Sales and Distribution Management

MBA 4th Semester

UNIT – I

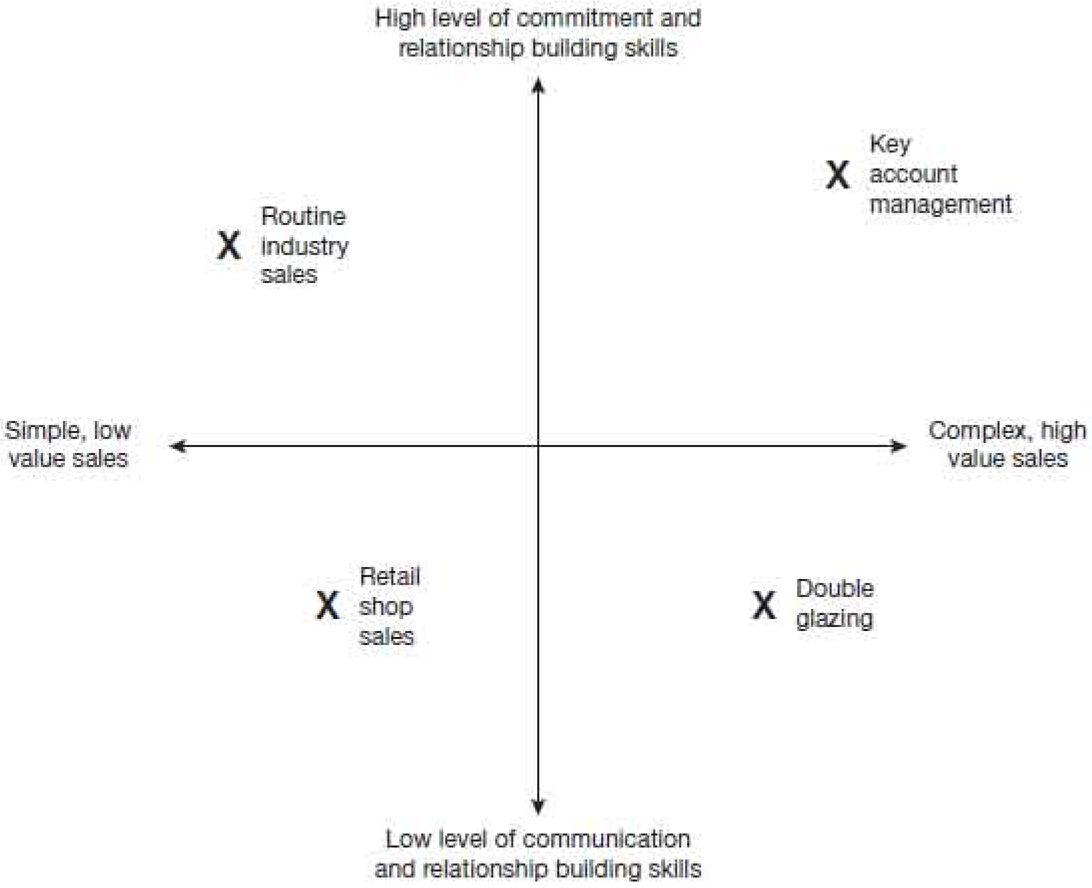
Sales Management

Introduction to Sales Role of selling in Marketing

Selling is one of a number of tactical activities within marketing such as pricing and advertising. Co-ordinating these is essential for effective marketing. Differences in importance depend on the companies and industries involved. A successful sale depends on whether or not the product concerned fulfils the customer requirements and results in satisfied customers.

Relationship with Marketing Research

Marketing research finds out what people want and why they want it. Information might result in changes in the product. Such information is fed to the sales department and can be used by them to counter competition. Cowan5 argues that in the past market research has often failed to identify significant changes in markets or new innovatory products. Because of close contact with customers and markets however, the sales force in particular can be used to provide market intelligence information that feeds into the Marketing Information System (MkIS) and helps shape marketing strategy.



Some companies focus on meeting customers' needs, which is called implementing the marketing concept. In contrast, implementing the selling concept involves doing whatever is necessary to increase sales. Despite the fundamental differences between these two orientations, the ultimate objective of both the selling and marketing concept is profit.

Marketing Concept

The marketing concept involves orienting your business to meet consumer needs. For example, a company might identify a consumer need and then manufacture a product to meet that specific need. Then, through a coordinated set of marketing activities — such as widespread distribution and attractive pricing — the company creates access to its product. Consumers fulfill their need by buying the product, resulting in a profit for the company.

Selling Concept

In contrast, the selling concept refers to orienting your business to sell as many products as possible. For example, suppose a company manufactures a product for which there is no current consumer need. To make a profit, the company must use aggressive tactics, such as heavy advertising and pushy sales strategies, to convince consumers to buy the product. Achieving a high sales volume is how the company makes a profit.

Interaction

Although the marketing concept and the selling concept involve fundamentally different organizational objectives, selling plays a role within the marketing concept, and marketing plays a role in the selling concept. For example, a customer-oriented company still must make sales to customers — after all, its ultimate goal is to use the sale to meet the customer's needs. Similarly, marketing plays a role within a sales-oriented company. For example, a company can increase its sales volume by using advertisements to bolster its reputation for excellent customer service.

Considerations

Well-run companies that are focused primarily on customer satisfaction don't need aggressive selling strategies. Instead, such a company can rely on identifying a clear consumer need and then coordinating its marketing strategies to ensure consumers have access to the desired product, according to the book "Marketing Concepts and Cases." Done correctly, the role of selling within the marketing concept is to help a customer make a purchase, as opposed to persuading the customer to make a purchase.

Personal Selling

Personal selling can be termed as the oral presentation given by the salesperson to one or more than one consumers face to face to sell the product or service. Personal selling is a highly peculiar form of promotion. It is mostly two-way communication, which not only involves a particular individual but also social behavior.

The intention is to deliver the right product to the right customers. Depending upon the complexity of product, personal selling plays an important role. Industries manufacturing technical products like laptops, computers, digital phone, gadgets, etc., likely depend on personal selling as compared to the other manufactures.

The reason behind this is to explain the features of the product, tackle the customer queries and provide the best customer service. The competition in the market has increased today and therefore the importance of the salesperson in the organization.

Salespersons are also called **salesman or salesgirl or sales representative** and their payment is made as the commission to push the product in the market by motivating the customer through oral conversation.

The consumer wants all kinds of goods and services in the market but lack of interest keeps them away from making decisions or purchasing products. This is where the salesman needs to act as a catalyst and explain the product or service to the customer. He/she should motivate the customer by giving a presentation and he may sometimes act as a consultant. This helps the consumer to make a decision.

In case of technical products, the salesperson plays a more vital role as compared to the promotions. It becomes difficult for the customers to make decision while purchasing high value products with complex nature. The salesperson helps the customers by making personal contact with them and making them understand the quality and utility of the product.

Objectives of Personal Selling

Personal selling contributes in achieving the long-term objectives for the organization.

- To do the complete selling job when there are no other components in promotional mix
- To provide service to the existing customers and try to maintain contacts with the present customers
- Identify and find new prospective customers
- Promote the products to increase sales
- Provide the information to the customers regarding the change in product line
- Provide assistance to the customers to help in decision-making
- Provide technical advice to customers for complex products
- Gather the data in relation to market and provide it to company's management

The reason behind setting personal selling objectives is to make decision on sales policies and personal selling strategies, which helps in promoting the product. The objectives are set for long-term, as it becomes the important element for qualitative personal selling objectives.

The objectives can also be quantitative if they are short-term and it could be adjusted from one promotional period to another. The quantitative personal selling objective is related to sales volume objective. Hence, the sales volume objective should also be explained.

Personal selling + / -

Advantages	Disadvantages
High customer attention	High cost
Message is customised	Labour intensive
Interactivity	Expensive
Persuasive impact	Can only reach a limited number of customers
Potential for development of relationship	
Adaptable	
Opportunity to close the sale	

The following are a few sales objectives:

- Capture and maintain a specific market share
- Increase sales volumes that help the organization to gain maximum profit
- Reduce or keep the expenses provided for personal selling within limits
- Obtain the percentage of customers as per the set targets

Types of Sales Personnel

If you run a business in which sales are a key aspect of profitability, you need to hire staff that has the requisite personality and skill to drive success. There are many different types of salespeople and some are better than others at closing deals. The most successful types of salespeople are the ones that understand how to use their talents to connect with customers and clients. To build your business and watch it grow, you must understand the basic types of salespeople so you can hire the ones that can positively impact your company.

Types of Sales personnel

1. **The Caretaker Salesperson**

The caretaker is one of the most common types of salesperson that you can hire. Also known as transactional salespeople, these are employees that are often passive and are content to find a comfort zone that they rarely ever leave. They are often known as order-takers because rather than hunting for a potential sale, they wait for the sale to come to them. Caretakers are the types of salesman that are risk-averse, which means that they don't want to take the chance on a prospective customer rejecting their sales pitch. They will often provide small businesses with competent, steady performance because they are adept at positioning themselves in the right place at the right time to get a sale. If you run a retail business in which the primary job of your sales staff is to help buyers find the products they are already looking for, you should hire a caretaker.

2. **The Professional Salesperson**

Another one of the most popular types of salesperson is the professional or the relational sales personality. The professional has strong analytical skills and is able to reason his way through problems. The professional develops good customer/client relationships by building a rapport and connecting with customers and clients by understanding their wants and needs. With these types of salesperson, the goal is to establish a bond that is based on fulfilling expectations. Professional salespeople often get sales because buyers trust them to deliver on what they've promised. Professionals are the types of salesman that excel in advertising companies or any type of sales companies in which servicing existing accounts is important.

3. **The Closer Salesperson**

Closers are the type of salesman that you often see parodied in used car commercials on TV. They are distinguished by qualities such as persistence, brashness, and a healthy dose of self-confidence. They are often referred to as "born salespeople," because their mindset is to always be closing a deal, even if the prospective buyer is reluctant to buy. Closers are always finding ways to encourage, coerce, or push customers toward the goal of closing a deal. They are not concerned as much about building future relationships as they are about finalizing the deal that's in front of them. Closers often have outgoing personalities that can sometimes border on being too aggressive. They don't take "no" for an answer and they're able to offer incentives and enticements in situations in which customers need that final push to close a deal.

4. **The Consultant Salesperson**

Consultants bring the qualities of a closer with the personal connection often found in professionals. They are well-rounded salespeople who know how to close a deal and build relationships at the same time. They aren't afraid to solve problems for their customers and to go the extra mile with incentives in pursuit of a long-term relationship. They are skilled at tailoring their sales pitch to each customer's needs and they are active listeners who are patient when the need requires, but they can also be aggressive with customers who are on the cusp of saying "yes" to a deal

Salesmanship and Sales Manager

In the words of Peterson and Wright, Salesmanship is the process whereby the seller ascertains and activates the needs or wants of the buyer and satisfies these needs or wants to the mutual continuous advantage of both the buyer and the seller.

