Sales Management

Notes- Unit 1

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**Unit 1**

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**Evolution of Sales Management, Scope and Importance**

When it comes to sales management, you’re likely to come across two kinds of managers. The first one notices the market declining and decides to manage that over everything else. In this scenario, the only result you can possibly expect is a decline in sales as well.

The second type of manager is the kind who decides to leverage the decline and increase the brand’s market share. This is a bold manager with vision who knows how the game is played. Managers of this kind have no problems achieving results even in the most challenging scenario.

But, if you were to dig deeper, you would find that these managers follow a pattern; a pattern that is broken down into 4 stages, with the 4th one being the most evolved stage. In this blog, we are going to explore these 4 stages even further.

**Stage: One**

This is the stage at which most companies begin their journey and it can be best described as being chaotic or without rules. There is no structure in place and the sales team is simply commanded to go make a sale. Needless to say, such a scenario can lead to all kinds of problems and conflicts.

That’s when the person running the business decides to introduce some sense of a structure by hiring a sales manager.

**Stage: Two**

In stage 2, we start to see a system in place or something that’s close enough to an actual system. The sales manager, at this stage, functions as though he/she were conducting a survey. He/she tries to make the sales team feel valued and comfortable.

The sales team is provided with everything they need, which is fine as long as the sales team can continue contributing to the brand’s growth.

However, all good things come to an end and the cracks start to appear. A common problem that plagues stage 2 is self-interest. When all their needs are met easily, salespeople, especially the ones higher on the success ladder, tend to develop an attitude of “I’m only supposed to sell. That’s my job”.

In other words, stage 2 becomes toxic. The manager is forced to deal with complaints of unfairness and other issues such as low productivity.

This is when a stronger sales manager is called in; someone who won’t hesitate to fire salespeople who aren’t contributing and someone who can restore order. That brings us to stage 3.

**Stage: Three**

The stage 3 managers begin to standardize the system and show the door to non-performers. The profits go up and prices are raised. The stage 3 manager functions as a CFO cum owner. This person is invested in expanding the business and doing what’s best for it.

However, this is the trickiest stage as many companies tend to fall into a false sense of comfort assuming that there isn’t much else to do. In other words, they don’t strive for stage 4. That brings us to the question of what stage 4 looks like.

**Stage: Four**

Stage 4 is when the hired manager is a proper businessman capable of transforming the team. He/she can identify the non-performers and work towards motivating them. A stage 3 manager only hires and fires; a stage 4 manager transforms. They can play with the cards that they’ve been dealt.

There are 3 key changes that the stage 4 manager does. He/she establishes a do or die culture while celebrating the entire sales team, establishes a selling process, and provides the tools needed for the team to do what’s necessary.

**The scope of sales management** is very important and drives the whole sales system. In nutshell the 3 key factors of sales management are:

1. **Sales Operation:** This will include identification and allocation of territory to the sales team. Measuring and monitoring their performance. Motivating and leading by example to help them close deals and hit their targets and put incentives in their pocket.
2. **Sales Strategies:**This has got all to do with product positioning, price decisions and running promotions. Knowing when to discontinue a product and also know the activities of the competitors.
3. **Sales Analysis:**Evaluating and understand product movement, which product is bringing in the most revenue and which is unmoving. Also measuring forecast versus actual will help a sales personnel to understand and take corrective measures. To know who is the top 3 sales performing personnels can give us an judgement of the manouvers we need to make in the team to reach our fixed targets.

**Importance**

Sales management facilitates the directions of activities and functions which are involved in the distribution of goods and services. According to Philip Kotler, “Marketing management is the analysis, planning implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organisational objectives.

It relies heavily on designing the organizations offering in terms of the target markets needs and desires and using effective pricing, communication and distribution to inform, motivate and service the market.”

Sales or marketing management is concerned with the chalking out of a definite programme, after careful analysis and forecasting of the market situations and the ultimate execution of these plans to achieve the objectives of the organisation. Further their sales plans to a greater extent rest upon the requirements and motives of the consumers in the market aimed at.

