Dr. Babasaheb Ambedkar Open University

(Established by Government of Gujarat)

MBA
SEMESTER - 3
MBA03EM312

Sales & Distribution Management

Message for the Students

Dr. Babasaheb Ambedkar Open (University is the only state Open University, established by the Government of Gujarat by the Act No. 14 of 1994 passed by the Gujarat State Legislature; in the memory of the creator of Indian Constitution and Bharat Ratna Dr. Babasaheb Ambedkar. We Stand at the seventh position in terms of establishment of the Open Universities in the country. The University provides as many as 54 courses including various Certificate, Diploma, UG, PG as well as Doctoral to strengthen Higher Education across the state.

On the occasion of the birth anniversary of Babasaheb Ambedkar, the Gujarat government secured a quiet place with the latest convenience for University, and created a building with all the modern amenities named ‘Jyotirmay’ Parisar. The Board of Management of the University has greatly contributed to the making of the University and will continue to this by all the means.

Education is the perceived capital investment. Education can contribute more to improving the quality of the people. Here I remember the educational philosophy laid down by Shri Swami Vivekananda:

> ***“We want the education by which the character is formed, strength of mind is Increased, the intellect is expand and by which one can stand on one’s own feet”.***

In order to provide students with qualitative, skill and life oriented education at their threshold. Dr. Babaasaheb Ambedkar Open University is dedicated to this very manifestation of education. The university is incessantly working to provide higher education to the wider mass across the state of Gujarat and prepare them to face day to day challenges and lead their lives with all the capacity for the upliftment of the society in general and the nation in particular.

The university following the core motto ‘स्वाध्यायः परमम् तपः’ does believe in offering enriched curriculum to the student. The university has come up with lucid material for the better understanding of the students in their concerned subject. With this, the university has widened scope for those students who are not able to continue with their education in regular/conventional mode. In every subject a dedicated term for Self Learning Material comprising of Programme advisory committee members, content writers and content and language reviewers has been formed to cater the needs of the students.

Matching with the pace of the digital world, the university has its own digital platform Omkar-e to provide education through ICT. Very soon, the University going to offer new online Certificate and Diploma programme on various subjects like Yoga, Naturopathy, and Indian Classical Dance etc. would be available as elective also.

With all these efforts, Dr. Babasaheb Ambedkar Open University is in the process of being core centre of Knowledge and Education and we invite you to join hands to this pious *Yajna* and bring the dreams of Dr. Babasaheb Ambedkar of Harmonious Society come true.

Prof. Ami Upadhyay
Vice Chancellor,
Dr. Babasaheb Ambedkar Open University,
Ahmedabad.

MBA

SEMESTER-3 MARKETING

SALES AND DISTRIBUTION MANAGEMENT

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SALES & DISTRIBUTION MANAGEMENT
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SEMESTER-3

BLOCK-1

BLOCK-2

UNIT – 1 INTRODUCTION TO SALES MANAGEMENT

1.1 Introduction

Sales management is the management of activities and processes relating to the effective planning, coordination, implementation, control, and evaluation of an organization's sales performance. Sales management is a core business process in most organizations. A role in sales management is typically a sales manager whose job plays a vital role in a company's revenue generation and profits.

Effective sales management requires a thorough understanding of the sales process and how different techniques can be used to drive sales. By carefully analyzing key performance indicators (KPIs), optimizing your selling approach, and enhancing your team with the right competencies and tools to succeed, you can turn your sales department into a profit-generating department.

Excellent sales management can help businesses thrive. Because there are so many moving parts within an organization, the sales management process needs to be fully grasped to ensure that each aspect of the collective sales effort is operating efficiently.

To do this, it is important to have a great sales manager and sales leaders that help their team maximize profits while delivering the best possible value to customers.

Sales management starts with the development of a sales plan that outlines all the necessary steps required to achieve a financial objective. It continues with the hiring of qualified sales team members and providing them with the necessary training, tools and ongoing support to ensure their success. Sales management also involves analysing sales data to identify trends and areas for improvement, as well as collaborating with other departments to ensure a positive customer experience. Ultimately, sales management is instrumental in driving revenue growth, which is tied in with the overall success of the company.

1.2 Definition of Sales Management:

Sales management is the process of leading, motivating, and influencing people to achieve sales objectives. The sales manager manages the entire sales cycle, including forecasting and budgeting sales revenue, recruitment, selection of sales personnel, and ensuring proper training and performance evaluations are conducted.

Sales management is the process of developing a sales force, coordinating sales operations and implementing sales techniques that allow a business to consistently hit, and even surpass, its sales targets.

Sales management is the process of leading and directing a sales team to achieve sales objectives. It involves creating strategies, setting goals and providing guidance to sales team members to help them meet those goals. Sales management is essential for any company that wants to grow its revenue and increase its customer base.

Sales management meant all marketing activities, including advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

According to the definition committee of the American Marketing Association sales management meant "The planning, direction, and control of personal selling including recruiting, selecting equipping, assigning, routing, supervising, paying, and motivating as these tasks apply to the personal sales force".

1.3 Types of Sales Management:

Sales managers need to possess fundamental skills, such as effective communication, strong organization and active listening, regardless of the industry they work in. The sales management approach, however, can vary depending on the industry they are operating in. Certain industries require sales approaches that focus on increasing the quantity of sales, while others concentrate on generating revenue through high-value accounts. Each type of sales involves slightly different sales management skills so it is crucial to identify the niche that suits you best.

1. **B2C Sales Management**

Business-to-consumer (B2C) sales focus on providing goods and services directly to individual customers. Thanks to marketing strategies such as social media, digital marketing and events, B2C organizations rarely struggle with finding leads. Where their challenges come into play is converting those leads into a sale. Sales managers who can streamline and automate the internal sales process with tools such as customer relationship management (CRM) software will see an increase in productivity among the members of the sales team.

2. B2B Sales Management:

The sales management style for business-to-business (B2B) sales focuses on strategically building long-term relationships with clients. This is because transactions tend to be larger and the sales process tends to be longer than B2C sales. Because of this, sales managers in B2B businesses often work closely with their sales team to build strong, lasting relationships with their clients to drive sustainable growth over the long term. B2B sales managers need to set clear and measurable goals for their sales team, use data to track performance and provide ongoing training to increase the sales team's performance.

3. **SASS Sales Management:**

Software as a Service (SaaS) companies sell software or applications online typically on a subscription basis. The sales process is often remote with deals being finalized through email or the phone. A sales manager overseeing a SaaS team typically employs a results-oriented management style that focuses on achieving sales targets and maximizing revenue growth. Effective communication is a key aspect to ensure that team members understand the company's goals, objectives and sales strategies. SaaS sales managers tend to be analytical, regularly monitoring sales metrics and performance indicators to identify areas to optimize the sales processes.

4. Enterprise Sales Management:

Enterprise sales are sales that involve selling large-scale corporate solutions directly to large companies. Complex sales typically involve large contracts that require long sales cycles that need to go through multiple decision makers in order to be approved. Because the length of the enterprise sales cycle can take months or even years, managers need to hire sales associates who can not only develop and maintain relationships with clients but also have the patience to stick with the relationships over the long haul.

1.4 Functions of Sales Management:

Sales management isn’t only about managing sales and ensuring that customers are satisfied with the process. In general, it implies making sure that sales reps do a great job, planning and setting targets, and monitoring the efficiency of the sales process.

1. Setting targets:

Establishing unrealistic goals can have a negative influence on your company. That's why to reap benefits from your business, you need to select the right and realistic targets to reach. Use the reports of your sales team to identify the target it's possible to achieve. However, remember that the previous performance doesn't necessarily predict the future actions of your customers.

2. Identifying quality leads:

At any time, there might be many potential customers who need information about your product. Your task is to make sure that salespeople can find a unique approach to each of them and act quickly. Make sure that your sales team can identify quality leads and make them convert.

3. Improving the efficiency of your sales process:

Identifying good leads is one of the ways to optimize your sales process. However, you should also be ready to improve the efficiency and speed of your sales process. You can use a software solution to be able to assign tasks to people who understand a particular process better. Say, if users land on your site and show interest in your product, it's better to assign them to a sales representative who has a profound knowledge of your product, starting from the most basic information. By sending email campaigns to your leads and clients, you can build trusting relationships with them. You can consider using SendPulse to automate your email send-out.

4. Monitoring the performance of your salespeople:

To see the progress in your team's work, you need to track your salespeople's performance and the value they bring. It's a good idea to encourage your team members with rewards for a well-done job. For underperformers, you can prepare some additional training to master their skills.

5. Analyzing the reports:

Reports are necessary to collect information and make decisions. Consider the received data when assigning tasks and defining short-term objectives for sales teams. Moreover, look for things that hinder attaining your company's goals.

1.5 Objective of Sales Management:

1. Revenue Generation:

One of the main objectives of sales management is to generate revenue for the organization. The sales department is solely responsible to bring in the money.

2. Increase Sales Volume:

Through efficient sales management, the organization wishes to increase the number of units sold. This will ensure that the production facilities do not remain idle and are utilized to the fullest.

3. Sustained Profits:

Sales management has an objective of improving the profits of the organization through effective planning, coordination and control. Sales management strives to increase sales and reduce costs, this ensures good profits for the organization.

4. Organization Growth:

With sustained and continuous sales management techniques, the organization tends to gain market share and results in the growth of the organization.

5. Market Leadership:

With increased sales volumes and profits, 'sales management' enables an organization to become the market leader.

6. Converting Prospects to Customers:

Getting prospects to become customers is an art and a science, it requires good planning and sustained efforts. This is accomplished through sales management.

7. Motivate the Sales Force:

One of the core objectives of sales management is to motivate the sales force. Selling is a very stressful task, and achieving sales targets can become very challenging. Therefore, the sales management task is to ensure that the sales force is continuously motivated through proper incentives and reward systems.

8. Compliment Marketing Activities:

Sales management's task is to support the marketing functions of the organization. Marketing and sales need to go hand in hand to achieve the desired results.

1.6 Scope of Sales Management:

1. Sales Forecasting and Budgeting:

The sales managers are expected to chalk out well-structured sales plans well in advance. She/he should estimate the expenses that will be incurred as a result of various sales activities.

2. **Sales Team Structure:**

The sales team is expected to perform variety of sales related activities. The sales manager is responsible for determining and organizing the functions to be performed by his sales team.

3. Manpower Planning and Hiring:

The sales manager is required to estimate the requirement of sales personnel in the organization. As per requirement of the organization, She/he should plan recruitment and selection activities.

4. Sales Training:

To drive effective performance from the salespeople, it is important to impart them with the right skill sets. The sales managers are responsible for providing training and orientation to newly hired sales candidates so as to establish a suitable match between the know-how and job position.

5. Sales Areas:

The sales manager is responsible for establishing sales goals for the team, for this purpose, she/he determines the sales quotas and identifies the sales territories. She/he further determines the region where the company wants to sell its products depending on the profitability of the organization.

6. Salesforce Management:

The sales manager is entrusted with the responsibility of motivating the sales personnel, appraising their performance, and ascertaining their remuneration and rewards for the targets achieved. Therefore, she/he should manage the sales force in such a way that they are driven towards the achievement of the goal.

