

Sales Management

The only business function that
generates revenue.



Sales Management

Is attainment of an organization's sales goals in an effective & efficient manner through planning, staffing, training, leading & controlling organizational resources.

Definition

According to American Marketing Association,
Sales Management is

“ The planning, direction, and control of personal selling,
including
recruiting,selecting,equipping,assigning,routing,supervising
,paying and motivating as these tasks apply to the personal
workforce”

Contd.... Sales management

- Management of the personal selling task.
- Selling is an exchange transaction. Exchange of Product or service for money
- Money is the revenue or the earnings of an enterprise often called 'turnover' or 'top line'
- Sales therefore is the only revenue generating function in an enterprise.

Evolution of Sales Management

- ***Prior to industrial revolution***, not much emphasis was given on sales. Small scale enterprises dominated the scene.
- With the ***beginning of industrial revolution***, need to establish functional departments was identified. Still no separate sales department was created.
- Middlemen like whole sellers and retailers came into picture.
- With the ***complications in the channel of distribution***, there was a realization of separate sales department.
- The ***advent of specialized sales departments*** helped the organizational problem of market expansion.

Personal Selling – Defined

Personal selling refers to personal communication with an audience through paid personnel of an organization or its agents in such a way that the audience perceives the communicator's organization as being the source of the message.

- **Sales** managements is the act of **managing** the activities of the **sales** force.
- **Personal selling** or **salesmanship** is the process of assisting and persuading a prospective buyer to buy a product or a service in a face to face situation.
... **Salesmanship** is the oldest and the most popular method of **selling** goods and services.

Objectives

- Sales Volume
- Contribution to Profits
- Continuing growth

Sales – cost of sales = gross margin.

Gross margin – expenses = net profit.

Importance of Sales Management

- Helps to achieve organizational board objective
- Creates empowerment opportunities
- Sales management helps in the effective management of sales force
- Ensure effective salesmanship
- Helps in skill formation,
- Monitor the customer preferences, competitor's situation, government policies, and other regulatory bodies.
- This may help in controlling sales expenses,
- Promotes customer satisfaction,
- Helpful in promoting foreign trade,
- Monitor sales performance,
- Helpful in increasing the standard of living,
- It Helps in contribution to national income
- Establish a relationship between buyer and seller,

Sales research

- **Sales research** is geared towards finding certain data which is required to make additional **sales** to a company's existing customers
- For instance, this data might include when a prospect or customer plans to buy another (or related) product or service offered by the client.

- Market potential
- Market indexes
- Sales potential
- Sales forecast

Market potential

- is the entire size of the **market** for a product at a specific time. It represents the upper limits of the **market** for a product.
- **Market potential** is usually measured either by sales value or sales volume.
- The estimated maximum total sales revenue of all suppliers of a product in a **market** during a certain period

Market Indexes

- Combination of market factors important in estimating the likely level of sales.

Sales Potential

- the maximum level of sales a company can expect to achieve in the forecast period with its present and planned levels of marketing effort and expenditure and the given set of market conditions.
- Steps in determining sales potential –
 - market identification,
 - market motivation
 - Analysing market potential.

Sales forecast

- **Sales forecasting** is the process of estimating future **sales**. Accurate **sales forecasts** enable companies to make informed business decisions and **predict** short-term and long-term performance. Companies can base their **forecasts** on past **sales** data, industry-wide comparisons, and economic trends.

Sales Forecasting

Sales Forecasting

Estimate of a firm's revenue for a specified time period

Is “an estimate of sales during a specified future period which is tied to a proposed marketing plan and which assumes a particular set of uncontrollable and competitive forces.” - Cundiff and Still

“Forecasting is an estimate of sales in dollars or physical units for a specified future period under a proposed marketing plan or program and under an assumed set of economic and other forces outside the unit for which the forecast is made. The forecast may be for a specified item of merchandise or for an entire line.” -American marketing Association

“A sales forecast is an estimate of the amount or unit for a specified future period under marketing plan or programme”. ----Stuits

Steps in Sales Forecasting

1. Defining the objectives to be achieved.
2. Dividing various products into homogeneous groups.
3. Analyzing the importance of various factors to be studied for sales forecasting.
4. Selecting the method.
5. Collecting and analyzing the related information.
6. Drawing conclusions from the analysis made.
7. Implementing the decisions taken.
8. Reviewing and revising the sales forecasting from time to time.

