Sales budget, quota and territory allocation

Sales Quota (SQ)

SQ are goals set by a comp. for its marketing unit for a certain period of time. Marketing unit may be regions, territory, branch, salesperson, a distribution or a dealer.

SQ can be set on sales unit, expenses, profit margin, activity, customer satisfaction combination. Annual sales quota for each mktg unit can be -broken down to quarterly/monthly.

Objectives of Quota are like:

1.Making available performance standard:

It act as a tool to measure performance of sales person, act as a goal/target setter.

Performance Std. set against which actual performance is compared to evaluate salespersons performance.

2. Controlling performance

BY selling quotas for special activities, sales volume &selling expenses.

The SM (sales manager)controls the performance.Fore.g:-10 calls per day/5 calls of business customer's indirectly monitors/controls the activities of sales person by setting quotas.

Can keep an eye on wasteful expenditure on customer (travelling, lodging, entertainment & meals) company reimburses sales expenses only up to 0.5% of sales limit expenses? Control over reporting &can influence sales performance.

3.Motivating people:Sales quotas are set by motivating sales people by money. performance is recognized by awards/rewards like trips abroad. This financial compensation/ rewards are called incentives. The incentives are linked with quotas which are made achievable for sales person. So that he puts in extra effort to achieve his quota.

4.Identifying strength &weakness: Actual performance compound respective quotas of difference territories & salespersons, The SM can identify successful &unsuccessful performance. Analysis of causes of poor performance may reveal training program needs improvement, better product quality required to meet customer needs & positioning strategy.

Types of Quota:-

I) Sales Volume:-

1) Rs. sales volume:- many product easier to manage (HUL)

2) Unit Sales volume: - Sets sales volume in units. E.g. machinery/ milk/ petrol.

3) Point sales volume: - When company wants to make profit will target.

Sales Volume quota sales person, distributor, retailer based on geographic area/ product for a specific period.

Point sales volume:- product which are more profit for the company will receive more profitable for the company will receive more points..

II) Financial Quota :- Gross- margin/profit ---Gross margin quota is decided by 'cost of goods sold' from sales volume.

Cost of goods sold – selling expenses-cost of goods manufacturing= gross margin. (No control on manufacturing cost) by sales person.

Expense quota:- Companies control over in cost of selling (travelling) control over expenses along with sales volume quota, SO that selling expenses are kept in line.

E.g. Pantaloon -"Garv se kaho Hum kanjushai"

III) Activity Quota: - Direct sales person to carry out job related activity.

- Defining important activity
- Finding out time required for carrying out activity
- Deciding priority given to carry out activity.
- Deciding quota/ frequency for important activity.

IV) Combination quota:- Selling activity &non-selling activities, uses point as common measure to overcome the problem of difference measures used by various quotas discussed earlier.

Methods for setting Quotas

1) Territory potential
2) Part sales expenses
3) Total marketing estimates
4) Executives judgment
5) Salespeople's estimates
6) Compensation plan

Sales Budget

What do you mean by Sales Budget?

Estimates of expected volume of sales and selling expense are known as sales budget. The sales volume of sales budget is based on sales forecast.

Sales Budget- Slightly lower than the Sales forecast to avoid excessive.

Sale Budget =>Product wise quantities

=>Territory wise quantities

=>Customer wise & sales Person wise sales volume.

PURPOSE OF Sales Budget:-

1. Planning:- Profit Planning based expected sales less cost of achieving the sales. SB includes sales goals, strategy & action plan + cost of expected plan is based in sales quota; production; territory; customer & selling price.
2. Co-ordination:- SB is finalized by coordination with marketing +Finance +Product +HR. Coordination @ all angles by all departments to achieve similar goals.
3. Control:- Tool for evaluation of pert. SB is defined term of sales volume & selling expenses standard of pert against actual performance.

Yearly Budget. Broken----=>

=>Quarterly--=>Monthly

Methods used for deciding sales expense budget.

1. % of sales method
2. Executive judgment
3. Objective and task method

SALES BUDGET PROCESS

1 REVIEW SITUATION: sales management reviews past, present, and future (budget period) past helps to actual reference, present future helps to under changing marketing environment and expected reference.

2 COMMUNICATION: sales management communication in writing to all field office regarding formats,

guidelines, assists and time about all three budgets.

3 Subordinates budgets: first time field sales managers prepares sales budget for their respective sales territory and submits it to reporting manages and upwards to national sales manager who prepares the companies proposed sales budget by combining the received budget.

4 Approval of the sales budget: In consultation with marketing head; National sales manager prepares 2/3 alternative proposals of sales budget and make presentation to top management.

5 Other department: Final sales budget is given to other department to prepare are their budget and Approval sales budget is broken down into each sales territory quarterly and monthly. A/c's department prepares cash budget and profit budget based on sales revenue information given by sales department and expenses budget given by other departments.

Quotas are a reflection of sales targets set for an individual in a sales organization. After a corporate goal is established, managers distribute quotas down through the sales territory hierarchy until all territories and their respective owners have quotas.

Types of Sales Quota:

1)Volume-Based Quotas

2)Profit-Based Quotas

3)Combination Quotas

(Source:https://www.managementpedia.com/threads/sales-quota-and-sales-budget-notes-for-distance-mba.169951/)

Territory allocation

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

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

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

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

Reasons for Establishing Territories

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

Following are some reasons for establishing sales territories −

To obtain thorough coverage of the market

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

To establish the salesperson's job and responsibilities

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

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

To evaluate sales performance

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

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

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

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

To improve customer relations

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

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

To reduce sales expenses

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

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

To improve control of the sales force

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

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

To coordinate selling with other marketing functions

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

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

Procedure for Designing

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

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

Select Control Point

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

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

The following are the reasons behind selecting small control units.