1.7 Determinants of Sales Management:

When mixed recognition with coaching- One common sales management faux pas is to congratulate your sales force for a job well done and quickly move to areas of improvement. This tactic can often be interpreted by sales staff as a lack of appreciation. A best practice is to separate the recognition from the coaching.

Save the performance improvement areas for coaching sessions. Set up separate recognition of your sales representative success even if it’s a small celebration. It’s the little gestures of respect and celebrations of achievement that gain the hearts and minds of the sales force.

1. When we don’t have any Sufficient Sales Plan:

Another common sales management faux pas is not developing a sales plan to help manage the sales team. A successful sales team requires regular planning tracking, and review to achieve the targeted results. Every sales representative requires their own action plan to direct day-to-day activities and set up accountabilities.

All sales plans have at least 3 requirements:

i. Sales Representatives Development
ii. Regular Reporting
iii. Sales Metrics

2. When we have no Appropriate Sales Support:

A common sales management faux pas is to hire a salesperson without providing them with the level of support required to succeed. Even if your new representative is well-versed in your industry and a top performer, they will still require help to familiarize themselves with your company, products, and markets.

Not all sales representatives require the same level of support. For many small business owners, a hands-off approach to sales management is not the best strategy. Successful sales management requires a commitment to sales force training. Regardless of the size of your firm, an investment in sales training and support can pay big dividends on profitability.

Spending time one-on-one and in the field with your sales team will not only provide support but also convey a sense of the importance of salespeople in your organization.

3. When we only Focus on Control Sales Management:

Many new and unsuccessful sales managers will focus on the traditional sales management by intimidation or control approach. The top sales performers know they have a valuable skill set and will quickly walk to a competitor if treated poorly. Sales management is a partnership between the sales representative and the sales manager.

Effective sales management requires sharing in the responsibility to find the problems and bottlenecks in your sales process. Seek the solution together with your representatives. Be a champion for helping them achieve their agreed results.

4. When no Sales Accountability:

There will be times when sales representatives regardless of the support and training they receive. It is easy to pass off the lack of results to external forces such as competitors, the economy, or poor marketing. Remember the sales representative hired to bring in sales. When support, training, and market potential are available, a lack of results often means it's the representative's performance.

If your small business lacks a clear policy of sales accountability, it remains your responsibility to implement the process. Creating a culture of sales accountability will not happen overnight. Expect to lose sales staff.

Sales representatives who have underperformed and will not accept personal responsibility for their own results will leave. This is a good thing. A sales accountability culture only accepts top performers; exactly what our business needs to survive in a competitive market.

1.8 Steps in Developing Sales Management:

A sales organisation is an organisation of individuals either working together for the marketing of products and services manufactured by an enterprise or for products that are procured by the firm for reselling.

1. **Define Objectives**:

The first step is to define the sales department's objectives. Top management defines the long-term objectives for the company, and from these, the objectives for the sales department are derived.

Top management, for instance, may want the firm not only to survive but to achieve industry leadership, develop a reputation for outstanding technical research, diversify its product lines, provide excellent service to customers, furnish investors with a generous return, establish an image of public responsibility, and so on.

From such composites, sales management determines the implications for the sales department and articulates a set of qualitative personal selling objectives. Three of the sales Department's general objectives, all traceable to management's desire for the survival of the firm may be summed up in three words: sales, profits, and growth.

2. Determination of Activities:

Determining the necessary activities and their volume of performance is a matter of analyzing the sales department's qualitative and quantitative objectives. The activities involved in modern sales management are similar from firm to firm, and although individual sales executives think that their operations are different, most differences are more apparent than real.

3. Grouping of Activities:

The activities are classified and grouped so that closely related tasks assigned to the same position. Each position should contain not only a sufficient number of tasks but sufficient variation to provide for job challenge, interest, and involvement.

Certain activities are of crucial importance to the success of the sales department, and this has implications for organizational design. For example, in a highly competitive field, product merchandising and pricing are assigned to positions high up in the organizational structure and activities of lesser importance are assigned to lower-level jobs.

4. Assignment of Personnel:

The next step is to assign personnel to the positions. This brings up the question of whether to recruit special individuals to fill the positions or to modify the positions to fit the capabilities of available personnel. On the one hand, some position requirements are sufficiently general that many individuals possess the necessary qualifications, or can acquire them through training. On the other hand, some individuals possess such unique talents and abilities that it is prudent and profitable to modify the job specifications to fit them. Nevertheless, planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals.

5. Coordination and Control:

Sales executives who have others reporting to them require means to control their subordinates and to coordinate their efforts. They should not be so overburdened with detailed and undelegated responsibilities that they have insufficient time for coordination. Nor should they have too many subordinates reporting directly to them. This weakens the quality of control and prevents the discharge of other duties. Thus, in providing for coordination and control, consideration must be given the span of executive control.

1.9 Sales Responsibilities:

The duties and responsibilities of the salespersons can vary depending upon the nature of the business.

i) A salesperson should have all the knowledge about the product so that he may communicate with the customers.
ii) He should sell the products with persuasion and it is the responsibility of the salesperson to satisfy the customers while they are looking for the products.
iii) The salesperson should also handle and maintain the cash.
iv) The salesperson is also responsible for greeting the customers, helping the customers identify their requirements, promoting products, answering the customers' questions regarding the products, negotiating the price on the spot, arranging the merchandise properly and supervising the ordering of the supplies.

1.10 Sales Planning:

Sales planning are the process of determining the number of salespersons or sales force required the sales targets to be achieved, the expenditures to be incurred and everything required for an effective sales organization in the firm.

Here is an in-depth discussion of the different types of sales managers in any kind of company are explained below:

Types of Sales Managers:

There are four types of sales managers.

They are:

1. The Dictator Manager
2. The Disappearing Manager
3. The Demonstrator Manager
4. The Developer Manager

1. The Dictator Manager:

Some managers are called dictators. These managers love to dictate and usually want their opinions to be done all the time. Their listening skills are only limited and they do not regard the opinions of their subordinates. Although the dictator managers are regarded as evil managers, there is still an advantage of being one. Your subordinates exactly know where they stand and therefore do not cross the line.

Since being a dictator means that you follow the guidelines strictly, then you can be ensured that your subordinates will also learn the rules themselves. However, the major drawback of being one is that you tend to monopolize the entire workplace. Moreover, your subordinates will follow you not because they respect you but because they are afraid.

2. The Disappearing Managers:

These managers have a lot of things to do and are often out from the office most of the time. This type of manager is always on the go. If you are this kind of manager, then you need to make sure that change yourself. As found out, this type of manager can be very frustrating since they are nowhere around when their representatives need them.

3. The Demonstrator Manager:

This particular manager loves to work most of them time on their own without the need to work with others. Although this is good, sometimes the manager does not give his or her subordinates a chance to work for themselves. The downside to this manager is that he or she does not illicit the value of teamwork among the subordinates.

4. The Developer Manager:

This manager takes time with his or her subordinates and develops ways to improve them. Of all types of managers, this particular manager is the best type of all. This makes the subordinates feel comfortable with the manager thus they perform well with their jobs.

1.11 Practices in Sales Management:

The recruitment and selection of a sales force often is the key to success for an organization. A successful sales team leads to profitability and future growth. Most organizations that hire sales professionals use a very detailed, well-orchestrated process to ensure that the candidates selected will meet or exceed targeted sales goals.

a) Job Description:

A detailed job description is created that represents a top-notch salesperson. The job description includes the overall function of the job, detailed responsibilities, sales expectations, as well as education and personal attributes required to be successful. A sales job description also represents the challenges of the job. When the job description is posted to find candidates, the goal is to attract highly skilled sales professionals willing to take on the challenge.

b) Cover Letter and Resume:

Applications received from candidates interested in the opportunity are reviewed carefully. Candidates' cover letters and resumes often are scrutinized, and recruiting professionals look for enthusiastic candidates who exhibit the potential to provide successful accomplishments in sales.

c) Screening:

After resumes are screened, selected candidates are contacted. In many cases, the candidates are screened during a phone interview to verify that they qualify for the job opening. During the screening process, hiring professionals evaluate sales skills, as well as the candidates' personalities to ensure they match the overall requirements for the position. One or several candidates are then selected to proceed to the next phase of the recruitment and selection process.

d) Assessments:

When candidates are selected after an initial phone interview, many organizations administer an assessment to evaluate the candidate's personality and how it reflects on his/her sales abilities. In many cases, the assessment is administered online. After the assessment is completed, hiring professionals evaluate the results and determine if the candidate's personality and skills are a fit for the sales position.

1.12 Sales Forecasting:

Sales forecasting is the process of estimating a company's sales revenue for a specific time period – commonly a month, quarter, or year. A sales forecast is a prediction of how much a company will sell in the future.

Producing an accurate sales forecast is vital to business success. Hiring, payroll, compensation, inventory management, and marketing all depend on it. Public companies can quickly lose credibility if they miss a forecast.

Forecasting goes hand-in-hand with sales pipeline management. Getting an accurate picture of qualification, engagement, and velocity for each deal helps sales reps and managers provide data for a reliable sales forecast.

A forecast is different than sales targets, which are the sales an enterprise hopes to achieve. A sales forecast uses a variety of data points to provide an accurate prediction of future sales performance.

- **Sales forecasting methods and techniques**

Although different organizations can have vastly different sales structures and processes, the majority tend to use one or a combination of the following primary approaches to sales forecasting:

1. Use of historical data to forecast future results:

Looking at historical data is perhaps the most common as well as straightforward approach. The data is readily available, and it makes sense that variations based on factors like seasonality and new product introductions would provide directional insight. The limitation, of course, is that external, macro trends that impact sales aren't necessarily considered – at least not in a systematic fashion.

2. Funnel-based forecasting:

For many companies, the current state of the sales funnel is viewed as the most accurate predictor of likely sales outcomes. As long as sellers are providing accurate and frequently updated information about the state of given pursuits, use of the funnel can be a reasonably reliable means upon which to make forecasts.

3. Forecasting based on multiple variables:

Given that both of the above approaches have inherent limitations, some organizations are looking to build more complex forecasting models that incorporate techniques such as intelligent lead scoring alongside macro factors that are likely to impact the closing of deals. The trick is to put in place an approach that's sophisticated enough to be meaningful without being too complex to manage and maintain.

Benefits of Accurate Sales Forecasts:

Sales forecasting is an essential tool for businesses of all sizes. By accurately predicting future sales, businesses can make more informed decisions about inventory, staffing, and budgeting.
There are many benefits of having an accurate sales forecast, including:

1. **Improved decision-making**:

With an accurate sales forecast, businesses can make better decisions about inventory levels, staffing needs, and budgeting. Forecasting can help businesses avoid overspending or stock-outs.

2. Reduced costs:

An accurate sales forecast can help businesses save money by avoiding overproduction or underproduction of goods and services. Forecasting can also help businesses staff appropriately, preventing the need to pay overtime or hire temporary workers.

3. Increased sales:

By accurately predicting future sales, businesses can make sure they are prepared to meet customer demand. This can help businesses increase sales and grow their customer base.