Objectives of Sales Forecasting

The objectives of sales forecasting may be studied under the following two major heads

1. Short - run (range) objectives.
2. Long - run (range) objectives.

Short - Run objectives

1. Formulation of suitable production policy
2. Make provision for the regular supply of raw material.....
3. best utilization of machines
4. Make the regular supply of labour force
5. Determine an appropriate price policy
6. Estimate and provide the requisite working capital
7. Establish sales quotes targets for different market segments.
8. Estimate stock requirements for unfinished semi-unfinished and finished

Long Run objectives

1. Estimating cash inflows from sales.
2. Provision for capital expenditure.
3. Planning of plant capacity
4. Manpower planning
5. Determining the dividend policy.
6. Establishing coordination.
7. Reducing selling costs
8. Estimate future profits

Factors affecting or Influencing sales forecasting

1. Business Environment
2. Conditions within the industry
3. Internal Conditions of the business Enterprise
4. Socio Economic Conditions
5. Factors Affecting Export Trade

Table 10.2 - Benefits and Limitations of Various Forecasting Techniques

TABLE 10.2 Benefits and Limitations of Various Forecasting Techniques

Techniques	Benefits	Limitations
Qualitative Methods		
Jury of executive opinion	Opinions come from executives in many different departments; quick; inexpensive	Managers may lack background knowledge and experience to make meaningful predictions
Delphi technique	Group of experts may predict long-term events such as technological breakthroughs	Time-consuming; expensive
Sales force composite	Salespeople have expert customer, product, and competitor knowledge; quick; inexpensive	Inaccurate forecasts may result from low estimates of salespeople concerned about their influence on quotas
Survey of buyer intentions	Useful in predicting short-term and intermediate sales for firms that serve selected customers	Intentions to buy may not result in actual purchases; time-consuming; expensive
Quantitative Methods		
Test market	Provides realistic information on actual purchases rather than on intent to buy	Alerts competition to new-product plans; time-consuming; expensive
Trend analysis	Quick; inexpensive; effective with stable customer demand and environment	Assumes the future will continue the past; ignores environmental changes
Exponential smoothing	Same benefits as trend analysis, but emphasizes more recent data	Same limitations as trend analysis, but not as severe due to emphasis on recent data

Strategic Implications of Sales Research in the 21st Century

- Sales research can help an organization develop effective marketing strategies
- Sales research ideally matches new products to potential customers

Sales planning

- **Sales planning** is an effective method that involves **sales** forecasting, demand management, setting profit-based **sales** targets, and the written execution steps of a **sales plan**.
- **Sales Planning** is the process of organizing activities that are mandatory to achieve business goals.
- A **sales plan** contains a strategic document that figures out your business targets and several resources.

Sales Planning process

- Setting objectives
- Determine the actions necessary
- Organize your actions
- Implement
- Measure results
- Re-evaluate

Sales Management & control

Analysis of the Situation



- ➡ What is the present performance level?
- ➡ How did we achieve the present level?
- ➡ Where are the trends for future?
- ➡ How do we get to the target?

Setting Performance Standards

Fix upper and Lower limits of performance

Analyze factors like

- Area
- Market Potential
- Salesmen skills
- Assignment base
- Past performance
- Future objective
- Cost of Sales

while fixing range of performance

Gathering information on Actual Performance

- Identify the relevant information needed
- Avoid duplication
- Establish periodicity and time schedule for information gathering
- System for action plan based on information.

Evaluating Performance

- Compare results with Target / Standard
- Question analyze more than standard variation
- Consider influences out of control

Action to correct Controllable Variations

- Provide Directions on more effective way
- Guide/ Train
- Install Procedures & Practices to control

Adjust the Un-controllable factors

- Rework on Standard if un-realistic
- Re look at the policies and procedures
- Identify lacunae in Planning

Sales Control Styles

Informal Control

- More effective in smaller organizations
- Should have a feel for the pulse of business
- Able to quickly put you finger on the problem
- Be close touch with market

Formal control

- For larger organizations
- Have written practices and sales policies
- Build authority for changing
- With exceptions makes changes

Policy formation and review-

Informal control

- Study all influencing factors prior to policy formation
- Consider Intangible factors as well
- Review periodically
- Amend based on:
 - Market response
 - Uncontrollable environment changes.
 - Acquire more information

In case of new product changes are more likely to happen due to unknown factors

Formal control on sales volume

Fix sales volume target based on market forecast

Monitor periodically

Review based on:

- Industry sales trends
- Activities of Competitors
- Market share percentages
- Govt Policies

Budgetary Control

Control of Sales, Expenses, Margins and hence profit
Individual profit and loss statement can be made for

- **Territories**
 - **Products**
 - **Marketing Channels**
 - **Class of Customers**
-
- Install review system and control Sales , Expenses
 - Take timely corrective action
 - Take decision of elimination with over all Marketing objective in mind

Pre requisite for success of Sales Management Control

- A de-centralized decision making
- Senior Management pitches in when situation not manageable
- Time is the factor
- Train and empower hierarchy down the line for decision making