According to the National Association of Marketing Teachers of America, "Salesmanship is the ability to persuade people to buy goods or services at a profit to the seller and with, benefit to the buyer".

From these definitions, it is clear that salesmanship is not just handing over of goods to the customers and taking the money for them. True salesmanship is not only an art of inducing the consumers to buy goods, but also an art of guiding them to buy what they need. In short, salesmanship is the process of persuading and assisting a prospective customer to buy a commodity or service.

Features of Salesmanship

Salesmanship has several characteristic features. The main features of salesmanship are:

1. Salesmanship is personal selling and is the oldest form of selling.
2. It is the most important form of promotional mix.
3. It is the art of selling a product or service. It is all about selling a product by presenting the product to the prospects in a convincing and persuasive manner by which the prospect is induced to buy.
4. It involves direct and personal contact with the buyers.
5. It is a creative art. It creates new wants. A need may be already in existence. But it is the job of a salesman to transform the needs into wants.
6. To be very effective, salesmanship also has to be carried on continuously to perpetuate the demand created once.
7. Salesmanship basically aims at selling a product. It does not stop at that. Actually it involves selling an idea or one's point of view. For instance, salesmanship, in the case of a paint manufacturing concern, is not just the sale of paints, but the sale of an idea, color, shade beauty or durability.
8. It is an educative process. Salesmanship provides information about the products, their special features and their utility.

Objectives of Salesmanship

The main objectives of salesmanship are

1. To create demand for a new product.
2. To maintain and also expand the demand for an existing product.
3. To guide the buyers in the proper selection of goods.
4. To build up goodwill or reputation for the seller.

Besides, the objective of salesmanship could be long-term or short-term objectives.

According to Still and Cundiff, the objectives of salesmanship could be quantitative or qualitative. The quantitative objective would be emphasizing on the achievement of short-term company objectives whereas qualitative objectives are based on achieving long-term objectives of the company.

Qualitative or Long-term Objectives of Salesmanship

1. To undertake to do the entire selling activity.
2. To serve the existing accounts in terms of their orders, stock position, requirement, schedule of supply, level of performance and collection of payments.
3. To generate new enquiries and new prospects.
4. To convert some of the new prospects into long-term customers.
5. To regularly inform customers about product characteristics, technical upgradation and company's commitment to quality consciousness.
6. To coordinate with distribution channel members to improve sales and market-share.

7. To collect information from markets, customers, suppliers, distribution channel members and consultants for use by company management.

Quantitative or Short-term Objectives of Salesmanship

The quantitative objectives or short-term selling objectives are important for the company's current operations. These objectives could be:-

1. To obtain orders and execute them to the satisfaction of customers.
2. To meet the sales target.
3. To maintain present accounts and add new customers.
4. To maintain market share and competitive edge.
5. To achieve sales volume and satisfy company's product mix norms.
6. To submit sales reports regularly as per company's policies.

The qualitative and quantitative objectives vary from one company to another and would largely depend upon the company's standing in the market.

Sales Manager

The topline objective of a sales manager is to meet company revenue targets through the activities of their sales representatives. In other words, they harness the power of their direct reports, driving sales force productivity and extracting the best performance from each individual employee.

A sales manager achieves this objective through a mix of approaches. For example they:

Are responsible for motivating and advising their reps to improve their performance, as well as hiring and training new sales representatives.

Achieve their objectives through effective planning, setting sales goals, analyzing data on past performance, and projecting future performance.

Ensure that the sales department works cross functionally with executives from other departments. For example, they collaborate with marketing to generate new lead sources and expand the target customer base, or with product and research teams to make sure customer needs are met.

A sales manager simultaneously plays three key roles:

- **People manager:** Recruit, build and nurture a team.
- **Customer manager:** Strategically foster customer engagement.
- **Business manager:** Steer the business.

Characteristics of a top Sales Manager

A successful sales manager's characteristics, skills, and aptitudes are different from those of a successful sales representative. In fact, most sales reps make bad managers. The key characteristics of a sales manager focus less on selling ability and more about the interpersonal skills that enable leadership.

Rather than "doing it themselves," they teach and coach others how to do it, enabling the sales efforts of others. They develop their own leadership, hiring, and training skills while ensuring their team is using the correct selling behaviours and activities to meet their revenue objectives.

Typical characteristics, skills, and traits of a sales manager include:

- **Communication skills:** they listen first and speak second. They don't chastise in public or private. They are aware of the message they transmit to their team, how it's delivered, and how it's perceived.
- **Integrity and trust:** they never ask their reps to do something immoral, illegal, or something that goes against a company's core values.
- Ability to build relationships with peers, cross-functional counterparts, and upper management: They are committed to helping others be successful.
- Empathy and ability to understand customer viewpoint and customer service
- Ability to unite a team under a shared vision and know what motivates each member.
- Analytical skills: They use data-driven reports to spur sales coaching sessions and empower reps to take ownership of their opportunity pipelines. They understand pricing, margins, and discounting impacts.
- The ability to prioritize and effectively manage time.

Sales Force Job Description

How to write a Sales Representative job description

Your job description is the first touch-point between your company and your new hire. With millions of people searching for jobs on indeed each month, a great job description can help you attract the most qualified candidates to your open position. To get you started, here are some tips for creating an effective job description.

Sales Representative job title

A great job title typically includes a general term, level of experience and any special requirements. The general term will optimize your job title to show up in a general search for jobs of the same nature. The level of experience will help you attract the most qualified applicants by outlining the amount of responsibility and prior knowledge required. And if your position is specialized, consider including the specialization in the job title as well. But avoid using internal titles, abbreviations or acronyms to make sure people understand what your job posting is before clicking.

Examples of Sales Representative job titles

- Sales Representative
- Senior Sales Representative
- Commercial Sales Representative
- Sales Representative (Part-Time)
- Sales Agent

Sales Representative job summary

A great job description starts with a compelling summary of the position and its role within your company. Your summary should provide an overview of your company and expectations for the position. Outline the types of activities and responsibilities required for the job so job seekers can determine if they are qualified, or if the job is a good fit.

Example of a Sales Representative job summary Our growing retail business seeks an experienced, motivated Sales Representative to greet customers, help them find what they need and upsell new products. We're looking for a professional who can quickly absorb and retain product knowledge. The successful candidate will receive on-the-job training for two weeks, then take over management of the floor. On average, 200+ customers visit our store each day, so the ability to work well in a fast-paced environment is a must. If you love a challenge and have a working knowledge of tech products and gadgets, we can't wait to see your resume.

Sales Representative responsibilities and duties

The responsibilities and duties section is the most important part of the job description. Here you should outline the functions this position will perform on a regular basis, how the job functions within the organization and who the job reports to.

Examples of Sales Representative responsibilities

- Greet and assist customers as they shop for new products
- Suggest applicable and relevant upsells to help customers walk out the door with everything they need
- Meet weekly, monthly and quarterly sales quotas
- Learn how products work and how to troubleshoot issues with customers
- Prepare and submit weekly sales reports to management
- Assist other team members with transactions when necessary

Sales Representative qualifications and skills

Next, outline the required and preferred skills for your position. This may include education, previous job experience, certifications and technical skills. You may also include soft skills and personality traits that you envision for a successful hire. While it may be tempting to include a long list of skills and requirements, including too many could dissuade qualified candidates from applying. Keep your list of qualifications concise, but provide enough detail with relevant keywords and terms. Examples of Sales Representative skills are as followings-

- Bachelor's degree preferred
- 2+ years' direct or inside sales experience
- 4+ years' retail experience a plus
- Ability to translate complicated technical jargon for the average consumer
- Experience working with sales volumes greater than $200,000

Willingness to work from alternate store locations when needed

Sales Forecasting, Sales Budget, Sales Quota

Sales Forecasting is the projection of customer demand for the goods and services over a period of time. In other words, it is the process that involves the estimation of sales in a physical unit that a company expects within a plan period.

There are a variety of methods available to the firm for forecasting sales or demand of a company; these are listed below:

Sales Forecasting Methods

1. Jury Method
2. Survey of Expert's Opinions
3. Delphi Method
4. Sales Force Composite Method
5. End-use Method
6. Market Share Method
7. Substitution Method
8. Market Test
9. Analytical and Statistical Methods

- Market Survey Method

The future is uncertain, and the sales cannot be predicted with certainty, and hence the management must study the following factors that influence the sales forecast:

The general economic conditions Viz inflation and a recession that has a considerable impact on the sales. The manager must study thoroughly about the political, economic, social, technological changes to forecast sales more accurately. Here, the past market trends, consumer's preferences, national income, disposable personal income, etc. must be considered before projecting the sales for the successive period.

The demographics of consumers such as age, sex, education, occupation, income, etc. must be given due consideration before projecting the demand for certain goods and services. The social groups such as family or peers also influence the purchase behavior of an individual. Thus, all these factors must be studied carefully before estimating the sales for a given period.

There are several competitors in the market that deals in similar kinds of products and services. Thus, the marketing team must study their pricing strategy, product design, technological improvements, promotional schemes, advertising campaign, etc. very carefully so as to meet the competition. Also, the firm must keep a close watch on the new entrant, who can alter the market share of the existing firms significantly.

The changes within the firm can also affect the sales. Such as changes in the advertising campaigns, promotional schemes and pricing policy can bring a significant change in the sales figure. Thus, the management is required to study every change in relation to its effect on the overall sales of the firm.

Thus, the sales forecasting is a backbone of marketing that provides not only the sales figure but also helps the management to identify the customer's needs, tastes, and preferences. It also helps in exploring the market opportunities that could be matched with the company's marketing efforts.

Sales Budget

A sales budget estimates the sales in units as well as the estimated earnings from these sales. Budgeting is important for any business. Without a budget companies can't track process or improve performance. The first step in creating a master company while budget is to create a sales budget.

Management carefully analyzes economic conditions, market competition, production capacity, and selling expenses when developing the sales budget. All of these factors play an important role in the company's future performance. Basically, the sales budget is what management expects to sell and the revenues collected from these sales.

Sales Quota

Marketing campaigns can include billboards, advertisements, magazine articles and banner ads, but it's up to the sales team to get the stuff out the door. To accomplish this goal, sales teams can do all the usual things — cold calling and networking, sending letters and inviting executives to events — but even these efforts sometimes don't win the target accounts. At such times, sales quotas can come in handy. Suddenly, sales revenues or sales units, and closing deals and driving revenue move to the top of every salesperson's agenda.

Quota Basics

Salespeople and sales territories must deliver on revenue or volume targets that they're beholden to. Usually, these sales quotas are the volume of goods a salesperson's customers must buy or the sales revenues that his efforts must generate on a monthly, weekly or daily basis. In turn, a company assesses the salesperson's performance according to his tendency to hit or exceed the quota on a consistent basis. The sales quota can be determined in part by information, such as the prior period's territory sales numbers, the salesperson's salary multiplied by some factor or a prior year's goal multiplied by an annual growth rate. The type of quota a company selects is determined in part by the market and the product.

