Personal Selling and Sales Management

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First Edition: 2015
Dedicated to

the memory of our beloved
Grandfather Late Shri V.E. Krishna Sastry, a renowned teacher, who inspired me and the students of Nallepilly Village, Palghat District, Kerala State for over three decades

and

to our beloved father Late Shri S. Rama Iyer, Velonie Estate, Valparai, Coimbatore District, Tamil Nadu who demonstrated that “Work is Worship” in professional life

and

to my younger brother
Late R. Viswanathan who was a popular professor of Management Studies at Coimbatore.
PREFACE TO THE FIRST EDITION

It gives me great pleasure to present the First Edition of the book on “Personal Selling and Sales Management” for the benefit of students, teachers and young executives engaged in sales and marketing of products and services. The book covers the full syllabi on Sales Management of most Indian Universities.

I have included separate chapters on Field Salesman to Field Sales Manager, Selling to Rural Consumers, Services Selling, Industrial Selling, Careers in Professional Selling, Recent Trends in Sales and Marketing and Ethics in Sales and Marketing based on discussions with some of the sales and marketing professional across industries. I am thankful to all of them for their valuable support.

I have gained practical knowledge in Sales Management and Human Resource Management during my long professional career and have been teaching these subjects in Management Institutes. I have made a humble effort to combine my teaching and corporate experience in developing various chapters of the book.

The book would serve as a comprehensive text book on ‘Sales Management’ a popular subject introduced in all management institutes. Figures, tables, boxes and short case studies have been included to enable the students to learn the concepts. The select bibliography on the subject matter is given for further study and reference.

I request the students, teachers, executives and others to provide constructive suggestions to further improve the contents and quality of the book.

I am thankful to Shri K.N. Pandey of Himalaya Publishing House Pvt. Ltd., for his encouragement and kind co-operation in bringing out the first edition of the book.

Mumbai 20.8.2015

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INTRODUCTION

In good old days, goods were produced based on actual demand and hardly any selling effort was required. The job of the salesperson was easy as he has to simply book orders. Remember the days when a person had to make advance payment for a car or scooter and wait in the queue for delivery! Waiting list of over two years was common for landline telephone connection. The customers had to stand in the long queues to deposit and withdraw cash and the bank employees worked on their whims and fancies. For more than a generation, life insurance was synonymous with the state owned Life Insurance Corporation of India and customer service was lacking. Air travel was restricted to the privileged group of the population and the Civil Aviation market was monopolised by Indian Airlines. The public had limited choice of consumer goods, durables and services. There was a craze for foreign goods such as wrist watches, transistors, television sets, cameras and non-resident Indians returning from foreign countries used to bring consumer durables which were in high demand in domestic market. Today the market situation has completed changed and high quality branded goods are available in domestic market.

Our economy, based on socialist pattern of growth and development, has moved away from Licence Raj and centrally controlled system to free economy. These reforms, introduced in 1991, in the form of liberalisation, deregulation, relaxation of trade and investment controls and privatisation have led to increase in exports and foreign exchange reserves, higher competition and efficiency in the market place and availability of variety of goods and services. The result has been a sharp rise in income and consumption, especially among the middle class in urban and rural areas. The economic policies have resulted in major changes in the marketing environment of the country. Our country with a population of over 120 crores is one of the biggest markets in the world for a number of goods and services such consumer goods, durables, financial services, education, health care, telecommunication and the list continues.

The return of the multinationals such as Co-Cola and IBM to India and entry of many other MNCs such as General Electric, Pepsi, Motorola, Proctor and Gamble, Nokia, LG, Ford, Hyundai, Sony, Samsung clears proves that India has a vast market...rising income... a booming middle class, rising rural elites with adequate purchasing power, offering long-term
opportunities for Indian and foreign industries.

There is a definite shift from sellers’ market to buyers’ market and consumer shall be centre of the entire business system. All business operations revolve around consumer satisfaction and service. Guaranteed route to profit is through customer satisfaction.

Today, the market is flooded with different brands of consumer goods. The consumer has a wide choice and he is demanding more and more for less and less. The competition is increasing in the market place and companies are wooing the consumers with discounts and schemes. Senior managers are tremendous pressure to show results. Some of the common statements we hear in corporate meetings are “We have to be pro-active, otherwise we will be left out, Perform or Perish, Change or we will be left out, the situation is bad and calls for dramatic transformation”.

Under this dynamic business environment, sales management, an integral part of marketing management, plays a major role in meeting the business objectives of the organisation. Sales management is concerned with generating revenue for the organisation and management of sales force. Sales force is the backbone of an organization since the ultimate aim of production is sales. The salesperson’s job has expanded far beyond merely booking orders. In fact, the salesperson is the carrier of creative and innovative messages to the consumers in the society. Therefore the success of an enterprise depends to a large extent, on an efficient sales organization.

**MARKET AND MARKETING**

For a meaningful discussion on sales management, it is necessary to touch upon a few concepts about market and marketing.