Reason 1

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

Reason 2

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

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

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

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

Even an outsider customer will not enter the trading area to purchase a product. The main advantage of the trading area is that the salesperson is aware of the buying habits of the customers and the pattern of trade. It also helps the management in planning and control.

The control point can be decided on the basis of states. A state may be a capable control unit when the organization has small sales force that is covering the market selectively. Example− A company sells its products in the country in all states; in this case, the territory boundaries could be based on states.

It is less expensive and convenient to gather data and make evaluation.

Making an Account Analysis

The next step after selection of geographical control unit is to plan an audit of each geographical unit. The reason for performing this audit is to analyze the customer prospects and find out the sales volumes for each account.

Accounts can be recognized by names; in recent times, there are many sources to pull out the data, for example, the yellow pages. We can also collect the data through the past sales of the company. After collecting the data, the next step is to estimate the sales for each geographical unit. The sales manager estimates the sales volume that the company is expected to get in the following years.

There are many factors to contribute such as competition, advantage of the company in that geographical area, etc. Now there are many software available for calculation and the final result. This can be done much quickly as compared to when it is done by the sales manager manually.

After the sales potential estimates have been taken, the system divides into three types, which is done through ABC analysis. This is one of the most common analyses used by companies. Where the sales potential is greater than expected, it is classified as “A Category”. Average potential is classified as “B Category” and the sales potential below average is classified as “C Category”.

Developing a Salesperson Workload Analysis

The salesperson workload analysis is done on the basis of the time and effort taken by a salesperson to cover a geographical unit.

The following are a few points needed to estimate workload −

- Frequency of calls
- Duration of calls
- Travel time

The estimates workload is calculated by considering these factors.

The most important factor is the duration of calls. These depend on the customers and issues. If the problem is severe, it may take time to resolve and tackle the question from customers.

Another important factor is the travel time; this differs from one area to another depending on the factors transportation, condition of roads, weather condition etc. The sales manager tries and plans accordingly to reduce the travel time taken by the salesperson and utilizes the time to call more number of accounts/clients.

Combining Geographical Control Units into Sales Territories

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

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

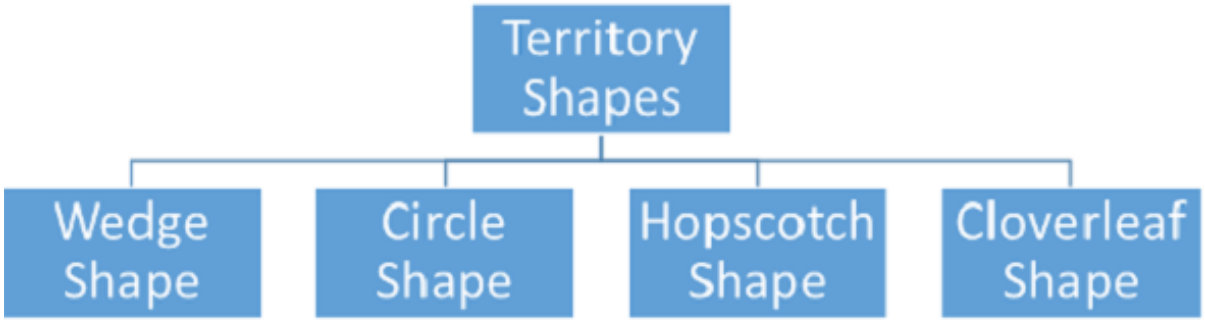
All the salespersons cannot be considered equal and competitive; it depends on the basis of experience and skills. The salespersons are assigned territories by the sales manager depending on the basis of sales. The geographical areas with high sales are assigned to the salesperson with experience, who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

Territory Shape

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

- The wedge
- The circle
- Hopscotch
- The cloverleaf

Let us discuss these types one by one.



The Wedge

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

The Circle

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

Hopscotch

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

The Cloverleaf

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

Assigning Sales Personnel to Territories

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

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

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

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

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

Source:

(https://www.tutorialspoint.com/sales_and_distribution_management/sales_and_distribution_management_territory.htm)

Salesforce selection, training and recruitment

Sales Force Management and Evaluation of Sales Performance

Sales Force Management # 1. Recruitment and Selection of Sales force:

Recruitment involves searching for prospective candidates and encouraging them to apply for the job. Vacancies are finalised, advertised and applications are collected from interested candidates. Selection is concerned with choosing most suitable candidates out of many available or interested. Available candidates are scrutinised, tests and interviews are conducted to find out most suitable candidates.

Salesman is the important corner-stone upon which sales organisation is built. Success or failure of the firm depends upon the type of salesman selected. Therefore, selection must be made carefully. It is the duty of the Sales Manager to select salesmen.

ADVERTISEMENTS:

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

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

(b) Markets today are highly competitive.

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

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

Recruitment of salesmen involves the following processes:

1. Deciding the quantity of salesforce.

2. Determination of the characteristics and qualities to be possessed by the salesman.

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3. Tapping the various sources of recruitment.

4. Careful selection of the candidates and finalising the employment.

Process # 1. Deciding the Quantity of Sales force:

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

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

Job Description/Analysis:

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

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

(i) Can he do the job?