4. Improved customer satisfaction:

A good understanding of future sales helps businesses meet customer needs and expectations. This can lead to increased customer satisfaction and loyalty.

5. Better planning:

An accurate sales forecast allows businesses to plan more effectively for the future. Businesses can set realistic goals and objectives based on their sales predictions.

1.13 Sales Content Management

Sales content management is the process of creating, storing, organizing, optimizing, and delivering, of sales materials or sales collateral that is used by salespeople throughout the sales cycle.

Effective sales content management allows salespeople and sales teams to find relevant content in a quick and efficient manner. Sales content management plays a vital role in the success of any sales enablement strategy and sales enablement platforms help to automate certain content management processes.

When sales content management is in place, salespeople spend less time searching for content and more time focusing on their number 1 priority, selling.

1. Enhanced productivity of your team:

A key function of sales content management is consolidating all sales collateral into one easy-to-access place. In fact, sales content management drastically reduces the amount of time salespeople spend looking for sales materials, as well as the time managers spend trying to take inventory of sales materials and keeping it up to date.

2. Increased effectiveness & shorter sales cycles:

Sales content management systems helps salespeople find the most relevant content to their selling situation. Salespeople are able to easily find content based on the buyer persona they are engaged with during each step of the sales cycle, providing prospects with a much more personalized sales message and experience.

3. Better content visibility & usage:

Sales content management systems ensure that all content has an opportunity to be seen and utilized by sales. If the content management system is in place and continues to go unused, this is a signal to marketing that they may need to tweak their content strategy to create content that is more relevant to what their sales team needs.

Challenges of Sales Content Management Systems

1. Getting reps to adapt to new materials:

No matter how much content the marketing team creates, some sellers will always fall back on the same resources: the trusted PowerPoint, a favourite case study, the pitch that never fails. That's because the new material doesn't come with a context for how to use it. A good sales content management solution provides collateral and recommendations on how and when to use those materials.

2. Content doesn't include sellers input:

Sellers often don't use new content because they feel it doesn't work in real-world selling situations. To ensure content adoption, marketers must engage with sellers to learn what works—and what doesn't. By leveraging sellers' expertise, marketers understand what messaging, concepts, and language resonates in the market and drives success.

3. Understanding Content Effectiveness:

Marketers spend a great deal of time and effort creating sales content. But after all that work, marketers don't often check to see how that content impacts the sales process. Understanding the content's effectiveness requires balancing quantitative data with real-world feedback from the sellers. One vital way to get that feedback is to see it in action. Record and watch a video of the salesperson using the content in a real-world situation, then watch how the customer responds to the content during this interaction.

1.14 How to make sales management effectively

1. Hire talented professionals:

Many professionals find the sales management process easier when they hire talented professionals from the beginning. Attend networking events that attract qualified candidates, and advertise job descriptions that accurately describe the expected duties and necessary credentials. As you review resumes and conduct interviews, consider looking for candidates that have not only the appropriate experience but also the following soft skills:

Empathy: Being able to relate to what a customer feels helps a salesperson understand potential pain points and product features that solve a customer's problems.

Confidence: Confidence can help customers develop trust in salespeople, making them more likely to purchase products and become long-term consumers.

Independence: When your salespeople are independent, you can trust in their ability to take initiative and stay productive even when they're unsupervised.

Resilience: A salesperson who demonstrates resilience can capitalize on mistakes they make and overcome challenges like failing to meet their quota.

2. Set individual goals:

Help your team develop goals that are separate from hitting sales quotas. It might be beneficial to talk with each team member individually to understand their expectations and hold them accountable.

For example, one salesperson might have aspirations to become a sales manager, while another may be driven to establish a better sense of work-life balance. Once you recognize the targets they want to hit, you can help them stay motivated and leverage their skills in a way that benefits the organization.

3. Map the sales process:

Describe the entire sales process to make it clear how a lead becomes a repeat customer. It can be helpful to draw a map that depicts the journey your target customers take from the beginning to the end of a sale.

Clearly define who is responsible for each step, and provide examples so that your team can visualize the process. This approach helps representatives understand what you expect of them and gives them clear instructions to follow.

4. Create a sales CRM:

A customer relationship management (CRM) tool helps you track and manage interactions with leads and customers. It can be a piece of software, an online platform or a handwritten chart in your workspace. It's important to keep a record of your communication with past, present and potential customers so that you can analyze what's working successfully for your sales team.

5. Track sales KPIs:

Key performance indicators (KPIs) are predetermined values that help you track and measure success. For example, a company might track the average number of calls a salesperson makes before they schedule a meeting or the lifetime value of a new customer compared to an existing customer. Keeping a record of which KPIs lead to an increased number of sales helps improve the efficiency of the sales department.

6. Incentivize your sales team:

While salespeople typically earn a commission, you can incentivize representatives in other ways. These additional rewards help boost workplace morale and retain talented professionals. Examples of incentives include:

- Bonuses
- Profit shares
- Raises
- Tuition reimbursement
- Team retreats
- Flexible schedule
- Professional development opportunities
- Personal fitness classes
- Volunteer time

7. Analyse sales data:

You can develop an effective strategy by analyzing relevant sales data. Measure the performance of your representatives and compare it to industry averages. If you notice any discrepancies, you can adjust your strategy to remain competitive. Analysis of sales data also allows you to share insights with representatives so they can understand what adjustments can help them achieve success.

8. Practice active listening:

Active listening can help representatives develop trusting and respectful relationships with their sales managers. Practising active listening can also help you learn what motivates your salespeople, identify additional opportunities for training and discover new ways to empower your team. For example, you could use the information you learn from your team members to affirm good ideas or inspire salespeople to pursue leadership positions within the company.

9. Empower your salespeople:

Engaged salespeople are often the most successful. Look for ways to mentor members of your team and help them improve their skills. For example, you can offer sales scripts, tips on how to close deals or a new location they may not have thought of. By coaching your team, you help them learn how to succeed and feel more confident in their abilities.

10. Celebrate success:

While salespeople are typically self-starters, they can benefit from words of encouragement. Try to celebrate their successes publicly to reward productive behaviours and encourage others to do the same.

You can also celebrate successes in a way that caters to the representative's unique traits. For instance, you might give them more autonomy to perform tasks or assign additional responsibilities that can advance their career.

1.15 Conclusion:

If a business brings in any revenue at all, a sales management strategy is an absolute must. When it comes to managing sales and boosting sales performance for any size of operation, no matter the industry, the secret to success is always precise sales management processes. This starts with a great sales manager who knows how to inspire and lead a sales department. The sales management system allows one to stay in tune with the industry as it grows and can be the difference between surviving and flourishing in an increasingly competitive marketplace.

Sales management starts with the development of a sales plan that outlines all the necessary steps required to achieve a financial objective. It continues with the hiring of qualified sales team members and providing them with the essential training, tools and ongoing support to ensure their success. Sales management also involves analyzing sales data to identify trends and areas for improvement, as well as collaborating with other departments to ensure a positive customer experience. Ultimately, sales management is instrumental in driving revenue growth, which is tied in with the overall success of the company.

It is important for organizations to develop and maintain an effective sales force. This is because a sales manager is not only entrusted with managing the sales force to derive target-based sales outcomes but also performs managerial functions comprising planning the sales efforts and organiz-ing, directing, motivating, coordinating, and controlling the sales force to achieve sales goals. Sales management operates within the periphery of marketing management. In a broad sense, marketing management decides the role of various promotional activities including personal selling.

❖ **Keywords**:

1. **Cost Analysis**: The process through which the sales managers work out various costs pertaining to each salesperson, product line, sales territory and customer type.

2. **Order Getters**: The salesman who comprehends client needs and persuades them that his company’s products best serve their needs.

3. **Sales analysis**: It is a practice to break down the total sales territory-wise, product-wise and customer-wise so that a comparison can be made between the quotas and forecasted sales in the said areas.

4. **Sales forecasting**: It refers to the process of predicting future sales revenue usually based on historical sales data and market trends.

5. **Sales management**: Sales Management is the planning, direction and control of selling of business units including recruiting, selecting, training, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personnel of the sales force.

❖ **Exercise**:

Long Questions:

1. Discuss the Functions of Sales Management.
2. Explain types of sales management.
3. Write a note on the Objective of Sales Management.

4. Short note: Scope of the Sales Management
5. Explain the Determinants of Sales Management.
6. Discuss Steps in Sales Management.
7. Write a note on Sales Forecasting.
8. Discuss Sales Content Management
9. How to make sales management effective?

Short Questions:

1. What is Sales Management?
2. Discuss B2B Sales Management.
3. Discuss B2C Sales Management.
4. Mention types of sales management.
5. Discuss two scopes of sales management.
6. Discuss Sales Responsibilities.
7. Explain Sales Planning.
8. Discuss Practices in Sales Management.

Fill in the blanks with the most appropriate words.

1. The ……………. is responsible for determining and organizing functions to be performed by his sales team.
2. .... is the management function responsible for ensuring that the organization has sustainable cash flow.
3. ………… is the planning, direction and control of selling of business units including recruiting, selecting, training, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personnel of the sales force.
4. ………… is a practice to break down the total sales territory-wise, product-wise and customer-wise so that a comparison can be made between the quotas and forecasted sales in the said areas.
5. The main aim of ……….. is to convince customers to shop for the company's merchandise.
6. ………….. emphasis on adoption of the latest technology for product innovation to provide enhanced value to the customers.
7. ………. is the process through which the sales managers work out various costs pertaining to each salesperson, product line, sales territory and customer type.
8. ……… refers to the process of predicting future sales revenue usually based on historical sales data and market trends.

Answer:

1. Sales manager
2. Sales
3. Sales management
4. Sales analysis

5. Order getters
6. Marketing
7. Cost Analysis
8. Sales forecasting

- **MCQs**:

1. _____is the discipline of maximizing the benefits a company and its customers receive from the efforts of its sales force.

   (a) Sales Management (b) Human Resource Management
   (c) Financial Management (d) Production Management

2. Sales management is the _____of a sales staff and the tracking and reporting of the company's sales.

   (a) Strategy (b) Training and management
   (c) Management (d) Controlling

3. ______is the fundamental guiding principle of sales management.

   (a) Customer delight (b) Customer orientation
   (c) Client satisfaction (d) Client feedback

4. _________is a sub-system of marketing management.

   (a) Sales force management
   (b) Financial management
   (c) Human Resource management
   (d) Coordination management

5. ______means selecting a fixed number of suitable candidates from those who applied for the posts.

   (a) Selection (b) Recruitment
   (c) Job profile (d) Job description

6. Sales management is the discipline of ______ benefits a company and its customers receive from the efforts of its sales force.

   (a) Minimizing (b) Maximizing (c) Controlling(d) None

7. Sales management achieves personal selling objectives through _____

   (a) Personal Selling Strategy (b) Interpersonal selling strategy
   (c) Selling strategy (d) None of the above

8. _____ is the fundamental guiding principle of sales management.

   (a) Customer delight (c) Customer orientation

(b) Client satisfaction (d) None of the above

9. _______ meant all marketing activities, including advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

   (a) Sales Management (b) Human Resource Management
   (c) Financial Management (d) Production Management

10. ____ refers to the process of predicting future sales revenue usually based on historical sales data and market trends.

