

## Model Answers

### Subject –Sales Management

#### Paper code-AS-2642

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*(Note-These models answers are only depiction of important points, in order to secure high marks examinees are require to explain all the points and give proper notes to the theoretical question. The length of answer may vary as per interpretation and presentation of subject matter.)*

#### Answer 1.

##### Short Answer Questions

**i. Sales management:-** Efforts put forth to attain a company's objectives. Sales management includes formulation of sales strategy through development of account management policies, sales force compensation policies, sales revenue forecasts, and sales plan, (2) implementation of sales strategy through selecting, training, motivating, and supporting the sales force, setting sales revenue targets, and (3) sales force management through development and implementation of sales performance, monitoring and evaluation methods, and analysis of associated behavioral patterns and costs.

**ii. Recruitment Process:-** Recruitment refers to the process of attracting, screening, selecting, and on boarding a qualified person for a job. At the strategic level it may involve the development of an employer brand which includes an "employee offering".

The stages of the recruitment process include: job analysis and developing some person specification; the sourcing of candidates by networking, advertising, and other search methods; matching candidates to job requirements and screening individuals using testing (skills or personality assessment); assessment of candidates' motivations and their fit with organizational requirements by interviewing and other assessment techniques. The recruitment process also includes the making and finalizing of job offers and the induction and on boarding of new employees.

**iii. Application Blank:-** Application blank is most commonly used to collect information from the applicants. The information sought and information provided will facilitate the selection process. The information sought in application blanks may vary according to the position and the organization. Mostly application blanks seek the following types of information.

(i) Personal Data,

- (ii) Marital Data,
- (iii) Educational Data,
- (iv) Physical Data,
- (v) Employment Data,
- (vi) Extra-curricular Data &
- (vii) References.

When an applicant submits his application blank, he provides a brief bio-data about himself to the organization. It facilitates comparison among the applicants. It serves as a basis to initiate a dialogue in the interview.

- iv. **Straight Salary Plan**-Salesperson compensation method in which only a fixed salary (but no commission) is paid. The amount received by a salesperson is a function of time worked and not of performance as reflected in sales volume. This method is used where (1) the firm is aiming at long term presence in the market instead of short-term sales volume, (2) the firm is aiming at thorough familiarization of a new market or geographic area, or (3) the performance of each salesperson is difficult to measure.
- v. **Advantages of sales training-**
  - Increased executive management skills.
  - Development in each executive of a broad background and appreciation of the company's overall operations and objectives.
  - Greater delegation of authority because executives down the line are better qualified and better able to assure increased responsibilities.
  - Creation of a reserve of qualified personnel to replace present incumbents and staff new positions.
  - Improved selection for promotion. .
  - Minimum delay in staffing new positions and minimum a distribution of operations during replacement in incumbents.
- vi. **Sales volume Quota-** A sales volume-based quota system is a prominent goal-setting method used in many sales organizations. Companies use quotas to set expectations for sales employees and to establish rewards for high performing salespeople and consequences for low performing salespeople. Sales commissions and bonus often tie to sales quotas.
- vii. **Importance of setting sales territory-**

**viii. Merits of external source of recruitment**

1. **Wider Choice:** -With the availability of large pool of qualified candidates, the selection process becomes more competitive in choosing the best suited candidate.
2. **Qualified Personnel:**-External sources of recruitment provide a pool of talented candidates for selection purpose. With the large pool of potential candidates, it introduces new blood in the organization.
3. **Fresh Talent:**-External recruitment facilitates the entry of fresh talents in an organization. It encourages the inflow of new ideas, knowledge and skills required to perform the tasks.
4. **Competitive Spirit:**-External recruitment creates an environment for healthy competition in between internal employees and external members, who are supposed to be more trained and efficient.
5. **Environmental Adaptation:**-Since external recruitment encourages the entry of new skills, knowledge and ideas in the organization, it helps in accompanying environmental changes.
6. **Fairness:**-Being an open process, external recruitment provides opportunity to all prospective candidates to apply for the vacant position in the organization. This, in turn, widens its options of selection.