(ii) Will he do the job?

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

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

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

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

Process # 3. Source of Recruitment of Salesforce:

After job analysis and man-specification, every possible source should be tapped to select the most efficient salesman

The various sources are as follows:

(a) Company's own staff (promotion)

(b) Competing firms (not ethical — higher salary)

(c) Employment exchanges

(d) Educational institutions

(e) Situation Wanted' columns of newspapers

(f) 'Situation Vacant' advertisements

(g) Casual applicants

(h) Recommended candidates.

(i) Placement agencies.

Process # 4. Selection of Salesforce:

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

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

Sales Force Management # 2. Training of Sales force:

There is an old belief that "Salesmen are born and not made." Once in a while, we may come across a salesman who is capable of selling a refrigerator to an Eskimo, but this is rare. The salesman has to educate the customers

about products, sell the same with benefit to the customer and profit for the company. Therefore, he should have excellent knowledge about products, competition, market dynamics, buying motives, and selling skills.

The Need for Training of Salesforce:

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

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

The extent of training will depend upon following:

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

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

Training Scheme # (1) Basic Principle of Salesmanship:

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

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

A – Attention – How to get it?

I – Interest – How to arouse it?

D – Desire – How to develop it?

A – Action – How to bring about decision to buy?

Training Scheme # (2) Knowledge of the Firm:

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

Training Scheme # (3) Knowledge of the Product:

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

Training Scheme # (4) Knowledge about the Customers:

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

Their modes may change and often their temperaments too. Some of the types of customers are: silent and talkative customers, and ill-mannered, suspicious, nervous, hesitant, argumentative and ill-tempered customers. Buying motives include considerations of health, comfort and convenience, such as sense of fear, fashion, recreation, affection, hobbies, and habits.

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

Training Scheme # (5) Knowledge of Competitors: Apart from the knowledge regarding the firm represented by the salesman and its products, they must possess the knowledge relating to their products and policies of the competing firm.

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

Salesman should also be given training to know the following:

(a) To draft periodical reports to the firm

(b) Receipt of and replying letters

(c) Preparation of orders and bills

(d) Maintenance of accounts

(e) Arrangements of display and demonstration of products.

(7) Knowledge of self- This is partly a personal quality and partly to be developed by constant self-training. Every individual has certain strengths, weaknesses, and limitations. In order to become an effective salesperson, one should seek knowledge in all relevant subjects and apply the same in day-to-day work.

This can be achieved by developing regular reading habits, upgrade technical knowledge, managerial and selling skills. He has to improve skills in communication, public-speaking and presentations.

It is, therefore, apt to say that "salesmen are not born, nor made, but they are born and made." There must be definitely certain in-born qualities and these qualities should be strengthened with proper amount of training. Salesmanship is not a matter of personality alone, but a systematic utilisation of one's personality. It is realised that no product could be sold unless 'the presentation' is made in an efficient and convincing manner.

Advantages of Training the Salesforce:

A firm having well-designed training schemes gains the following advantages:

Advantage # 1. Greater Sales Volume:

A scientifically designed training programme helps to increase the sales volume.

Advantage # 2. Reduces Cost of Production:

Increased selling helps to reduce cost of production.

Advantage # 3. Early Selling Maturity:

Training reduces the time to be spent by the salesman with each customer in convincing him about the product.

Advantage # 4. Lowers Supervision Cost:

In the case of untrained salesmen, sales manager and the other supervisory staff have to pay more visits than those needed in the case of trained salesmen to keep a check on their work.

Advantage # 5. Lowers Turnover of Salesforce:

Proper training makes the salesman well-prepared for the field work. This results in reduced number of salesmen leaving their job. This lower rate of turnover gives the advantage of reduced costs of recruitment, selection and training of salesmen.

Advantage # 6. Better Customer Relations:

A scientifically trained salesman knows how to deal with a particular sales situation. He does not oversell, e.g., he does not sell the wrong quality or type of goods. The salesman advises the customers in business also. Therefore, a cordial pleasant personal relationship with the customer is established. This makes frequent visits to book repeat orders possible.

Other Advantages:

(a) Items leaving higher margin of profit can be more easily sold.

(b) Reduced losses due to bad debts.

(c) Reduces selling cost.

(d) Greater sales volume per call of the salesman.

(e) Reduced number of complaints from customers.

(f) Reduced number of calls per order.

(g) Better demonstration and sales presentation.

(h) Sale of complete line of products is possible.

(i) The number of salesforce could be kept at the minimum.

(j) Buyer's demand for a better knowledge of the product could be satisfied only by a trained salesman.

Methods of Training:

Method # A. Individual Methods:

(1) Initial or Break-In Training:

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

(2) Special Assignments:

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

(3) Field Coaching:

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

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

Method # B. Group Methods:

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

(2) Audio-Visual Methods:

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

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

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

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

Method # C. On-the-Job Methods:

This method stresses practice-oriented training.

(1) Field Training: The new representative works in the field meeting various categories of customers.

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

Method # D. Off-the-Job Method:

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

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

Sales Force Management # 3. Remuneration of Sales force: **Man is a wanting animal. An employee is never contended with what is given to him. He always wants more remuneration. Therefore, remuneration is an evergreen challenge to any business or service. It is more so to a sales organisation. Success of a firm using salesmen to increase sales volume at minimum selling cost depends upon a contended, efficient and loyal salesforce and are closely related to the method by which sales efforts of the salesmen are compensated for.**

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

Reason # (1) To Attract Best Salesmen: Gifted and talented salesmen can be attracted only when a firm is prepared to reward amply the services rendered. There is no harm in paying a little more than others, as it pays in terms of improved level of performance.