   (a) Sales forecasting (b) Human Resource Management
   (c) Financial Management (d) Production Management

❖ **Answers:**

1. A. Sales Management
2. B. Training and management
3. A. Customer delight
4. A. Sales force management
5. A. Selection
6. B. Maximizing
7. A. Personal Selling Strategy
8. A. Customer delight
9. A. Sales management
10. A. Sales forecasting

UNIT – 2 SALES FORECASTING

2.1 Introduction and Concept

To know the future has been the desire of mankind for a long. Every era and every phase of evolution has seen that. There are various areas of study developed to know the future like astronomy, palmistry etc. To know the future of the organization, however, requires more logical arguments and a stronger base. The future of any organization depends on how much it can sell too. This has led to the knowledge of sales forecasting.

The first question while understanding sales forecasting is what is sales forecasting? Answering the question, we can say that forecasting is the process of making predictions based on past and present data. In other words, sales forecasting is the process of approximating an organization's sales revenue or sales at a specific time – usually a month, quarter, or year. In simple meaning, a sales forecast is a prediction of how much an organization will sell in the future. The sales forecast is a forecast of the organization's future sales both in terms of quantity and rupees. The sales forecast always begins with analyzing the historical trends in sales over the past periods. It also takes to consideration the future economic prosperity if given line of business. To direct the forecasted sales growth, the organization should rest on competitive market conditions, customers' tastes and preferences, changes in technology and future possibilities.

The sales forecasting process is a part of the marketing decision support system (m. d. s. s.). The marketing decision support system is a continuous and ongoing structure which is future-oriented. The system is created and maintained to generate, process, store and retrieve (in future) to help decision-making in business in general and in marketing in specific. The system provides quick and less costly information which is usually and daily required by various departments of marketing area. A well-developed marketing decision support system is key for information management specifically in large organizations as the chances of information loss and relatively complex structures of the organizations may have many challenges for getting and using information.

Sales forecasting is primarily a function of marketing but, the marketing executive or marketing area alone is neither responsible nor able to perform the task. Data and inputs of people from various departments are required to forecast and the CEO or directors are also usually involved in sales forecasting as it directly depicts the future of the organization.

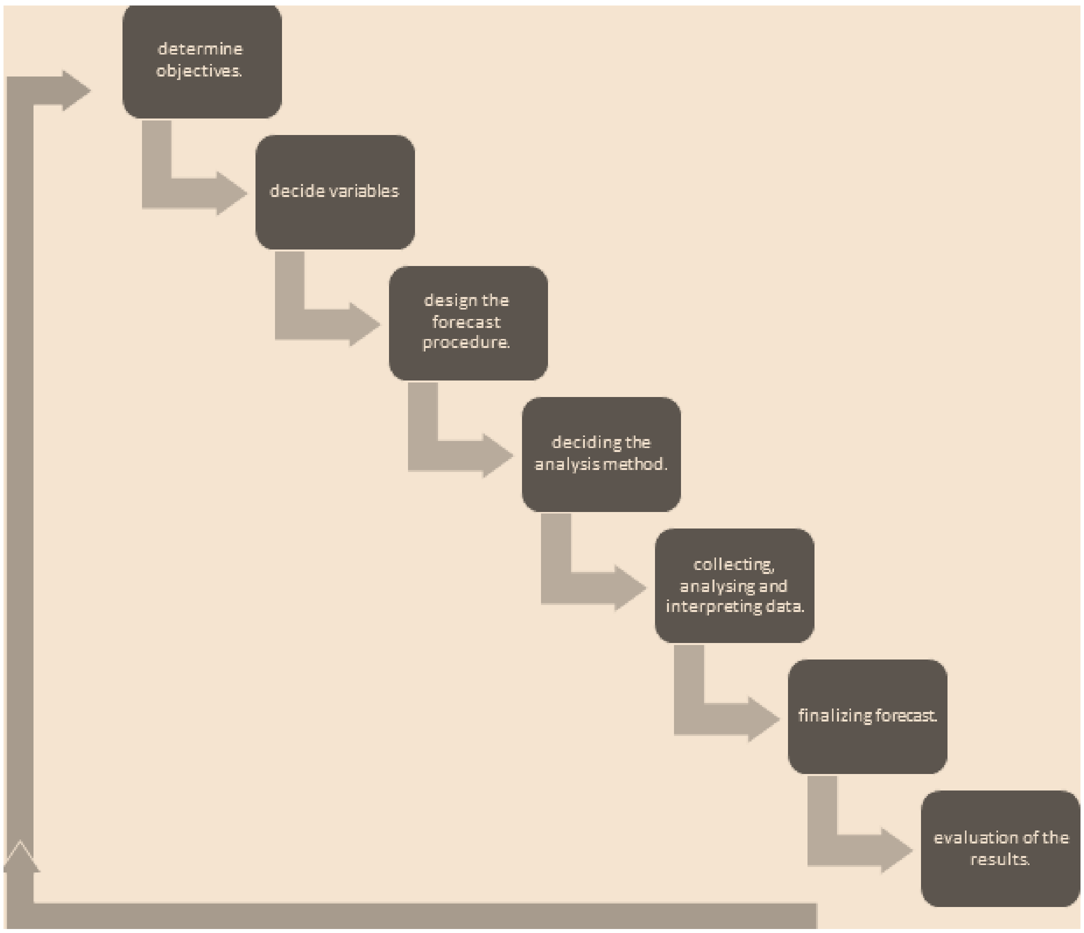
2.2 Importance of Sales Forecasting

One more basic question arises in our mind while incurring costs on sales forecasting why we should do sales forecasting? What are the reasons or importance of sales forecasting? Answering this, there are many reasons for sales forecasting. A few important reasons are given below.

- For production planning and control, a meaningful and accurate sales forecast is important.
- An accurate and timely sales forecast directs the needed resources i. e. labour, machines, tools, inventories etc.
- A meaningful sales forecast indicates the capital required as well as the cash flow needed for the production of the products.
- Sales forecasting is helpful in the decisions of advertising and other sales promotional tools.
- The sales forecast helps assign sales targets and sales quotas to the direct salespeople of the organization. It also helps the product manager to better control the sales and workforce.
- To cut down costs, sales forecasting is useful as it provides accurate assumptions of future sales and gives an idea regarding various expenses incurred on various efforts of marketing.
- Sales forecasting is helpful in distribution and physical distribution as accurate quantities forecasted can direct the channel decisions and physical distribution routes and vehicles through which products are physically distributed.
- The sales forecasting becomes the overall base for the organization’s business in general.

2.3 The Process of Sales Forecasting

How to do sales forecasting is another question here. Answering that, the process of forecasting involves various steps as given in the diagram below.



Here, the first is the determination of sales objectives. Why sales and why forecast sales are the questions which the manager should ask first to himself or the team. The decisions of variables come second as many types of variables can and may or may not affect the sales forecast. There can be many types like controllable and uncontrollable variables, internal and external variables, dependent and independent variables etc. Then, the procedure or technique of sales forecasting is to be decided. The steps, which are there in the figure above are followed or modified according to the requirements of the business, are decided here. After the decisions of the procedure, the sales forecasting techniques or methods are to be decided. The sales forecasting techniques or methods are explained in the later part of the chapter. The collection, analysis and interpretation of the data comes next which collects the data and converts into meaningful information and knowledge. The conversion leads to the final forecast. The final forecast then is to be evaluated and the manager may need to rethink the objectives if the evaluation shows a difference between objectives and real figures.

2.4 Factors of Consideration While Sales Forecasting

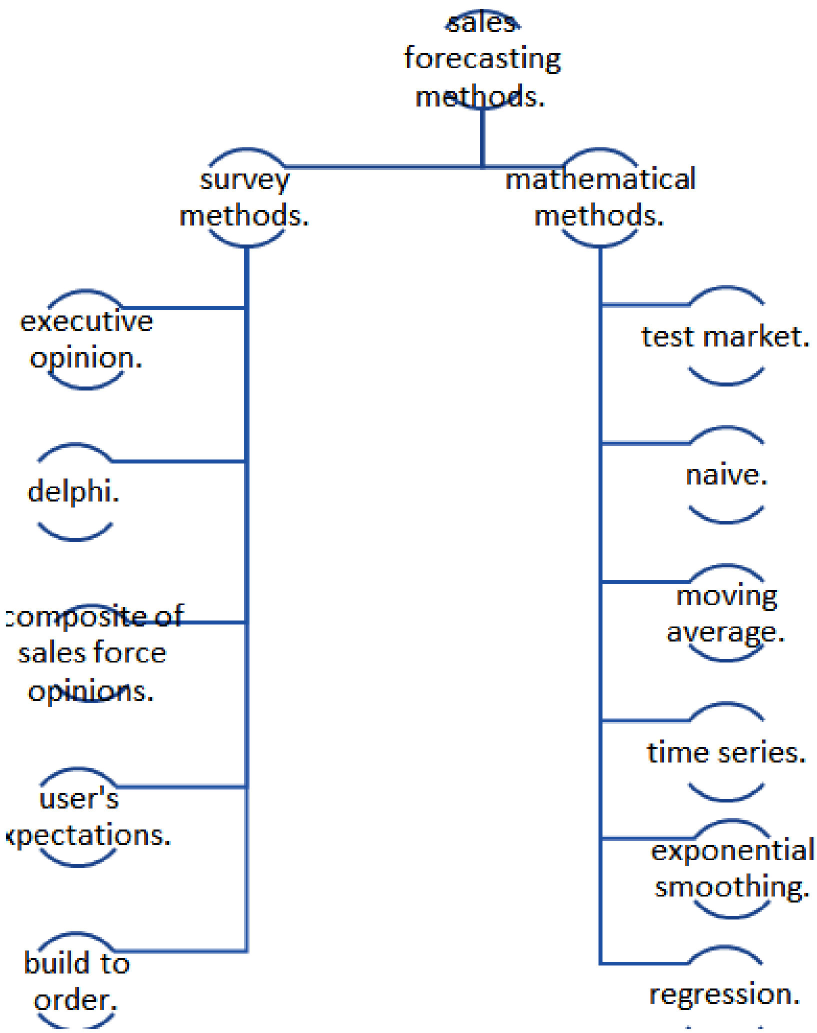
The next question is what is the environment for sales forecasting? What factors can affect sales forecasting? To answer these questions, let us understand some factors that should be considered while developing sales forecasts. They are as follows:

1. Provide a projection of divisional sales based on historical growth and combine the divisional sales forecasts to provide an approximate corporate sales forecast.
2. Forecast the level of economic activity in each market area of the organization along with the change in population and economic growth.
3. Estimate the market share of the organization that is expected in each market area depending on the organization's production and distribution capacity, the capacity of competitors, the possibility of new products and so on.
4. Forecast the effect of the future rate of inflation on the consumer's purchasing power and price of products.
5. Consider the effect of advertisement campaigns, price discounts, credit terms and so on.
6. Provide the ultimate forecasts of sales for each division in aggregate and on an individual product basis.