To achieve this objective the organisation has to give heed to the right pricing, effective advertising and sales promotion, discerning distribution and stimulating the consumer’s through the best services. To sum up, marketing management may be defined as the process of management of marketing programmes for accomplishing organisational goals and objectives. It involves planning, implementation and control of marketing programmes or campaigns.

Functions:

(i) Sales research and planning.

(ii) Demand creation.

(iii) Sales costs and budget.

(iv) Price fixations.

(v) Development of products.

(vi) Establishing sales territories.

(vii) Co-ordination of sales.

These functions differ from company to company according to their size and the nature of their products.

Importance of Sales Management:

Sales management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce cost and to increase profits. Sales management today is the most important function in a commercial and business enterprise.

**The following are the other factors showing importance of the sales management:**

(i) Introduction of new products in the market.

(ii) Increasing the production of existing products.

(iii) Reducing cost of sales and distribution.

(iv) Export market.

(v) Development in the means and communication of transportation within and outside the country.

(vi) Rise in per capita income and demand for more goods by the consumers.

Objectives of Sales Management Positions

Sales management entails numerous objectives which are executed by sales managers. There are mainly three such objectives

* Sales Volume
* Contribution to profits
* Continuous Growth

The sales executives in this case are the ones who help implement these objectives. However it is the top management who has to outline the strategies to achieve these objectives of sales management. The top management should provide products which are socially responsible and are marketed in a manner which meets customers expectations and does not break it. Thus sales management involves a strong interaction between Sales, marketing and top management.

**4 main objectives of sales management**

**1) Achieving Sales volume**

Achieving sales volume is the first objective of Sales. The word “volume” is critical because whenever a product sales start, the market is supposed to be a virgin market. Thus there needs to be optimum penetration so that the product reaches all corners of the region targeted. Ultimately, penetration levels can be decided on the basis of sales volume achieved.

**2) Contribution to profit**

Sales brings turnover for the company and this turnover results in profits. Naturally, sales has a major contribution to profit and it is categorized as a profit function in several organizations. But there is one more aspect to the contribution of profit by sales.

The objective of sales management is to sell the product at the optimum price. Some companies might target a premium pricing for a product to make it premium in the market. But if the sales team drops the price, then the objectives are not being met and the profit is dropping. This has to be kept in check by seniors as price drops directly affect the margin of the product.

**3) Continuous growth**

A company cannot remain stagnant. There are salaries to be paid, costs have been incurred and there are shareholders to be answered. So a company cannot survive without continuous growth. If there is no innovation at the product level or at the company level, then the company has to be blamed. But if the products are good, and still the penetration is not happening, then it is the fault of sales manager and sales executives.

It is the job of marketing to take feedback and bring new products in the market. But if the sales team does not provide the appropriate feedback of “Why the product is not selling”, then growth becomes impossible. This is why, more penetration and more growth is in the hand of sales people.

**4) Sales Management and financial results**

Financial Results are another objective of sales management and are closely related and therefore sales management has financial implications as well.

Sales – Cost of Sales = Gross Profit

Gross Margin – Expenses = Net profit

Thus the variation in Sales will directly affect the Net profit of a company. Hence maintaining and managing sales is important to keep the product / service / organization financially viable.

The Objectives of sales are therefore decided on the basis of where the organization stands and where it wants to reach. It is a collaborated effort from the top management along with the marketing managers and sales managers to provide with a targeted estimate.

**Functions of Sales executives**

Many sales executives get promoted into their positions because of their previous performances as salespersons. In some companies, outstanding sales persons have in inside track when sales executive’s jobs are being filled. The assumption is that outstanding salespersons will be outstanding sales executives. Nothing could be farther from the truth. The sales executive’s job demands administrative skills much beyond those required of salespeople. Personal selling experience is not unimportant, as sales executives manage people who do personal selling. But personal selling experience and outstanding personal selling performance are two different things most companies can recount instances where an outstanding salesperson failed in a sales executive’s job.