Reason # (2) To Keep Salesforce Contended: There is a direct link between payment made to them and the satisfaction. Man performs his duties, looks after well and then he is happy and contended or satisfied. A satisfied employee puts heart and soul together to maximise the work performance.

Reason # (3) To Build Up Loyalty: The aim of sound sales organisation is to build not only competent salesforce but to have people who are prepared to serve for a long time. Loyal staff makes the organisation rich. Good pay-masters have this advantage "pay well and keep the employee" is the watch-word. A loyal staff avoids problems of recruitment, selection, and training and, therefore, the dilemmas of labour turnover.

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

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

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

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

Element # (2) Simplicity: It should be easily understood by salesmen of average intelligence without any training in accountancy or statistics. Salesmen are suspicious of any plan that they do not understand completely and, as such, it weakens the confidence and lowers the morale.

Element # (3) Flexibility: The plan so designed must be capable of being adapted to various selling conditions. For instance, the firm introducing a new product, commission schemes will work out more profitable. On the contrary, in the case of a regular product, salary system can be relied upon. Thus, the variable makes it flexible to ensure satisfactory results.

Element # (4) Incentive Oriented: Monetary reward for extra effort is really a nice and wise stimulus to many of the salesmen who exceed the normal performance level. Such additional amount results in increased volume of sales. It may be in the form of bonus or commission. It is to give an impression that the salesmen are compensated for extra ordinary performance.

Element # (5) Low Administration Cost: The cost of administration of the plan, i.e., the need of help from accountants and clerks, etc. for computing salesmen's earnings should be as low as possible.

Element # (6) Fairness: It must be fair to both the firm and salesmen. Also, there should not be any room for discrimination against or favour for any individual salesman.

Element # (7) It Is Prompt in Payment: It is already said that the remuneration should be incentive- oriented. The incentives that are added must be given to the workers earlier, to have deep- rooted effects upon the minds of the workers. Many times, bonus earnings are declared but are held up to a quarter, semi-annual and year end.

This delay in paying weakens the desire on the part of employees. By the time he receives the payment, he might have lost his interest and enthusiasm. At times, delayed payments of such incentives will induce labour turnover. Therefore, as soon as entitled and earned, they must be paid.

Element # (8) Promotion:

Provisions should be made for increase in salary when a person promotes and also reward employees for a long service.

Sales Force Management # 4. Supervision:

Supervision means overseeing employees at work. Overseeing of performance is done at all levels of management. High degree of overseeing is required in the case of salesforce who are constantly on the move. Supervision involves both the direction (motivation) and control of salesmen and the continuous development of their abilities. Sales Manager as a supervisor and leader must know his men, their needs, attitudes, aspirations, and perceptions. Supervision must be tailored to the needs of the individual salesman.

Thus, supervision consists of the following:

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

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

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

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

(e) Motivating the salespeople through appropriate non-financial incentives in order to satisfy egoistic demands of salespeople. Sales supervision is directly concerned with the basic need of motivating salesmen by satisfying their needs for security, opportunity, self-expression, respect and good conditions of work. In addition, it involves training and re-training, evaluation of performance, providing two-way flow of communication for best understanding, and improving the personal effectiveness of salesmen.

Sales Force Management # 5. Motivation of Salesmen:

Ability or capacity to work is different from the will to work. You can buy a man's time; his physical presence at a given place; his muscular motions per hour or day. But you cannot buy his willingness to work, his enthusiasm or his loyalty. Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired action, a compliment, a pay-rise, a smile, a promise of promotion, praise, public recognition of merits and so on. Motivation ignites the will to work. It moves people to take a desired action. Motivation can be either financial or non-financial. Sales contests, conventions and conferences are examples of motivating salesforce.

Sales Force Management # 6. Control of Sales force: **Control is the act of checking or verifying whether everything occurs in conformity with one charted in the plans. Supervision and control of salesmen is essential for a sales organisation to achieve maximum success.**

However scientific the selection and training of salesmen may be, it is the duty of the Sales Manager to evolve effective and purposive method of supervising, directing and controlling the activities of the salesmen, so as to secure the most effective and economical performance from them. Apart from the fact that salesmen are after all human beings, the need of supervision and control arises basically out of the following factors:

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

The actual sales effected at each branch of each territory are brought to the notice of sales executives from time to time. This actually can be compared to the targets and deviation or discrepancies can be curbed by taking

corrective actions. By means of constant supervision and control the salesmen are indirectly forced to be active, not to lag behind.

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

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

Need # (3) Nature of Salesforce Demands Controlling:

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

Need # (4) To Have Sound Public Relations:

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

How Control is exercised?

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

Way # 1. Reports and Records:

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

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

Way # 2. Fixing Sales Territories and Sales Quotas:

(a) Sales Quota:

Quota is the amount of business the Sales Manager fixes for every salesman. It is the target that a salesman is to attain. First the Sales Manager plans the amount of business achieved. Then he allocates quota for each territory. The quota may be fixed for a year or a month or a quarter or for six months.

The objectives of sales quota are:

(i) To provide a basis for remuneration for sales force,

(ii) The sales quota is the most feasible way of measuring the effectiveness of individual salesmen,

(iii) Quota system stimulates selling effort of salesmen because no salesman would like his sales falling below the quota.