The sales forecast must be as accurate as possible. If it is overly optimistic, the organization may have idle plant capacity and unnecessary investment in inventories. If the sales forecast is overly pessimistic, it may result in losing customers because of failure to meet demand. Both of these conditions result in low-profit margin, low return on assets, low return on equity and decline in the market price of share. Therefore, an accurate sales forecast is significant to progressing productivity and increase profitability of the organization.

2.5 Methods of Sales Forecasting.

The exact methods to be used for sales forecasting may be the next question in our minds. To answer them, let us understand that there are several methods of sales forecasting. These methods are classified in two classes as shown in the figure given below: The first category is survey methods while the second category is mathematical methods. The survey methods are based on primary data collected. They include executive opinion, delphi, composite of sales force opinion, user’s expectation and build to order methods. The mathematical methods include test market, naïve, moving average, exponential smoothing and regression methods.



1. **Survey Methods**

   1. **Executive Opinion Method**: One of the widely used methods of sales forecasting is the executive opinion method. In the era of more sophisticated methods, still, the opinions and thoughts of experienced executives play an important role in sales forecasting. As executives execute in the market, their opinions are considered as near to accurate forecasting. This method can include one or a group of executives to forecast the sales. In group forecasting, two ways are adopted. Firstly, an individual forecast is made by the group and then it is averaged out and then the chief executive makes necessary modifications. In the second way, a group of executives sit together, discuss and then come to the final forecast. The method lacks any mathematical or statistical base and often lacks a logical base too.

   2. **Delphi Method**: The popular Delphi method includes a series of questions to a group of executives. The first set of questions is given to a group of executives and then based on the first set, the second set of questions is given. This way, after a series of set of questions, the final decision is made. This method removes the

"bandwagon " or " mob " effect i. e. responses based on other executives' opinions. This method again, lacks any mathematical or statistical base.

3. **Composite of Sales Force Opinions Method**: An organization can hire its own salespersons to provide sales forecasts. These salespersons are hired at many places where the organization's products are offered. They collect market information from customers, sellers, distributors, dealers etc. The collective responses of all the salespersons about a single product or products provide an approximation of the forecast that the organization can achieve in the future. The basic thinking for adopting this method is the belief that salespersons are the nearest people from the organization to the consumers. Thus, using salespersons for sales forecasting is a direct and easy-to-use forecast method but, it may have some biases of the sales persons.

4. **User's Expectations (Customer Survey) Method:** The survey of customers is direct method of sales forecasting. It is a process of sales forecasts applied by the organization on the basis of the survey of customers or prospective/potential customers at many places. Organisation employs some survey people – usually third parties to visit many customers of many places and take the responses of existing as well as prospective customers based on face-to-face interviews and questionnaires. Existing and prospective customers are asked to give their opinions about the product offered by the organization. Based on the opinion survey of customers and prospective customers, these survey people provide an estimate of future sales. This method is a qualitative method and again lacks support from mathematics or statistics.

5. **Build to Order Method.** This is exactly not a forecasting method but, building the product only after the order is placed technique is employed here. Many large computer hardware selling companies adopted this method as sales forecasting in the rapid changing environment is very difficult to access. Majority of the time here, the basic products are kept ready and then changes are made according to the order. The negative point of this method is it takes time to build the product and customers may not be ready to wait till the products are made or modified.

2. Mathematical Methods.

1. **Test Markets Method:** Testing the products in the real market environment first and then commercialising to the whole market is one of the well-known methods of sales forecasting. Usually, representative cities are taken for testing the whole market and products are introduced in them to observe and check for revenue, profits and adoption of the products by customers in general. The projection of the test is used for the whole market is used as a sales forecast afterwards. Here, the overall factors affecting the marketing environment if are different, this method can go wrong.

2. **Naive method:** This method uses ratios for forecasting sales. Usually, the formula given below is used under this method.

Next year's sales. = This year's sales. * This year's sales. / Last year's sales.

This formula is simple to use and assume the growth the last year will remain constant for the next or upcoming year. A product in growth stage or decline stage of life cycle may prove this method wrong.

3. **Moving average method:** Moving averages of different factors operating in the market are used here to forecast the sales. The factors affecting sales may have different rates at different times. The moving averages smoothen the change in the future and thus predicts the future sales more accurately than the direct growth imposing. The periods for calculating moving averages depend on the experts and requires calculations and thinking on their part.

4. **Time Series Method:** The time series model is a model of sales forecasts. This mathematical model assumes that the level of sales varies according to change in time period. In time series method, the relationship between two variables, one of them being the time period and another being sales, is taken. A series of time period is taken as independent variable and the level of sales over several time periods is taken as dependent variable. Under this method, past sales data are arranged chronologically and statistical analysis of these chronological sales data is made to forecast the level of sales in some future date. A simple formula for time series method is as given below.

   $Y = f(t)$,

   where, ‘Y’ represents the value of sales in time ‘t’.

5. **Exponential Smoothing Method:** A similar method to moving averages, this method can be considered a univariate time series analysis. This method is more useful in the short term with considerations like seasonality. The values of independent variables here are usually taken or converted between 0 and 1. There can be various types of exponential smoothing like simple or single exponential smoothing, double exponential smoothing or Holt’s trend model or triple exponential smoothing or Holt Winter’s method. The triple exponential smoothing even have two types like Holt Winter’s Additive method (For Additive seasonality) and Holt Winter’s Multiplicative method (For Multiplicative seasonality). Modern techniques and computer aid like programming in Python are used for exponential smoothing.

6. **Regression Method:** Regression analysis is a statistical method which uses many independent variables which can impact a dependent variable i. e. sales. Using

statistical calculations, a simple regression or multiple regression formula is decided using two or more variables. The relationship between independent variables and dependent variables can be linear or curvilinear. The calculations of curvilinear relationship is comparatively complex to linear relationship but is more near to accuracy.

Deciding one method out of plethora of methods becomes more difficult in the ever-changing era of the recent past like the post-COVID era. At times, a combination of methods is used to evolve one econometric model. This is an important model used in sales forecasting. This method has assumptions that sales of organization are influenced by a series of factors such as changing market environment, customer's changing economic power, changing employee costs, level of inventory, cost of production, advertisement expenses, cost of quality control, research and development expenditure etc.. Sales are regarded as dependent variable and all other factors under considerations are regarded as independent variables. Once these variables are identified, various weightages are calculated and various methods are adopted to get the figures for sales forecasting. In a meeting with executives or experts, the various figures are discussed and then decisions are made.

The sales forecasting looks very easy job but it is not so. Various decisions are to be made at various points of time considering many limiting factors such as budget and time. Using proper methods including those described above can lead the business to success and provides direction for the future.

❖ **Exercise.**

- **Write a long answer:**

1. Define sales forecasting. Explain the importance and process of sales forecasting.
2. Explain various sales forecasting methods. Which method is the best according to you? Give reasons for your answer.

- **Write short notes.**

1. Reasons for Sales Forecasting
2. Factors Affecting Sales Forecasting
3. Delphi Method of Sales Forecasting.
4. Regression Method of Sales Forecasting.

- **Multiple Choice Questions.**

1. _____________ method of sales forecasting is not a qualitative method.
   a. Expert opinion
   b. Delphi
   c. Composite of sales force opinion
   d. Regression

2. __________ method of sales forecasting considers executive / expert as a part of the method.
   a. Regression
   b. Exponential smoothing
   c. Delphi
   d. User's expectations

Answers. 1. d. 2. C

UNIT – 3	MANAGING THE SALES FUNCTION

3.1 Introduction:

A successful business must have a strong sales department. Essential to a corporation's overall performance, the sales department sits at the nexus of consumer demand, product offerings, and market competition. Sales teams use a range of strategies, from personalised relationship-building to persuasive communication techniques, with a primary focus on understanding client needs and offering value. A well-trained sales force, transparent sales tactics and procedures, and a thorough comprehension of consumer wants and behaviours are all necessary for an efficient sales function.

The sales function of any organisation acts as the dynamic engine that propels revenue development and promotes company expansion. It includes all of the planned procedures and actions intended to locate, draw in, involve, and eventually turn prospective clients into happy customers. The ultimate goal is to close deals and maximise profits. Revenue generation, customer relationship building and maintenance, and developing unique solutions for prospects are the key objectives of the sales function. Prospecting for new leads, vetting potential clients, showcasing product offerings, addressing concerns, and completing deals are all included in this. Businesses can boost development, profitability, and customer happiness by coordinating the sales department with broader marketing and company objectives.

3.1.1 Meaning of Sales Function

The sales function refers to the activities and processes involved in selling products or services to customers. The key elements of the sales function include:

1. Prospecting and lead generation: Identifying potential customers and generating interest in the company's offerings.
2. Qualifying leads: Determining which prospects are most likely to make a purchase and focusing sales efforts on them.
3. Presenting and demonstrating products/services: Showcasing the features and benefits of the offerings to customers.
4. Handling objections and negotiating: Addressing customer concerns and reaching mutually agreeable terms.
5. Closing sales: Securing the customer's commitment to make a purchase.

6. Order fulfillment and customer support: Ensuring a smooth transaction and providing post-sale assistance.

A well-trained sales force, transparent sales tactics and procedures, and a thorough comprehension of consumer wants and behaviors are all necessary for an efficient sales function. Businesses can boost development, profitability, and customer happiness by coordinating the sales department with broader marketing and company objectives.

In marketing, the sales function plays a crucial role in the process of product availability to clients. Product, price, promotion, and place must all be properly manipulated to pique consumer interest and boost sales.

Comprehending customer behavior, including the social, cultural, psychological, and individual elements that impact purchasing choices, empowers marketers to make calculated choices that enhance organizational effectiveness.

To put it succinctly, the sales function is an essential and diverse part of any business. It involves lead generation, client engagement, product presentation, negotiation, closing sales, and post-sale support, all aimed at increasing revenue and satisfying customers.

3.2 Previous performance & setting targets

Previous performance and setting targets are crucial aspects of the sales function within an organization. Analyzing past sales performance provides valuable insights into what has worked well and what areas need improvement. By reviewing historical data, such as sales figures, conversion rates, customer feedback, and market trends, companies can identify patterns, strengths, and weaknesses. This analysis helps in understanding which sales strategies were effective, which customer segments responded positively, and which products or services performed best. Armed with this knowledge, sales teams can refine their approach, capitalize on successful tactics, and address any shortcomings.

Setting targets includes defining clear, measurable goals for the sales team to work towards within a given timeframe. These targets may include revenue goals, sales quotas, customer acquisition numbers, or other key performance indicators (KPIs) relevant to the business objectives. Setting goals that are both challenging and realistic will inspire salespeople to go beyond their comfort zones and perform at a higher level. To maintain departmental coherence and synergy, targets should also be in line with larger company goals and plans.

Setting effective targets requires giving careful thought to a number of variables, including the state of the market, the level of competition, the resources at hand, and potential for growth. It requires collaboration between sales managers, executives, and other stakeholders to set goals that are ambitious yet attainable. Regular monitoring and tracking of progress against targets enable quick changes and course corrections, ensuring that the sales function is on track to meet or exceed expectations.