**ix. Objections**-In selling, one definition of an objection, is ‘a reason given by the prospective customer why they are not ready to buy your product or service.’ The success as a professional salesperson will depend on your ability to anticipate and handle a prospect’s objections. No matter how perfect your presentation is, at some stage, your prospect may raise an objection .... and how you handle it will make or break the sales game

**x. Objectives of Sales management** . There are numerous objectives which are executed by sales managers. There are mainly three such objectives

- Sales Volume
- Contribution to profits
- Continuous Growth

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

**Answer 2.**

In this question students are expected to first define the term Sales Management and then they are expected to give the functions of sales management.

- 1) Develop sales plan & strategies for developing business.
- 2) Provide detailed & accurate sales forecasting and tracking the same.
- 3) Compile information and data related to customer and prospect interactions.
- 4) Monitor customer, market and competitor activity and provide feedback to company.
- 5) Achieve desired market share in defined areas. Keep team members highly motivated and support them to accomplish desired results.
- 6) Work closely with marketing functions to establish channel and partner programme.
- 7) Look after national sales set for products in terms of all aspects, including achieving sales through distribution network.
- 8) Establishing strong customer base.
- 9) Creating and managing list of prospects across various target client segments. Create awareness and branding of services.
- 10) Managing key customer relations and participate in closing strategic opportunities.
- 11) Contacting client prospects across target client segments/markets and systematic follow up with each prospect.
- 12) Run and manage the sales teams, operations and resources to deliver profitable growth.
- 13) Control receivable management.
- 14) Proactively support each of the team member to achieve their target.
- 15) Define and oversee incentive programme that motivate the sales team to achieve their sales.
- 16) Define and co-ordinate sales training programmes that enable staff to

### **Answer 3.**

#### **Methods of closing sales-**

The following seven methods or devices are used in practice by salesmen for closing the sales. They are-

- (1) Getting a series of 'Yes-answers;
- (2) Erecting barriers or using 'fear';
- (3) Narrowing the choice to help the customer decide;
- (4) Asking direct or indirect questions;
- (5) Offering special inducements to buy now;
- (6) Summing up the selling points like the lawyer; and
- (7) Assuming customer has decided to buy.

#### **(1) Series of "Yes" Answers:**

One method of closing the sale is to lead the customer into making a number of small favourable decisions by framing the questions in such a way that they can be answered affirmatively.

This technique is also described as the continued affirmation technique. In this way the salesman accustoms the customer into saying "Yes" on small points so that he will also say "Yes" on the major issue. Positive question should be used.

This method induces an automatic close by gradually reversing the customer's resistance. Positive questions must be used and negative ideas should be avoided. For example, the salesman should not say "You wouldn't want to look at these ties" Because here the customer would agree with him and say "No. I wouldn't and go away

#### **(2) Erecting Barriers:**

In case of selling to an unresponsive type of customer, this second method is often used. For example, by saying "Don't put this off. Putting off is what kills success of so many," this method is being used.

This of course amounts to high pressure selling but can be used legitimately in many cases. This method is also useful for the silent type of customer who does not say much throughout the interview. The objective here is to create barriers and show that it would not be wise for the prospect to delay his decision.

#### **(3) Narrowing the Choice:**

While presenting and demonstrating the goods, the customer's interest can be found out. By narrowing down the selection it becomes easier for the customer to come to a decision quickly. This technique is also sometimes described at the "option-elimination" technique.

The salesman is in fact helping the prospect by narrowing down the options and making it easier for the prospects to make his final decision.

**(4) Direct and Indirect Questions:**

Many salesmen forget to ask for the final order. This is surprising but true and may be due to their fear of being refused. Once the customer has made up his mind to purchase but has not expressed his decision, he can be asked a direct question.

Where the salesman has an order form for this purpose, he should not be overeager to secure the customer's signature, as that may suggest pressing him.

