs of each valued customer through the use of CRM software packages.

CRM is needed for building a customer database and doing data-mining to detect trends, segments and individual customer needs. Many marketing companies have started CRM programmes to expand relationship with existing customers as getting/securing new customers in very costly as compared to costs involved in maintaining/retaining existing customers.

CRM system integrates sales, customer service and market information from different sources with the help of the software package. This provides updated information to the employees on each valued customer so as to provide superior and prompt service to customers. The basic purpose of CRM and relationship marketing is identical. It involves mutually useful and satisfying long term relationships with valued customers and to provide quality service to them. Here, companies have to find out which market segments and specific customers will respond positively and profitably to relationship management. CRM technique is useful in sales management. It promotes sales and develops loyalty of existing customers of the company. Salespeople need to be given proper training and guidance in CRM. This is necessary as CRM enables companies to provide excellent real time service by focusing attention on meeting the individual needs of each valued customer, through the use of CRM software packages.

(4) Salesforce Diversity:

Salesforce diversity is one more trend in the present sales and distribution management. The demographic characteristics of the salesforce is changing and is becoming more varied in character. For example, more and more women are taking up careers in selling and distribution management. The present generation of salespeople are highly educated with degrees and professional qualifications in marketing. They have adequate training in sales management. Sales managers have to deal with salesforce, consisting of men and women, highly educated and less educated salespersons. The needs and expectations of this varied salesforce will be different. They will need different motivational tools for their motivation. Sales managers, have to handle such salesforce for achieving the organisational objectives. Managing such diverse salesforce is a challenging job. Adequate attention needs to be given to their needs and expectations for motivating them in the right manner.

(5) Team Selling Approach:

In recent years, the team selling approach is getting popularity as **a novel trend and is widely followed by companies**. This approach is used when a company wants to build a long term mutually beneficial relationship with major customers, with high sales and profit potential. Team selling approach is also used for marketing/selling **a technically complex product or service** to a prospective customer.

The composition of selling team may vary depending on the customer's buying centre members. Normally, the selling team includes members from top management, technical specialist, customer service, inside salesperson and manufacturer's representative or agent.

Team selling approach requires **the joint selling efforts** of several persons. Members of such selling teams need to be given attractive compensation package. This ensures active participation of all members for large scale selling and sales promotion.

Companies selling software services use team selling approach and form teams for effective marketing of their services. Such **joint selling efforts offer promising results.** Companies selling complex and costly engineering goods also use team selling approach for effective selling and sales promotion.

(6) Managing Multi-Channels:

Marketing organisations desire to reach many customer segments quickly. For this, the new trend in sales and distribution management is to use multi-channel marketing system. This means **to use two or more marketing channels to reach one or more customer segments.**

The benefits of multi-channel marketing system are: **(a)** Lower channel cost, **(b)** Increased/wide market coverage, and **(c)** Customised selling i.e. selling technically complex products/services through company's technical salesforce and selling simple, low cost, products through company dealers. Many large marketing companies like **Crompton Greaves** uses multi-channel marketing system for selling products like power transformers and high-tension switch gears/through company's technical salesforce and ceiling fans, table-fans, lamps, tubes, etc. (through dealers).

There are some problems in managing multi-channel marketing system. For example, different channels may compete for the same customer. The sales manager can avoid such situation by avoiding conflicts and developing co-operation among salespersons.

Multi-channel marketing system is suitable for covering customers from different marketing segments. This trend is used popularly by large sized companies (with wide product line) for sales promotion. The use of multi-channels for marketing and large scale distribution is, now, common practice among all marketers. This gives the benefit of wider sales and market coverage.

(7) E-selling/E-commerce:

The concept of e-commerce is used extensively in modern marketing. A company can sell its products/services directly to customers or can sell its products and services online. For this, the company converts its website from a promotional tool into a fully functional e-commerce operations. E-selling means turning passive customers to the company's website and converting them into active customers. E-commerce builds relations with company's target customers. For effective e-selling, company should select suitable shopping cart software and services. It should also use a "secure server" system and support customers before, during and after they make purchase.

E-selling (which is a part of e-marketing) turns passive visitors to the company's website into active customers. Some known e-commerce websites are: Amazon.com, EBAY and e-Toys. More and more customers would expect companies to handle sales online. It may be noted that e-commerce has introduced e-purchasing and e-marketing. E-purchasing means purchasing goods and services from online suppliers. In e-marketing, a company's marketing efforts (i.e. selling and sales promotion) are done through the Internet.

At present, companies are using internet for marketing goods and services. This trend is moving fast. The internet marketing is fast **in operation** and facilitates **faster reach to the customers.**

(8) Ethical and Social Issues in Sales Management:

Many social and ethical issues are now, involved in business including sales management. Sales management should be fair and favourable to consumers. It should not be conducted simply for profit and sales promotion. Modern trend is favourable to ethical marketing and respect to social values. Selling activities should be fair and ethically sound. **Selling should be socially responsible.** Sales managers and salespersons should take right decisions when they face ethical issues/challenges. They should always support ethical standards and their decisions should be socially sound. To-day, sales managers have no choice but to ensure ethical standards from the salesforce. In the absence of respect to ethical and social values, the business may reduce over a longer period. In addition, it may land in legal problems. Competitive marketing is, now, ethical and socially responsible.