Sales Volume

It's common to base a sales quota on the sales volume or sales revenue for a customer, product line, region, period of time or some combination thereof. In many cases, a company that sells a product with a high unit price implements a sales volume quota on a daily, monthly or quarterly basis. If a company sells low-priced products, the business might put in place a sales revenue quota. Quotas also can be set for a group of products, such as men's clothing or computer products. Sales volume goals fail to measure either the profit generated by a particular sales person or his productivity.

Profit

Gross margin or gross profit also serves as a basis for a sales quota for a branch, a group of products or a salesperson. A gross margin quota is calculated by deducting the cost of goods sold from the sales revenue; a gross profit quota is calculated by subtracting selling expenses and the cost of goods sold from sales revenue. A problem with profit-based sales quotas is that sales personnel have no control over prices or manufacturing costs, each of which affects gross margin. In addition, to boost the probability of achieving a gross profit-based quota, a salesperson may cut back on expenses, which can affect her sales negatively.

Forecast

A company may base a sales quota on a combination of a sales forecast for a particular geographic area and historic sales data. For example, assume that region A was responsible for 25 percent of the prior year's sales and the sales forecast for the current year is $150,000. The current quota for region A might be 25 percent of $150,000 or $37,500.

UNIT – II

Sales Force Management

Building Sales Organization

7 Steps to Building Your Sales Organization

Building a high performing sales team that exceeds all corporate objectives is essential for any business. Your sellers are not only the front lines driving customer perceptions about your company, but are the critical path to sustainable results.

As a Sales Manager or Corporate Executive, focusing your efforts around setting a clear path to success, providing the proper training for every seller, and determining the correct methods of motivation, will ensure you consistently exceed all of your business objectives.

There are seven key areas every leader should thoughtfully organize their strategy around while building exceptional sales and support teams. Drive consistency in all actions and accountability throughout the organization.

1. **Culture**

Instill your company mission statement and corporate culture into all of your functional teams, especially your sellers. There are a lot of exceptional sales representatives in the market today, but understanding and aligning your corporate culture with each individual you hire will pay dividends as your business grows.

Build a "Sales Culture" – This means you are aligning the right sales support, operations and product development teams around the principals of sales execution. Set the tone with all teams regarding the importance of sales success, as this will drive everyone's day to day priorities and focus on the teamwork needed to execute.

Set your sellers up for success by surrounding them with motivated functional teams. Incent great sales support by implementing regular award programs tied to the individual, function or corporate results.

Great sellers thrive when motivated both financially and through award recognition, ensure both are aggressive and consistently drive toward exceptional individual performance based results.

2. **Talent**

Know your target seller both with tangible and intangible characteristics. Focus on the required experience criteria and create a set of interview questions that will give you the best understanding of their intangibles. Set your compensation plan accordingly, ensure your top reps thrive allowing earning potential that will exceed the industry

3. **The Market**

To deliver the proper value proposition and positioning, understand your key differentiation to the competition, segmented target customer sets, cost basis for your product or service and profitability needed to drive the success factors for your business.

Know the available opportunity set, from either a customer count by segment or market revenue potential. Back into performance expectations based on the available opportunity set. If this is difficult to determine, place prior sales history as a benchmark targeting an annual growth rate you would like to see by rep or territory.

You should always look to the granularity of your financials, driving profitability in all deals the sales teams close. Whether you are paying on a Gross Margin or Revenue basis, create a cost model providing your teams with some flexibility in price or structure throughout the negotiation process.

4. **Value Proposition and Positioning**

Develop a handful of customer segmented value propositions your teams should leverage. This will provide relative control and consistency in how your product or service is publicized. Push your sales teams to deliver the message in all training and onboarding exercises to the management teams, ensuring the proper forum for coaching all aspects of delivery.

Confidence is key in all sales messaging, so push for continuous repetition and refinement through the coaching sessions. Mentor programs with successful reps is another valuable practice.

It's always an awkward form to place a mirror in front of the seller, but body language is often as important as the message itself. For inside sales reps, placing a mirror in front of their phones and pushing them to smile as they speak is an old practice that absolutely works

5. **Pipeline Metrics**

The science of sales is all about the numbers. Pipeline management is critical to understanding if a small pivot is needed in your message, product set or the price of your product/service.

Start with Lead Generation and create a pipeline management model that will track conversion rates for each step of the process. From Prospecting, Opportunity Management, Revenue to Existing Customer Growth; understand how business moves through the pipeline focusing on short timeframes and success benchmarks.

Track and review regularly lost opportunities asking your reps to provide detail about the reason. Management teams should hold regular meetings to discuss both sides of the pipeline to ensure their offer is well positioned in the market.

6. **Management**

The core role of an exceptional manager is to "Train and Motivate". Consistency is always king when inspiring a team, but collaboration and an understanding of the hurdles they face will drive awareness by each individual to value their contributions as an effort towards the greater good of the company.

Regular sales meetings where you can take the pulse of your sellers and provide them with the encouragement needed to exceed all objectives is critical. I suggest holding an early week meeting to help the team transition from a relaxing weekend into a motivated seller. Reviewing weekly goals, a forum for feedback and highlight exceptional performances as a format for team motivation.

All sellers get told NO a lot, so the goal of a successful management team is to create an environment for positive motivation that will instill confidence in each rep.

Keep all aspects of both motivation and accountability on a short-term basis. Instill the value of consistency each day working towards exceeding their short and long-term goals.

7. **Reporting**

Regular visibility to highlight top performers, an understanding of how the team is tracking to their overall goals and the evaluation of your current state of the business, will give you the insight needed to deliver consistent success. Great sellers are goal oriented individuals who take pride in their results and always want to see how they are performing against other sellers in addition to contributions to the greater good of the organization.

Show your teams where the business stands and why their efforts are so valuable to the company. Great employees look for purpose in their work, so make sure that they feel a part of the overall success of the business.

Types of Sales Organizations and their Structure

The grouping of activities into positions and the charting of relationships of positions causes the organization to take on structural form. When sales department is set up in an organization it follows one of these general structures – Line, Line and Staff, Functional and Committee.

1. The line sales organization

- This is the oldest type used in smaller firms and in firms where there is a small selling force. This limitation restricts them to narrow product line in limited geographical area.
- All executives have line authority and each subordinate is responsible only to one higher-up.
- They have fixed responsibilities and sales personnel reports directly to the chief sales executive
- Lines of authority and responsibility are clear and logical, and it is difficult for individuals to shift or evade responsibilities
- Not appropriate when there is a large sales staff

2. The line and staff sales organization

- Found in large and medium sized firms selling diversified product lines over a wide geographical area

- Provides the top sales executive with a group of specialists and experts in dealer and distributors relations, sales analysis , sales organization, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing
- Staff sales executives do not have authority to issue orders or directives.
- Staff recommendations are submitted to the top sales executives and after approval, transmit necessary instructions to the line organization
- Gives time to the staff executives time to study problems before recommendations.

3. Functional sales organization

- Based upon the concept that each individual in an organization, executive and employee, should have as few distinct duties as possible
- Salespeople receive instructions from several executives but on different aspects of their work
- All specialists have line authority and they have a function authority
- There is a great improved performance
- Not feasible for small and medium sized firms

4. Committee sales organization

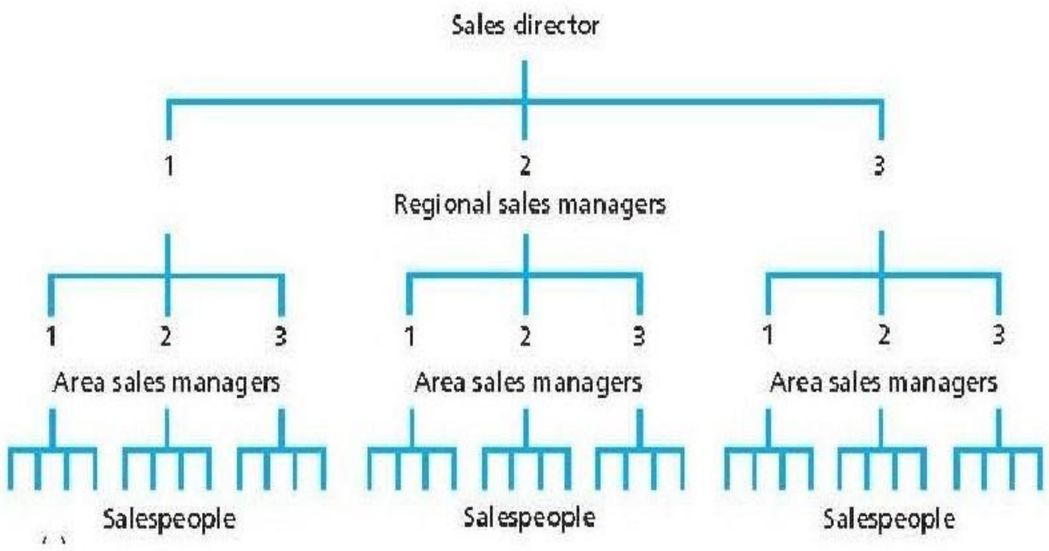
- The executive group plans policy formulation while implementation of plans and policies is done by individual executives
- Many firms have a sales training committee
- Before policies are made and action is taken, important problems are deliberated by committee members and are measured against varied viewpoints.

Structure of sales organizations

1. **Geographical Structure**

An advantage of this form of organization is its simplicity. Each salesperson is assigned a territory over which to have sole responsibility for sales achievement.

Their close geographical proximity to customers encourages the development of personal friendships which aids sales effectiveness. Also, compared with other organizational forms, e.g. product or market specialization, travelling expenses are likely to be lower.



A potential weakness of the geographical structure is that the salesperson is required to sell the full range of the company's products. They may be very different technically and sell into a number of diverse markets.

In such a situation it may be unreasonable to expect the salesperson to have the required depth of technical knowledge for each product and be conversant with the full range of potential applications within each market. This expertise can only be developed if the salesperson is given a more specialized role.

2. **Product Specialization Structure**

One method of specialization is along product lines.

Conditions that are conducive to this form of organization are where the company sells a wide range of technically complex and diverse products and key members of the decision-making unit of the buying organizations are different for each product group.

If the company's products sell essentially to the same customers, problems of route duplication (and hence higher travel costs) and customer annoyance can arise.

Inappropriate use of this method can lead to a customer being called upon by different salespeople representing the same company on the same day.

3. **Customer-based Structures (Industry-Based Structure)**

The problem of the same customer being served by product divisions of the same supplier, the complexity of buyer behavior, which requires not only input from the sales function but from other functional groups (such as engineering, finance, logistics and marketing), centralization of purchasing, and the immense value of some customers have led many suppliers to rethink how they organize their sales-force.