**Meaning of Market**

The word ‘market’ is derived from the Latin word “Marcatus” meaning goods or trade or a place where business is conducted. Traditionally market refers to a physical location where buyers and sellers gather to exchange their goods. In the market, ownership and possession of products are transferred from the seller to the buyer and money acts as a medium of exchange and measure of value. Economists describe a market as a collection of buyers and sellers who transact over a particular product or service. Marketers view sellers as the industry and the buyers as the market. Business people use the term market to refer to various grouping of customers such as Product market *(Example: Television market)*, Geographic market *(Example: African market)* or Non customer group such as Labour market. However the term has a wider meaning and it is not confined to a particular area or place where buyers and sellers meet to exchange goods. It is now generally used to mean any body of persons who are in intimate business relations and carry on extensive transactions in any commodity. Let us see a few definitions of market.

1. According to Philip Kotler, “A market consists of all the potential customers showing a particular need or want who might be willing and able to engage in exchange to satisfy the need or want.”
2. According to William J. Stanton, “A market may be defined as a place where buyers and sellers meet, goods and services are offered for sale and transfer of ownership occurs.”

3. The American Marketing Association defines a market as “the aggregate demand of the potential buyers for a product or service.” The term market as a group of persons is also used to represent the total customer demand. In this sense, market means people with needs to satisfy, the money to spend and the will to spend money to satisfy their wants.

It is quite clear from the above definitions, that “Market” does not necessarily mean a physical place. It is an area in which forces of demand and supply operate directly or by means of any kind of communication to bring about transfer of the title of the goods.

**Concepts of Market**

(1) Place Concept: A market is a convenient meeting place of buyers and sellers to gather together in order to conduct buying and selling activities. It is a physical location where things are bought and sold and where buyers and sellers personally meet to affect purchase and sales. **Examples:** Vegetable/Fruit market.

(2) Area Concept: A market develops in any area, small or large, the moment there are three pre-requisites for exchange: (a) Two or more individuals have unmet wants, (b) They have products to meet the demand, and (c) They have some means of communication such as telephone, fax, correspondence, electronic mail or Internet. With the means of communication, forces of demand and supply can freely operate to determine the prices and buyers and sellers can establish close and continuous contacts to carry on the exchange of products without formal face-to-face meeting.

**Example:** Money market is a highly organised market for the entire nation without any central meeting place for borrowers or lenders of money.

(3) Demand Concept: Today, a market is equated with the total demand. Hence, market means a group of people having unmet wants, purchasing power and the will to spend their income to satisfy those wants. **Example:** The domestic market for pharmaceutical products was ₹ 40,000 crore (2010). The human being is a wanting animal, having never-ending, varied and ever changing wants. The process of want-satisfaction is continuous and sellers want to create, capture and retain the market (customer demand) for their goods.
Nature and Scope of Sales Management

Dissatisfaction

Fig. 1.1 The Market (Exchange Process)

Types of Market

1. Selling Area Covered: According to the area covered, the market may be classified as Local, Regional, National and International market.

2. Commodities Traded: The market is differentiated based on the product sold, i.e., Cotton market, Tea market, Bullion market, etc.

3. Nature of Dealings: The market may be Spot/Cash market or Future/Forward market. While in spot market, goods are bought and sold immediately, in the case of future market, actual buying and selling take place at a future time as agreed by the buyer and seller.

4. Nature of Goods Sold: The market may be for consumer goods or for industrial goods. Consumer goods are meant for direct consumption/use of consumers, whereas industrial goods are generally needed by manufacturers in the process of production.

5. On the Basis of Time Interval, markets may be classified into Short-term market and Long-term market. Example: Money market for short-term period and capital market for long-term funds.

6. Volume of Business Transactions: The market may be a Wholesale market or Retail market according to the nature and volume of business.

7. Competition: On the basis of competition, the market may be Competitive market or Monopolistic market.

8. Functioning of the Market: The market may be an Unorganised market or an Organised market. Example: Regulated markets run by State Governments are organised markets for agricultural produce.

9. Dominance of the Parties: The market may be Sellers’ market or Buyers’ market depending upon the demand and supply of product and services.

10. Sellers Position: The market may be Primary market where farmers sell the produce to the traders or Secondary market where buying and selling take place between traders. In the case of Terminal market, the produce is assembled for export or for consumption of the local population.

Classification of Goods

There are three types of goods as shown below:

1. Manufactured goods may be consumer goods needed for use or consumption by consumers or industrial goods needed for use by producers in the process of production.

2. Agricultural goods may be in the form of raw materials for industry (cotton, sugarcane) or consumer goods for immediate consumption.

3. Natural raw materials are the free gifts of nature and they are the raw materials of
industry such as iron ore.

![Diagram of types of goods]

### Consumer Goods

Prof. M.T. Copeland developed a three-fold classification of consumer goods based on typical buying habits of consumers, *i.e.*, how, when and where consumers usually buy commodities. The three categories of consumer goods are: (1) Convenience goods, (2) Shopping goods, and (3) Speciality goods. The salient features of these goods are given in Fig. 1.3.

### Durable and Non-durable Products

As the term suggests, durable products offer tangibility and durability. Non-durable products are normally consumed fast and purchased regularly.