The key activities to be done while analyzing past performance and setting sales targets are:

1. Examine historical performance to find patterns and trends. This historical data analysis can be particularly useful when you have a well-established history of data to work with.
2. Recognize your existing performance level (your baseline) and the industry standard for best-in-class performance (the benchmark). This will assist you in establishing reasonable goals.
3. Make that the organization's broader strategic goals and objectives are in line with the performance targets. The goals ought to be in line with the overarching business plan.
4. The performance goals should be set as per the SMART criteria: Specific, Measurable, Achievable, Relevant, and Time-bound. This guarantees that the goals are clear and doable.
5. Engage multidisciplinary groups in the goal-setting process to obtain diverse viewpoints and produce more comprehensive objectives.
6. Since business circumstances and market dynamics might vary over time, examine the performance targets on a regular basis and make any necessary adjustments.
7. Make sure that everyone in the organization is aware of the performance targets and knows how they will be achieved.

Some benefits of using previous performance to set performance targets include:

1. Recognizing trends and patterns: Reviewing historical performance enables the identification of trends and patterns that might inform target-setting choices in the future.
2. Measuring success and opportunities for improvement: Businesses can use historical performance data to assess their performance, pinpoint areas for development, and decide on realistic goal-setting.
3. Aligning targets with strategic objectives: Businesses can make sure that goals are in line with the broader corporate strategy by using historical data to align performance targets with strategic objectives.
4. Demonstrating the effectiveness of marketing campaigns to senior leadership and even securing more funding or resources is possible when targets are set based on historical performance metrics.
5. Improving motivation and accountability: Establishing goals based on past performance makes people more motivated, increases accountability within the company, and guarantees that objectives are clearly owned.

By leveraging previous performance data to set performance targets, businesses can make informed decisions, improve strategic planning, and drive growth and success in a structured and measurable manner.

3.3 Managing the Sales Process

Case: Tech Solutions India

To find new trends in the IT sector, prospective markets for growth, and the unique requirements of companies in different industries including e-commerce, banking, and healthcare, Tech Solutions India carries out extensive market research. To find possible leads, the organization searches business directories, industry forums, and LinkedIn. To network and acquire leads, representatives go to business seminars, trade exhibitions, and IT conferences, employing SEO techniques, blogs, and their website to draw in prospective customers looking for IT solutions. Tech Solutions

India's sales team introduces the company and its services to the identified leads through phone calls and personalized emails.

The sales team determines whether the lead is worthwhile to pursue by using a qualification framework (BANT - Budget, Authority, Need, and Timeline). They make certain, for example, that the lead has enough money that the appropriate people are involved in making decisions, that their services are actually needed, and that the timeframe corresponds with their project plans. A formal, online or in-person meeting is arranged with the competent lead. The salesperson gives a general summary of Tech Solutions India's competencies. Inquiring about the client's present IT difficulties, particular demands, and long-term objectives, the sales representative does a comprehensive needs assessment during this meeting. They keep track of every insight so they may properly adjust their strategy.

Tech Solutions India creates a tailored presentation emphasising how their services can meet the unique difficulties of the client based on the results of the needs assessment. They make use of case studies of comparable customers who have profited from their offerings. They offer a demo of a comparable software solution they have previously built if the service entails software development. This aids the client in seeing how it might affect their company. The client may voice concerns about pricing, implementation timelines, or system integration during or after the presentation. To allay these worries, the sales staff offers thorough explanations, different approaches, or quotes from happy customers.

The negotiation stage starts once objections are resolved. The sales staff talks about concepts like service level agreements (SLAs), delivery schedules, and prices. They try to come to a compromise that benefits both sides equally. The salesperson employs a variety of closing strategies, including restating the conditions of the agreement and outlining a precise plan of action for the follow-up. They might employ urgency by emphasizing one-time deals or the advantages of getting the project underway sooner. Every agreed-upon term and condition is outlined in a comprehensive contract. The sale is formally closed when both parties have seen and signed this document.

A customer success manager is appointed to each client upon the signing of the contract. The manager follows up to find out if the client is happy with the project's early phases and takes care of any pressing issues. Surveys and face-to-face interactions are used to get feedback to learn about the client's experience and pinpoint areas that need work. To make sure the client's demands are consistently satisfied, Tech Solutions India offers continuous assistance through a dedicated helpdesk, frequent project updates, and recurring review meetings. By keeping the client informed about upgrades, new services, and pertinent industry developments that could help their business; they uphold a proactive engagement with them.

Their CRM system has documentation of all conversations, agreements, and project milestones. Transparency is guaranteed, and a thorough record is provided for future use. Sales data is regularly analysed to see whether techniques are working, assess how effective the sales process is, and pinpoint areas that want improvement. They hone their strategy and improve outcomes in subsequent sales cycles by applying the insights gained from these investigations.

Tech Solutions India successfully negotiates a contract with a mid-sized healthcare organization to create a unique patient management system through this structured selling procedure. Tech Solutions India creates an enduring relationship with healthcare clients by attending to their individual needs, presenting a convincing demonstration, and providing outstanding post-sale support. This relationship results in further projects and recommendations.

The case shows how Tech Solutions India followed a systematic process for channelising its entire selling effort. The sales process is the vital link between a business's products and the potential clients in the ever-changing world of business. Prospects become devoted customers through a carefully planned journey that makes use of strategic exchanges, compelling communication, and sophisticated comprehension. The sales process, from the first spark of curiosity to the last seal of a contract, is a science and an art that requires dexterity, flexibility, and a steadfast dedication to satisfying consumer needs. Success in this field depends on striking a careful balance between proactive involvement, sympathetic listening, and skillful objection handling. Now let's explore the nuances of this important business venture, including its stages, tactics, and revolutionary impact on companies of all sizes and sectors.

3.3.1 Meaning of Sales Process

A sales process refers to a series of repeatable steps a sales team takes to move a prospect from an early-stage lead to a closed customer[1]. A sales process is a systematic, multistep approach that enables a sales force to close more deals and increase margins[2]. Sales process is a systematic approach involving a series of steps that enables a sales force to close more deals, increase margins and make more sales through referrals. The 'series of steps' are customer-centric and help the sales force of a company to retain customers and increase sales volume as well as revenues. The 'series of steps' is systematic and not haphazard[3].

It is evident from the above definitions that the sales process is a sequence of activities or tasks, to be carried out in a systematic and pre-ordained manner. Whatever be the nature of business, the selling effort of the sales department has to be planned and executed through a sequence of sub-processes which are by and large universal in nature and application. We shall soon be looking at the steps that make up the sales process. Before that, we need to appreciate the characteristics and benefits of developing and implementing a sound sales process.

3.3.2 Characteristics of Sales Process

The characteristics of the sales process include a number of crucial components that are necessary for successful sales. It is imperative that sales professionals comprehend and incorporate these attributes into their sales tactics. Using the sources as a guide, the following are some salient points:

- **'Know Thy Customer':** All sales processes should begin by garnering a deep understanding of their customer and then aligning their entire sales process tailored to their customers' requirements.

- **Clear and actionable:** All parties involved in the sales process should have a thorough understanding of each step and component. Clarity and the chance of mistakes will be removed by outlining the necessary steps.

- **Replicable**: The sales process is followed by the entire organization. Imagine a bank like HDFC Bank, with thousands of branches and tens of thousands of sales personnel. The sales process is standardized across the organization. Any sales representative should be able to carry out the sales process step-by-step. Additionally, representatives must be able to apply the sales process or specific stages to various sales scenarios.

- **Goal-oriented:** Each stage of the process should have pre-defined goals to be achieved. Sales teams should receive guidance from the sales process on how to accomplish their predetermined goals. The attainment of goals at each stage of the process should be measured and analyzed.

- **Measurable:** To guarantee compliance and allow for progress, there should be quantifiable and measurable performance parameters for each action and activity that goes into the sales process.

- **Flexible:** Improvement is impossible with rigidity. Technology advancements, shifting consumer and corporate needs, and changes in sales operations should all be accommodated by the sales process.

3.3.3 Benefits of implementing a Sales Process

For organizations and sales teams, putting in place a sales process has several advantages. The following are some of the main benefits:

- **Maintaining Focus:** Sales teams can use a clearly defined sales process as a roadmap to help them navigate the sales process from first contact to final contract signature. It raises the possibility of making sales and lowers the possibility of agreements falling through.

- **Gain a deeper understanding of prospects**: The sales team is more likely to devote time to research if it adheres to a sales process, which incorporates prospect research. They will gain a better understanding of the prospects' identities and potential needs as a result. In order to assist sales representatives in identifying the most likely-to-convert customers, an efficient sales process also defines buyer personas and ideal customer profiles.

- **Concentrate on quality leads:** Sales representatives can then spend more time and energy interacting with clients who have a greater chance of becoming customers. Sales representatives can close more deals in less time and possibly shorten the length of the sales cycle by giving priority to highly qualified prospects.

- **Follow up promptly:** Deals must be advanced by ongoing interaction. To keep prospects interested, representatives can follow up with them at the appropriate times and through the appropriate channels by using a sales process.

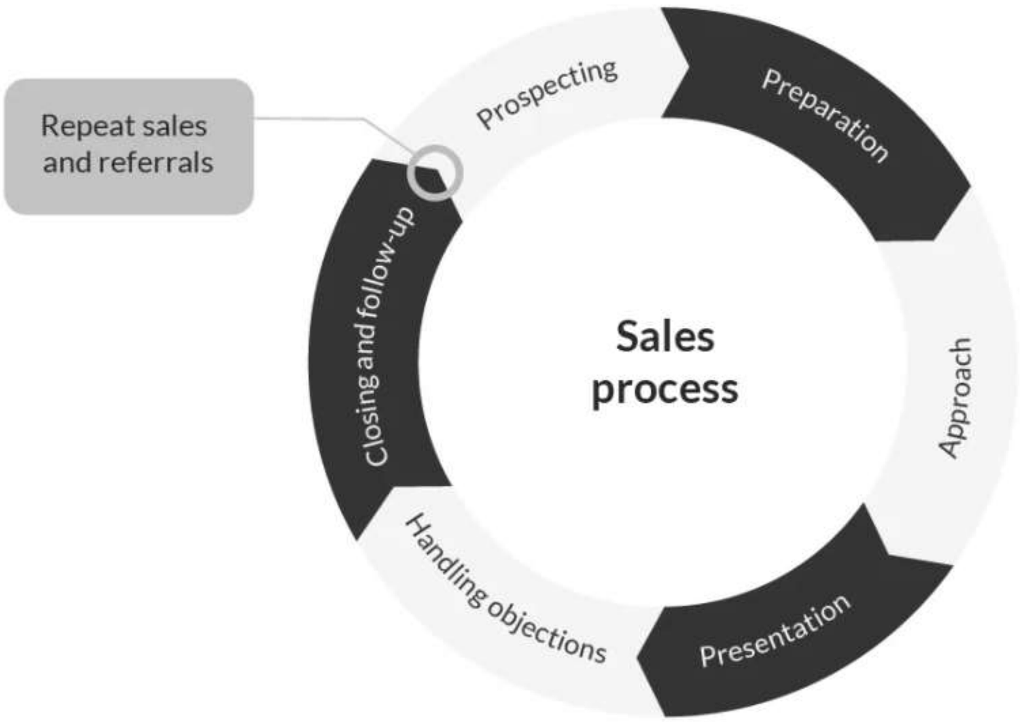
- **Improve the client experience:** Salespeople may push prospects to close because they are anxious to conclude deals. Prospects may become confused, grow suspicious, or decide to back out of the offer if they are not prepared for the next step. A sales process guarantees that representatives take the required actions to progressively drive prospects toward a transaction while considering their expectations and purchasing behaviour.

