##### Sales & Distribution Management Session 1: Introduction to Sales & Distribution Management

The Terms ‘Sale’ refers to the exchange of goods/ commodities against money or some form of compensation. In most business organisations, a team of salespersons are likely to be playing the role of ‘selling’ the products or services to customers. The term “sales management” is usually used by businesses to refer to the direction or supervision of this team of salesmen. But in the present business scenario, it includes other aspects of management also; such as planning, directing a team, controlling of budgets, manpower planning, recruiting, selecting, equipping, supervising, motivating, etc.

Sales can be considered part of a business organisation’s overall marketing management. Marketing is largely responsible for developing the strategy involving decisions related to selection of target markets, formulation of 4Ps, implementation and control of these activities. Sales function is a key contributor to these decisions, providing inputs and feedback as well shouldering the responsibility for execution of plans.

Sales force in some form or other can be found in both profit and non-profit making organisations. They may have different titles/nomenclature (such as business development team, client acquisition teams, customer relations team etc), but these teams do what a sales force typically does. It can be said that everyone lives by selling something. Selling is one of the oldest professions.

##### Role of Salesperson

###### Importance of Sales Function

Sales is the function that carries the task of ultimately realizing the organizational objective – create commercial benefit. It is the only function that brings in revenue for the organization. Sales team definitely works in tandem with all the other departments, but unlike others, have the task of delivering revenue or ‘topline’ for the organization. What benefit would it be, if an organisation has great ideas/products, well recognized brands, brilliant quality and efficiency

in manufacturing, technological superiority and talented people – but unable to sell. It is the sales force that act as the face of the organisation in front of customers. They also take the responsibility of being the first line of defense/offence

###### Interaction of Sales & Marketing Functions

Sales and Marketing functions are both crucial for the success of any business. IN the earlier section, it was outlined that sales can be considered part of a larger marketing strategy. Sales can be considered the team in charge of execution of some of the marketing plans. Following are some key points that highlight the relations and interaction of these two important functions.

* + Marketing and sales functions are very different, but have the same goal. They are interdependent
	+ Marketing activities are expected to help improve the selling environment. In other words, marketing activities are aimed at creating demand and sales responsibility is to convert the demand into revenue.
	+ Marketing is focused on consumer or end user and his/her needs, while the sales function focuses more on intermediaries, channels or customers.
	+ Sales Team is one of the tools or means that marketing uses to increase the number of interactions between potential customers and company
	+ Sales team provides important inputs and feedback on products, competition activities, pricing etc that help improve marketing team to take decisions. Sales team can be considered as the eyes and ears that a company uses to monitor trends and developments in market.

###### Role of Sales team in Distribution Management

Distribution is the process of making a product or service available for use or consumption to the end consumer or business. Distribution could be either direct (without using any intermediaries) or indirect (by using one or many levels of intermediaries) Sales management and distribution management are interdependent on each other. Both sales management and distribution are the responsibility of the sales manager in most organisations.

In case of direct distribution, a company is likely to rely directly on its sales team to reach customers. If the company is using intermediaries (like distributors or retailers), sales team is likely to be given the responsibility to manage business relations with these marketing channels. Distribution involves logistics operations too (such as packing, sorting, warehousing, invoicing, arranging transportation etc). A company may use a separate logistics team with competencies to handle these tasks, along with a sales team. In this case, high level of coordination is required between sales & logistics teams to ensure smooth operations and seamless flow of products.

###### Responsibilities of Salesperson

Earlier sections described the role of a sales function in a company. As a continuation of those points, following can be considered as key areas of responsibility for a person handling a frontline sales role.