The sales executive’s planning function includes those connected with the sale program. The sales organization and its control. The sales executive is responsible for setting personal selling goals, for developing sales programs designed to achieve these goals, for formulating sales policies and personal selling strategies, and for putting together plans for their implementation. Sales programs are put into effect through the sale organization, and the sales executive is responsible for designing and shaping the sales organization, for staffing it, for developing the skills of those who are part of it, and for providing leadership to it. Achievement of sales departmental goals requires controls over selling activities, sales volume, selling expenses, and the like. The sale executive is responsible for these and related control activities.

Basically, the sales executive has two sets of function: operating and planning. The operating functions include sales force management, handling relationships with personnel in other company departments and with the trade (middlemen and /or customers), communicating and coordinating with other marketing executives, and reporting to some superior executive (such as the marketing vice president). In addition, in some companies and fairly commonly in lower level sales executive sells some accounts personally (to keep a “hand in “ and to keep abreast of current selling problems and conditions).

The amount of sales executive’s time devoted to planning and operating functions is influenced by size of the sales organization. Sales executives in small companies spend less time on planning and more on operating. As the size of the company increases, the sales executive devotes more time to planning and less to operating. Exerting important influences on the way sales executives distribute their time and effort, too, is the type of supervisory organization. When the sales executive supervises the field sales force directly, he or she spends most of the time on operating function. When the sales executive supervises the field sales force through subordinate sales executives, more attention is devote to planning and less to operating. Sales executives who have high caliber subordinates generally are more willing to delegate most of the performance of the operating functions to them and, consequently, have time left for planning.

The relative emphasis that sales executives give to the operating and planning functions varies with

(1) Type of products

(2) Size of company

(3) Type of supervisory organization.

Customarily, sales executives at all organizational levels devote more time and attention to sales force management than they do to any other single activity. The significance attached to operating and planning functions varies with the product. If the product is a consumer good, sales executives attach the greatest importance to planning function: development of sales programs, coordination of personal selling with advertisings, and building and maintaining relationships with dealers and customers. If the product is an industrial good, sales executives attach the greatest importance to the operating function managing and directing the sales force, making calls with salespeople, and selling personal account. Consumer goods sales managers, in general, spend more time on planning and less on operating than do their counterparts in industrial goods companies.

# Relation of sales executive with communication and promotions

Chief marketing executives are responsible for setting promotional policies, but sales executives participate in their formulation. Their knowledge of the market and their control over personal selling activity make sales executives a key source of information, and they occupy a strategic position in implementing promotional plans. [Sales personnel](https://www.marketing91.com/recruitment-selection-sales-personnel/) are responsible not only for transmitting sales messages to prospects but for securing the use of point of purchase displays and for coordinating dealer efforts with advertising programs. Sales executives, because of their key roles in making and implementing promotional policies, must coordinate closely with other executives in the formulation and implementation of the promotional program.



Almost every [product](https://www.marketing91.com/what-is-a-product/) relies on personal selling as a promotional method at one or more points in the marketing [channel](https://www.marketing91.com/channel-levels-consumer-industrial-marketing-channels/). Personal selling’s effectiveness traces to the use of personal contact in conveying the sales message to prospective buyers. But personal selling is the most expensive promotional method in terms of cost per sales message transmitted. The proportion of personal selling in the promotional mix generally must be limited, and it is the [sales executive](https://www.marketing91.com/job-responsibilities-of-sales-executive/)’s responsibility to keep selling costs down.

The sales executive makes certain that salespeople keep abreast of current advertising campaigns. Sales personnel need briefing on specific advertising appeals, enabling them to adapt their selling approaches in ways that enhance the total promotional impact. The sales force should know which media are scheduled to carry advertisements for which [products](https://www.marketing91.com/types-of-products/) and the timing of each ad’s appearance. Advertising personnel need access to the sales executive, since this executive is an important source of information about customers, their [needs](https://www.marketing91.com/needs-wants-and-demands/), behavior, and motives.

Sales executives play similar roles with respect to other promotional methods. Decisions regarding the usage of these methods in the promotional mix are normally made by the chief marketing executive or by other specialists. Besides serving as an important source of information, the sales executive secures coordinative efforts by the sales force to ensure that each promotional activity obtains optimum results.