- **Precisely predict sales:** Management can more precisely predict sales if they are aware of the stage each sales representative is at in the process. It can establish more reasonable quotas by estimating the number of deals that could be closed in a specific amount of time.

3.3.4 The Sales Process

As seen above, the sales process is a step-wise systematic approach for managing the selling effort. Normally, a sales process comprises of seven key steps:

1. Prospecting
2. Preparation
3. Approach
4. Presentation
5. Handling Objections
6. Closing
7. Follow-up



Source: www.superoffice.com

The first three steps of the selling process involve research into prospects' wants and needs, with your presentation midway through the selling process. The final four steps include addressing any questions or concerns, then closing the deal and maintaining your connection.

Looked at differently, the sales process is the customer journey – which begins when the customer realizes a need and ends with an actual purchase. We shall look at the seven steps of the process in detail now:

1. Prospecting:

Prospecting is the first phase in the sales process. This phase involves locating possible clients and ascertaining whether they require your goods or services and whether they can pay for them. Characteristics of prospecting include researching, networking, and identifying qualified leads based on demographic, geographic, or psychographic criteria.

Qualifying involves determining if a customer needs your product or service and can afford it. There is a similar word to prospect, and that is suspect. A prospect is a business or person that you have previously qualified and who has a known need for your good or service. A suspect is a business or person that meets the ideal client profile yet might not:

- Make a conscious effort to find your good or service.
- Possess requirements that your offering can fulfill
- Be in a position to make a purchase for any number of reasons
- Possess the necessary qualifications

A suspect becomes a prospect once they've been properly qualified. A fully qualified opportunity is one which has:

- Interacted or met with key decision makers, as well as the influencers
- Confirmed that a budget appropriate for the product or service is available
- Gained clarity about their process and timeline for making a decision
- Learned about the alternatives that they are considering and the criteria that will be used to make the decision
- Identified the potential risks of a wrong decision

Prospects frequently start out as suspects that we either met through networking or set up appointments with through prospecting.

A wide variety of tactics, actions, and procedures are included under the word "prospecting," and the mix of these might vary from sales organization to sales organization. Some prominent prospecting methods include:

- Cold calling - Cold calling is the solicitation of a potential customer who had no prior interaction with a salesperson. Cold calling usually refers to phone or telemarketing solicitation, but it can also refer to door-to-door salespeople physically visiting homes. Warm calling is the solicitation of a customer who had previously expressed interest in the company or product.
- Cold emailing - Sending extremely tailored emails to someone you don't already know is known as cold emailing. In order to pitch the good or service, the objective is to make the first move and attempt to build a rapport. Cold emailing is different from email marketing. Email marketing is when there is an established contact between the seller and the customer.
- In-person networking - Engaging in sales networking is one method of identifying prospects and producing leads. In networking, new connections are made and old ones are utilized. The aim is to meet people that either match your target client profile or have connections to possible leads.
- Leveraging social media sites - Social media is a powerful tool for sales

prospecting. However, not all social media platforms yield identical benefits for sales prospecting. For example, LinkedIn is a popular platform for B2B sales, as it allows you to showcase your expertise, connect with decision-makers, and join relevant groups. However, you may not get the same results from Facebook, Twitter, or Instagram, unless you have a strong personal brand or a niche product. Considerable research needs to be undertaken to identify the social media consumption behavior of the target audience.

The "Who/What/When/Why" inquiries can be used to prospect for business.

- What features of your product are needed by customers?
- What location is the consumer in?
- When will they require your services or goods?
- Who is going to need it?
- Why are they going to purchase your good or service?
- How are they going to pay you for your goods or services?

E.g. Fastrack, a brand of watches, makes an effort to determine the target market's affordability, where their product will be in demand, and who will purchase it. The company will be able to better position their product where its target market is most likely to find it as per its research insights.

2. Preparation:

The preparatory stage is also called the pre-approach stage. This stage includes all the preparations that are needed to be done before making the first contact with the prospect. This entails researching the market and collecting all relevant information regarding the product or service being sold. During this phase, the salesman is guaranteed to be knowledgeable and prepared to address the demands of the consumer, establish credibility, and clinch the deal. Proper preparation not only boosts the sales personnel’s confidence but also demonstrates professionalism and a genuine commitment to meeting the customer's needs.

A carefully planned and intricately executed preparation includes:

- Industry and market research – Preparation starts with a thorough understanding of the industry and the market. The art of selling is not homogenous. A good salesman would always treat each product, each market and each industry as new and undertake a detailed research for the same. This would involve staying updated with the latest trends and changes in the industry which can potentially impact the sales approach. It also includes a thorough understanding of the competitors’ strengths and weaknesses. This helps in identifying and exploiting potential gaps in positioning.

- Company / customer research – If the buyer is an organization or a company, learn everything about it. If the buyer is an individual, learn all you can about him or her. It is advisable to have an ideal buyer persona ready to understand the customer. A buyer persona is an in-depth depiction of a representative of your intended market. Although fictitious, this persona is grounded in extensive study on your target or current audience. It may also be referred to as a marketing persona, audience persona, or client persona.

The preparation for sales involves determining the best way to approach a customer or start a conversation based on their needs. The topic of conversation may change depending on the consumer or even the circumstance.

E.g. Once the customer prospecting is done by the organization, the organization will be able to prepare its sales professionals to target the given set of customers. Fastrack watches are not targeted at all kinds of customers and not everyone may be able to afford its products. The salesperson will be able to cater to the most prospective customers in an approachable manner as a result of their thorough training.

3. Approach

This is the stage in the process where the first contact with the customer is made. This contact can be virtually or physically. The strategy entails introducing yourself, striking up a conversation, posing warm-up questions, and outlining your background and message. There are three common approach methods.

- Premium approach: Presenting your potential client with a gift at the beginning of your interaction
- Question approach: Asking a question to get the prospect interested
- Product approach: Giving the prospect a sample or a free trial to review and evaluate your service

E.g. A salesperson may approach a customer who is lingering around the watches aisle softly. The buyer may not be informed explicitly by the salesman that they must purchase this watch. Rather, they will inquire respectfully and make an effort to learn about the customer's demands, desired price range, and purpose for purchase. The salesman will be able to determine whether the customer will purchase the watch and whether they can close the deal based on the answers to these questions.

4. Presentation

A sales presentation is a step in the sales process where sales professionals demonstrate the product or service’s value proposition and use it to convince potential clients. The salesman actively illustrates throughout the presentation phase how the good or service fits the needs of a potential client. A presentation could include a walkthrough, a product demo, a movie, or any other kind of interactive or visual learning. This stage is sometimes also referred to as pitching. Every presentation or pitch needs to be customised to meet the specific use case of the prospect.

A sales presentation should begin by explaining the problem the seller’s product or service can solve. It should reinforce this by supporting it with evidences such as customer testimonials, use-cases or awards. The product performance can be communicated through a physical demonstration, a video or screenshots. The customer’s benefits should then be clearly revealed. This entire exercise should not be a one-way communication from the salesman. It should constantly engage the customer by inviting questions, comments and conversation starters.

E.g. After gathering as much information as possible about the consumer, the salesperson may offer a range of options for watches that are within the customer's budget or provide an update on any new offers that might be made.

5. Handling Objections

This is where the client’s concerns are addressed. A lot of sales calls don’t pass through this stage due to various reasons. It is normal for potential customers to have queries and worries regarding your products. This crucial phase in the sales process has the power to seal or ruin a deal. It would be simpler to clinch the business without any hitches if your representatives can effectively address all of the concerns and inquiries raised by the prospects. Effectively managing objections and resolving issues distinguishes excellent salesmen from mediocre ones. Representatives should be ready for and anticipate frequent objections, such as:

- Right now, we don't have the budget. Is there a less expensive version of your product available for purchase?
- At a lesser cost, your rival is providing more features.
- I don't see how using your offering will advance my professional objectives.

The most often encountered objections by sales teams are:

- Price objections - This includes budgetary, price, cost, and return on investment (ROI) considerations. However, arguments based on cost or pricing frequently stem from worries about financial risk.

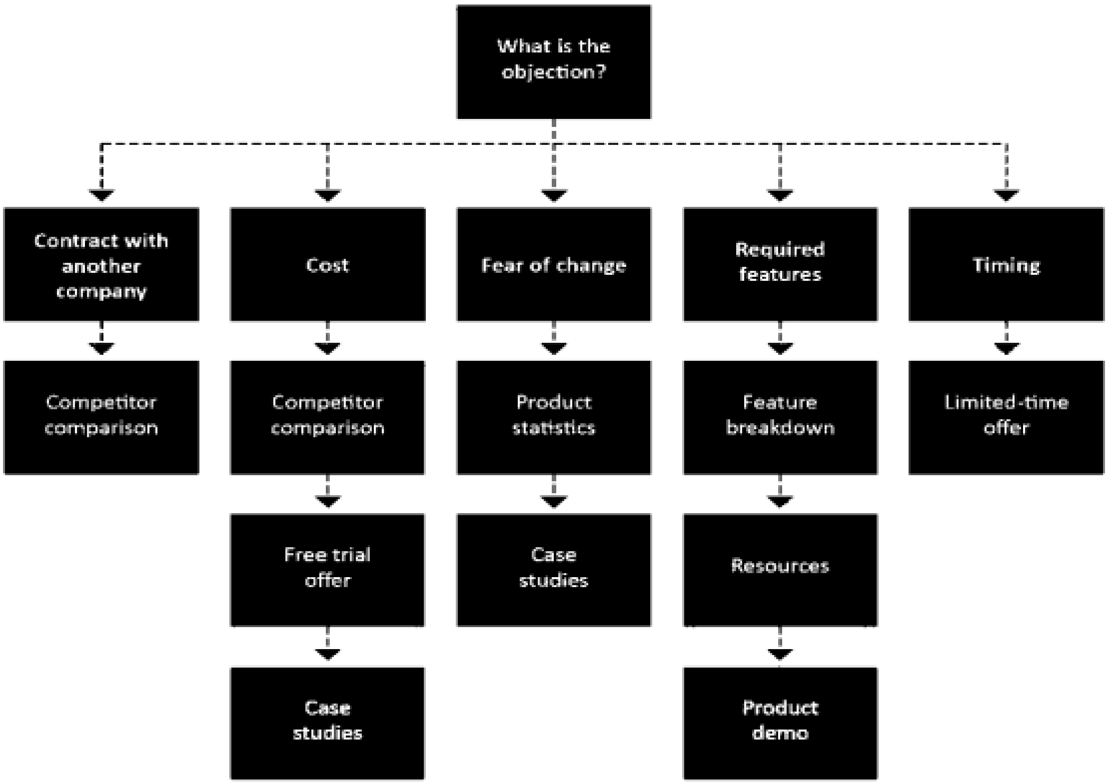
- Need objections - Customer complaints regarding the quality of your service include things like the caliber of your goods or services, the staff's training, and the promptness or responsiveness of assistance.