As against this the salesman should not unduly delay its production as the best time to get the order is whilst the prospect is at the height of his enthusiasm. However, to avoid rushing him the salesman may use suggestions, e.g., "Would you like three of these" or "How many shall I wrap up?"

**(5) Offering Inducements:**

Another device used by salesman is to offer special inducements. For example when selling radio sets the salesman may say "If you buy in this month we will install the radio in your house without any extra charge". Price appeals can also be used where special inducements are given during a certain period.

**(6) Summarising Selling or Talking Points:**

The lawyer, when he faces the jury and the judge, sums up his whole case in his closing address bringing in all the important bits of evidence on which he relies. The salesman can also benefit by this practice. It is good salesmanship to summarise the selling points and remind the customer of the reasons why he should purchase the article.

This of course must be done in an informal manner and not like a debator. Very often the customer forgets some important reason for purchasing the article and a summarising of the selling point will thereby recall to his mind the important reasons why he should buy the article.

**(7) The Assumptive Close:**

Here the salesman proceeds on the assumption that the prospects has already decided and is going to buy. This type of attitude is reflected throughout the salesman's presentation. For example, the salesman would say, "You like this blue fountain pen".

This assumptive method is very often used by good salesmen in case of retailers to whom they supply the product.

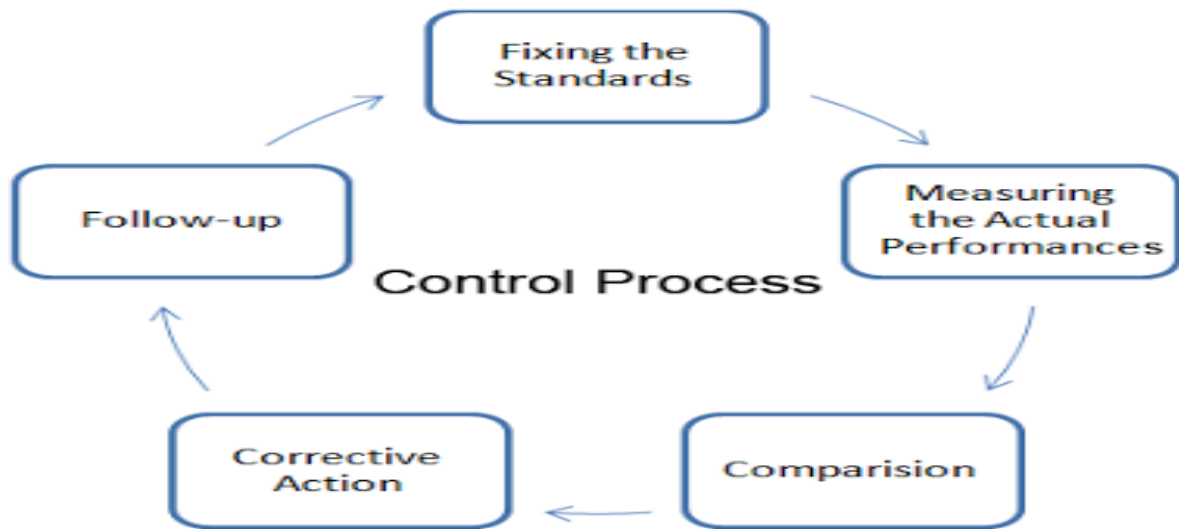
They have built up so much confidence in the retailer by their past helpful behavior that such as a salesman has merely to go round the shop and fill up the order form for signature by the retailer. This is of course an extreme case but the same philosophy could be adopted" in this-approach with other prospects.

Thus a good salesman has many methods of closing. It is at this stage that often the customer is asking for concessions and a good salesman does not go under. For example, a good salesman would not lower a price or offer concession out of fright. He would know how to close the sale.

**Answer 4.**

**Controlling Process-**

In answering this question the examinee is expected to give the steps involved in controlling process. The five main steps in the control process with diagram are discussed below:-



**1. Fixing the Control Standards / Objectives / Targets**

A standard is a criterion (base) which is used to measure the performance of the subordinates. Standards may be of two types, i.e. Quantitative Standards and Qualitative Standards.