Sales managers have to accept certain ethical and social obligations on their own. Salespeople face many ethical issues in their work. They include bribery, deception, high pressure sales tactics, misleading promises and misleading the customers by exaggerating the benefits of a product or service. Giving gift for large order is also an unethical practice. Here, salesperson should avoid any act which is unethical and unfair to customers and organisation. Well recognised ethical standards should be supported by salespeople. In addition, activities which are socially unfair should be avoided. For example, misleading promises, charging high prices, exploiting ignorance of customers, suggesting wrong solution, etc. are socially undesirable. Salespersons should not use such practices for sales promotion. Selling should be socially fair and favourable to customers. Sales managers are expected to give proper training and guidance to salespersons in this regard.

Sales managers should understand the pluralistic nature of our society and the need of dealing equitably with different social groups. Social responsibility includes fair treatment to all social groups (customers, investors, employees, local community etc.), respecting legal requirements, satisfying public/social expectations and participation in community development programmes (education, health, help to needy people, provision of facilities for social welfare, etc.).

Many companies, now, accept ethical, social, legal, environmental and other responsibilities on voluntary basis. They consider such responsibilities as managerial function. Companies of Tata Group take special interest and initiative in discharging ethical and social responsibilities in an honest manner.

Sales managers and salespersons have to honour ethical and social responsibilities. There is no choice but to ensure ethical standards. The government policies, legal environment, environment protection acts, etc. are against unethical practices. Strict punishment is also provided for unethical practices. Consumers and social groups are also alert, conscious and united against unethical and socially undesirable practices. Companies are bound to face legal problems and social opposition, if they ignore ethical and social issues in sales management.

(9) Professionalism in Selling:

Selling/marketing is, now, regarded as one professional activity. Salespersons are normally selected properly, given systematic education and training and are given proper guidance and motivation for efficient conduct of selling activity. Selling is, now, treated as complicated activity due to increase in competition, products and services have become more technical and the customers are more sophisticated. Salespersons who have a fair combination of natural ability and acquired knowledge and skills are successful is performing well. Buyers like certain qualities such as reliability, credibility, integrity, product knowledge and professionalism among salespersons. They value such salesmen. The skills, knowledge, and right attitudes to meet competitive market conditions of to-day are acquired by the salespersons only through intensive training and practice.

Companies spend a lot of money annually to train their salespersons in the art of selling. They are made professional in the art of selling. Some leading companies have started their own centres for training and management development. **Trained and professional salespersons are important assets of sales organisation.** They bring success in selling and also in sales promotion. Advanced training is also given in management schools to properly selected and promising salespersons. In short, special efforts are being made for the introduction of professionalism in selling and distribution.

(10) **Miscellaneous New Trends in Sales and Distribution Management:**

(a) **Use of social selling platforms** (Twitter, Linked In, Blogs, etc.) for understanding buyer needs and expectations.

(b) **Buyer connectivity through social media.**

(c) Availability of new channels to customers to interact with the company.

(d) Extensive use of sales enablement tools in selling profession.

(e) **Extensive use of mobile facility in sales** and distribution management.

(f) Need of more distribution centres to meet quick delivery requirements of customers.

(g) **Growing use of Robots** in distribution management and automation in sales management.

(h) Increasing use of the **Internet marketing,** multi-disciplinary, approach and effectiveness to efficiency.

(i) **Use of Green Technology** in sales and distribution management.

Objective Questions with Answers

(1) (A) **Select the most appropriate answer from the option given below:**

(a) Sales performance is measured through __________.
(i) total sales (ii) total purchases (iii) total production

(b) Motivation of sales people __________ sales performance of salesforce of an organisation.
(i) brings down (ii) improves (iii) reduces

(c) Performance evaluation is useful as planning and __________ device.
(i) organising (ii) controlling (iii) coordinating

(d) Supervision and control of salesforce should not be merely __________.
(i) fault finding (ii) fact finding (iii) for punishing sales persons

(e) Sales management audit is __________ in the case of all companies.
(i) not necessary (ii) necessary (iii) unnecessary

(f) In the long-run ethical business gets __________.
(i) more profit (ii) social recognition (iii) social opposition

(g) Ethical values need to be __________ in sales management.
(i) opposed (ii) honoured (iii) neglected

(h) Customers, in general, are very much __________ unethical trade practices.
(i) against (ii) favourable (iii) unfavourable to

(i) Global perspective is one __________ trend in sales and distribution management.
(i) new (ii) old (iii) out-dated

(j) Trained and professional salespersons are important __________ of sales organisation.
(i) assets (ii) liabilities (iii) burden

(k) There is __________ social or moral justification for unethical trade practices.
(i) adequate (ii) no (iii) full

(l) Consumer friend trade practices are ethically __________.
(i) sound (ii) defective (iii) unsuitable

[Ans.: (a - i); (b - ii); (c - ii); (d - ii); (e - ii); (f - ii); (g - ii); (h - i); (i - i); (j - i); (k - ii); (l - i)]

(B) **Select the most appropriate answer:**

(a) Evaluation of sales performance is made __________.
(i) occasionally (ii) regularly (iii) after every three years (iv) as and when required

(b) Sales management audit is __________ management audit.
(i) different from (ii) similar to (iii) more important than (iv) none of the above

(c) Sales reports and sales analysis are __________ methods of supervision and control on sales personnel.
(i) direct (ii) indirect (iii) ineffective (iv) useful

(d) E-selling is one __________ in sales and distribution management.
(i) new trend (ii) old trend (iii) outdated (iv) ineffective trend