1. Fast moving consumer goods usually refer to non-durable products. They are also known as Consumer Packaged Goods. Normally consumers spend less time and effort in buying these goods. FMCG includes a variety of products such as a soap, biscuit, shampoo, toothpaste, talcum powder etc. They are relatively high volume and low value products. They are a large number of stock keeping units to meet the needs of consumers. Packaging plays a major role in attracting the attention of consumers. The capital investment in setting up a factory is low and major investment is in brand promotion and distribution. Launching a new product requires heavy investment and the marketer has to continue to focus on 4Ps to fight competition and achieve desired volumes and profits.

2. Consumer durables are tangible goods and are used over an extended period of time. They are purchased once in a few years. **Examples:** TV, Refrigerator etc. The consumer spend lot of time in collecting information about various brands/models, discusses with neighbours and friends, check the prices from various outlets before making purchase decisions. The consumers are concerned about perceived risk and after-sale service. Therefore, personal selling and after-sale service play an important role in selling consumer durables.
Nature and Scope of Sales Management

Convenience Goods
Low priced goods, Frequent purchases with minimum effort, High replacement rate, Purchases in small quantities, Must be available at nearest store. Self service stores are ideal for such goods.
Examples: Bread, milk, toothpaste, snacks, soap, newspaper, tobacco products.

Shopping Goods
Are not purchased regularly, Planned purchases with considerable efforts, Purchases based on quality, style, price, suitability, Purchases can be postponed, Do not need numerous outlets
Examples: Women’s clothing, furniture, shoes, hardware, major appliances.

Speciality Goods
Less frequent purchases, Purchases once in a few years, High priced goods requiring high investments, Available in specialty shops
Examples: TV, CD players, expensive watches, cars, refrigerators, ornaments, cameras.

<table>
<thead>
<tr>
<th>Convenience Goods</th>
<th>Shopping Goods</th>
<th>Speciality Goods</th>
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</thead>
<tbody>
<tr>
<td>Low priced goods, Frequent purchases with minimum effort, High replacement rate,</td>
<td>Are not purchased regularly, Planned purchases with</td>
<td>Less frequent purchases, Purchases once in a few years,</td>
</tr>
<tr>
<td>Purchases in small quantities, Must be available at nearest store. Self service</td>
<td>considerable efforts, Purchases based on quality,</td>
<td>High priced goods requiring high investments,</td>
</tr>
<tr>
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Marketing Methods

<table>
<thead>
<tr>
<th>Convenience Goods</th>
<th>Shopping Goods</th>
<th>Speciality Goods</th>
</tr>
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<tbody>
<tr>
<td>Numerous outlets.</td>
<td>Limited outlets.</td>
<td>Limited outlets.</td>
</tr>
<tr>
<td>Quick sales turnover.</td>
<td>Medium turnover.</td>
<td>Low turnover.</td>
</tr>
<tr>
<td>Sales through wholesaler and retailer.</td>
<td>Direct sales to retailer.</td>
<td>Direct sales to retailer.</td>
</tr>
<tr>
<td>Packaging as a silent salesman.</td>
<td>Packaging has a minor role.</td>
<td>Packaging has no promotion value.</td>
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Note: The distinction between convenience and shopping goods is clear and easily understandable. But the distinction between shopping and speciality goods is not quite clear. Many products are classified in both categories.

Fig. 1.3 Types of Goods Compared

High Involvement and Low Involvement Products

Involvement refers to how much time, thought and energy consumers devote to the purchase process. High involvement products include car, major electronic appliances and residential flat. Many of the FMCG would come under low involvement products and consumer spends less time and energy in buying these goods.

MARKETING

Core Marketing Concepts

A marketer is someone seeking a response from another party known as prospect. If two parties are seeking to sell something to each other, we call them both marketers.

A Prospect is someone whom the marketer identifies as potentially willing and able to engage in exchange of values.

Needs describe basic human requirements like water, air, food, clothing and shelter. They also need education, entertainment and recreation. Needs are not created by marketing persons.

Needs become wants when they are directed to specific objects that might satisfy the need. A person needs water but wants Frooti. Wants are shaped by society. Human needs are limited,
but wants are unlimited.

Demands are wants for specific products backed by ability to pay. Many people want BlackBerry, but only a few are able and willing to buy one. Therefore, marketers do not create needs and rather influence the wants.

Exchange involves obtaining a desired product from someone by offering something in return. Five conditions exist in exchange process.

(a) Existence of at least two parties.
(b) Each party has something that might be of value to other party.
(c) Each party is capable of communication.
(d) Each party is free to accept or reject the offer.
(e) Each party would like to deal with the other party.

Exchange takes place when both the parties agree on terms and conditions. Normally, exchange is beneficial to both parties. Exchange is a process. Two parties are involved in exchange and they are trying to arrive at mutually agreeable terms. When an agreement is reached, we say that a transaction has taken place. ‘A’ sells an Air conditioner and ‘B’ pays ₹ 15,000/- and this is an example of a monetary transaction. However, a barter systems involves trading of goods or services for other goods or services. In many villages, labourers are paid in kind in the form of rice, wheat, etc., instead of wages.

In a transfer, ‘A’ gives to ‘B’, but ‘A’ does not receive anything tangible in return. Donations to political parties, gifts, etc. are transfers. Normally, the transferer receives thank you letters, house magazines and invitations to events.