* Delivering Sales Targets
* Manage receivables
* Generate leads for new customers, develop plans for effective coverage of customers
* Identify, select, train and manage trade channel members (distributors, franchisees, retailers etc.)
* Manage relations with customers/channel partners
* Maintain necessary data and records
* Coordinate with other functions
* Be the face of the organization

###### Responsibilities of Sales Manager

In addition to the responsibilities described in previous section, someone in a managerial role within a sales team is likely to have greater responsibilities. Following are some of these responsibilities. To handle these responsibilities, one will require more than good selling skills

* Forecast demand
* Organise sales force (estimate man power requirements, organise them into territories)
* Create efficient sales strictures
* Set targets for sales team, monitor them, evaluate performance
* Select, train, monitor and motivate team members

###### Management of Receivables

Cash flow is the life line for any business. Business can survive lack of profits, but cannot survive lack of cash flow. Managing receivables is one of the most important parts of any Small or large businesses. In many businesses, sales may appear to be the difficult task. But once sale is done, collecting the due payment from customers could be a bigger task. This is a key responsibility that sales teams usually handle.

Receivable Management or Managing Accounts Receivables means collecting the payments due for Sales in a timely manner. When a company sells any services, products or solutions to clients or customers, they owe the company money. Collecting that outstanding money is called Receivables Management. Unless it is closely monitored and followed up on, delay in collection could also lead to bad debts. ‘Age’ of receivables (period lapsed after the sale was done) is often used as a performance indicator for sales teams.

##### Selling Skills

In day to day life, we come across individuals who are very convincing and persuasive. Both are qualities that help a person achieve excellence in sales professions. While some are naturally gifted, selling skills can also be acquired through training and practice. Salespersons of modern organisations are trained professionals. They do diligent homework, prepare well for a sales call, listen well and engage with customers as problem solvers. This section provides some details into and effective process of personal selling.

###### Personal Selling

Personal selling can be defined as direct person-to-person communication between sellers and potential customers, with the aim of persuading potential customers to purchase products. Personal selling often occurs face-to-face, however it can also take place through telephone conversations, online video conferencing or online text communication.

Personal selling is a part of communication mix (other elements of which are advertising, sales promotion, public relations, direct mail and exhibitions). It is concerned with persuasive communication. A sales person in personal selling tries to persuade the prospect so that he can take a decision to acquire the product/service which the sales person is talking about. It brings human element into marketing transactions and increases the customer's confidence in the supplier.

*Advantages of personal selling as a component of promotion mix*

* More interactive than any other form of promotion (such as advertisements)
* Customer attention is likely to be higher
* Immediate feedback as personal selling involves 2way communication.
* Information can be tailored to individual customer’s needs.
* Targeting of customers can be more precise (unlike other forms of promotion)
* Compared to other forms of promotion, personal selling is likely to immediately lead to action from customers or result in sales faster

*Disadvantages of using personal selling as promotional tool*

* Highly labour intensive, it may not be viable when a company has to deal with very large number of customers
* High cost per contact

###### Personal Selling Process

Personal selling can be viewed as a process that involves various stages. Typically, it can be described as a 7 step approach: prospecting, pre-approach, approach, presentation, handling objections, closing the sale, and follow-up. Each step of the process demands certain skills from the sales person. Good training and hands on practice can help a sales person improve the way he/she handles each of these stages.

*Stage 1 : Prospecting & Qualifying*

This is the stage of identifying potential customers. This planning work is essential in eliminating non-buyers and to help focus on priority targets. Important part of the entire selling

process lies in locating the most promising prospects. The first step is to identify the prospects, while the second is to find the qualified potential customers and establish their validity.

*Identification of Prospects*

Identification of prospects is a taxing job and every sales person should try to collect information about the potential customers from all available sources. Some of the sources and techniques employed for finding prospects are as follows:

* Look among current customers for potential for new/additional sale
* Referrals from current
* Cold canvassing
* Use directories
* Source mailing lists
* Conduct events, trade shows, exhibitions etc.

*Qualifying the Prospects*

An excellent sales presentation will fail when it is delivered to a person or a company that has no real need for the product or the service, cannot afford to buy it, or is very satisfied with its present long-term supplier. Thus, for a successful sales call, following things regarding the prospect should be considered

1. Does the prospect have clear and well-defined need for the product or service?
2. Does the prospect have adequate financial resources to pay for it?
3. Is the prospect in a position to buy large enough a quantity to result in a profitable sale?
4. Does the prospect have authority to make a decision?

Creating a ‘hot’ or ‘priority’ list from among prospects using such criteria is the essence of qualifying. It helps target the priority prospects first.