Quantitative Standard can be easily defined and measured. For e.g. number of products, number of customers, cost, net profit, time limits, etc.

Qualitative Standard cannot be easily defined and measured. For e.g. measurement of morale, measurement of job satisfaction, measurement of effect of a training programme, advertisement programme, etc. It is better to have quantitative standards because they are measurable. However, today there are many new techniques for measuring qualitative standards.

The standards should be as clear as possible. It should be easily understood by both superiors and subordinates. The responsibility of each individual should also be clearly defined i.e. everyone should be responsible for achieving a particular goal, objective, target, etc. For e.g. The marketing department fixes a standard - "We will sell 2,000 units of product X in one month". So here the standard is 2,000 units.

## **2. Measuring the Actual Performances**

After establishing the standards, the subordinates should be provided with all the resources for performing the job. They should be properly directed and motivated to perform the job. Similarly, they should be properly supervised. If the subordinates come under Theory X they require maximum supervision. However, if they come, under Theory Y then they require minimum supervision. After they complete the job their performance should be carefully measured. There are many traditional and modern techniques for measuring the performances of subordinates.

For e.g. after one month, the marketing department sold only 10,000 units of product X. So, their actual performance is only 10,000 units.

## **3. Comparison**

The actual performances of the subordinates are compared with established standards, and then the deviations are found out. The deviations which are found out may be positive or negative.

Positive Deviation means that the actual performances are better than the established standards. Positive deviations should be appreciated.

Negative Deviation means that the actual performance is less than the established standards. The management should pay special attention to the negative deviation. They should find out the causes of negative deviations.

Generally, minor (small) deviations are ignored. However, major deviations should be immediately addressed and reported to the top management. PERT, Budgetary Control, Observation, Inspection, Reports, etc. are some of the methods used for comparison.

For e.g. 10,000 units (Standard) - 9,000 units (Actual Performance) = 1,000 units (Negative Deviation).

## **4. Corrective Action**

After finding out the negative deviations and their causes, the managers should take steps to correct these deviations. Corrective actions should be taken promptly. Corrective action may include, changing the standards, providing better motivation, giving better training, using better machines, etc. The management should take essential steps to prevent these deviations in the future.

For e.g. the cause of the negative deviation was less advertising and untrained salesmen. So, the company must spend reasonable money on advertising and training.

## **5. Follow-up**

After taking corrective action, the management must do a follow-up. Follow-up is done to find out whether the corrective actions are taken properly. It also finds out whether the deviations and their causes are removed. If follow-up is done properly, then the actual performance will be equal to or better than the established standards.



## Answer 5.

The Recruitment Sources in the recruitment process are the sources of candidates. Generally, the HRM Function recognizes two main sources of candidates for the job positions: Internal and external sources of candidates. The internal recruitment sources are very important, but they cannot be used to fill every vacancy in the organization. It is very important to realize, that in many organization, the internal recruitment is divided into two separate processes: Internal recruitment and promotions. The promotion is the move of the employee when the organization initiates the whole process. The real internal recruitment is than a move of the employee initiated by the employee him or herself. The sources of recruitment are broadly divided into internal sources and external sources consisting of the following:

### **Internal sources of Recruitment:**

- 1. Present Permanent Employees :** Organizations consider the candidates from this source for higher level of jobs due to availability of most suitable candidates for jobs relatively or equally to external sources, to meet the trade union demands and due to the policy of the organization to motivate the present employees.
- 2. Present temporary/casual Employees:** Organizations find this source to fill the vacancies relatively at the lower level owing to the availability of suitable candidates or trade union pressures or in order to motivate them on present job.
- 3. Retrenched or Retired Employees:** Employees retrenched due to lack of work are given employment by the organization due to obligation, trade union pressure etc. Sometimes they are re-employed by the organization as a token of their loyalty to the organization or to postpone some interpersonal conflicts for promotion.
- 4. Dependents of Deceased, Disabled, retired and present employees:** Some organizations function with a view to developing the commitment and loyalty of not only the employee but also his family members.
- 5. Employee Referrals:** Present employees are well aware of the qualifications, attitudes, experience and emotions of their friends and relatives. They are also aware of the job requirements and organizational culture of their company. As such they can make preliminary judgment regarding the match between the job and their friends and relatives.