Value and Satisfaction

According to Louis DeRose “Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership and use”.

A product will be successful if it delivers value and satisfaction to the buyer. Value is a ratio between what the customer gets and what he gives. The customers gets functional benefits and emotional benefits. The cost include monetary costs, time costs, energy costs, etc. Therefore, value = Benefits ÷ Costs.

A marketer can increase the value of the product through raising benefits, reducing costs, raising benefits by more than the raise in costs and lower benefits by less than the reduction in costs.

Satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches his expectations, the customer is satisfied. If the performance exceeds expectations, the customer is delighted.

Meaning of Marketing

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer.
Businessman regards marketing as a management function to plan, promote and deliver products to the clients or customers. Human efforts, finance and management constitute the primary resources in marketing.

Marketing starts with identification of customer’s wants and then satisfying those wants through products and services. The modern concept of marketing is customer-oriented and focuses on earning profit through customer satisfaction.

Prof. Drucker states that the first function of marketing is to create a customer or market. Customer is the most important person in the whole marketing process. He is the cause and purpose of all marketing activities.

According to Philip Kotler “Marketing is a human activity directed at satisfying needs and wants through exchange process.” All marketing activities are basically for meeting the needs of customers and also raising social welfare. We have twin activities which are most significant in marketing: (a) Matching the product with demand, i.e., customer needs and desires or target market, (b) The transfer of ownership and possession at every stage in the flow of goods from the primary producer to the ultimate consumer.

According to William Stanton “Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying products to target markets to achieve organisational objectives.”

The American Marketing Association defines marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.

Paul Mazur defined marketing as the creation and delivery of a standard of living to society.” This definition catches the real spirit of the marketing process. It has consumer-orientation. It duly honours the marketing concept which indicates a shift from product to customer-orientation, i.e., fulfilment of customer needs and desires. It emphasises the major function of marketing, viz., satisfaction of customer and social demand for material goods and services.

Example: In the case of oral care products, currently only 47 per cent of the rural population use toothpaste, 23 per cent use tooth powder and the rest neither. Targeting non-users in rural areas and developing awareness about oral hygiene and converting them to tooth powder/toothpaste users.

EVOLUTION OF MARKETING CONCEPTS

Since the industrial revolution, the concept of marketing has undergone significant changes.

1. The Exchange Orientation

Marketing does involve exchange of a product between a seller and a buyer, usually based on money. But modern marketing is not merely an exchange operation. Marketing has now a much wider connotation. It covers search of unmet customer wants, formulation of marketing strategies, marketing-mix, creative selling and advertising, serving the customer and so on. All these other vital ingredients of marketing are conveniently forgotten in exchange-oriented marketing approach.
2. The Product Orientation

Management firmly believes that, if the product has excellent features, quality and performance, customer response is bound to be favourable and all promotional efforts are needless. This was the marketing philosophy till 1930. Overemphasis on product excellence may lead a marketer to ignore many other aspects of customer needs and desires. Consumer for whom the product is meant may be ignored. This is called the phenomenon of marketing myopia or short-sightedness.

3. The Production Orientation

Company sells what it can make. The focus is on performance and cost. The product costs line is usually narrow. The price is based on production and distribution costs. Technical research enables product improvement and cost-cutting in the production process. Packaging is expected to protect the product and minimise costs. Credit is regarded as a necessary evil. The producer is interested only to minimise bad debt losses. Promotion is adopted only to give emphasis on product features, quality, and price. This concept can work only in a sellers’ market. In a buyers’ market it fails to retain market under keen competition. Example: American luxury car market was captured by Japanese and European cars around 1980.

4. The Sales Orientation

Buyers’ market for many commodities brought about sales-orientation in marketing. It points out that a company cannot secure enough customer response to its products without high-pressure salesmanship, aggressive advertising and intensive sales promotion. Sales orientation gives emphasis on increasing sales volume even at the cost of consumer satisfaction and service. Many marketers adopt this approach in selling unsought or unwanted goods. Examples: The selling concept is found in the sale of books, insurance and also in auto sales. We also have selling concept at the time of elections faithfully followed by all political parties. Sales orientation also exhibit marketing myopia.

5. Marketing Concept

When a marketer adopts a market-oriented business philosophy the guiding principle becomes “it is more effective to make what customer wants to buy than to sell them what a marketer wants to make or sell.” Thus, planning and coordination of all company activities rotate around the primary goal of satisfying customer needs. The marketing concept is defined as a customer-oriented philosophy duly integrated and implemented through the entire organisation in order to serve customers better than competitors and thereby ensuring sustained growth and prosperity. Customer-oriented marketing approach points out that the primary task of a business enterprise is to study needs, desires and values of the potential customers, and on the basis of latest and accurate knowledge of market demand, the enterprise must produce and offer the products which will give the desired satisfaction and services to the customers (much better than its competitors).

The essence of modern marketing concept is “the firm must take its marching orders from the market and it must produce what the market needs.” All elements of business should be geared towards the customer satisfaction. Corporate plans, programmes and operations must be
focused around customer needs and desires.