*Stage 2 : Pre Approach*

This is the stage of doing homework about a specific, qualified prospect. The more the sales person knows about the prospect, the better are chances of making a sale.

The sales person should try and gather information like:

1. What is the financial position of the prospect?
2. What are his special needs or problems?
3. How might the company's products or services satisfy these special needs?
4. Who will get involved in making the buying decision?
5. What type of motivation or appeal is most likely to be effective?
6. What are the buyers personal characteristics and outside interests? The information gathered should help the sales person:
7. To ascertain the prospects needs and ability to buy the product or service.
8. To give a 'tailor-made' presentation.
9. To keep from making serious tactical errors.
10. To increase the sales person's confidence in handling the sales pitch.

As part of pre approach, sales person also needs to do call planning. Call planning is basically a specific planning sequence. The sales person has to first of all define the objective of the call, secondly, devise a selling strategy to achieve this objective and lastly make the appointment. Besides the ultimate objective of getting the order there might be certain intermediate objectives like gaining more information about the prospect, to obtain permission for a demonstration of product etc.

*Stage 3 : Approach*

The next step in the personal selling process is called the ‘approach’. The approach refers to the initial contact between the salesperson and the prospective customer. During this stage the sales person takes a few minutes for “small talk" and get to know the potential customer. The goal of the approach is to determine the specific needs and wants of the individual customer, as well as allowing the potential customer to relax and open up. This is a crucial stage as first impressions matter a lot. Sales person should take extra care about appearance and body Language

*Stage 4 : Presentation*

The next step in the personal selling process is called the ‘sales presentation’. The sales presentation involves the salesperson first asking questions (probing) to identify customer needs and then presenting the product or service, describing its qualities and possibly

demonstrating features of the product. Ideally the sales presentation will be individualized to match the needs and desires of the potential customer.

*Stage 5 : Handling Objections*

In some cases, after listening to the sales presentation, potential customer will have some questions or concerns. In order to secure a sale, the salesperson must address these questions or concerns; this step is referred to as handling objections. Objections should not be ignored as they can lead to a situation where the sale is inconclusive. There can be different ways of handling objections, some of these are

* + Rephrase into questions and try to clarify
		- ‘’You feel that our price is more than that of brand x, would you like me to explain why?’’
	+ Deny tactfully (when the objection has no merit)
	+ Produce proof/Third party endorsements etc
	+ Offer compensation/guarantees

*Stage 6 : Closing*

The next step in the personal selling process is referred to as ‘closing the sale’. ‘Closing the sale’ refers to finalizing the sale and persuading the potential customer to make the purchase. During the ‘closing the sale’ step, prices and payment options may be negotiated. There are variety of techniques that a sales person may use to close the sales.

1. Direct Close: It is a simple technique and is most appropriate if the buyer is showing strong positive buying motives. The sales person gives a summary of the major points of the presentation and directly asks for the order.
2. Alternative Close**:** This technique provides the customer with alternatives with regard to the product like ‘’Which colour would you like to order? Red/Green/Blue?’’
3. Minor point close: Here the sales person asks questions about a minor point that’s easier for buyer to decide than the major buy-no buy question. For example, ‘’when do you wish to have the product delivered?’’ ‘’Are you considering full payment or instalments?’’
4. Assumptive close: When sales person is quite sure, he/she may start preparing an order form/bill, start packing etc. This signals to the buyer that the seller wishes to get a confirmation on sale
5. Summary of benefits close**:** Here the sales person restates the benefits of the product that were discussed and asks if the buyer if he/she is in agreement.

*Stage 7 : Follow Up*

After a successful close there is still a great deal of work to be done. In order to make the customer satisfied the sales person has to ensure that the product is delivered at the desired location and at an appropriate time. Sometimes the customer may desire some minor modifications in the product or service to suit their particular need. The customer should also be trained how to operate the product properly and safely. Even after all the formalities have been completed the delivery of effective after sale services are equally important. Such activities are important to convert the buyer into a loyal customer. Customer complaints should be taken seriously and handled with concern for as this shows that the sales person cares about maintaining good customer relations. Sending letters, notes, phone calls, greetings, etc., are good ways of keeping in touch with customers. Some companies also send customers company newsletters, etc., to keep them well informed. The sales person should keep in touch with customers and keep them informed about the latest products or services.