(iv) To plan and control the selling activities and to infuse the spirit of competition amongst the salesmen.

(b) Sales Territories:

Sales territory implies a geographical area assigned to a salesman for the purpose of marketing the products of the company. Most firms divide the markets into specific geographical area or zones. Each salesman is assigned a particular zone in which he is to carry out his selling activities.

The geographical area of the zone allotted to a salesman is in his sales territory. Usually sales territories are determined on the basis of demand for the products, the extent of competition and available means of transportation, types of customers and the capacity of salesman.

Objectives of Establishing Sales Territories:

Objective # (a) To Perform Contractual Functions:

Sales territories are established to attain a thorough coverage of potential market for product. The objective of contacting prospects and old customers can hardly be achieved, unless such a sales territory is assigned to a salesman. Personnel solicitation is facilitated.

Objective # (b) To Compare the Individual Performance:

Allocation of sales territory provides an excellent opportunity to compare the performance of salesman, such a study of particular territory reveals the potentiality of the market; and the actual sales volume secured by an individual salesman is compared with his potentialities.

Objective # (c) To Fix the Responsibility:

The responsibilities of Sales Managers and their talks are clearly defined through territorial assignments. This has an effect of developing a sense of responsibility towards his job. He tries to fulfil his commitments. That is, the activities of each sales manager can be evaluated and controlled.

Objective # (d) To Minimise Sales Expenses:

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

Objective # (e) To Motivate Salesmen:

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

Benefits of Sales Territory:

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

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

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

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

Way # 3. Deciding the Authority of Sales Manager:

Often sales managers are the only persons who have contact with customers and salespersons in whose contact customers of the firm come. For customers they are the firm. Therefore, sales managers and their authority must be well defined and clearly stated. Usually, catalogues and price lists put limit on the authority of Sales Manager. But, company may allow certain measure of authority to sales managers on matters such as granting of credit to customers, discount rates, special concessions, pre-sale and after-sale services, settlements of clients, etc. However, sales manager has to see that the salesman acts according to instructions. If a salesman goes out of limits he can be taken to task and explanations can be called for.

Way # 4. Field Supervision:

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

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

Sales supervision is directly concerned with the basic need of motivating salesmen by satisfying their needs for security, opportunity, self-expression, respect and good conditions of work. In addition, it involves training and re-training, evaluation of performance, providing two-way flow of communication for best understanding, and improving the personal effectiveness of salesmen. Human relations are of first importance in the sales department. Under democratic managerial style, we have consultative direction involving continuous communication and co-operation between the sales manager and his salesmen. Personal communication is most effective. Communication by means of correspondence should be supplementary.

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

Sales Force Management # 7. Evaluation of Sales Performance: **Human beings do have unlimited potential for growth and development, provided there is right work-environment and the right direction, guidance and help is given by management. The performance appraisal or evaluation is based on this firm belief in human resource development. Sound evaluation assures superior performance.**

There are three reasons to evaluate or appraise the performance of salespeople- (i) To measure performance against planned sales and marketing objectives, (ii) To distribute rewards for performance, and (iii) To guide the development of sales force. Targets for sales performance are set and they act as criteria for comparison with actual accomplishment. Sales quotas, expense control, personal development objectives are the usual targets for the purpose of evaluation. It is essential that all evaluation should be forward- looking and aim at future and improved performance.

Sales manager should not give emphasis on finding faults and placing blames on salespeople for past performance. The salespeople should be given thorough understanding of the reasons for their poor performance as revealed by evaluation. Humanistic touch is necessary at every stage in supervision, evaluation and control. Then only management of salespeople will give rich dividends. Performance evaluation should be done periodically and promotion, pay rise, rewards should be offered to the deserving salespeople. Forward-looking and positive evaluation and control enable salesmen to secure self-advancement or development. Management by Objectives (MBO) can be used in the management of salespeople as far as possible.

Effective Sales Performance Measures:

Salesman’s performance can be measured by a number of factors, such as ability to sell a satisfactory volume, ability to sell at a profit, ability to sell at a low cost, ability to plan and organise his time and efforts, knowledge

of products, policies, customers and competition, ability to attract and hold customers, etc. The salesmen's reports and records are used in evaluating performance. Sales quotas also enable in evaluating performance. (https://www.businessmanagementideas.com/management/sales-force-management-recruitment-training-supervision-and-sales-performance-evaluation/18612)

Salesforce compensation

Sales-force compensation is number one problem confronting every sales management. Compensation, here, stands for the monetary and nonmonetary reward given by the firm to, its sales-force in return for the services rendered. Though, compensation stands for contractual payments, there can be non-contractual and ad-hoc payments. If sales-force recruitment and the training create and develop the manpower needs, the compensation aspect cares for its maintenance in the organisation for longer period.

Significance of sound compensation:

Sales-force compensation is very important because, it directly affects not only the sales costs and the profits but, more significantly, the attitude, interest and the behaviour of salesmen and the nature of their task.

In that sense, no compensation plan is perfect that meets the needs of management in all respect satisfactorily and sales-force wholeheartedly. At the best, it is the compromise between the two extremes. However; we cannot underestimate a compensation plan that pays well its sales-force.

In fact, the importance of paying well lies in the following points:

1. To attract best salesmen:

Gifted, talented and high calibre salesmen are available only at higher rewards, both monetary and non-monetary. Pay more and get the best. In fact, cheap is costlier. Therefore, costlier is qualitative.