We have corporate strategic plan as well as corporate operating plan. Then there are departmental plans such as production plans, marketing plans, financial and other plans. All these functional plans are integrated and coordinated. When these plans are implemented, they are expected to fulfill market needs as well as attain the corporate goals as per corporate strategic plan. In this way, under the marketing concept, we have comprehensive customer-oriented business planning leading to customer satisfaction and profits.

**CARING FOR CUSTOMER**

1. **Customer is the King:** All business activities start with the customer and end with the customer.
2. **Customer is the profit and everything else is overheads:** Sale function generates revenue to the organization through customers. All other functions are cost centres. Focus on product quality and customer service. Create win-win situation.
3. **Purpose of business is to retain/create customers:** Production minus sales is scrap. Meet your customers regularly; otherwise they will meet your competitors. Do not sit in the office continuously brooding over the files.
4. **Customer is the boss:** He is one boss you must please. He pays for your salary. Treat him like your son-in-law.
5. **What does a customer want?** He wants very little to feel happy. Greets the customer when you meet him. Address the customer by his name with a smile. He wants solutions to his problems. He is not impressed with your posh office, carpets, ACs, soft music, attractive receptionist and lawns. Settle pending issues without reminders. Sort out all genuine problems without delay.
6. **Dealing with customer complaints:** Listen, listen and listen and lessen the objection by listening. Find out the facts, be polite but firm while answering questions and discuss with reporting manager, if necessary.
7. **Customers are not aware of your policies:** Do not create watertight compartments, pass on the blame to other departments and work as a team to sort out his problems.
8. **Serve your key customers the best you can:** Maintain a list of Key customers. Talk to them regularly and solve their problems. Do not expect gratitude from customers immediately.
9. **Put yourself in your customer’s shoes:** Empathy/Genuine concern for customers. Understand his needs. Admit your mistakes gracefully and learn from experience. Honour your commitments.
10. **When to say “No” to customers:** He makes unreasonable demand, wants you to follow unethical practices, favours you with costly gifts and frequently invites you for cocktail/dinner.

**Consequences of Marketing Concept**

Company makes what it can sell. The focus is now on customer needs and market opportunities. Product line becomes broad. Pricing is based on perceived benefits provided. Market research enables company to focus on opportunities and applying new technology to satisfy customer needs. Packaging becomes a useful tool of promotion and is designed for customer convenience. Credit becomes a customer service and a tool to attract customers. Promotion now emphasises product benefits and aims to solve customer problems. The adoption of marketing concept sincerely can easily act as the best response of business to consumerism.

Under market concept there is a shift: (1) from product/business to customer, (2) from production to market, (3) from supply to demand, (4) from sales volume to profit, (5) from mere
selling to customer satisfaction, (6) from internal orientation to external orientation, (7) Under marketing concept, supply becomes the function (result) of demand. Demand is the controlling factor and demand analysis becomes the foundation of all marketing functions. (8) We have four aspects of an intelligent demand management: (a) demand determination through marketing research, (b) product-mix as per demand, (c) promotion-mix to stimulate demand, and (d) distribution mix to serve demand. (9) Marketing concept is applicable to any organisation—profit/non-profit, and (10) Marketing concept can eliminate marketing myopia.

Modern marketing involves the following functions:

1. **Product Planning**: It involves development and commercialisation of new products, the modification of existing lines and discontinuation of unprofitable products.

2. **Packaging**: The main purpose of packaging is to preserve the quality and quantity of the contents during storage and transit. Besides, it has tremendous advertisement value, and facilitates the sale of a product. **Example**: Sachet packing has created a revolution in the shampoo industry.

3. **Product Pricing** is an important component of marketing. Pricing decisions affect all the parties involved in production, distribution, selling, and consumption of goods. Price affects the volume of sales and profit.

4. **Advertising and Sales Promotion**: Advertising is a paid method of business communication to the prospective customers and the main objective is to promote the products. Sales promotion includes activities such as demonstrations, displays, dealer
schemes that stimulate purchases by dealers/consumers. The marketing manager has to take decisions regarding the advertisement/sales promotion activities.

5. **Distribution** includes distribution channel, area coverage, channel remuneration, warehousing, inventories, banking and transportation.

6. **Marketing Research** involves systematic gathering, recording and analysing of data about problems connected with product, pricing, promotion and distribution. It deals with research on customer demand, behaviour of customers, analysis of sales data, market share, etc.

7. **Sales Management** is responsible for effective management of sales force and generating income to the organization. Salespersons are the backbone of the organisation and success of the organisation depends upon how effectively they are able to sell goods and services to meet the changing needs of the customers. The salesperson has to educate the customers on products and services, sell the same with benefit to the customer and profit to the seller.

## SELLING VERSUS MARKETING

Marketing is the creation and delivery of a standard of living. Marketing involves (a) finding out what the consumers want, (b) planning and developing a product or service that will satisfy those wants, and (c) determining the best way to price, promote, and distribute the product or service. Therefore, marketing is a total integrated process, which aims at customer satisfaction and business success. Under the selling concept the company makes a product and then uses various methods of selling to persuade a customer to buy the article. The differences between selling and marketing concepts are given in Fig. 1.5.