###### Buyer Seller Dyad

Dyad is a situation where two people interact. The sales person and the prospect interacting with each other constitute a buyer-seller dyad. The seller seeks to motivate the buyer to behave favourably towards the seller. This interaction has a great impact over the buyer. This is even much greater when the salesman has product knowledge, honesty, follow up, good and proper presentation.

Researches in past have shown that the more alike sales persons and their prospects were, the greater was the probability that the sale would result. These studies conclude that

* Prospects who know the sales persons and their companies were more positive about buying than those who did not know them.
* If the sales person and buyer were alike in their physical appearance, objective factors (income, education, religion, etc.) and other personality factors, there were more chances that a sale would result
* The behaviour of sales people was also an influencing factor in buyer-seller dyad relationship.
* Sales person's lack of product knowledge, failure to follow up, uninfluential presentations, flattery, bad manners, dishonesty are the major causes of failure of sales.

The sales process is influenced both by the sales person and the buyer by their personal characteristics and role requirements. The personal characteristics include personality, values, attitudes and past experience. Formal authority and organisational autonomy interact with personal characteristics to shape needs and expectations. Based on needs and expectations, seller and buyer develop a strategy aimed at negotiating a favourable exchange. When a negotiation is terminated whether as a success or a failure, it becomes an input into the future interaction of sales person and the customer.

###### Diversity of selling situations

There are a variety of selling situations. Different selling jobs require different tasks and activities. For example, Job of selling a soft drink is different from selling a computer. Following are some of the commonly observed types of sales roles

* Delivery Sales Person: The primary job of a delivery sales person is to deliver the goods to the customers. The selling responsibilities are secondary. This may be the scenario when the customer doesn’t need to be persuaded into buying. Customer may be a regular user already. Good service, pleasant personality and good behaviour adds to the service, e.g., milkman, paper vendor, salesman selling to any regular client.
* Inside Order Taker: In some scenarios, salesman is at a store/office (behind the counter) and is considered inside order taker. The customer comes to him and is taken care of
* Outside Order Taker: The seller of consumable products calling on the retailer is an outside order taker. Here, the salesman needs to find and go to customers
* Missionary Sales Person: They are not expected to take an order but build goodwill for the company. They educate the users as in the case of medical representatives.
* Sales Persons dealing with intangible (services): Someone convincing a client to buy a service/intangible experience is likely to have tougher challenge as they can not really provide a demonstration or touch/feel of product.
* Sales person dealing with technical products: In some scenarios (like a technical product being sold to an industrial customer), sales person needs to have superior knowledge. He/she may be meeting a buyer who has more technical knowledge.

These are some of the examples. Similarly, the tasks entrusted with a sales person and the skillset expected are likely to vary from industry to industry.

###### Theories of Selling

The theories of selling describe the role of a sales person in his/her interaction with a customer. There are four prominent theories, two of them are seller oriented and other two are buyer oriented.

Seller Oriented : ‘Right Set of Circumstances’ & AIDAS

Buyer Oriented : ‘Buying Formula’ and ‘Behavioural Equation’

* 1. *AIDAS Theory of selling*

This theory says that during a selling interaction, prospect’s mind passes through FIVE states. Seller must lead the prospect through these in right sequence to result in effective sales. These five stages are

A-*Securing attention*

* + - *Establish good rapport*
		- *Make prospect in receptive mode*
1. *Gaining Interest.*
	* Intensify prospect’s attention
	* Visual aids, technical aids, demo etc can help D-*Kindling desire.*
	* Create desire and bring prospect to ‘ready-to-buy’ point
	* Handle objections carefully at this stage

A*-Inducing Action.*

* + Positive buying action from prospect (Close the deal) S*-Building Satisfaction.*
	+ *Re-assure customer that the decision was right*
	+ *Leave an impression that seller only helped the buyer to buy and not force them to buy*
	1. *Right set of Circumstances*