Companies are increasingly organizing around customers and shifting resources from product or regional divisions to customer-focused business units Another method of specialization is by the type of market served. Often in industrial selling the market is defined by industry type.

Thus, although the range of products sold is essentially the same, it might be sensible for a computer firm to allocate its salespeople on the basis of the industry served, e.g. banking, manufacturing companies and retailers, given that different industry groups have widely varying needs, problems and potential applications.

Specialization by market served allows salespeople to gain greater insights into these factors for their particular industry, as well as to monitor changes and trends within the industry that might affect demand for their products. The cost of increased customer knowledge is increased travel expenses compared with geographically determined territories.

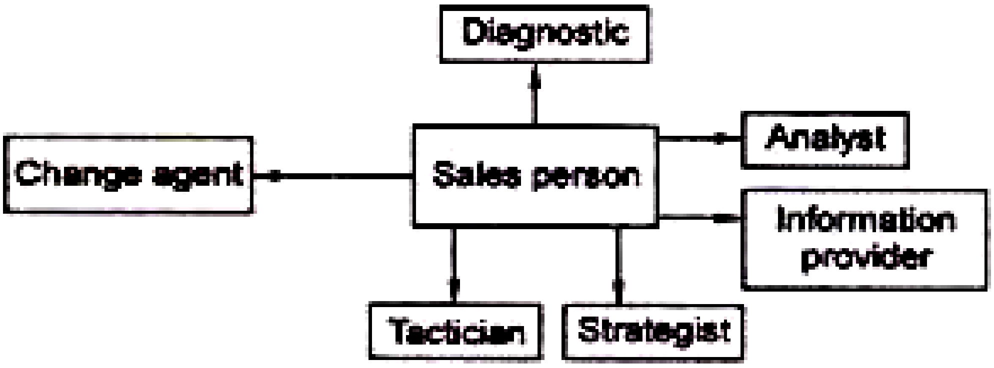
4. **Customer-based Structures (Account-size Structure)**

Some companies structure their sales-force by account size. The importance of a few large customers in many trade and industrial markets has given rise to the establishment of a key or major account sales-force.

The team comprises senior salespeople who specialize in dealing with large customers that may have different buying habits and demand more sophisticated sales arguments than smaller companies. The team will be conversant with negotiation skills since they are likely to be given a certain amount of discretion in terms of discounts, credit terms, etc., in order to secure large orders.

Functions and Responsibilities of Sales Person

A salesperson is an important sales management position maintaining vital link between an enterprise and customers, society, distributors, retailers and others. Nature of roles played by a sales person is given as follows.



(i) Diagnostic

This involves a salesperson probing and finding the cause of a problem, i.e., why a customer often changes a brand or why a customer is loyal to a particular brand.

(ii) Analyst

A salesperson analyses customer needs and market trends and identify the linkages.

Example:

A farmer prefers a motorcycle compared to a scooter, so marketer must segment rural middle class for various types of motorcycles.

(iii) Information Provider

A salesperson is also an intelligent agent. He keeps the management informed of any significant development in his territory, i.e., any strategic change of competitor etc.

(iv) Strategist

A salesperson being in the forefront of sales organization can command on time and route plans of sales organization.

For Example:

A salesperson may at time make the announcement of a price change in his territory in such a way that it will give him maximum benefit. Likewise, evolving a strategy to sell to an aggressive customer is the role of a salesperson.

(v) Tactician

He is a tactician in the sense that he (or she) evolves tactics to win over the customer or enhance distribution/retailer satisfaction. A tactic is a short-term action plan and is part of a strategy, which is a long-term concept.

(vi) Change Agent

A salesperson acts as a Change Agent in his territory. For it is he who introduces new product ideas and influences the life styles and consumption pattern by making new products and services available in the territory and influencing opinion of manager to accept and recommend the same to other salesperson.

Thus, the modern society owes a lot to salespersons, for it is they who help upgrade life style and quality of living. The Selling process or The Selling Theories on which the salespersons depend are Stimulus- Response Theory, Product Oriented Selling and Need-Satisfaction Theory.

Other Functions Performed by a Sales Person

(a) Line functions

i. Achieves volume of sales

ii. Responsible for enhancing market share

iii. Responsible for profitability of the organization

iv. Attends to customer service.

(b) Staff functions

i. Provides assistance for ware housing In charge

ii. Provides assistance for Transport Department

iii. Provides assistance to Production Department regarding Product knowledge and knowledge about specific customers.

(c) Line and staff functions

i. Helps General Sales Manager with sales fore-cost, market information and information about competitors

ii. Helps Corporate Management in respect of product development, Diversification and information about market and competitors.

Responsibilities of Sales Person

The duties and responsibilities of a salesman differ from one business to another depending upon the nature of the business, the size of the business, the type of selling job, the sales policies of the concern, etc. However, there are certain duties and responsibilities which are common to all types of business.

Responsibilities of a Salesman

1. **Selling**

The fundamental duty of a salesman is selling. This duty includes meeting the prospects, presenting and demonstrating the products, inducing the prospects to buy, taking orders and effecting sales.

2. **Guiding the buyers**

A salesman should guide the buyers in buying the goods they want.

3. **Attending to complaints**

A salesman should attend to the complaints of the customers immediately and try to settle their grievances quickly and sincerely.

4. **Collection of bills**

Sometimes, a salesman may be required to collect the outstanding bills relating to the goods sold by him. In such a case, he has to collect the bills and remit the amount to his firm.

5. **Collection of credit information**

A salesman may, sometimes, be required to collect information about the credit-worthiness of the customers. In such a case, he has to collect detailed information and submit it to his firm in time.

6. **Reporting**

A salesman, especially a traveling salesman, is required to send daily, weekly or monthly reports to his firm, providing information about the calls made, sales effected, services rendered, route schedule, expenses incurred, business conditions, competition, if any, etc.

7. **Organizing**

A salesman, i.e., a traveling salesman, is required to organize his tour programme. He has to prepare the route and time schedules for his tour so as to systematize his sales efforts.

8. **Attending sales meetings**

A salesman is required to attend the sales meetings convened by his employer at periodical intervals to discuss the marketing problems, sales promotion activities, sales policies, etc.

9. **Touring**

A traveling salesman has to undertake touring regularly to cover the sales territories assigned to him.

10. **Arranging for packing and delivery**

A salesman, i.e., a counter salesman, has to arrange for the packing of the goods sold and the delivery of the packages to the buyers.

11. **Window and counter displays**

A salesman, i.e., an indoor or counter salesman, has to arrange for the window and counter displays of the products in an attractive manner so as to attract or induce the prospects to buy.

12. **Promotion of goodwill**

Every salesman has to build up satisfied clientele (i.e., customers) for his employer and thereby promote the goodwill of his firm.

13. **Recruiting and Training**

Recruiting new salesmen, imparting training, by accompanying them while making sales calls.

14. **Working with Middlemen**

Salesmen establish direct relations with middlemen — distributors, wholesalers, etc., and collect market information and pass it on to their firm.

Sales Force Motivation

1. Establish Trust

If your team doesn't trust you, they won't be motivated to put in the effort to meet sales targets.

2. Know what makes them tick (personally and collectively)

Every sales rep and sales team are different. As a sales manager, you need to have an understanding of what makes them tick and what will motivate your team to perform at its peak.

3. Reward top performers

People want to be rewarded for their hard work. Even a small reward, like a "rep of the month" award or even a thank you email, will keep people motivated to perform at a high level.

4. Have a contest

Sometimes you need to break up the monotony of sales jobs. Run a contest to light a fire under your reps and keep things fresh.

5. Recognize your top performers publicly

Sales reps want to be recognized for their work, so recognize the top daily/weekly/monthly performers in front of the team.

6. Training and team building

Training and team building will help bring your team closer together while giving them new skills to become better sales professionals.

7. Offer different sources of motivation

Some people are motivated by money, others are motivated by opportunity, promotions, and even new responsibilities. Offer your team multiple sources of motivation.

8. Flexibility and input

If the position permits, allow your sales team to try new things and offer input about the sales process.

9. Create a winning environment

Small daily or weekly goals and targets will give your team something to be motivated by. Make note of daily wins and communicate them with your team.

10. Have a positive approach

Having a positive attitude, no matter how the performance metrics look, will help keep your team focused and maintain their motived mindset.

Sales Force Compensation

Sales-force compensation is number one problem confronting every sales management. Compensation, here, stands for the monetary and non-monetary 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 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.

Perhaps, the most difficult task is how to reconcile the conflicting objectives of low sales costs and higher profits on one hand and adequate, attractive earnings with security, on the other.

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.

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 organization 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.

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

Designing Incentives and Contests

Experts view that following are the essential requirements of a sound compensation plan:

1. It is simple

Simplicity is the fundamental principle of a sound sales compensation plan. Salesmen suspect any plan that they do not understand, totally and this weakens their confidence and lowers their morale. That is ‘why, the plan of compensation must be simple to calculate and easy to understand.

2. It is adequate

A sound plan generates enough compensation for the salesmen to maintain a decent standard of living in the line. Salesmen must be allowed to earn enough to meet their obligations to save for the future.

The factors like cost of living, minimum standard of living, capacity, age, education, experience etc., are to be taken into account. A critical analysis of compensation plans a good way-out in fixing adequate compensation for the employees.

3. It is flexible

The compensation plan so designed must be capable of being adapted to varying selling conditions that are subject to change.

The plan should be adjustable to the differing nature of salesmen, territories, products, compensation present in any sales territory and the like. A supple plan is one that works well both in bad and good times.

4. It is fair and equitable

To win the hearts of salesmen their beating cooperation and lasting loyalty, the compensation plan should be fair and equitable to one and all. Discrimination and partial treatment are the costly mistakes for which the sales management will have to pay heavily in intangible terms.

The sales-force is quite keen and sensitive to these things of ill-treatment, discrimination, inequality, partiality and so on. No equally qualified and experienced persons are paid differently.

5. It is Economical

The purpose of sound compensation plan is to increase the sales and the profits at least cost. Decreasing cost per unit, lower expense and higher profit margin on unit and total sales is the aim, in effect.

The earnings of salesmen must be kept in kilt as such remuneration is one of the expenses. As per the experts view, such expense should not go beyond 5 to 15 per cent of the total sales value.

6. It is easy to Administer

Administrative ease implies reduction in the complications, time consumed in accounting department, paper work involved. To provide this much desired administrative ease, easy and realistic compensation plans are to be devised and implemented.

Complicated plans demonstrate mathematical excellence but have problems of red-tape and error-proneness.

7. It is incentive oriented

It must keep employees spurred. Monetary and non-monetary rewards for extra efforts put in are really nice stimuli that propel the salesmen to new heights of performance.