P. Drucker makes the contrast between these two concepts even more diametrically opposite.

1. Under selling concept, the need for some selling is taken for granted. Under the marketing concept, the aim of marketing is to render selling superfluous or unwanted. With full understanding of customer demand, the product must fit or match the buyer needs entirely and it should sell itself without any promotional efforts.

2. A market minded firm’s offering is determined not by the seller but by the buyer. The seller takes his cues from the buyer in such a way that the product becomes a consequence of the marketing effort, not vice versa.

3. The suggestions from the buyer are duly incorporated in the cues from the seller and a tailor-made marketing mix at once fits in with customer needs and expectations.

4. Ideally, under marketing concept, a customer should be too ready to buy the product on his own initiative. The seller has simply to ensure the availability of that product.
### Selling Concept vs. Marketing Concept

<table>
<thead>
<tr>
<th>Selling Concept</th>
<th>Marketing Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selling involves planning, direction and control of the personal selling activities of a business unit including recruitment, selection, training, motivation, compensation of sales force.</td>
<td>Marketing involves (a) finding out what the consumers want (b) planning and developing a product or service that will satisfy those wants and (c) determining the best way to price, promote and distribute the product or service.</td>
</tr>
<tr>
<td>2. Emphasis is on the product.</td>
<td>Emphasis is on consumer wants.</td>
</tr>
<tr>
<td>3. Company makes a product and then finds out how to sell it.</td>
<td>Company first finds out what the consumer wants and then develops and supplies the product to satisfy those wants.</td>
</tr>
<tr>
<td>4. Emphasis is on company needs.</td>
<td>Emphasis is on market needs.</td>
</tr>
<tr>
<td>5. Selling is production-oriented.</td>
<td>Marketing is consumer-oriented.</td>
</tr>
<tr>
<td>6. Selling assumes that the goods can be easily sold.</td>
<td>Marketing believes that the consumer is the king and goods should meet his wants and preferences.</td>
</tr>
<tr>
<td>7. In selling, once the goods are sold, the seller does not think about the consumer.</td>
<td>All marketing activities start with the consumer and end with the consumer.</td>
</tr>
<tr>
<td>8. Selling aims at profit maximisation by increasing sales volumes and profit is the primary aspect in selling.</td>
<td>Marketing believes in profitable sales through customer satisfaction.</td>
</tr>
<tr>
<td>9. Selling aims at converting goods into cash and has narrow perspective.</td>
<td>Marketing has long range objectives such as customer satisfaction, growth, and market share.</td>
</tr>
<tr>
<td>10. Selling concept is traditional and outdated.</td>
<td>Marketing concept is modern and accepted universally.</td>
</tr>
</tbody>
</table>

**Fig. 1.5 Selling versus Marketing**

**Note:** Modern sales management recognises the importance of satisfying customer needs and wants through products and services. It focuses on earning profits through customer satisfaction.

In his celebrated article ‘Marketing Myopia’, T. Levitt offers the best contrast between selling concept and marketing concept:

1. Selling focuses on the seller’s needs, marketing on the buyer’s needs.
2. Selling is pre-occupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the customer’s needs by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.
3. Selling aims at profit through sales volume; marketing aims at profit through serving customer demand.

### SALES MANAGEMENT

**Origin of Sales Management**
In olden days, there were only small-scale industries. They focused on production of essential goods. Since the demand was more than supply, the producers were able to get advance orders. One person looked after both production and sales. Subsequently, a large number of factories came up, leading to increase in production. Wholesalers started buying from companies and selling to dealers. One person could not look after all the activities such as production, finance, labour and selling to channel members. There was a need for a separate sales function to look after channels of distribution and sales persons. In modern organizations, sales department is working as a part of marketing department. It is one of the most important functions as it generates revenue for the organization.

**Meaning of Sales Management**

Sales Management consists of two words i.e., ‘Sales’ and ‘Management’. Selling is the process of persuading a prospective customer to buy a commodity or a service or to act favorably upon an idea that has commercial significance to the seller. Management is a process. It is a process of carrying out the essential functions of panning, organising, staffing, leading and controlling. The term Sales Management has a broader meaning and it includes the following.

1. **Managing the Sales Force** includes recruitment, selection, training, motivation, remuneration and controlling the sales force.

2. **Organising the Sales Effort:** Deals with creating appropriate organisational structure and effective coordination within the sales department and other departments such as HR, distribution, Product management in the company. It also includes management of external customers like dealers, distributors, direct consumers and opinion leaders. Sales department provides valuable inputs like sales forecast, activities of competitors, performance of the product to other departments.

Therefore, we can say that Sales Management generally refers to the management of sales force. It deals with planning, organising, directing and controlling the personal selling function. While HR, Finance and Distribution are cost centres, Sales department generates revenue for the company and therefore it one of the most important functions in an organisation.

Effective management of sales force requires leadership plus administrative skills in planning, organising, directing, motivating and controlling the personnel selling function of the promotion mix.

Sales management is an art and a science. It makes use of scientific principles for managing the sales force and developing the sales organisation. The person cannot learn sales management by reading books alone. He has to practice like in tennis, cricket or cycling.

**ROLE OF SALES MANAGEMENT IN MARKETING**

Marketing stresses the importance of satisfying customer needs and wants through a process of exchange. Marketing occurs in virtually every aspect of life. The advertising and Marketing magazine defines “Business is marketing.” Marketing and selling are directly related to each other.