(e) Offering gifts to customers, dealers for sales promotion is __________.
(i) unethical (ii) ethical (iii) justifiable (iv) unfair

(f) KRA's are given in the form of __________.
(i) equations (ii) ratios (iii) signs (iv) figures

(g) Channel conflicts should be replaced by ________.
(i) understanding and agreement (ii) removal of channel partner (iii) strict punishment (iv) none of the above

(h) Channel policy covers market coverage and ________.
(i) market range (ii) product pricing (iii) product lines (iv) consumer demand

(i) Distribution strategy is a plan for ________.
(i) product promotion (ii) large sales (iii) making products quickly available to intermediaries (iv) consumer demand

(j) Ethical values ________ be honoured in sales and distribution management.
(i) should (ii) should not (iii) need not (iv) none of the above

(k) Sales management audit is necessary and useful to ________ companies.
(i) large (ii) all (iii) small (iv) sick

[Ans.: (a - ii); (b - ii); (c - ii); (d - i); (e - i); (f - ii); (g - i); (h - ii); (i - iii); (j - i); (k - ii)]

(2) **(A) State whether the following statements are TRUE or FALSE:**

(a) Evaluation of sales performance periodically is a normal practice in many marketing organisations.
(b) Supervision and control on sales persons are required for efficient execution of sales plan.
(c) Sales reports and compensation plan are indirect methods of supervision and control on sales force.
(d) Key result areas (KRAs) are normally not uniform for all companies.
(e) Ethical values need not be honoured in sales management.
(f) Trained and professional salespersons constitute a liability on sales organisation.
(g) Giving gift for collecting large order is an unethical practice.
(h) E-marketing facilitates faster reach to the customers.
(i) Managing diverse salesforce is easy and not challenging.
(j) Use of technology in marketing is normally opposed by consumers and middlemen.
(k) Sales performance review measures the volume of work completed by the salespeople.
(l) An ideal sales performance review is done by the sales manager independently.
(m) Sales management audit controls sales management process.
(n) Sales management audit is conducted annually.
(o) Deviation from prescribed course is taken note of by sales management audit.
(p) In the process of implementation, channel design cannot be changed.
(q) Efficiency is the analysis of how well the channel system meets its objectives.
(r) Channel control is both physical and psychological.
(s) Indian companies do not use distribution channel audits.
(t) Salespeople do not face ethical dilemma.

[Ans.: (a) True; (b) True; (c) True; (d) False; (e) False; (f) False; (g) True; (h) True; (i) False; (j) False; (k) True; (l) False; (m) True; (n) False; (o) True; (p) False; (q) False; (r) False; (s) False; (t) False]

(B) State whether the following statements are TRUE or FALSE:

(a) E-marking facilitates faster reach to the customers. ***(Oct. 18; April 19)***
(b) Giving gift for large order given by a customer is an unethical practice. ***(Oct. 18)***
(c) Price and promotion differentiation are the primary reasons contribution to rivalry among competitors. ***(Oct. 18)***
(d) Sales performance evaluation is a purposeful study of selling activities of an organisation.
(e) Supervision and control on Salesforce should be merely for fault-finding and punishment.
(f) Sales management audit should be conducted rarely and not regularly.
(g) Entertainment of customers/dealers for securing big orders is ethical.

(h) Sales managers have to use new/moderns technology in their selling activities.
(i) Team selling approach is old and discarded trend in sales and distribution management.
(j) Training and guidance of sales persons is a must for ethical sales management.
(k) Evaluation of sales performance is an outdated concept.
(l) Supervision is an integral part of leadership.
(m) Coordination without control is effective in evaluating sales performance.
(n) Salespeople are given short term targets.
(o) Email is a direct method of control of salesforce.
(p) Sales manager is free to establish personal contacts with customers.
(q) Sales reports are controlling device.
(r) Sales analysis indicates calls made by salesperson.
(s) Salespeople have full freedom in preparing expense accounts.
(t) Correct identification of Key Result Areas is crucial for every business.
(u) Sales revenue per order is an important ratio of KRA.
(v) KRAs show significant variations.

[Ans.: (a) True; (b) True; (c) True; (d) True; (e) False; (f) False; (g) False; (h) True; (i) False; (j) True; (k) False; (l) True; (m) False; (n) True; (o) True; (p) True; (q) True; (r) False; (s) False; (t) True; (u) True; (v) True]

(3) (A) **Match the following:**

Column 'A'	Column 'B'
(a) Sales performance management	(i) Instruments of channel control.
(b) Sales meetings	(ii) key Result Areas.
(c) Sales Reports	(iii) Useful for improving sales performance of Salesforce.
(d) KRAs	(iv) Self-recognised moral standards.
(e) Budgets and Reports	(v) Complimentary to channel operations.
(f) Ethics	(vi) Conducted by sales auditor.
(g) Channel control	(vii) Practice of monitoring and guiding Salesforce.
(h) Sales management audit	(viii) Differ from industry to industry.
(i) Sales performance review	(ix) Indirect method of supervision and control on sales force.
(j) KRAs	(x) Direct method of supervision and control on sales force.