2. To keep sales-force contented:

There is direct link between the payment made to the salesmen and their satisfaction. A person is supposed to perform his duties, look at his job well when he is contented or satisfied. Satisfaction being a state of mind depends on what he gets in monetary and non-monetary forms for his job or the efforts put in.

3. To have longing loyalty:

The aim of personnel management is not just to build competent sales-force but have a pool of selected persons expected to serve life-time for the nourishment and nourishment of the selling house.

Loyal and trust-worthy staff makes the organisation rich, dependable and successful. Good pay-masters can expect this.

4. To have sound employer-employee relations:

Bickering, misunderstandings and drags arise mostly due to money matter partial or ill- treatment. The wheels of sales organisation must not squeak. One such wheel is sales-force that can be kept in kilt if paid well and treated well. It is the sound compensation plan that greases the squeaking wheel for frictionless working.

Compensation Level:

Level of sales-force compensation stands for what should be the reasonable compensation for the efforts of the sales-force. Level of compensation is significant to both the employers and the employees.

It is but natural that sales-force expects higher rewards for its efforts and the management is intended to pay lesser amount. The actual level of compensation lies between what the companies intends to pay and the sales-force expects to receive.

However, care must be taken to see that each compensation level is neither too high nor too low for both the extremes are dangerous and undesirable. Higher compensation blunts the sales-staff and makes then complacent and not prepared to move up the higher positions; it also creates good deal of heart-burning.

On the other hand, lower compensation than warranted makes the good salesmen to leave the unit and the continuing sales-force frustrated.

Whether the level of compensation is going to be high or low is dependent on certain factors. In practice, the actual level of compensation is the compromise of the interacting forces which are outlined below:

1. Sales competence:

The compensation level is bound to be higher in case of salesmen with calibre, competence or the sales acumen. It is the sales personality experience and other attributes that decide the compensation payable.

2. Extent of advertising

Sales efforts of sales-force are geared by promotional efforts too. Naturally, higher the level of advertising in the sales organisation, lesser will be the input by the sales-force and hence, lower will be the level of compensation.

3. Degree of training:

A highly trained salesman is quite capable of handling the sales job with ease, confidence and grip. However, the company has invested in him to make him worthy of the sales profession. Hence, more the training intensity, lower will be the compensation level.

4. Financial viability:

It is the financial strength and viability of a sales organisation that puts limits on the levels of compensation. Normally, a company which is well to do will not hesitate to pay higher compensation than the one with moderate means.

5. Bargaining power:

Leaving aside the quality, calibre of salesmen, it is the bargaining capacity that plays a decisive role in putting higher limits. Thus, stronger bargaining capacity of the salesmen fetches them higher compensation level.

6. Method of compensation:

Much depends on the method of compensation plan or the method. We have pure salary and pure commission plan and the combination of the two. The commission plan and salary and commission plan normally work higher compensation level than mere salary scheme.

(Source:https://www.yourarticlelibrary.com/sales/sales-force-compensation-significance-and-compensation-level/49144)

Distribution and channel formats

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two. There is no standardised level which proves that the distance between the two is eliminated.

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels:

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel:

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods). This channel is clarified in the following diagram:

2. Two Level Channel:

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc. This channel is more clarified in the following diagram:

3. Three Level Channel:

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumer

(Source:https://www.yourarticlelibrary.com/wp-content/uploads/2012/06/234.jpg)

Channel Management

Channel management aligns a company with the needs of its customers.

- Channel management involves satisfying customers; it involves managing partners who assist in the distribution process as well as vendors who help a business's internal controls operate smoothly.
- Communication is a vital element of success.
- Some examples of channel management are channel architecture, channel strategy and channel design.

Effective channel management involves a partner relationship management (PRM) solution with a holistic viewpoint of the organization.

Channel management involves managing channels associated with reaching and satisfying the customer, managing partners who help with the distribution process and managing vendors who keep your internal controls working smoothly. Channel management successfully gains and maintains the cooperation of various organizations by aligning the enterprise as a whole with customer needs in mind. Each department and flow of information has the potential to impact customer service, affecting your entire organization and your reputation. Vendor management is a crossover channel often included in partner relationship management. When establishing your channel management solutions, set clear goals for each channel segment. In addition, be sure to define policies and procedures to manage your channels, identify which products you offer that are suitable for a particular channel, and, last, develop sales and marketing programs for each channel to meet their needs, not what you think their needs are.

Communication is vital to success and increased profits.

Identify channel management solutions

Utilize a holistic viewpoint when identifying channel management solutions. Communication internally and externally is the key to successful channel management.

Identify PRM solutions

Partner relationship management is vital to channel management. Make sure PRM solutions match your company's needs.

Identify vendor management software

Vendor management software is part of channel management but is a crossover aspect of partner relationship management. Identify your needs and how vendor management software can help you accomplish your goals, improve efficiency and increase profits. In addition, keeping up to date with technology and making sure your partners are on track with technology will help control the risk management involved with channel management. Technology continues to change CRM and PRM, often causing process overlap. Technology updates, communication and enterprise alignment are vital to success. View your company as a whole and understand how each part interacts with the other from the smallest purchase at the local office supply store to complex technology systems. Do this without forgetting the most important aspect of your company, your customer.

Channel management examples

Now that you have a better grasp on channel marketing and what it entails, according to Simplicable, the following is an overview of several types of channel management:

- Channel architecture: Channel architecture involves designing the basic structure of your channel. This includes managing the product from the producer to the consumer.