Additional compensation, over and above normal earning, results in increased sales and profits. This goes to distinguish between the efficient and the inefficient salesmen and improves overall performance well above the normal efforts put in by the sales-force.

8. It is Timely

Any compensation plan, however adequate, attractive and fair and equitable, is bound to lose its weight, if the payment is not made within the expected time.

Salesmen work for money but money is to be received at a point of time to which they are committed. Thus, the payments can be fort-nightly, monthly and the bonuses yearly or terminally. Money earned has value if it is received in the nick of the time.

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UNIT- III

Distribution Management

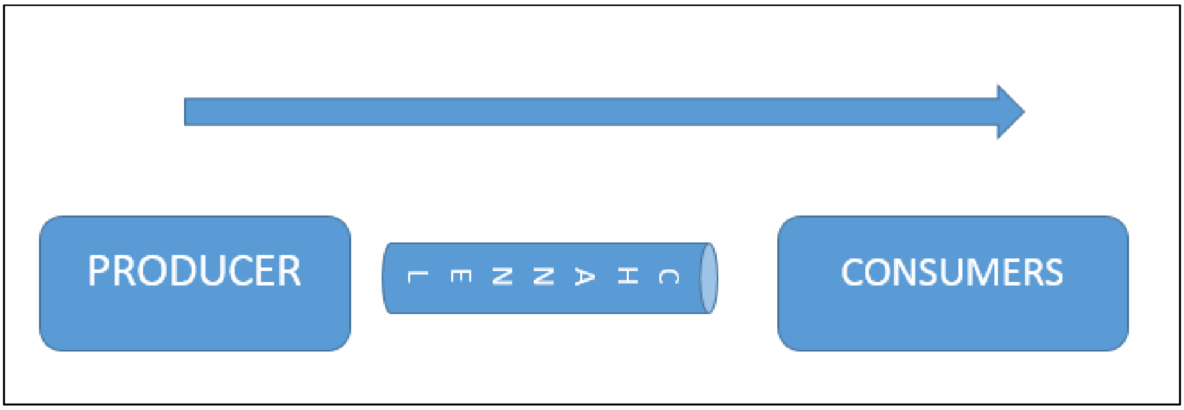
Channel Planning Marketing channels, Structure and functions, Marketing channel design, Service output

Marketing channels are set of mutually dependent organizations involved in the process of making product or service available for utilization. It is established in academic studies that Marketing channels are the means by which goods and services are made available for use by the customers.

All goods go through channels of distribution, and marketing will depend on the way goods are distributed. The direction that the product takes on its way from production to the consumer is imperative because a marketer must choose which channel is best for his particular product. It can be said that channel is the link between manufactures and purchasers. Decisions about the marketing channel system are decisive for management.

The marketing channels chosen by marketers influence all other marketing decisions. The firm's sales force and advertising decisions depend on how much training and inspiration dealers need. Further, channel decisions involve comparatively long-term commitments to other firms. Holistic marketers guarantee that marketing decisions in all these different areas are made to jointly maximize value.

Channel of distribution (Marketing channel)



In current competitive climate, big companies are using hybrid channels in any one area. The firm must choose how much effort is needed to assign to push versus pull marketing. **A push strategy** uses the manufacturer's sales force and trade promotion to encourage intermediaries to carry, promote, and sell the product to customers. This is suitable where there is low brand loyalty in a category, brand choice is made in the store, the product is desired item, and product benefits are well understood. In a pull strategy, the manufacturer uses advertising and promotion to influence customers to ask intermediaries for the product, thus inducing the intermediaries to order it. This is suitable when there is high brand loyalty and high involvement in the category, people perceive differences between brands, and people choose the brand before they shop. A marketing channel executes the work of moving products from producers to consumers, beat the time, place, and possession gaps that separate goods and services from those who need or want them.

Channel level: The producer and the final customer are part of every channel. There are numerous channels by which goods and services are distributed. It is divided into direct and indirect channel. In direct channel also known as zero-level channel, manufacturer and customer deal directly with each other. There is no middleman in this channel. It consists of a producer selling directly to final customers through door-to-door sales, Internet selling, mail order, telemarketing, home parties, TV selling, manufacturer-owned stores, and other methods.

In indirect channel, companies manufacture products in huge scale and sell these products to middle man for example whole seller and retailers. This channel can be very expensive.

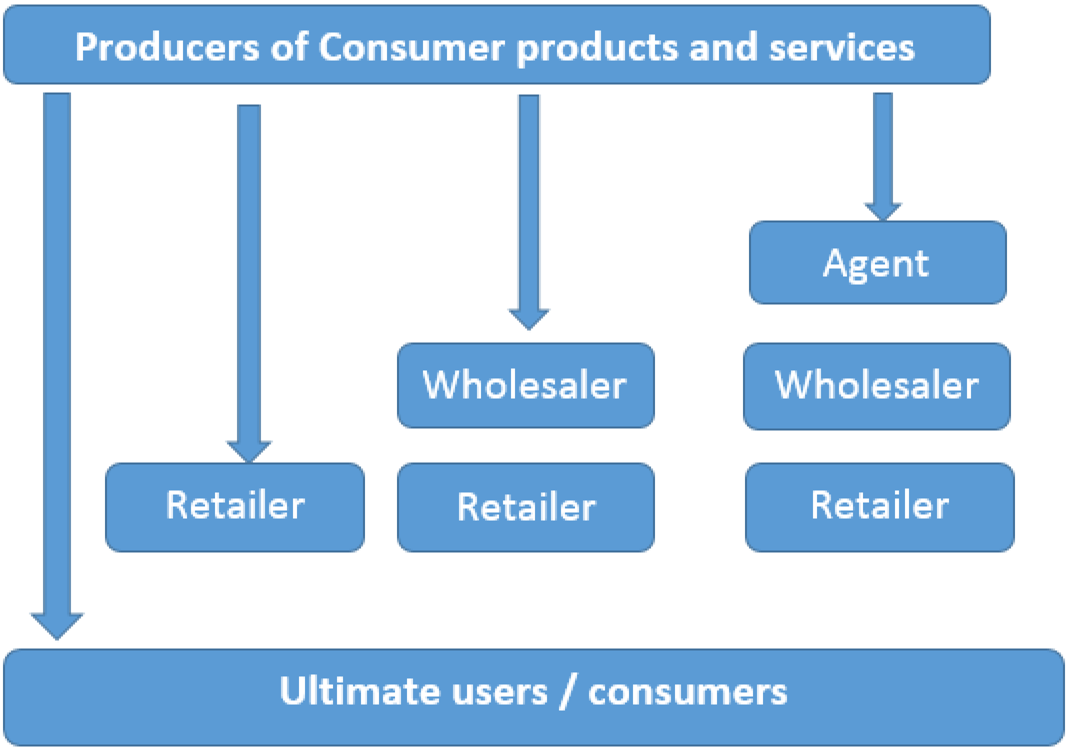
Manufacturer to Customer: Manufacturer produces the goods and sells them to the customer directly with no mediator, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary.

Manufacturer to Retailer to Consumer: Purchases are made by the seller from the manufacturer and then the retailer sells the products to the consumer. This channel is used by manufacturers that specialize in producing shopping goods.

Manufacturer to Wholesaler to Customer: Consumers can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer.

Manufacturer to Agent to Wholesaler to Retailer to Customer: This type of distribution involves more than one intermediary involves an agent called in to be the middleman and help with the sale of the goods. An agent receives a commission from the producer. Agents are useful when products or services need to move rapidly into the market soon after the order is placed.

Market channels by which goods and services are distributed



Characteristics of Marketing Channels

- Link between Producer and Consumer.
- Flow of Goods
- Remuneration.
- Classification-Direct and Indirect.
- Activities- Financing, Credit Facility

It is important to consider some factors when choosing appropriate marketing channel such as product, market, company. It is observed that middle man plays vital role in distribution of product in market channel. The core responsibility of intermediaries is to deliver products to customers in their desired location. To accomplish this objective, they purchase goods and store these and then ship to customers.

Marketing channel function performed by middleman.

Designing a Marketing Channel System

Designing a marketing channel system entails factors such as analysing customer needs, establishing channel objectives, identifying major channel alternatives, and evaluating major channel alternatives.

Analysing Customers' Desired Service Output Levels: The marketer must recognize the service output levels which its target customers want. Channels produce five service outputs:

1. **Lot size:** The number of units the channel allows a particular customer to buy at one time.
2. **Waiting and delivery time:** The average time consumers of that channel wait for receipt of the goods. Customers generally prefer fast delivery channels.
3. **Spatial convenience:** The extent to which the marketing channel facilitate for customers to obtain the product.
4. **Product variety:** The variety provided by the channel. Usually, consumers prefer a greater collection, which enhances the chance of finding what they need.
5. **Service backup:** The add-on services such as credit, delivery, installation, repairs provided by the channel.

Providing greater service outputs denotes increased channel costs and higher prices for consumers. The triumph of discount resellers (online and offline) designates that many consumers will accept lower outputs if they can save money.

Establishing Objectives and Constraints

Another factor in designing a marketing channel system is that marketers must declare their channel objectives in terms of targeted service output levels. In competitive conditions, channel institutions should coordinate their functional tasks to reduce total channel costs and still offer desired levels of service outputs. Generally, planners can recognize several market segments that want different service levels. Successful planning needs to determine which market segments to serve and the best channels for each. Channel objectives differ with product characteristics. Channel design is also affected by numerous environmental factors as competitors' channels, monetary conditions, and legal regulations and limitations.

Identify Major Channel Alternatives

Other decisive factor in developing market channel is to recognize alternatives. Companies may select array of channels to approach customers, each of which has distinctive strengths as well as limitations. Each channel alternative is explained by

(i) The types of available intermediaries

(ii) The number of intermediaries needed; and

(iii) The terms and responsibilities of each channel member.

Types of Intermediaries entails a firm needs to discover the types of intermediaries available to run its channel work. Some intermediary merchants such as wholesalers and retailers buy, take title to, and resell the products. Agents such as brokers, manufacturers' representatives, and sales agents chase customers and may bargain on the producer's behalf but do not take title to the merchandise. Facilitators, including transportation companies, independent warehouses, banks, and advertising agencies, help in the distribution process but neither take title to goods nor negotiate purchases or sales.

Companies should recognize pioneering marketing channels. Number of Intermediaries indicates that to choose intermediaries to use, companies can adopt one of three strategies: exclusive, selective, or intensive distribution. Exclusive distribution means severely limiting the number of intermediaries. Selective distribution depends on more than a few but less than all of the intermediaries willing to carry a particular product. In intensive distribution, the producer places the goods or services in as many outlets as possible. This strategy is usually used for items such as snack foods, newspapers, and gum. Terms and Responsibilities of Channel Members signify that each channel member must be treated courteously and given the opportunity to be lucrative. The main constituents in the "**trade-relations mix**" are price policy, conditions of sale, territorial rights, and specific services to be performed by each party. Price policy assists the producer to ascertain a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.