[Ans.: (a - vii); (b - x); (c - ix); (d - ii); (e - i); (f - iv); (g - v); (h - vi); (i - iii); (j - viii)]

(B) **Match the following:**

Column 'A'	Column 'B'
(a) Ethics *(Oct. 18)*	(i) Differ from industry to industry
(b) Sales report *(Oct. 18)*	(ii) Suitable for covering customers from different marketing segments
(c) Budget and report *(Oct. 18)*	(iii) New trend in sales and distribution management
(d) KRAs	(iv) Supervisory tool
(e) Ethical values	(v) Should be objective/without bias
(f) Professionalism in selling	(vi) Needs to be honoured in sales and distribution management
(g) Sales performance review of a salesperson	(vii) Code of moral principle and values
(h) Buyer connectivity throne social media	(viii) New trend useful for sales promotion
(i) Multi-channel marketing system	(ix) Useful for improving sales performance of a sales person
(j) Sales management audit	(x) Instruments of channel control

[Ans.: (a - vii); (b - iv); (c - x); (d - i); (e - vi); (f - iii); (g - ix); (h - viii); (i - ii); (j - v)]

(C) Match the following:

	Column 'A'		Column 'B'
(a)	Misrepresentation *(Oct. 19)*	(i)	Indirect method of supervision.
(b)	KRA *(Oct. 19)*	(ii)	Equity
(c)	Ethics *(April 19)*	(iii)	Regulating employee behaviour
(d)	Sales Conference	(iv)	Unethical practice
(e)	Sales Analysis	(v)	Distribution audit
(f)	Sales Management Audit	(vi)	Moral Standards
(g)	Evaluating Criteria	(vii)	Higher women employment
(h)	Instruments of Channel Control	(viii)	Key performance Indicator
(i)	Code of Ethics	(ix)	Diagnostic Tool
(j)	Salesforce Diversity	(x)	Control on salesforce

[Ans.: (a - iv); (b - viii); (c - vi); (d - x); (e - i); (f - ix); (g - ii); (h - v); (i - iii); (j - vii)]

Question Bank for Self-Practice

(1) What is sales performance? Explain the benefits of study of sales performance.
(2) What is evaluation of sales performance? Explain its advantages.
(3) What is supervision and control of salesforce? Explain its objectives.
(4) Explain the purposes of Salesforce supervision and control.
(5) Discuss the methods of supervision of Salesforce. *(Oct. 18)*
(6) Explain the direct supervisory methods of Salesforce.
(7) Discuss briefly the indirect methods of supervision and control of Salesforce.
(8) Explain sales performance evaluation criteria.
(9) State and explain ten KRAs of sales performance evaluation.
(10) Explain any five KRAs of sales performance evaluation.
(11) Explain, in brief, Sales Performance Review.
(12) Explain briefly the sales performance review process.
(13) What is sales management audit? Explain its features.
(14) Explain the steps involved in sales management audit.
(15) Explain the meaning and objectives of channel performance evaluation.
(16) Explain the criteria for evaluating performance of channel members.
(17) What is control of channel? Explain the instruments of channel control.
(18) Discuss different instruments for channel control. *(Oct. 18)*
(19) Explain fully the meaning and significance of ethics in sales management.
(20) Explain the ethical situations involving salespersons and sales managers.
(21) Explain the broad guidelines for ethical sales management.
(22) Discuss new trends in sales and distribution management. *(Oct. 19)*
(23) Explain the current trends in sales and distribution management.
(24) Explain the methods of sales evaluation. *(Oct. 19)*
(25) **Write short notes on:**
   (a) Key Result Areas (KRAs). *(Oct. 18, 19)*
   (b) Emerging trends in sales and distribution management. *(Oct. 18)*
   (c) Sales management audit. *(April 19; Oct. 19)*
   (d) Sales performance review. *(April 19)*
   (e) Team selling approach.
   (f) Sales performance evaluation. *(April 19)*
   (g) Supervision and control of Salesforce.
   (h) Ethics in sales. *(April 19; Oct. 19)*
   (i) Tools for channel control. *(April 19)*
   (j) Motivating channel members.
   (k) New Trends in Sales and Distribution Management. *(April 19)*
   (l) Sales Performance Evaluation. *(April 19)*

Chapter 5

Case Studies

(A) CASES WITH POSSIBLE SOLUTION

CASE STUDY 1	CHANNEL OF DISTRIBUTION

The Indian Government has implemented the scheme of Public Distribution system (PDS) for food grains and other essential consumer's items. The main objective of this scheme is to ensure the supply of essential consumer items to the vulnerable section of society. However it has been found that ht scheme has not been very efficient many of the vulnerable society members could not avail of services of the distribution system.

This government is now proposing to launch a new targeted Public Distribution (TPDS). This shall be particularly targeted at the lowest income consumers. This schemes shall segment the lower and higher segment consumer through separate ration-cards and prices for the items sold.

Questions:

(1) Analyse the case.

(2) What factors will you consider while selecting a distribution channel?

One Possible Solution:

(1) Public distribution system (PDS) is one of the more popular programmes of the government. It is a government-sponsored chain of shops. It is responsible to distribute basic food and non-food commodities to the needy persons in the society. The main attraction for the poor people is affordability because goods are made available at cheap prices. The basic needs of the poor people are fulfilled by distributing sugar, kerosene, wheat, rice etc. The system is often criticised for its inefficiency and rural-urban bias. It is observed that it has not been able to achieve the objective for which it was formed. The needy section of the society link PDS with corruption and black marketing. The people for whom this scheme was promoted remain deprived from its benefits.