This theory is also known as *“Situation-response”* theory. Particular circumstances prevailing in a given selling situation will cause the prospect to respond in a predictable way. A sales person needs to use the right stimulus for a given set of circumstances to get positive response from customer This theory stresses the importance of the salesperson controlling the situation – if proper stimuli or appeal is used, desired response can be gained

* 1. *Buying Formula Theory*

This theory considers the sales person to be a problem solver – helping buyer find solutions. Theory explains that to ensure sales Product or service and the brand name must be considered adequate by the buyer. Buyer must experience a pleasant feeling, when thinking about the product or service or the brand name. Sales Person’s role is to help buyer arrive at purchase decision – like a solution provider. Sales Person can influence buyer by convincing him/her about adequacy of the solution as well by generating a pleasant feeling

* 1. *Behavioural Equation Theory*

This theory considers that the buyer’s response (B) depends on four factors P=Predisposition (inward response tendency)

D=Present drive level (level of motivation) K=Incentive potential (potential satisfaction) V=Intensity of all cues

If any of these elements is absent, there won’t be any response from buyer. Sales person can/should influence these elements and hence improve likelihood of favourable response from customer

##### Sales Organisation

Sales organisation is a group of people working together to achieve the objective of sales-which is to capture a certain share of market while satisfying the customers. It undertakes the effective marketing of products produced by the undertaking or even products purchased for resale. It ensures timely distribution of products to the customers in an economical and efficient manner. It establishes restructuring between the customers and the organisation on terms that are both acceptable to the buyer and the seller.

A sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is a group of individuals striving jointly to reach qualitative and quantitative objectives and bearing formal and informal relations to one another. Implicit in the concept of a sales organisation is the notion that individual members cooperate to attain ends. The sales organisation is not an end in itself but rather the vehicle by which individuals achieve given ends. Existence of a sales organisation implies the existence of patterns of relationships among subgroups and individuals established for purposes of facilitating accomplishment of the group's aim.

###### Importance of sales organisations

In any large sales team, it is important to have a formal structure, with clearly marked responsibilities and role for each individual. A clearly defined structure helps the whole team to :

* + Carry out tasks efficiently
	+ Eliminate duplication of work
	+ Exercise better monitoring and control
	+ Conduct better evaluation of performance

###### Factors to consider while designing salesforce structures

There are some factors that should be kept in mind, while designing a sales team structure. These are:

* + Degree of Centralization – To what extent the decision making has to be centralized. In highly centralized cases, control of decisions will be with top levels of the team. It helps retain control, but decision making may become slow. In decentralized structures, lower levels are given more authority or empowerment
	+ Degree of specialization – Extent to which the team needs to incorporate people with special skills. It may be relevant for businesses that deal with products/services that need technical/scientific knowledge among sales people.
	+ Line or Staff (Support) Positions – Line position refers to someone who is holding primary responsibility of selling. Staff positions within a sales team are those where direct selling responsibilities may not be there. However, these contribute by helping the line positions in a support role. For example, sales analysts, trainers etc.
	+ Effective coordination – Structure should eventually work without hiccups and conflicts.
	+ Span of control – Number of people placed under the supervision of one individual. If the structure is created in such a way that higher level employees have large number of subordinates, quality of supervision is likely to suffer.

###### Types of Sales Organisation

Following are some of the ways in which sales organisations may be structured. Each one has its own pros and cons. Choice of structure depends on the nature of the industry, responsibilities given to members in team, size of team, level of control management wishes to have and the extent of coordination required.