### **External Sources of Recruitment**

- 1. Campus Recruitment:** These candidates are directly recruited by the Co; from their college/educational institution. They are inexperienced as far as work experience is concerned.
- 2. Private Employment Agencies/Consultants:** Public employment agencies or consultants like ABC Consultants in India perform recruitment functions on behalf of a client company by charging fees. Line managers are relieved from recruitment functions and can concentrate on operational activities.
- 3. Public Employment Exchanges:** The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organization in finding out suitable candidates. As per the Employment Exchange act 1959, makes it obligatory for public sector and private sector enterprises in India to fill certain types of vacancies through public employment exchanges.
- 4. Professional Organizations:** Professional organizations or associations maintain complete bio-data of their members and provide the same to various organizations on requisition. They act as an exchange between their members and recruiting firm.

5. **Data Banks:** The management can collect the bio-data of the candidates from different sources like Employment Exchange, Educational Training Institutes, candidates etc and feed them in the computer. It will become another source and the co can get the particulars as and when required.
6. **Casual Applicants:** Depending on the image of the organization its prompt response participation of the organization in the local activities, level of unemployment, candidates apply casually for jobs through mail or handover the application in the Personnel dept. This would be a suitable source for temporary and lower level jobs.
7. **Similar Organizations:** Generally experienced candidates are available in organizations producing similar products or are engaged in similar business. The Management can get potential candidates from this source.
8. **Trade Unions:** Generally unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to latter rapport with the management.
9. **Walk In:** The busy organization and rapid changing companies do not find time to perform various functions of recruitment. Therefore they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place.
10. **Consult In:** the busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates and advise the company regarding the filling up of the positions. Head hunters are also called search consultants.
11. **Body Shopping:** Professional organizations and the hi-tech training develop the pool of human resource for the possible employment. The prospective employers contact these organizations to recruit the candidates. Otherwise the organizations themselves approach the prospective employers to place their human resources. These professional and training institutions are called body shoppers and these activities are known as body shopping. The body shopping is used mostly for computer professionals. Body shopping is also known as employee leasing activity.
12. **Mergers and Acquisitions:** Business alliances like acquisitions, mergers and take over help in getting human resources. In addition the companies do also alliances in sharing their human resource on adhoc basis.
13. **E\_recruitment:** The technological revolution in telecommunications helped the organizations to use internet as a source of recruitment. Organizations advertise the job vacancies through the World Wide Web (www). The job seekers send their applications through e-mail using the internet.
14. **Outsourcing:** Some organizations recently started developing human resource pool by employing the candidates for them. These organizations do not utilize the human resources; instead they supply HRs to various companies based on their needs on temporary or ad-hoc basis.

#### Answer 6.

**Sales Quota:** -Sales quota may be regarded as a specific sales target which is determined for a particular sales territory or for particular salesmen. Every business and industrial enterprise determines such targets for all its sales territories and salesmen and these territories and salesmen are supposed to achieve their individual target. Sales quota may be expressed in terms of rupees or quantity or number of units of a product.

*Basic methods of sales quotas are given below:*

(1) The jury of executive opinion method;

(2) The sales force composite method; and

(3) The past performance methods.