  Channel strategy: This type of channel management involves planning your sales and distribution channels. This may include things such as expanding your market and creating plans to improve your e-commerce.

  Channel design: This involves creating a detailed plan to implement new channels. For instance, you may create an affiliate program to encourage certain types of people and companies to help sell and promote your product.

  Sales management: This type of channel management involves managing sales and other partners. This could include things such as performance management and creating incentives to drive sales.

  Channel conflict: This involves addressing the conflict between channels that may be unfair or counterproductive. For instance, if you are using an e-commerce solution that undercuts your affiliates, this is a channel conflict that needs to be addressed. When designing channels, you must be careful to plan every facet in such a way that does not create such conflicts.

  Relationship management: This involves establishing and managing relationships with vendors, affiliates, etc. over time.

  Brand experience: This method of channel management involves developing a brand experience that is consistent across all channels. This includes everything online, such as social media, websites, etc., as well as physical locations such as stores, boutiques, and more. For instance, if you have created a brand voice that makes all customers feel loved and appreciated, this should happen no matter where your customers go. For example, various beauty brands make their customers feel pampered. This is much

easier to do in person, as this can allow you to massage, apply makeup, etc. Nevertheless, the online experience must also go above and beyond to give the same personal touch by using the right words, offering exclusive deals, etc.

Pricing: This method of channel management involves using channel-based pricing strategies. For instance, a luxury bakery that only sells certain products in upscale areas is an example of pricing as channel management.

Sales and operations planning: This method of channel management involves taking the time to match the goods or services you are producing with the general demand. For instance, if you have a product or service that is more popular during certain times of year (i.e., Christmas), you would want to increase production around that time.

Revenue management: This type of channel management involves the optimization of revenue for the available inventory. For instance, this may involve selling products individually regularly, but offering bulk discounts to avoid keeping them up until the expiration date, or to make room for new inventory on a seasonal basis. For instance, a retail store may sell swimsuits at full price until near the end of the summer, at which time it would likely discount the inventory to make more room for fall and winter products.

Distribution: This type of channel management involves delivering on your obligations to both channel partners as well as customers. For example, this could include properly managing logistics, such as product exchanges and returns.

(Source: https://www.business.com/articles/channel-management/)

Vertical and Horizontal channels

Another way to foster cooperation in a channel is to establish a vertical marketing system. In a vertical marketing system, channel members formally agree to closely cooperate with one another. (You have probably heard the saying, “If you can’t beat ’em, join ’em.”) A vertical marketing system can also be created by one channel member taking over the functions of another member.

Procter & Gamble (P&G) has traditionally been a manufacturer of household products, not a retailer of them. But the company’s long-term strategy is to compete in every personal-care channel, including salons, where the men’s business is underdeveloped. In 2009, P&G purchased The Art of Shaving, a seller of pricey men’s shaving products located in upscale shopping malls. P&G also runs retail boutiques around the globe that sell its prestigious SK-II skin-care line. [1]

Franchises are another type of vertical marketing system. They are used not only to lessen channel conflicts but also to penetrate markets. Recall that a franchise gives a person or group the right to market a company’s goods or services within a certain territory or location. [2]McDonald’s sells meat, bread, ice cream, and other products to its franchises, along with the right to own and operate the stores. And each of the owners of the stores signs a contract with McDonald’s agreeing to do business in a certain way.

By contrast, in a conventional marketing system the channel members have no affiliation with one another. All the members operate independently. If the sale or the purchase of a product seems like a good deal at the time, an organization pursues it. But there is no expectation among the channel members that they have to work with one another in the future.

A horizontal marketing system is one in which two companies at the same channel level—say, two manufacturers, two wholesalers, or two retailers—agree to cooperate with another to sell their products or to make the most of their marketing opportunities. The Internet phone service Skype and the mobile-phone maker Nokia created a horizontal marketing system by teaming up to put Skype's service on Nokia's phones. Skype hopes it will reach a new market (mobile phone users) this way. And Nokia hopes to sell its phones to people who like to use Skype on their personal computers (PCs). [3]

Similarly, Via Technologies, a computer-chip maker that competes with Intel, has teamed up with a number of Chinese companies with no PC-manufacturing experience to produce $200 netbooks. Via Technologies predicts that the new, cheaper netbooks the Chinese companies sell will quickly capture 20 percent of the market. [4]Of course, the more of them that are sold, the more computer chips Via Technologies sells.

(Source: http://www.opentextbooks.org.hk/ditatopic/16388)

Channel conflict

Channel conflict is a situation in which channel partners have to compete against one another or a vendor's internal sales department.Channel partners, such as value-added resellers and IT services providers, comprise a vendor's indirect sales arm. While some channel partners are dedicated to doing business with a single vendor, the majority offer products and services from a range of vendors depending on the channel firm's particular business model and targeted markets. Ideally, a channel partner will pursue customers either in conjunction with or without oversight from their vendors' direct sales departments. In some cases, however, channel companies can find themselves competing against a vendor's direct sales team for a customer deal. The direct sales team might attempt to undercut the channel partner on pricing or by offering other perks to win the deal.

Conflicts can arise when a vendor's deal registrationpractices aren't adhered to by the vendor or its channel partners. Partners will generally register a sales lead through a vendor's deal registration program. Doing so, at least in theory, grants the partner exclusivity and protection around the lead for a set period of time. But vendors have been known to bypass partners on opportunities, instead handing their registered leads off to their direct sales team or to more favored channel partners.