Evaluating the Major Alternatives

The Company must assess each alternative against suitable economic, control, and adaptive criteria. The firm should verify whether its own sales force or a sales agency will create more sales and it estimates the costs of selling different quantities through each channel.

Managing Marketing Channel

In order to maximize profit, companies must manage their marketing channel effectively. Management of marketing channel refers to the process of analysing, planning, organizing and controlling its marketing channel. In marketing channel two different activities occur. One is the establishment of physical distribution system and other is management of marketing objectives. Management of marketing channel involves all functions of marketing mix which include product, price, physical distribution, program and people. The physical distribution system and channel structure is established through which products flow in the marketing channel.

Marketing Mix Activities In Marketing Channel Management: (McCalley, 1996)

Marketing Management		Physical Distribution	
Communicating	**Servicing**	**Shipping**	**Handling**
• Product features • Pricing policies • Marketing programs • Motivation	• Customers • Products • Intermediaries	• Provide carriers • Delivery • Negotiate rates • Handle claims • Documentation	• Equipment • Wrapping • Packaging • Regulatory • OSHA regs
Selling	**Motivating**	**Storing**	**Ordering Process**
• To wholesalers • To retailers • To consumers • Intermediaries	• Consumers • Wholesalers • Retailers • Facilitators	• Proper facility • Inventory control • Regulatory • Facilitators	• Order entry • Order trace • Document • Feed back

To Mange marketing channel, firms must adopt motivational strategies such as paying higher slotting allowances, offering higher trade discount, providing strong promotional and advertising support, training channel member sales people, giving high level logistic support.

Management professional stated that after a firm has selected a channel system, it must select, train, motivate, and evaluate individual intermediaries for each channel. It must also modify channel design and arrangements over time.

Selecting Channel Members: For successful management, Companies must have to choose talented channel members cautiously because for customers, the channels are the company. Producers should decide what features distinguish the better intermediaries and scrutinize the number of years in business, other lines carried, growth and profit record, financial strength, cooperativeness, and service reputation of potential channel members. If the intermediaries are sales agents, producers should assess the number and character of other lines carried and the size and quality of the sales force. If the intermediaries want exclusive distribution, the manufacturer should assess locations, future growth potential, and type of customers.

Training and Motivating Channel Members: It is a major responsibility of a company to examine its intermediaries in the same way it views its customers. It needs to establish intermediaries' needs and build a channel positioning such that its channel offering is tailored to provide superior value to these intermediaries. To enhance intermediaries' performance, the company should offer training, market research, and other capability-building programs. The company must also continually strengthen that its intermediaries are to jointly gratify the needs of end users. Producers differ greatly in channel power, the ability to change channel members' behaviour therefore the members take corrective actions. Often, gaining intermediaries' collaboration is a major challenge. Sometimes, Producers try to forge a long-term affiliation with channel members. The manufacturer must talk clearly what it expects from its distributors in the way of market coverage and other channel issues and may ascertain a compensation plan for adhering to these policies. Motivating channel members takes numerous forms in order to gratify the requirements at each level in channel. Profitability is major Motivational force for whole seller for product selection. When profit motivation is satisfied, whole seller will look for marketing programs offered by producers to sell products to retailers. Whole seller checks the credit option and terms of payment when assessing the profit option for business when dealing with particular supplier. Retailers are mainly concerned with maintenance of product supply and availability. It is observed in market that when customers cannot get product in one retail shop, they immediately search for it in another retailers. But retailers do not want to lose customers. Another interest of retailers is profitability of the product.

Motivational consideration for channel members: (McCalley, 1996)

For Wholesalers	For Retailers	For Product Users
Profit	Product availability	Product utility
Credit & terms	Profit	Value received
Marketing programs	Credit & terms	Credit & terms
Competitiveness	Marketing programs	Retailer service
Policies	Competitiveness	Product info.
Training	Training	Guarantees
Legal & regulatory	Legal & regulatory	Legal & regulatory

Evaluate Channel Members: To successfully manage market channel, producers must assess intermediaries' performance at regular intervals against such standards as sales-quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs. A producer will occasionally determine that it is paying particular intermediaries too much for what they are actually doing. Producers should establish functional discounts in which they pay specific amounts for the intermediary's performance of each agreed-upon service. People who are not performing must be given extra training or counselling.

Modifying Channel Arrangements: Channel arrangements must be reassessed regularly and altered when distribution does not work as planned, consumer buying patterns change, the market develops, new competition occurs, inventive distribution channels appear, and the product moves into later stages in the product life cycle. No marketing channel remains successful over the entire product life cycle. Early purchaser might be willing to pay for high-cost value-added channels, but later buyers will change to lower-cost channels. In highly competitive markets with low entry barriers, the best channel structure will transform over time. The company may add or drop individual channel members, add or drop particular market channels, or develop a new way to sell merchandise.

The process of adding or dropping an individual channel member needs an incremental analysis to decide profitability of company. Additionally, marketers adopt data mining to analyse customer shopping data as input for channel decisions. The most complicated decision is whether to modify the overall channel scheme. Channels can become old-fashioned when gap occurs between the existing distribution system and the ideal system to gratify customer's needs and wants.

The most challenging face of channel management is the maintenance of control over all parts of distribution flow and marketing activities. Marketers have to undergo legal issues in controlling marketing channels therefore they need to develop successful channel programs that will stimulate the action planned without creating conflict among competitive channel members.

To summarize, market channel is medium through product from raw material move to costumer. In designing market channel, it is important to comprehend customer's need. The task of managing marketing channel falls to marketing and sales managers. These people directly involve with channel members and company's competitors. They know how to find valuable information for good management decisions. To organize marketing channel, it is imperative to gather relevant information. It assists in writing accurate and detail market profile statement. Most marketing channels are created with one or more intermediaries between the manufacturer and consumer.

Supply side channel analysis, Channel flow and efficiency analysis, Channel structure and intensity analysis

Marketing Distribution channel is actually one slice of the overall marketing pie chart. By the help of distribution channels, a company makes its products or services available to the consumers. Distribution channel plays a vital role in a company's overall marketing strategy. This is also a part of the "Four Ps" of marketing i.e. product, promotion, price and placement or distribution. This is obligatory to take a look at this segment while conducting a marketing analysis, to ensure that your company is using the right channels to make available your product to your customers.

Distribution Channel

There are many distributions and a particular company can choose one or more according to their requirements. Some major distributions channels include wholesalers, catalog sales, e-commerce websites, consultants, a direct sales force who usually sell over the phone, dealers, home shopping networks, retailers and more. The selected distribution channels may dictate what the rest of the marketing strategy would be, as they influence the company's buyer directly. Advertising, promotions and other marketing methods would then appeal to the buyer's demographic. So every company either operating at small or large scale must perform a keen and careful market analysis to determine which distribution channel is best suited for their product distribution.

Marketing Analysis

Optimized distribution strategy can be a powerful growth driver for your company. Marketing analysis begins with an analysis of company's distribution channels and a comprehensive analysis of the entire market distribution system. The final result will help in creation of strategic distribution plan, or a plan for the optimal product distribution strategy. Market analysis will help to determine the target demographic and demand for your products or services. This will also help to know about company's competitors and their distribution channels. Market analysis determines competitive pricing for the products and the best distribution channels.

After passing through this phase only then companies can create their marketing strategy based on the information gained by market analysis. Conducting regular marketing analysis will also help the company to figure out whether their marketing strategies are working or whether they need to reconsider how they are promoting the products or services.

Marketing and Distribution

Suppose a company design a strong advertising campaign as well as do best promotional activities but, company won't get the product bought if company's products are being sold or distributed in the wrong place. For example, a company that makes socks and leather jackets that has its store in a warm locale probably won't sale many products because the demand of their product isn't there. So companies must match distribution channel against its buyers. Companies should determine where their customers are, and then they need to make sure to have their distribution channel flow directly in demanding location.

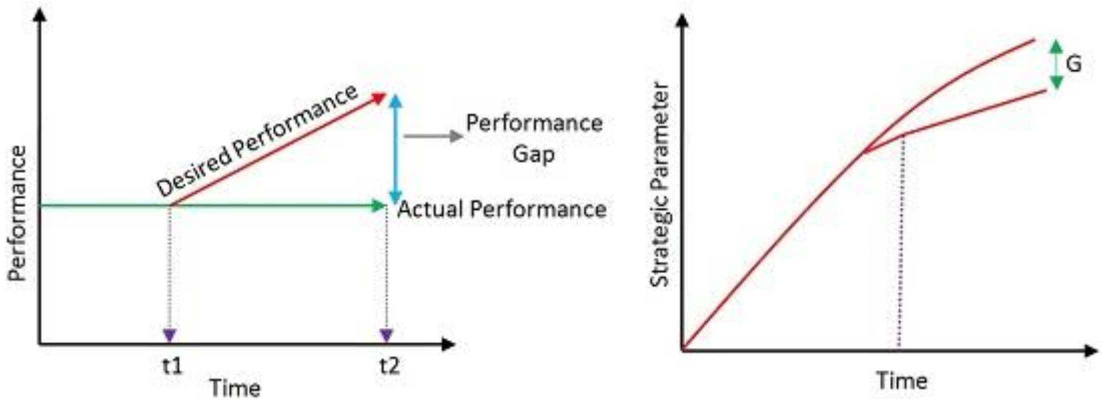
Selecting the Best Channel

All successful companies should also take into consideration that how their customers want to receive their designed products or offered services. Do they want to make an online purchase, do they want to talk with a direct sales agent or browse in a store? After determining this, then companies need to figure out whether to sell directly or through a marketing intermediary such as wholesalers or retailers by estimating which one would bring most profit for company.

Companies can do this by using market information that shows the number of potential sales, as well as price per product and the cost of distribution.

Gap Analysis

Gap Analysis can be understood as a strategic tool used for analyzing the gap between the target and anticipated results, by assessing the extent of the task and the ways, in which gap might be bridged. It involves making a comparison of the present performance level of the entity or business unit with that of standard established previously.