1. ***The jury of executive opinion method:***-In the jury of executive opinion method, the managers or executives of the organization combine their experience and judgment to establish the sales quotas. In this way, several specialized viewpoints can be brought to bear in determining the sales quota. This is sometimes referred to as the “guesswork” quota methods as ultimately it is based on the executive’s thinking or guesses.
2. ***The sales force composite method :-***In the sales force composite method, the responsibility for the sales quota is fixed on the sales force that provide their own forecasts or quotas on forms prescribed for this purpose or give their opinion in a conference with the executive such as the sales manager. Both these methods attempt to look at past performance and future possibilities of the market. Some organizations base their quota merely on the past sales.
3. ***The past performance methods:-***The past sales figure is taken as the base and for the next year it is decided to increase the sales volume by a certain percentage to arrive at the total sales quota. Thereafter it would be divided into territories products and salesmen. The total sales quota for the sales department is generally broken down into sales territories and individual salesmen’s quotas. A time limit is naturally provided for each quota. Some organizations given a year as the time limit whereas others provide for the seasonal variations.

### **Answer 7.**

The examinee is first expected to explain the meaning of sales control afterwards he/she is expected to give the need behind sales budgeting control which can be as under-

- **Controls make plans effective.** Managers need to measure progress, offer feedback, and direct their teams if they want to succeed.
- **Controls make sure that organizational activities are consistent.** Policies and procedures help ensure that efforts are integrated.
- **Controls make organizations effective.** Organizations need controls in place if they want to achieve and accomplish their objectives.
- **Controls make organizations efficient.** Efficiency probably depends more on controls than any other management function.

- **Controls provide feedback on project status.** Not only do they measure progress, but controls also provide feedback to participants as well. Feedback influences behavior and is an essential ingredient in the control process.
- **Controls aid in decision making.** The ultimate purpose of controls is to help managers make better decisions. Controls make managers aware of problems and give them information that is necessary for decision making.

### Answer 8.

**Sales compensation:-** It refers to the various methods adopted by the business houses to remunerate their sales personal. When creating a compensation plan and schedule for an organisation, there are many issues to consider. For example, are you going to pay them a flat salary, straight commission or a combination of the two? Which method will attract and motivate the best salespeople? Which method works best for the organisation?

The following are the main methods adopted by the organisation to remunerate their employees with their pros and cons.

1. **Flat Salary** – In this compensation method sales personal are paid a fixed amount after certain period of time, generally a month. This method does not take into account the sales generated by the sales personal and assures guaranteed income to the employees.

### Advantages

- Gives salesperson a stable income.
- Develops increased loyalty.
- Offers more flexibility in assigning sales territories.
- Makes it easier to facilitate administration of payouts.
- Provides a stable, fixed sales cost.

### Disadvantages

- Fails to motivate salespeople to sell full product range.
  - Decreases financial incentive.
  - Leads to a potential loss of strong productive salespeople.
  - Does not reward extra effort.
2. **Straight Commission** – In this compensation plan the sales personal are paid according to the sales generated by them for the organisation.

## **Advantages**

- Compensation is directly tied to performance and results.
- Usually easy to understand and compute.
- Strong financial incentive.
- Sales cost is easy to track against sales.
- Negligible Investment – you only pay for performance.

## **Disadvantages**

- Salespeople may be tempted to compensate on high profit items/services.
- Customer service and administrative activities may suffer.
- Problems may arise from redistribution of sales territory.
- Salespeople may focus on short term, rather than long term, results.
- It may lead to substantial turnover in your sales force during market downtimes.
- The salesperson's emphasis may be more on volume than profitability.

3. **Salary + Commission, Bonus, etc.** –This method is combination of fixed salary and commission plan. In this method salesmen are paid a fixed amount plus extra amount on the sales generated by them.

### **Advantages**

- Compensation is based on effort.
- Increases flexibility in earning possibilities.
- Some level of income stability.
- Tends to compensate and motivate salespeople to perform all activities related to selling. (Servicing the customers etc.).
- Allows more flexibility in establishing and meeting goals and objectives.

### **Salary + Commission, Bonus, etc. – Disadvantages**

- Usually complex and may be difficult for your salespeople to understand.
- May establish ineffective ratios of salary to commission to sustain the employee while maintaining profitability.
- Can be costly to administer.
- May diminish corporate focus by creating too many objectives.