# Line Organisation

#### Characteristics: All managers have line authority to direct and control subordinates. Used in small firms / departments

**Head of**

**Sales**

**Sales Manager**

**Area Sales Manager1**

**Area Sales Manager2**

**Area Sales Area Sales Manager3 Manager4**

**salespeople salespeople salespeople salespeople**

**Head Marketing**

Advantages: Simple organisation, clear authority, quick decisions, low cost

Disadvantages: No support to line managers from subordinates who have specialised knowledge / skills. Less time for planning / analysis

Line & Staff Organisation

**Head of Sales**

**Marketing Research Manager**

**Sales Manager**

**Promotional Manager**

**Customer Service**

**Manager**

**Area Sales Manager-1**

**Area Sales Manager-1**

**Area Sales Manager-1**

**Salespeople**

**Salespeople**

**Salespeople**

**Head-Marketing**

Characteristics: Specialist staff managers are available for senior marketing / sales managers. Staff

managers’ role is to assist / advise line managers. Used in medium and large size organisations

Advantages: Better marketing decisions, superior sales performance

Disadvantages: High cost and coordination, slower decision making, conflict may arise if staff

managers’ role is not clear

Functional Organisation

**Head of Sales**

**Marketing Research Manager**

**Sales Manager**

**Promotional Manager**

**Customer Service Manager**

**Area Sales Manager #4**

**Salespeople**

**Head-Marketing**

Characteristics: Each functional specialist has line responsibility over salespeople. Used by a large firm with many products / market segments, minimising line authority to functional managers

Advantages: Qualified specialists guide salesforce, simple to administer

Disadvantage: confusion due to more managers giving orders to salesforce

Specialisation within Sales Organisation

* + - Specialisation may be needed to increase effectiveness of salesforce
		- Done by expanding basic sales organization
		- Specialisation can be done on the basis of

## Geography

* + - * Type of product
			* Market
			* Combination of above

Decision to have specialization within the organization depends on:

(1) nature of product,

(2) salesforce abilities,

1. demands of selling job,
2. (4) customer and market types

### Geographic Specialisation

**Head-Marketing**

**Marketing Research Manager**

**General Sales Manager**

**Promotion Manager**

**Customer Service Manager**

**Branch Sales**

**Manager-1**

**Branch Sales Manager-2**

**Branch Sales Manager-3**

**Branch Sales Manager-4**

**Salespeople**

**Salespeople**

**Salespeople**

**Salespeople**

#### Characteristics: salespeople, assigned geographic areas, are responsible for all selling activities to all customers within assigned areas. Branch sales managers adjust marketing plan to local needs

Advantages: Better market coverage and customer service, more control over salesforce, quick response to local conditions & competition

Disadvantages: Limited specialisation of marketing tasks. Hence, it is combined with product / market sales organisation

Product Specialisation

* + Used when the company has many products and / or brands

**Head-Marketing**

**Marketing Research Manager**

**General Sales Manager**

**Promotion Manager**

**Sales Training Manager**

**Area Sales Managers – Product Group ‘A’**

**Area Sales Managers – Product Group ‘B’**

**Salespeople – Product Gr. ‘A’**

**Salespeople – Product Gr. ‘B’**

Characteristics: Salespeople in each product group sell only the products in that group Advantage: Each product gets specialised attention from the salesforce

Disadvantage: Sometimes, more salespeople contact the same customer, resulting in customer dissatisfaction and higher cost

Market Specialisation

**General Sales Manager**

**Sales Manager- International- Markets**

**Sales Manager- Commercial**

**Sales Manager- Government**

**Sales Manager- Consumer Markets**

**Area Sales Mgrs International**

**Area Sales Manager- Commercial**

**Area Sales Manager- Government**

**Area Sales Mgrs- Consumer Markets**

**Sales Executives**

**Salespeople**

**Salespeople**

**Salespeople**

* Characteristics: Desirable when customers are classified by type, user industry, or channel. Salespeople carry out all activities for all products only for specific customer groups
* Advantages: Meets needs of specific customer groups, implements customer- centred philosophy of the company
* Disadvantages: Geographic duplication, high cost

Combination Sales Organisation

**Director – Sales & Marketing**

**General Manager Sales - North**

**General Manager General Manager General Manager Sales - East Sales - West Sales - South**

**Regional Sales Mgr. – Govt.**

**Regional Sales Mgr. - Commercial**

**Regional Sales Mgr. - Dealers**

**Salespeople**

**Salespeople**

**Salespeople**

* Characteristics: Many firms use some combination of specialisation organisations, called hybrid or combination sales organisation, with a view to minimise disadvantages and maximise advantages of specialisation organisations
* Figure above shows combination of geographic and market specialisations