An improved system was launched by the government known as Targeted Public Distribution System (TPDS). Under this system, Central Government is responsible to procure, allocate and transport foodgrains upto the designated depots of Food Corporation of India (FCI). The benefit of regular supply and cheap price must reach everyone in the lowest income groups. It will ensure that higher income consumers do not take undue advantage of this scheme. The scheme will remain open strictly for lower income consumers. Items will be sold to the needy people against ration cards.

The selection of appropriate distribution channel is a difficult problem. The marketing manager has to examine the factors responsible to select distribution channel on a regular basis. The following factors need careful consideration while selecting distribution channel:

(i) **Nature of product:** Products of high unit value are sold directly to the consumers. Technical products requiring specialised selling need shortest channel. Perishable goods need speedy movement and shorter route of distribution. Standardised and durable goods can be sold through longer channels. Local market is well served by direct sale.

(ii) **Nature of Market:** market includes the buying habits of consumers, size of market, location of market, size of order etc. For consumer market, retailers are essential. Niche market is large, the marketer must use a combination of direct and indirect channels. In the marketing of consumer goods, wholesalers and retailers are compulsory but not in case of industrial goods.

(iii) **Market Competition:** Marketers closely watch the channels used by the rivals. In case of stiff competition, the company has to seek active support of intermediary agencies. In marketing certain products such as medicines, the company has to follow the same channels as used by the competitors. When market competition is limited, the company can use a shorter channel.

(iv) **Marketing policies:** These policies provide broad framework within which goods are distributed to the satisfaction of consumers. When the firm's policy is to introduce only superior quality, high priced and unique products in the market, it will adopt direct channel of distribution. By contrast, when the firm decides to introduce medium quality and reasonably priced products to vast segments of the market, it will use indirect channels. Mass marketing policy will lead to selection of indirect channel of distribution.

(v) **Reputation of middlemen:** Market reputation and goodwill of the middlemen is an important consideration for the selection of middlemen. Customers want to purchase goods from those middlemen having good reputation and goodwill. Before making appointment, the company should evaluate the relative goodwill of intermediaries. The company aims at business relations with such middlemen who can prove durable for mutual benefits.

(vi) **Customer Characteristics:** While selecting distribution channel, the convenience of the prospective buyers should be considered. The company must collect information regarding customer's age, income, gender, frequency of purchase, average quantity of purchase, composition of customers and so on. For consumer goods, customers are large in number and spread over a wide geographical area. In this case a longer channel is required. Also motivation of consumers at all retail levels is necessary.

(vii) **Financial resources:** The company has to remain doubly careful in appointing wholesalers. They provide huge money to the company at the time of placing orders. It becomes a source of working capital for the company. They also offer credit facilities to the retailers. Wholesalers with strong financial base should be given preference. In the selection of retailers their capacity to pay bills to the company in time is important.

(viii) **Pricing policy:** Price acts as a powerful tool because it is a demand regulator. Mass consumption items are lowly priced and their distribution is handled through indirect channels. Consumer durable products are sold at high price. Mostly they are distributed directly. In introducing a new product, companies normally settle for penetration pricing. When the product gets wider acceptability the company opts for skimming the cream pricing policy. Price is often fixed in order to achieve certain target return on th investment made e.g., rupees one lakh profit per month or 10% return on net sales.

(ix) **Marketing environment:** There is wider choice of channel alternatives during prosperity. At the time of recession, shorter and cheaper channels are preferred. The distribution of perishable goods even to distant markets is possible because of cold storage facilities. Since transport has become fast and dependable it is possible to market goods in every corner of the country. The customer satisfaction is directly dependent on speed and efficiency as distribution involves transportation, warehousing and inventory of finished goods.

(x) **Distribution cost:** Distribution cost relates to the expenses covering transportation of goods from the point of production to the point of consumption. The final sale price is influenced by distribution cost such as warehouse charges, transportation cost, inventory cost and other expenses. Distribution cost is incurred by the manufacturer while placing finished products in the hands of end-users. Handling cost of inventory at all points is a part of distribution cost. Distribution cost in moving consumer goods is higher as compared to moving industrial goods.

CASE STUDY 2 | CHANNEL OF DISTRIBUTION

DIRECT APPROACH:

Zero level channel is also called direct marketing channel. It exits when a producer sells directly to the final consumer. It can take the form of door-to door selling, telemarketing, mail order catalogues or manufacturer-owned retail outlets. India's leading vacuum cleaner and water purifier company Eureka Forbes Ltd. is regarded as pioneer in zero level channel or direct marketing. Its well-known brand **Acquaguard** is India's first water purification system. Acquaguard is the leader in the Ultra Violet (UV) water purification system with 70% market share. Acquaguard faces acute competition from bottled water. The daily target manual for salespersons is 30 contacts with prospects, 15 demonstrations and 1 sale. Its distribution network consists of strong dealer sales network, strong institutional sales network, qualified and competent salesforce, security systems division, mobile service vans serving 2 million Indian homes. The company adopted the direct marketing route from the very beginning and its salespeople delivered **personalised services to customers** which is its selling point. Acquaguard comprises company trained technicians, supported by call centres and customer care representatives. The slogan of the company is **Friends for Life.**

Questions:

(1) Comment on the distribution strategy of Acquaguard.

(2) How zero level channel was successfully used by Eureka Forbes?