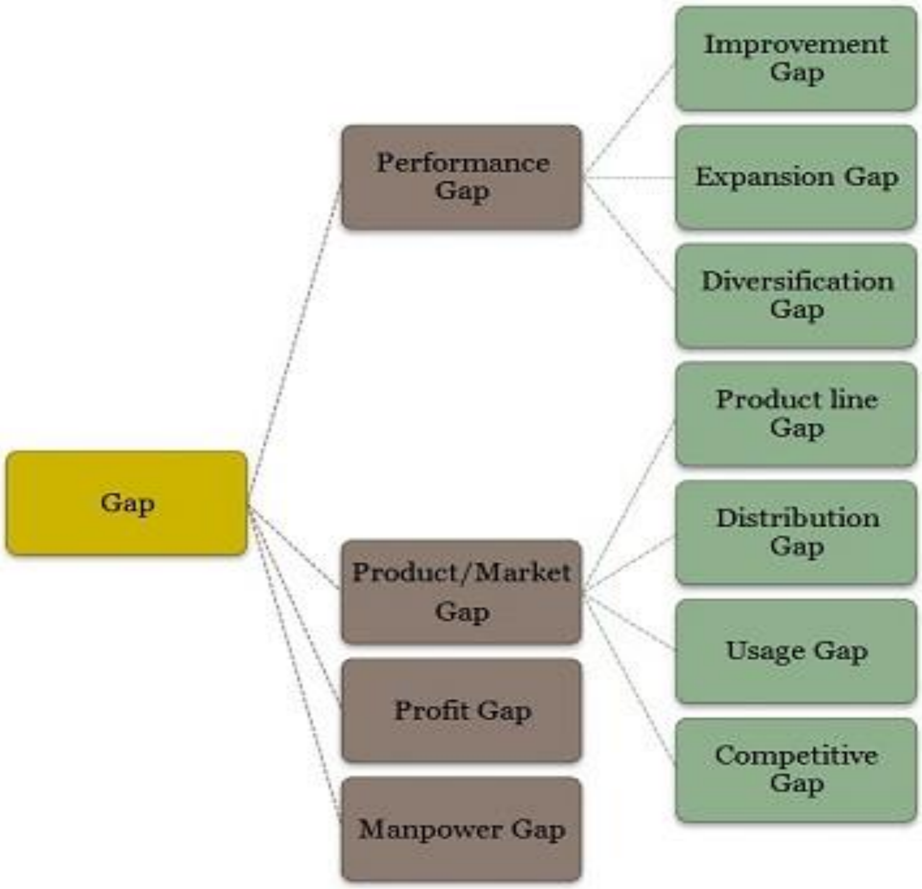
Gap Analysis is a process of diagnosing the gap between optimized distribution and integration of resources and the current level of allocation. In this, the firm's strengths, weakness, opportunities, and threats are analysed, and possible moves are examined. Alternative strategies are selected on the basis of:

- Width of the gap
- Importance
- Chances of reduction

If the gap is narrow, stability strategy is the best alternative. However, when the gap is wide, and the reason is environment opportunities, expansion strategy is appropriate, and if it is due to the past and proposed bad performance, retrenchment strategies are the perfect option.

Types of Gap

The term 'strategy gap' implies the variance between actual performance and the desired one, as mentioned in the company's mission, objectives, and strategy for reaching them. It is a threat to the firm's future performance, growth, and survival, which is likely to influence the efficiency and effectiveness of the company. There are four types of Gap:



1. **Performance Gap**: The difference between expected performance and the actual performance.
2. **Product/Market Gap**: The gap between budgeted sales and actual sales is termed as product/market gap.
3. **Profit Gap**: The variance between a targeted and actual profit of the company.
4. **Manpower Gap**: When there is a lag between required number and quality of workforce and actual strength in the organization, it is known as manpower gap.

For different types of gaps, various types of strategies are opted by the firm to get over it.

Stages in Gap Analysis

1. **Ascertain the present strategy**: On what assumptions the existing strategy is based?
2. **Predict the future environment**: Is there any discrepancy in the assumption?
3. **Determine the importance of gap between current and future environment**: Are changes in objectives or strategy required?

Whether it is anticipated sales, profit, capacity or overall performance, they are always based on the past, and present figures and some amount of guess are also involved in it. So, the occurrence of the gap is quite natural, but if the gap is large, then it is a point to ponder because it might have an adverse effect on the company's future.

UNIT – IV

Channel Management

Managing the Marketing Channel incentives and margins

(1) More personal contact. They desire more meaningful connections. Broad newsletters from large enterprises are impersonal. They may provide useful information, but they lack a personal touch. At the end of the day, you want to be building a relationship with the sales force, and personal contact is an excellent way to do it.

(2) Better systems. How many systems does your partner need to access to complete a sale and function day to day? Is it four? Ten? Even more? The more systems they must use, the more difficult it is for them to perform an activity quickly. And in the world of high-volume sales, every second counts. Think of it this way: If they need to go to ten different places for your product, but only three for another vendor, who do you think they're likely to prefer? And in today's massively mobile environment, can you really justify desktop-only access? To gain success, your systems also need to be accessible anywhere, anytime.

(3) More incentives. Yes, incentive programs do help. From monetary bonuses to unique prizes, these incentives can take on a variety of shapes, and target different audiences. Is the prize monetary or recognition based? And is it at the company, team, or individual level? Creating the right mix of each will help you motivate your channel partners.

Step 1: Program Assessment. Take a look at your partners and answer the following questions:

1. Who are your partners, and where are they located?
2. How does your product fit into their portfolio, and do you have any direct competition?
3. How does their individual performance look?
4. How does your compensation compare to their other partners?

Step 2: Current incentives. Take an end-to-end look at your current program. Do you have a mix of incentive types? Are they geared toward the corporate or individual audience? Do they emphasize short-term or long-term performance? What behaviors are they attempting to motivate your channel partners, and are they successful?

Step 3: Know your goals. How will you define success? And do you have reporting in place to accurately monitor performance? Also, consider whether you want to make the changes unilaterally, or on a partner-specific basis.

Step 4: Test and learn. Once you've made changes, it's important to monitor their performance over time. And, if they aren't doing what you intended, then it's time to adjust.

Bottom line: Your incentive systems should both empower you to draw meaningful conclusions regarding performance and make the necessary adjustments to maximize effectiveness.

Channel power

The **Channel Power** refers to the ability of any one channel member to alter or modify the behaviour of other members in the distribution channel, due to its relatively strong position in the market.

Generally, the manufacturers are seen, dominating the behavior of other channel partners and influencing their actions according to its requirements.

Types of Channel Power

In this article, we will discuss the powers of the manufacturer, that he can use in order to control the behaviour of other channel partners.

(1) Coercive Power: The manufacturer threatens to terminate the relationship with other channel partners or withdraw the resources deployed with them. With this power, the manufacturer can dominate the others and keep them under his control.

But the negative side is, the channel partners may lose their faith in the manufacturer and may enter into inter-conflicts.

(2) Reward Power: The manufacturer provides several additional benefits to the intermediaries, with the intention to motivate them to perform certain activities as required.

This power is very useful since it brings in the maximum efforts from each channel partner, but this may sometimes be negative as the channel partners may always seek for the benefits in case, they are required to do some other activity.

(3) Legitimate Power: Here the manufacturer reminds the channel partner to carry out their activities in accordance with the contract they have entered into at the time they became the channel partners.

The manufacturer may find it convenient to keep a check on the channel partners in terms of their signed agreement, but the partners may feel humiliated for the continuous reminder for their code of conduct.

(4) Expert power: The manufacturer has the expertise that he transfers to the channel partners, and once they acquire it, the power of expertise reduces. Thus, the manufacturer should focus on creating the new expertise, thereby keeping the channel partners updated with the day to day operations.

The manufacturer uses this power to retain the interest among the channel partners to work, but the intermediaries may not feel to learn any new things apart from what they have learned.

(5) Referent Power: The manufacturer should develop its image in such a way, that the intermediaries must feel proud to be associated with it. The manufacturer with the influential image can get varied options with regard to the channel partners.

But if the manufacturer is weak then intermediaries may not like to get associated with it because that might spoil their market image.

Thus, the manufacturer is the one who provides the goods and services to be sold via intermediaries and, therefore, the channel partners are dependent on the manufacturer for their individual businesses.

Managing channel Dynamics, Relationships and Channel conflicts

Channel Power

Strong channel partners often wield what's called channel power and are referred to as channel leaders, or *channel captains*. In the past, big manufacturers like Procter & Gamble and Dell were often channel captains. But that is changing. More often today, big retailers like Walmart and Target are commanding more channel power. They have millions of customers and are bombarded with products wholesalers and manufacturers want them to sell. As a result, these retailers increasingly are able to call the shots. In other words, they get what they want.

Category killers are in a similar position. Consumers like you are gaining marketing channel power, too. Regardless of what one manufacturer produces or what a local retailer has available, you can use the Internet to find whatever product you want at the best price available and have it delivered when, where, and how you want.

Channel Conflict

A dispute among channel members is called a channel conflict. Channel conflicts are common. Part of the reason for this is that each channel member has its own goals, which are unlike those of any other channel member. The relationship among them is not unlike the relationship between you and your boss (assuming you have a job). Both of you want to serve your organization's customers well. However, your goals are different. Your boss might want you to work on the weekend, but you might not want to because you need to study for a Monday test.

All channel members want to have low inventory levels but immediate access to more products. Who should bear the cost of holding the inventory? What if consumers don't purchase the products? Can they be returned to other channel members, or is the organization in possession of the products responsible for disposing of them? Channel members try to spell out details such as these in their contracts.

No matter how "airtight" their contracts are, there will still be points of contention among channel members. Channel members are constantly asking their partners, "What have you done (or not done) for me lately?" Wholesalers and retailers frequently lament that the manufacturers they work with aren't doing more to promote their products—for example, distributing coupons for them, running TV ads, and so forth—so they will move off store shelves more quickly. Meanwhile, manufacturers want to know why wholesalers aren't selling their products faster and why retailers are placing them at the bottom of shelves where they are hard to see. Apple opened its own retail stores around the country, in part because it didn't like how its products were being displayed and sold in other companies' stores.

Channel conflicts can also occur when manufacturers sell their products online. When they do, wholesalers and retailers often feel like they are competing for the same customers when they shouldn't have to. Likewise, manufacturers often feel slighted when retailers dedicate more shelf space to their own store brands. Store brands are products retailers produce themselves or pay manufacturers to produce for them. Dr. Thunder is Walmart's store-brand equivalent of Dr. Pepper, for example. Because a retailer doesn't have to promote its store brands to get them on its own shelves like a "regular" manufacturer would, store brands are often priced more cheaply. And some retailers sell their store brands to other retailers, creating competition for manufacturers.

Vertical versus Horizontal Conflict

The conflicts we've described so far are examples of vertical conflict. A vertical conflict is conflict that occurs between two different types of members in a channel—say, a manufacturer, an agent, a wholesaler, or a retailer. By contrast, a horizontal conflict is conflict that occurs between organizations of the same type—say, two manufacturers that each want a powerful wholesaler to carry only its products.

Horizontal conflict can be healthy because it's competition driven. But it can create problems, too. In 2005, Walmart experienced a horizontal conflict among its landline telephone suppliers. The suppliers were in the middle of a price war and cutting the prices to all the retail stores they sold to. Walmart wasn't selling any additional phones due to the price cuts. It was just selling them for less and making less of a profit on them (Hitt, et. al., 2009).