Sales Management is a vital subsystem of marketing management. It will continue as an
indispensable part of marketing management as long as sales people are required to interact with the customers, influence them and win them. In reality, marketing plans, strategies and policies are implemented through Sales Management. Hence, sales management acts as the dynamic force (muscle power) behind marketing management. In a modern organisation, Sales Management centres round the management of sales force and sales efforts. Modern sales manager is not only profit-oriented but also customer-oriented.

As consumers of goods and services, we all participate in the marketing process many times each day. Today, however, a new philosophy concerning the relationship between marketing and sales is emerging, with both functions being carried by the same person. Many scholars characterise today’s trendsetting salespeople in this way:

- They work in teams;
- The computer is their primary sales tool;
- They do not sell to customers; rather, they partner with them;
- The term ‘salespeople’ is out, ‘relationship manager’ is in.

Sales Management plays an important role in marketing, especially for firms in business-to-business markets. Personal selling is the most frequently used promotional technique in business markets and management of the sales force is an important quality component of any selling effort. The relationship between sales and marketing strategies is shown in Figure 1.6.
OBJECTIVES OF SALES MANAGEMENT

Normally, the top management finalises the qualitative objectives for the organization. Examples: Long-term growth, industry leadership, new product introduction, excellent customer service, positive image among customers and public, outstanding technical research. These objectives are translated into specific quantifiable objectives and passed on the Sales department for execution. Sales Management coordinates with other functions within the organization, i.e., distribution, product management, marketing research, advertising and finance and external customers like distributors, dealers and users for achievement of the sales objectives.

Major objectives of Sales Management are given below.

1. Achievement of Sales Volumes/Values
2. Contribution to Profits
3. Growth in Sales
4. Growth in Market Share

The Sales Manager is responsible for effective execution of sales plan through the sales executives. A few of the important activities that contribute towards achievement of sales target, planned profits, growth in sales and market share are given below.

1. Addition of new distributors and dealers in unrepresented market.
2. Extending field activities to new geographical areas.
3. Increase in sales from existing customers like dealers and direct consumers
4. Increase in sales of profitable products
5. Control of selling expenses
6. Receivables management
7. Improve sales forecasting accuracy and effective management of finished goods
8. Effective use of sales promotion schemes
9. Extend the use of excising products on new market segments
10. Training of sales force
11. Implementation of sales plan for the territory
12. Effective management of sales territory.

FUNCTIONS OF SALES MANAGEMENT

Broadly there are three areas that cover the functions of Sales Management

1. Managerial Functions

Management is a process. It is the process of carrying out the essential functions of planning, organizing, and directing and controlling the personal selling function.
(a) **Planning** is a fundamental managerial function. Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap between where we are and where we want to go. Planning is concerned with setting of objectives and finalizing the approach for achievement of the objectives. It is an attempt by the sales manager to anticipate the future in order to achieve the sales objectives. The demand for products and services and profitability of the operations depend upon the sales environment which comprises of political, economic, social, cultural, technological, demographic, legal and ecological factors and the sales manager has to design strategies based on the dynamic environmental conditions. **Examples:** Sales forecasting, finalizing sales budget, fixing sales targets for sales force, sales promotion schemes.

(b) **Organising** involves the grouping of activities necessary to accomplish the goals and plans, the assignment of these activities to appropriate departments and provision for authority delegation and co-ordination. It is a managerial activity which is essential for effective use of company’s resources such as men (sales force), materials (Products) and money to achieve the sales objectives. It involves coordination of sales force activities in an orderly manner and developing channels of communication between various levels of responsibilities. **Examples:** Setting up of sales department, number of sales territories, assignment of responsibilities to salesmen/managers, delegation of authority at different levels in the sales organization.

(c) **Directing** involves instructing, guiding, counselling, motivating and leading the sales force to achieve organizational objectives. Direction consists of the process and technique in issuing instructions and making certain that the operations are carried out as planned”. **Examples:** Effective interpersonal communication, motivation of employees, on the job training, situational leadership.

(d) **Control** is an important management function that ensures work is carried out as per plans. Controlling is the process of determining what is to be accomplished that is the standard, what is being accomplished, that is the performance, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to the plans, that is, in conformity with the standards”.

(e) **Coordination** is a process whereby, a manager develops an orderly pattern of group effort among his subordinates and secures unity of action in the pursuit of a common purpose. The main function of sales manager is to coordinate the activities of sales representatives and executives towards the achievement of sales objectives. In addition, he has to coordinate with other functions such as marketing, distribution, finance, HR and production within the organization and external customers like distributors, dealers, users and opinion leaders.

2. Staff Functions

Of all the “Ms” in management, i.e., money, materials, machine, market and methods, the most important “M” stands for men, the manpower working in the organization. While the value of assets depreciates, the value of trained employees increases over time. An organization that is able to acquire, develop and stimulate the manpower will be successful in the long run. Sales force is the backbone of an organization since the ultimate aim of production is sales. The
success of the organization depends upon the effectiveness with which they sell goods and services to meet the changing needs of the consumers. **Examples:** Sales personnel planning, recruitment, selection, training, development, motivation, performance evaluation and career planning.