Channel conflict may also occur among various segments of corporate departments, such as in the sales channel. For example, the direct contact component of the sales department may have to compete with other sales channels, such as with telephone, online and mail campaigns.

Impact of channel conflict

When channel conflict and disintermediation occurs, the consequences can be far-reaching for both channel partners and their vendors.

Channel partners face not only the loss of the potential deal, but also the resources they invested in the sales cycle. In the IT industry, the sales process can be expensive, and it often takes extensive periods of time before a transaction is finalized. The sales process can entail a channel partner dedicating many of its resources, including financial resources and employees, to nurture the deal to fruition. So, if bypassed by a vendor, the costs to a partner can be painful.

Vendors, on the other hand, can earn a negative reputation among partners when channel conflicts arise and go unresolved. Channel conflict can instill distrust in partners and can strain vendor-partner relationships. Some partners will decide to fire their vendor as a result of disintermediation, declining to do any further business with

that vendor. The loss of channel partners can mean a vendor loses reach into specific market segments and loses accounts with which it wants to do business.

Managing and resolving channel conflict

To prevent channel conflict, partners sometimes enact agreements, such as deal registration. Additionally, many vendors devise rules of engagement, a document outlining how the vendor's direct sales team and channel partners are expected to behave during sales engagements.

A vendor might establish rules that reprimand or possibly terminate a direct salesperson that meddles in or poaches a deal that a partner has registered. Likewise, if a partner breaches a vendor's rules, the vendor might terminate the channel relationship.

Many vendors have instituted rules of engagement and deal protection policies. For example, Dell EMC, prior to the launch of the Dell EMC Partner Program, told partners that it would maintain a zero tolerance policy that barred its direct sales team from competing for partner-registered deals.

(Source:https://searchitchannel.techtarget.com/definition/channel-conflict)

Performance evaluation of channels

The need to evaluate the performance level of the channel members is just as important as the evaluation of the other marketing functions. Clearly, the marketing mix is quite interdependent and the failure of one component can cause the failure of the whole. There is one important difference, with the exception of the corporate VMS; the channel member is dealing with independent business firms, rather than employees and activities under the control of the channel member, and their willingness to change is lacking.

Sales is the most popular performance criteria used in channel evaluation. Sales might further be subdivided into current sales compared with historical sales, comparisons of sales with other channel members, and comparisons of the channel member's sales with predetermined quotas. Other possible performance criteria are: maintenance of adequate inventory, selling capabilities, attitudes of channel intermediaries toward the product, competition from other intermediaries and from other product line carried by the manufacturers own channel members.

(Source:http://www.opentextbooks.org.hk/ditatopic/34156)

Wholesalers

Wholesalers represent the manufacturer to the retailer or the industrial buyer. This is in itself an important service in a large and diverse country like India. Wholesalers negotiate with retailers or industrial buyers and enter into transactions on behalf of the manufacturers. For instance if the manufacturer is located in a north India and would like to sell to an industrial buyer located in a south Indian state, given the geographic and cultural distance it will be very inefficient for the manufacturer to deal with the customer directly. Further such a direct involvement may not lead to an enduring relationship as the manufacturer won't be able to maintain a day to day direct relationship with the buyer.

Wholesalers also manage the manufacturer's inventory to a large extent. Even when a manufacturer has a well developed inventory management system, it is often not adequate while dealing with thousands of small retailer spread across the length and breadth of the country. Many small retailers don't have the capacity or inclination to hold a large inventory and hence would prefer to make frequent orders of small quantities of items. Servicing such retailers is very costly and difficult for a medium sized manufacturer with its manufacturing activity concentrated in a single location. In such cases the manufacturer has no option but to rely on the services of a wholesalers to provide the inventory management services for the last mile.

Wholesalers sometimes provide a cushion for the manufacturers against defaults from buyers by assuming the losses from such buyers. A manufacturer may not be willing or able to assume the losses created by defaulting buyers since it may be operating in a very thin margin and occasional defaults by a significant percentage of large buyers could lead to substantial loses. Wholesalers often buy in bulk from the manufacturer under immediate payment terms and then sell to buyers. Some of these buyers may end up as defaulters leading to losses for the wholesaler. But the manufacturer is protected as the wholesaler has already made the payment for the goods. The wholesalers may therefore charge a higher margin from the manufacturer in case they have to deal with potential defaulters.

Wholesalers are also an important conduit for information to the manufacturers. Since retailers typically have no contact with the manufacturers, it is the wholesalers who are in a position to collect up-to-date information from the retailers. Information collected in this manner is then passed on to the manufacturer. Such information may include crucial information about customer opinion about the product, market intelligence that deal with the competitor actions, persistent problems with the product etc. Without such information it will be difficult for the manufacturer to modify its products or develop a meaningful strategy for the future. In several instances, the manufacturer's channel information system is linked to the wholesaler through a proprietary electronic data interchange (EDI) system.

Several wholesalers provide after sales services or installation services to industrial buyers on behalf of the customers. When the manufacturer is located much further away from the customer's location, a facility to receive after sales service at a nearby location may be an important feature to attract the customers. Wholesalers also provide services to the retailers or the industrial buyers they sell to.

The different types of wholesalers are:

Merchant wholesalers

General merchandise wholesaler:.

Limited line merchandisers:

Cash and Carry Wholesalers:

Truck wholesalers:

Drop Shippers:

Agents and Brokers

Source

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