One Possible Solution:

(1) Distribution strategy is a plan created by the company that outlines how the company aims to make its products available to retailers, intermediaries and consumers. A strategy must help the consumers towards ease of purchase and convenience of use. Acquaguard has opted for zero level channel. A big number of salespeople are on the field trying to contact potential buyers and serve actual users. Acquaguard has clear segmentation of people who want clean water. It has adopted both psychographic and demographic segmentation. Psychographic because Acquaguard has changed the psychology of people and demographic because the company focuses on decision makers. The friendly men from Eureka Forbes with uniform suit has become the image of Acquaguard servicemen. They are responsible for directly selling the product as well as for maintenance and periodic check-up. Acquaguard has a huge channel network, across the country. The product is sold via dealers who provide installation for the product. It is also sold through modern retailers and online channel. The company uses push strategy. It maintains a strong service network. Personal selling has brought large dividend to the company.

(2) Eureka Forbes is a pioneer in marketing its water purifier and vacuum cleaner through zero level channel. Acquaguard water purifiers use patented technology known as mineral guard technology. Acquaguard has a good brand image and brand loyalty among its customers. It has become synonym for water purifier. It employed salespeople for door-to-door selling with great success. The customers are happy to speak to the salespeople who not only educate the buyers but also handle their complaints to their satisfaction. The company sends SMS when the visit of the salesperson or technician is due to provide security to the customers. The company uses the promotion mix through personal selling, demo to potential customers, trade shows etc. Customers enjoy convenience because they can deal directly with the company and need not hop from one shop to another. Effective after sales service is provided promptly. The company exercises full control on channel operation. It can conveniently attend to widely scattered consumers with its large workforce. Delivery and installation of the product is done considering the need and convenience of the customers. Annual maintenance contract enables the company to serve the customers with satisfaction. In this way, Eureka Forbes has successfully used zero level channel.

CASE STUDY 3	PERSONAL SELLING

DOOR - TO DOOR SALE:

Personal selling facilitates face-to-face meeting with the customers. There is high customer attention, persuasive impact and message is customised. What we sell does not matter more but what matters is how we sell. Successful salespeople get into the psychology of the customers. It is said that selling makes the world go around. For it is somebody who sold something to someone else, who in turn sold it to us. Aparna Wagle joined Insta Cook as a salesperson after completing for graduation. Having completed two years of service now she is assigned the job of door-to-door selling for non-stick cooking pan. Her calls consisted of 30 visits per day in a work schedule of eight hours. Mostly she would call on housewives and explain to them the benefits of using non-stick cooking pan. The customer is allowed to make cash on delivery or payment by debit and credit cards. Once order is received, delivery is made promptly because the van carries the supply. She has grown accustomed to handling diversified complaints and objections. This is the toughest part of her assignment.

Questions:

(1) What benefits could Aparna Wagle ordinarily explain to the housewives?

(2) The customer said "My cooking is different." How should Aparna Wagle handle this objection.

One Possible Solution:

(1) Aparna Wagle received extensive training during her internship where she obtained thorough product knowledge. She became comfortable in convincing customers about the benefits of using non-stick cooking pan. The main component used to manufacture non-stick cooking pan is *Teflon* which is used as a coating on aluminium pans. When food is cooked it does not get struck on the pan. As Insta Cook cooking pan is available in different sizes. it facilitates cooking of different items. People have become health conscious and they prefer using this pan as it consumes minimum possible oil. With spiral rise in the prices of gas and electricity, cooking pan appeals due to fuel saving factor. Cleaning the non-stick cooking pan is easier. The company provides not only home delivery but also discount in price. As the product was widely advertised in press and TV, the work of Aparna became simpler. When she approached the prospective buyers they already knew about the product.

(2) Nothing defeats an inexperienced salesperson faster than unexpected objections. Mostly objections are stocked criticisms. Very few objections relate to the product or issues connected with sales. The salespeople must welcome objections because it reveals to them how their sales talk is getting recorded in the minds of the buyers. Those customers who do not display objections are the most difficult to tackle. Objections are good because they indicate the buyer is engaged. The salesperson can seize opportunity to add value. Aparna Wagle has learnt with experience that objections are opportunity for a deeper and more valuable sales conversation. Buyers are asking questions which need classification. The customer said, "My cooking is different." Aparna quickly visualised that the customer wants to say that the product is inferior. She politely stressed that when we manufacture Insta Cook non-stick cooking pan, we keep in mind that we are manufacturing it for those customers who think their cooking style is different. In all probability she would get the sale. The customer objected intelligently and Aparna replied in intelligent manner.

CASE STUDY 4	DISTRIBUTION MANAGEMENT

CUTTING DISTRIBUTION COSTS:

Coolest Breeze Ltd. is a Mumbai based manufacturer of window air conditioners and split ACs. It's a fifteen year old business commanding a market share of 23%. Sunil Kelkar is the newly appointed distribution manager. While going through various cost analysis sheets, he found information on the inventory, transportation cost from warehouse to depots spread throughout the country and also internal reports from the finance department and the invoices and delivery records. Kelkar made comparison of competitors' distribution strategies and costs and found that the company had a centralized distribution practice. The company maintained four zonal offices across the country and each had four sales depots under it. The goods were supplied to these zonal offices based on their demand estimates and later the supply was released to the sales depots. Each zonal office catered to 50 dealers. Kelkar narrowed down the problem of high cost of distribution to increased transportation cost which was 10% as against industry average of 6%. The Managing Director, Ajay Naik convened a meeting to review distribution costs. The meeting was to be attended by the national and zonal heads of distribution, finance and business development. Kelkar prepared his own notes.