**Note:** In most of the organizations, the Sales manager coordinates with HR (Human Resource) in undertaking the above activities.

### 3. Advisory Functions

Sale management provides specialist advice to the management for taking policy decision in key areas such as Pricing policies, product performance, quality of products, new product introduction, distribution policies, advertising and sales promotion plans.

## CONCLUSION

With liberalization and globalization, the availability of products and services has increased. The customer has a wide choice and the competition is increasing in the market place. In this dynamic situation marketing pays a major role in finding out what the consumer wants, planning and developing products and services that will satisfy those wants and determining the best way to price, promote and distribute the product or service. Marketing is considered as the most important activity as it provides goods and services and help to maintain and raise the stand of living of consumers and earn profits by serving the customers. Sales management is the backbone of marketing as it generates revenue for the organization. Sales management deals with management of sales force and organizing the sales efforts. It deals with planning, organizing, directing and controlling the personal selling function. It coordinates with other departments like HR, distribution, finance within the organization as well as external customers for planning and implementation of sale plans.

## STUDY QUESTIONS

1. Explain the three concepts of market.
2. Distinguish clearly between marketing and selling.
3. “Customer is the king”. Explain the statement with reference to modern concept in marketing.
4. Explain the differences between sales management and marketing management.
5. State the important functions of sales management.
6. Write short notes on the following
   (a) Needs, wants and demand
   (b) Value and satisfaction
   (c) Marketing myopia
   (d) Advisory role of sales management.
CASE STUDY
CONSUMER ORIENTATION

Company
Scope Inc., founded in 1993, was a high-technology products company. The company specialised in making electronic measuring devices for process control, communication and instrumentation industries. It was largely an owner-managed company. The President of the company, who himself was an inventor, had raised enough capital to finance expanding operations. A major oil company had recently supplied capital in exchange for a minority share in the company. The growth in business was enormous in the last four years.

The company’s R&D had made several innovative changes to give Scope an excellent reputation in the industry.

The business growth, however, came because of Scope’s new technical advance. The company essentially responded to the customer demand. In 1998, several other companies entered the field with similar products. One of them, 100 per cent subsidiary of a major multinational oil company, was especially aggressive in marketing the devices. It had invested in automatic production line and beat the prices of Scope in the market place acquiring a considerable market share within two years.

In 1993, it was estimated that Scope and its major competitor each held 30 per cent market, while 10 smaller companies had the rest of the market. Recently, it was rumoured that Japanese had come up with a major technological breakthrough that would lower the prices of the electronic measuring devices to half.

Marketing Concept
The Executive Vice President of the company was alarmed by the recent trends in the marketplace. In spite of the number of competitors, he was confident that the technological capabilities of Scope would enable it to maintain the necessary edge to continue the growth at 30 and 40 per cent each year. He was also convinced that his current Sales Department was incapable of “marketing” the products as aggressively as the competitors. There was virtually no market analysis, product-planning was uncoordinated and market intelligence was poor.

He made several recommendations to the President of the company.
1. The Director of sales be given early retirement or should be reassigned to a staff function.
2. The Sales Department should be replaced by full-fledged Marketing Department, composed of four divisions: Sales, Technical Services, Marketing Planning, and Product Management.
3. Marketing Planning should survey the market constantly, recommend innovation and
coordinate long-range planning.
4. Technical Services should assist Engineering Department in new product development and render technical support to sales.
5. Product Managers should monitor their products and competitors introductions, look for increased penetration of old products, foster market growth with new products.
6. Sales Department should concentrate on enlarging sales in present markets in coordination with other divisions.

To implement the recommendations, Scope hired a new Director of Marketing. The new Director interviewed all the personnel in the Sales Department and found that Sales Managers more or less ran independent operation making their own pricing decision in many cases. They constantly came up to the Vice President for reducing price levels complaining that prices were high. The exceptional low price approval became more of a norm. The advertising budget was, one per cent of sales. Most of the budget was spent on advertising aimed at enhancing corporate image in various trade magazines. The company offered numerous products with almost no standardisations. Every order required special design and production considerations. Sales Managers insisted on broad product line to keep customers satisfied. The competitors, on the other hand, had rationalised their production line offered only a few standard products.

QUESTIONS
1. What actions should the Director of Marketing take to implement the marketing concept? How long would it take to implement these actions?
2. Evaluate each one of the six recommendations made by the Executive Vice-President?
3. What are Scope’s most pressing problems? Assign priorities for resolution.

Comments
The case reveals lack of marketing research, marketing intelligence as well as absence of coordination between different departments, particularly between Production and Sales. Under systems approach to marketing, and the new marketing concept, these handicaps can be easily removed. The customer will be the centre of the marketing universe and all departments/divisions will offer coordinated efforts to achieve overall mission of the firm. Product line shall be rationalised to smoothen the production efforts as well as marketing activities. Standardisation without sacrificing customer interest is always desirable.

Marketing (management) concept demands integrated managerial approach to marketing and it rotates around customer needs (discovered by marketing research), customer-oriented marketing planning, evolution of right marketing-mix, coordination of all departments, and, above all, adequate serving of market demand. Then only profitability and progress can be assured.