Channel leaders like Walmart usually have a great deal of say when it comes to how channel conflicts are handled, which is to say that they usually get what they want. But even the most powerful channel leaders strive for cooperation. A manufacturer with channel power still needs good retailers to sell its products; a retailer with channel power still needs good suppliers from which to buy products. One member of a channel can't squeeze all the profits out of the other channel members and still hope to function well. Moreover, because each of the channel partners is responsible for promoting a product through its channel, to some extent they are all in the same boat. Each one of them has a vested interest in promoting the product, and the success or failure of any one of them can affect that of the others.

Flash back to Walmart and how it managed to solve the conflict among its telephone suppliers: Because the different brands of landline telephones were so similar, Walmart decided it could consolidate and use fewer suppliers. It then divided its phone products into market segments—inexpensive phones with basic functions, mispriced phones with more features, and high-priced phones with many features. The suppliers chosen were asked to provide products for one of the three segments. This gave Walmart's customers the variety they sought. And because the suppliers selected were able to sell more phones and compete for different types of customers, they stopped undercutting each other's prices (Hitt, et. al., 2009).

One type of horizontal conflict that is much more difficult to manage is dumping, or the practice of selling a large quantity of goods at a price too low to be economically justifiable in another country. Typically, dumping can be made possible by government subsidies that allow the company to compete on the basis of price against other international competitors who have to operate without government support, but dumping can also occur due to other factors.

One goal of dumping is to drive competitors out of a market, then raise the price. Chinese garlic producers were accused of this practice in the early 2000s, and when garlic prices soared due to problems in China, other countries' producers were unable to ramp back up to cover the demand. U.S. catfish farmers have recently accused China of the same strategy in that market. While there are global economic agreements that prohibit dumping and specify penalties when it occurs, the process can take so long to right the situation that producers have already left the business.

Channel coordination

Channel coordination (or supply chain coordination) aims at improving supply chain performance by aligning the plans and the objectives of individual enterprises. It usually focuses on inventory management and ordering decisions in distributed inter-company settings. Channel coordination models may involve multi-echelon inventory theory, multiple decision makers, asymmetric information, as well as recent paradigms of manufacturing, such as mass customization, short product life-cycles, outsourcing and delayed differentiation. The theoretical foundations of the coordination are based chiefly on the contract theory.

The decentralized decision making in supply chains leads to a dilemma situation which results in a suboptimal overall performance called double marginalization. Recently, partners in permanent supply chains tend to extend the coordination of their decisions in order to improve the performance for all of the participants. Some practical realizations of this approach are Collaborative Planning, Forecasting, and Replenishment (CPFR), Vendor Managed Inventory (VMI) and Quick Response (QR).

The theory of channel coordination aims at supporting the performance optimization by developing arrangements for aligning the different objectives of the partners. These are called coordination mechanisms or schemes, which control the flows of information, materials (or service) and financial assets along the chains. In general, a contracting scheme should consist of the following components:

- Local planning methods which consider the constraints and objectives of the individual partners,
- An infrastructure and protocol for information sharing, and
- An incentive scheme for aligning the individual interests of the partners.

The appropriate planning methods are necessary for optimizing the behavior of the production. The second component should support the information visibility and transparency both within and among the partners and facilitates the realization of real-time enterprises. Finally, the third component should guarantee that the partners act upon to the common goals of the supply chain.

Wholesale and Retail Structure

Wholesale

Wholesaling is the selling of merchandise to anyone—either a person or an organization—other than the end consumer of that merchandise. Wholesalers, who are sometimes referred to as middle agents, represent one of the links in the chain along which most goods pass on their way to the marketplace. As intermediaries between producers and consumers of goods, wholesalers facilitate the transport, preparation of quantity, storage, and sale of articles ultimately destined for customers. Wholesalers are extremely important in a variety of industries, including such diverse product areas as automobiles, grocery products, plumbing supplies, electrical supplies, and raw farm produce. They are particularly vital to the operations of small retailers. Whereas large retail companies buy directly from the manufacturer and often have their own intermediate warehousing operations, the limited resources of independent retail outlets make alliances with wholesalers a practical necessity.

Wholesalers are successful only if they are able to serve the needs of their customers, who may be retailers or other wholesalers. Some of the marketing functions provided by wholesalers to their buyers include:

- Provide producer's goods in an appropriate quantity for resale by buyers.
- Provide wider geographical access and diversity in obtaining goods.
- Ensure and maintain a quality dimension with the goods that are being obtained and resold.
- Provide cost-effectiveness by reducing the number of producer contacts needed.
- Provide ready access to a supply of goods.
- Assemble and arrange goods of a compatible nature from a number of producers for resale.
- Minimize buyer transportation costs by buying goods in larger quantities and distributing them in smaller amounts for resale.
- Work with producers to understand and appreciate consumerism in their production process.

TYPES OF WHOLESALERS

Although there are a number of ways to classify wholesalers, the categories used by the Census of Wholesale Trade are employed most often. The three types of wholesalers are 1) merchant wholesalers; 2) agents, brokers, and commission merchants; and 3) manufacturers' sales branches and offices.

(A) MERCHANT WHOLESALERS

Merchant wholesalers are firms engaged primarily in buying, taking title to, storing, and physically handling products in relatively large quantities and reselling the products in smaller quantities to retailers; industrial, commercial, or institutional concerns; and other wholesalers. These types of wholesaling agents are known by several different names, including wholesaler, jobber, distributor, industrial distributor, supply house, assembler, importer, and exporter, depending on their services.

According to E. Jerome McCarthy and William D. Perreault Jr., authors of *Basic Marketing*, merchant wholesalers account for the large majority of whole-saling establishments and wholesale sales. "As you might guess based on the large number of merchant wholesalers, they often specialize by certain types of products or customers," added McCarthy and Perreault. "They also tend to service relatively small geographic areas…. Merchant wholesalers also differin how many of the wholesaling functions they provide. There are two basic kinds of merchant wholesalers: 1) service (sometimes called full-service wholesalers) and 2) limited-function or limited-service wholesalers." The latter category of wholesalers, which itself is divided up into little niches, offer varying levels of service in such areas as product delivery, credit bestowal, inventory storage, provision of market or advisory information, and sales.

(B) AGENTS, BROKERS, AND COMMISSION MERCHANTS

Agents, brokers, and commission merchants are also independent middlemen who do not (for the most part) take title to the goods in which they deal, but instead are actively involved in negotiating and other functions of buying and selling while acting on behalf of their clients (commission merchants typically are limited to agricultural goods). They are usually compensated in the form of commissions on sales or purchases. Agents, brokers, and commission merchants usually represent the non-competing products of a number of manufacturers to several retailers. This category of wholesaler is particularly popular with producers with limited capital who can not afford to maintain their own sales forces.

(C) MANUFACTURERS' SALES BRANCHES AND OF FICES

Manufacturers' sales branches and offices are owned and operated by manufacturers but are physically separated from manufacturing plants. They are used primarily for the purpose of distributing the manufacturers' own products at the wholesale level. Some have warehousing facilities where inventories are maintained, while others are merely sales offices. Some of them also wholesale allied and supplementary products purchased from other manufacturers.

Retail Structure

1. Independent, Single Store Establishments:

These are generally located in localities where population is higher. They can be a specialized apparel store to MBO or a grocery store. Owned by a family or individual with operations limited lo the area where store is located with direct personal relationship with customers.

The essence is that they have better understanding of their customers and supported by long standing patronage as they can revert to their needs within short span of time.

Unlike others they pay less attention to Store Design, Merchandise Mix, Employee Trainings, Book Keeping etc. This category of course requires very less capital to start, thus are major drivers to entrepreneurship in the retail category.

They also have very low credit rating in the market or almost nil past records to prove their goodwill or financial health; thus working with them or engaging with them, as supplier or tenant would require other party to be careful and safeguard all their interest.

2. Corporate Retail Chains:

As the name suggests, these well-known brands may specialize in a form of retailing (like super market, hypermarket, apparel store) with multiple stores across the state, country or even in the world. They have centralized decision-making body that may take decision for all its stores and then executed by respective city heads or unit heads.

The number of stores may vary from 10 to over 300 (such as Safeway, Wal-Mart, Target). They can be part of large corporation also like Target Corporation owns Target, Dayton's and Hudson's. Thus they may have multiple stores for multiple brands and multiple categories.

These stores employ large number of people and also sometimes become bureaucratic due to complex and multi-level decision-making process but sell product at lower price due to economies of scales attained through wide distribution channel and mass buying of products. They have same merchandise mix and merchandise across all stores.

In India, Shopper’s Stop, Big Bazar, Pyramid, Shubiksha, Music World, Planet Sports, etc., are examples of this kind of stores.

3. Franchise Stores:

Franchising is an agreement between a franchiser and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchiser. These stores can be restaurants, fast food outlets, apparel outlets, sports goods outlets, hypermarkets etc.

In this kind of an arrangement generally franchiser charges franchisee a lump sum fees towards usage of brand names, retailing expertise plus a royalty and franchisee has to bear all operation cost along with above and has to earn profit.

Though in recent times franchiser also underwrites the losses if it occurs to avoid high attrition and motivate franchisee to invest as these kinds of arrangement require high investment. Franchisers support franchisee with merchandise planning, store management, training, man-power sourcing, IT support, interiors and advertising at national and regional level.

This format fuels growth faster as franchiser does not need to block huge capital, employ more people and hold huge stock. This model has helped people with adequate capital but without any technical knowledge to enter into retail trade. In India, UCB, Reebok, Adidas, Lee are examples for this kind of retailing.

UNIT- V

Practical Assignments and Case Study

Questions for Assignment to students

Assignment writing is the usual particular kind of knowledge. The assignment writing objectives describe the learning results of the students in concerned subject. **(Students please contact me on 9721178501 without any hesitation if you have any problem regarding assignment questions.)**

- What do you understand by the term sales force? Why is controlling and motivation essential for sales force?
- Define public distribution and elaborate its special features. Also discuss its role and importance.
- How does a sales Manager design a sales territory and what are the different shapes of territory design? Discuss.
- Distinguish between salesmanship and Personal Selling
- What are the factors that determine choice of channels of distribution?
- Describe all aspects of channel management.
- Elaborate policies and strategies of distributors.
- Describe the process of Managing dealer network. Bring out the importance of channels of distribution
- Explain the importance and objectives of training of sales persons.
- Discuss the different stages of a selling process.

Case Study List-

As we know we are not able to attend our campus due to **NOVEL COVID-19**. Students are advise, try to solve the following cases by self-study, if you have any problem regarding this, please contact me on **9721178501** or **nagendrap.1983@gmail.com,**

(STAY HOME, STAY SAFE)

- Apple Computer - The Reseller Conflict
- Asian Paints - Blending Technology and Distribution
- Cadbury and the Worm Controversy
- ICICI Prudential - Multiple Distribution Channels
- Nikon's Sales and Distribution Strategy in India