Questions:

(1) Identify the problem cited in the case.

(2) How Sunil Kelkar attempts to solve the problem? Give your views.

One Possible Solution:

(1) Sunil Kelkar is the distribution manager of Coolest Breeze Ltd. manufacturer of window air conditioners and split ACs. The company has been facing the serious problem of increased distribution costs. The Managing Director has convened a meeting of distribution managers, finance and business development to review the situation prevailing in the business and to suggest measures to overcome them. Kelkar has prepared his notes after studying various cost analysis sheets. In his opinion the company faces the main problem of higher transportation costs. Its transportation cost is 10% whereas the industry average is 6%. Transportation of goods from plant to depots as well as from one depot to another has resulted in increasing the transportation costs. Kelkar in his notes also mentioned that the sales and distribution costs are higher than industry average. The heads who attended the meeting also spoke about the causes responsible for hike in the costs. There is unexpected increase or decrease in sales along with political and economic fluctuations and strong competition.

(2) Sunil Kelkar was asked by the M.D. to present his viewpoint as to how he desires to cut down the distribution costs. Kelkar observed that due to efficient distribution consumers do not have to wait for our goods as ready stock is available with the dealers. Our competitors cannot boast of the same. The dealers prefer our brands and it is a praiseworthy achievement. He further elaborated that the company is using the fleet of commercial transporters. If only company can maintain few vehicles of its own it would be possible to cut down transportation costs. He wanted more number of zonal warehouses to meet the demand. The warehouses will supply goods to dealers against confirmed orders. This would result in reduction of inventory and transportation costs. Kelkar suggested the use of online shopping in order to be a part of modern day marketing and large scale turnover. He also suggested to provide preferential treatment

to big consumers who will place orders in bulk and get free installation. In case a depot experiences shortage in supply, the company can adopt the practice of diverting stocks from other depots. The company should not back out from last minute rescheduling in order to keep the customer happy. Special packages can be introduced to handle festival rush. Cost cutting should not be at the cost of business efficiency or sacrificing customer interests.

(B) CASES FOR SELF-PRACTICE

CASE STUDY 1	SALES PROCESS

SELF-EVALUATION:

Sales process must not be viewed as a tailor-cut sequence of actions. When outdated sales processes are used they cause salespeople not to complete their quota. Now there is a trend that salespeople should rely on custom built sales processes. It is because custom built sales process results in shorter sales cycles and higher win rates. It is felt to prepare sales process to suit the needs of individual customers. The salespeople should sell the way the buyers want them to buy. A medical representative will spend more time on product demonstration and restrict his sales talk while making presentation for the medical practitioners. By contracts, a salesperson selling consumer durable product to a housewife will prepare and present an elaborate sales talk. Successful salespeople win more deals in less time. Upgrading the sales process is one way of doing it. The evaluation of salespeople is strictly based on their actual performance which is compared against the standards. The quantitative measurement should be done in cases where standards have been set in numerical terms. In other cases, the performance should be measured in qualitative terms. When comparison reveals deviation from the set standards, it is necessary to investigate the causes of deviation. Often the salespeople are advised to self-evaluate their performance, in case they are falling short of target they can take extra efforts to improve the performance. Self-improvement in performance is one of the basic demands on the salespeople.

Questions:

(1) Identify the need for custom built sales process.

(2) Why should the salespeople adopt self-evaluation?

CASE STUDY 2	SELLING STRATEGIES

REACHING THE CONSUMERS:

Ambience is a well-known consumer electronic foreign brand established in India. It is facing tough competition from Indian rivals. Electronics retail in India is booming. In order to emphasise its brand name and image, Ambience India introduced ***"Lifestyle Concepts"*** by launching spacious and aesthetically designed "Ambience World" stores. These showrooms are beautifully decorated displaying the entire product range and targeted high-end customers in urban areas. The showrooms are manned by young and qualified boys and girls who have been trained in retail salesmanship. The concept of "Ambience World" was well-supported by ad campaigns in press, outdoor and online. These efforts catapulted the company to third position which is below the expectations of management.

Ambience introduced four different retail formats in order to differentiate their products, reinforce their brand and serve different customer segments. The company introduced portable music system aimed at the youth and the middle class. Promotional measures were used to attract young consumers to the showrooms and retail stores in the shopping malls. By applying information technology, product design, production, distribution and sales, the company has strengthened its network in India. Ambience distributes its products through zero level channel, one level channel and two level channel. As a seller of durable and high-end products, it is practicing selective distribution from selective dealers. One level distribution channel means customers buy their Ambience products from the retailers appointed by the company and these retailers buy the products directly from the company itself.

Questions:

(1) What are your views on selling strategies of Ambience India?

(2) Suggest measures to improve their position in the market.

Case Study 3	Selling Skills

LIFE SKILLS:

Selling skills are life skills. There is no area in our life where selling skills cannot be of benefit. These skills are used by teachers, preachers, executives, doctors, lawyers and course of salespeople. Every successful man is good at selling himself/herself. Selling skills can be either an inborn quality or they can be taught through training programme. It is not possible to teach salespeople to improve 100 different things but they can be taught to learn five critical selling skills to improve performance. These skills can be summed up as:

(i) To establish seller and buyer relationship.

(ii) To plan sales calls.

(iii) To cultivate sales questioning skills.

(iv) To refine sales presentation skills.

(v) To honour commitments.

Effective selling skills can create a positive impact on the consumers. Selling job is straight-forward most of the time but to deal with changing situations salespeople have to cajole, manipulate and often use pressure tactics. Successful selling demands effective communication skills. Sound selling skills separate sales winners from losers. With many options available to the customers, salespeople find selling highly stressful. When they are rejected their self-respect get hurt. The salespeople must take this as a part of the game. Because of the risk of getting rejected and at times insulted, salespeople can counter this problem by acquiring selling skills and achieve exemplary success.

Questions:

(1) Why selling skills are called life skills? Illustrate your answer.

(2) How should salespeople equip themselves to master selling skills?

CASE STUDY 4	ASSIGNING TERRITORIES

AMBITIOUS PLAN:

Travel Safe is a decade old business operating from New Delhi. It has established good reputation in North India. Now it has decided to expand its business by opening a branch office at Kolkata to cover eastern zone. Abhineet Kumar, its managing director has earmarked eastern zone as West Bengal, Orissa, Bihar and all regions in Assam. Kumar has decided to appoint one sales zonal manager for each zone who will report to the Chief Sales Manager at Kolkata. Sanjay Jog is shifted from New Delhi and appointed as chief sales manager to be stationed at Kolkata. The company has established a production unit at Hooghly to manufacture moulded luggage where it enjoys a good share in the market. Jog decided to appoint salespeople to travel in the eastern zone and generate sales. In this regard, he decided to allocate sales territories based on district level. For the time being, he identified 60 districts and made up his mind to appoint 60 salespeople and assign one district to individual salesperson with a specific sales quota. As the nature of work involves frequent travelling, he decided to appoint fresh graduates and give them adequate training. They will work on salary, commission and bonus method of remuneration. Travel expenses will be reimbursed as per the policy of the company. Jog will ensure that salespeople are assigned territories on the basis of equal opportunity territories which will facilitate to compare performance. The selected salespeople must be fluent in the local language. Jog will have to settle for secondary data because so far the company has not conducted any primary research. This will pose problem to Jog as he can never be sure about the authenticity of secondary data. This fact did not dishearten him and he decided to take the plunge.

Questions:

(1) What is your reaction about the basis of assigning territories by Sanjay Jog?

(2) What problems do you visualise that salespeople will face?

University Question Papers April - 2019

N.B. (1) All questions are compulsory. (2) Figures to the right indicate full marks.

(1) (A) State whether the following statements are True or False: (Any Eight) (8)

(1) Better selling is the key to better business.

(2) Sales coordination discourages salesperson.

(3) Production oriented period emphasised best quality goods.

(4) Intra personal conflict is often called individual level conflict.

(5) Jury of executive opinion has scientific validity.

(6) Profitability levels in an organisation are market dependent.

(7) Wholesaler and distributors are the same.

(8) Distribution audit is not use as an instrument of channel control.

(9) Pricing act as a demand regulator.

(10) E-marketing facilitates faster reach to the customers.

(B) Match the column: (Any Seven) (7)

'A'	'B'
(1) Effectiveness	(a) Hurdle to salesperson
(2) Customer orientation	(b) No time orientation
(3) Intermediaries	(c) Correlation analysis
(4) Sales forecasting	(d) Growth and recession
(5) Threat of new entrants	(e) Want satisfaction
(6) Economic cycle	(f) Moral standards
(7) Inadequate presentation	(g) Channel partner
(8) Ethics	(h) Break the bulk
(9) Budget	(i) Competitors
(10) Distributors	(j) Instrument of channel control

(2) (a) What is the role of sales department? (8)

(b) Elaborate the functions of sales manager. (7)

OR

(c) Explain the various structures of sales organisation. (8)

(d) Explain the qualities of a sales manager. (7)

(3) (a) What are the methods of sales forecasting? (8)

(b) What are the different types of sales quota? (7)

OR

(c) Elaborate the process of selling. (8)

(d) What are the steps involved in assigning sales territories to salesperson? (7)

) (a) What are the functions performed by distributors? (8)

(b) What are the factors affecting the choice of distribution strategy? (7)

OR

(c) What are the types of channel conflict? (8)

(d) Elaborate the Kenneth Thomas styles of conflict resolution. (7)

5) Short Notes: (Any Three) (15)

(1) Sales performance evaluation.

(2) Ethics in sales.

(3) Tools for channel control.

(4) New trends in sales and distribution management.

(5) Sales management audit.

University Question Papers — October - 2019

N.B. (1) All questions are compulsory. (2) Figures to the right indicate full marks.

1) (A) **State whether the following statements are True or False: (Any Eight)** (8)

(1) Distribution management is next to production management.

(2) Channel policy must be updated with market dynamics.

(3) Articles of mass consumption are sold through exclusive distribution.

(4) Channel of distribution starts with consumer.

(5) Profitability levels in an organisation are market dependent.

(6) Jury of executive opinion has scientific validity.

(7) Intra-personal conflict is often called individual level conflict.

(8) Better selling is the key to better business.

(9) Distribution in virtual world facilitates face to face meeting.

(10) CRM provides competitive advantage.

(B) **Match the column: (Any Seven)** (7)

'A'	'B'
(a) Threat of new entrants	(1) Kenneth Thomas
(b) Intensive distribution	(2) Key performance indicator
(c) Conflict resolution	(3) Break of bulk