- Trust objections - The customer may have doubts about the business's reliability or validity. These customer complaints show that the salesman and the client do not yet have a solid working relationship.

- Stalling objections - Sometimes, customers try to delay making decisions. The customer feels increased pressure as the sale approaches its conclusion. They might attempt to delay if there are still unresolved issues, worries, or unclear details regarding the deal.

It's common for anyone preparing to take a chance and make a purchase to experience reservations or reluctance. The client needs confidence since they are hesitant to make a change, as seen by their objections.

Refocusing their attention on the wider context of the purchase is the best line of action. Reiterating the obvious and rational benefits of purchasing will assist in calming their feelings. When a customer raises a concern, try to rephrase the situation so they can see the wider picture. Point out to clients the advantages that exceed any disadvantages, or supply any information that is lacking or in conflict. This is known as reframing and it is a technique that is crucial for a sales team to know.



Source: https://beyondbusinessgroups.com

e.g. By addressing the customer's concerns and inquiries in a courteous manner, the seller can still close the deal even if the buyer isn't entirely sure that they should purchase a watch. For instance, if a consumer declines to buy, the salesman might make an effort to find out why the customer isn't buying. The seller may highlight the advantages of making a purchase, provide a discount, or suggest a less expensive option if the buyer feels the product is a little pricey.

6. Closing

It is time to complete the deal when you've persuaded the potential customer that your good or service can satisfy their demands. It's crucial to genuinely inquire about the prospect's desire to buy and make sure they are aware of all the conditions of the agreement.

In order to close the deal, you may need to write a proposal, haggle over terms and prices, sign contracts, complete a financial transaction, or even go over other obstacles or worries. There are three major closing techniques:

- Alternative choice close - Offering the prospect a choice that, if accepted, will seal the deal—for instance, "Will you be paying the whole fee upfront or in installments?" or "Is there going to be a charge or cash?"
- Extra inducement close - Giving the potential customer something extra to entice them to close, such a discount or a free month of service
- Standing room only close - Creating a sense of urgency by saying things like "We only have six spots left" or "The price will be going up after this month" to convey the urgency of the situation.

E.g. A reluctant customer can be asked which watch he or she wants to buy. Various payment options can be communicated too. Reasons for reluctance to buy can be inquired and resolved to the customer's satisfaction. Product and service guarantees can be emphasized to gain confidence for closing the deal.

7. Follow-up

The follow-up phase allows you to stay in touch with clients you have closed, both for prospective referrals and repeat business. Maintaining relationships is essential since it is six to seven times less expensive to keep current consumers than to get new ones.

A thank-you note or a phone contact to inquire about the customer's experience with the new product or service could be used as a follow-up. Additionally, you might invite your client to provide a review or rate your service on one of your business pages or social media accounts. Occasionally, the follow-up entails finalizing the sale's logistics, such signing new contracts, delivering goods, or installing equipment.

e.g. Fastrack can ask for feedback within a week's time of the sale. Regular mails or messages can be sent on occasions and festivals. Referral codes can be forwarded to the customers to encourage them to share with their contacts, thereby initiating prospecting and lead generation.

❖ **Exercise:**

1) Identify the different stages of the selling process from the Tech Solutions India case.
2) Contact the sales team of any organization. Identify the practical aspects of the sales process being followed by them.

3.4 Improving the Sales Process Efficiency

Sales Process efficiency is also known as sales efficiency. A company's or a sales team's performance in terms of sales productivity is measured by their sales efficiency. Stated differently, sales efficiency examines the amount of money made for each salesperson and rupee invested in sales. Sales efficiency refers to the ability to sell a product or service in the most efficient way possible. It involves streamlining the sales process to maximize productivity and revenue generation per salesperson.

The effectiveness of a business in turning its inventory into revenue is gauged by its sales efficiency. A business that has a high sales efficiency can sell its goods fast and for full price, which boosts earnings. On the other hand, a business with poor sales efficiency would take longer to sell its goods and will have to provide discounts in order to do so, which will reduce earnings.

Businesses can find areas that want development by tracking sales efficiency. Businesses can identify potential inefficiencies by examining metrics like the quantity of sales calls made, the conversion rate, and the average transaction value. A difficulty with the sales pitch could be indicated, for instance, if there are a lot of sales calls but a low conversion rate. On the other hand, if the average sale value is low, there can be a problem with the pricing strategy. Businesses can improve their overall performance by focusing their efforts where they are most effective by analysing sales efficiency.

3.4.1 Sales Efficiency vs. Sales Effectiveness

Though used interchangeably, there is an important distinction between sales efficiency and sales effectiveness.

The capacity to sell a good or service as effectively as feasible is known as sales efficiency. This could entail automating processes with technology, reducing returns, or optimising the sales process.

Effective sales, on the other hand, focus on matching the appropriate customer with the right product or service at the right moment. It is more important to ascertain the needs of potential clients and then provide them with a solution that satisfies those needs.

Businesses can achieve unprecedented success when they optimise both sales effectiveness and efficiency.

3.4.2 Sales Efficiency vs. Sales Productivity

Sales efficiency should also be distinguished from sales productivity.

Sales productivity is the amount of money a sales team makes in a given amount of time, whereas sales efficiency is how well a sales team turns prospects into actual sales.

Sales productivity can be computed by dividing the total sales for a given period of time by the number of hours worked. It is commonly expressed as a monetary value.

3.4.3 Improving sales efficiency

Sales efficiency ratio is the most important metric to measure sales efficiency. It is the ratio of annual revenue divided by annual sales and marketing expenditure.
Revenue / Sales & marketing spend

A company would therefore have a positive sales efficiency of 1.42 if it made sales of rupees ten lakhs in sales in a given year and spent Rs. 7.00,000 on marketing and sales.

Computing the sales efficiency formula for gross and net sales is one of the formula's initial possible problems.

The total amount of sales before discounts and returns is known as gross sales. A quicker and less accurate method of estimating sales efficiency is to use total sales as a basis for the calculation.

Since net sales take into consideration price reductions that negatively impact the bottom line, like returns and discounts, using net sales to calculate the indicator is far more accurate. As a result, the picture of sales effectiveness is far clearer, as net sales show how much money is actually coming into your company.

With net sales, the sales efficiency ratio formula is as follows.
(Gross annual sales – annual returns – price reductions) / Sales & marketing spend

Sales efficiency is a key metric for measuring the growth of an organisation because:

EBITDA: One must maximize sales efficiency in order to maximise net profitability. This is so because a large amount of overheads are made up of sales and marketing expenses. Thus, a decline in sales effectiveness eventually results in a lower % EBITDA margin.

ROI: Maximizing sales ROI is one of the key responsibilities of a sales leader. Maximizing sales volume for a specific level of sales and marketing expenditure is necessary.

Internal Performance: It can be used to establish an internal benchmark of who is producing the most sales value for a fixed input cost at the individual level within sales teams.

Marketing Performance: It aids in determining which marketing initiatives are most effective in generating sales results.

Skills Gaps: It finds areas where you may spend money on equipment and skill development for your sales staff to increase productivity.

Enhancing the efficiency of the sales process is a continual activity that involves planning, organizing, implementing and evaluating sales operations rather than a one-time project. However, one must make sure that the improvement initiatives are value-driven and customer-centric if one hopes to see outcomes that are scalable and long-lasting. This entails matching the sales approach to the requirements, tastes, and expectations of clients and concentrating on providing value to them throughout the entire buyer's journey.

Sales process efficiency can be improved by adopting some or all of the following measures:

- Understanding the customer: The biggest contributor to failed sales efforts is unproductive prospecting. This results from not having identified the ideal target customer. Understanding the customer is the first step towards making efforts to improve and make the sales process customer-centric and value-driven. One must be aware of their characteristics, desires, purchasing habits, and obstacles. Customer data can be gathered and analyzed using a variety of techniques, including CRM reports, feedback forms, and surveys, interviews, and analytics tools. Additionally, one can divide up their clientele into groups according to their traits, habits, and requirements, then make buyer personas for each group. This will provide individualized solutions and modify the sales approach for each kind of consumer. The probability of closing sales increases manifold if the right customer is being pitched to. One cannot sell dog biscuits to someone who doesn’t own a dog.
- Create a robust sales process: The entire selling effort needs to be guided under the ambit of a repeatable and consistent sales process. The process should be applicable under all circumstances and should be capable of channelizing the sales effort for the entire organization. Sales personnel will perform more effectively and quickly if they have a reference manual for qualifying leads, making sales at the appropriate time, working with the team, and other crucial sales responsibilities. Determine where inefficiencies, bottlenecks, and gaps exist

in the sales process and how they impact both - sales success and customer experience. From lead generation to deal closure, use a visual tool like a flowchart or diagram to record every stage of the sales process. Along with the metrics and indicators that track progress, also list down the inputs, outputs, actions, responsibilities, and tools that are involved in each phase.

- Set goals and KPIs: When trying to increase sales efficiency, clarity is essential. For the sales team to truly focus on their goals and maximize their efforts, they must be aware of the desired outcome. Setting SMART goals—specific, measurable, action-oriented, realistic, and time-based—is therefore essential.

The "measurable" element may be the most important one when it comes to sales efficiency. Establish suitable KPIs to act as standards for the sales personnel's sales techniques and expectations. Is it required of them to close a certain amount of sales every month? Do they each have a revenue goal in mind?

Source: https://getrafiki.ai/

- Effective training - Sales representatives who lack the necessary training run the risk of wasting time and money on ineffective strategies, approaching customers too soon, or protracting the sales process. Sales managers ought to mandate comprehensive training on successful prospecting and closing deals for newly hired staff members. Along with offering advice on how to handle client objections, it ought to include any frequent queries that sales representatives might have along the process. Continual training will also keep the sales personnel knowledgeable about the newest approaches to selling.

- Aligning sales and marketing teams - Marketing and sales are intrinsically linked. Salespeople rely on their marketing departments to provide them with qualified leads; therefore marketers must be aware of what their sales teams anticipate in terms of target personas and distribution channels for leads and sales. There should be a strong liaison between sales and marketing. A sales liaison efficiently makes sure that a sales team is receiving the assistance it requires from the marketing department. By connecting those representatives with more responsive prospects, the role can save time and effort and save expenses that a sales team may spend from ineffective marketing campaigns.

- Designing improvements - Use the sales process map and customer data to design the improvements in the sales process. Prioritize the areas that most affect sales targets and customer satisfaction, then propose solutions for optimizing them. For instance, the team might wish to enhance the proposal form, sales pitch, follow-up plan, or lead qualification standards. Additionally, think about how to use technology—like automation, artificial intelligence, or CRM—to improve client interactions and expedite the sales process. The sales team should be made fully aware of the goals, timetable, resources, and scope of the improvement programs.

- Implement and measure - Put the planned improvements into practice, track their progress, and assess the outcomes. First, test the improvements on a limited scale and get input from the sales team and clients. In addition, keep an eye on the key performance metrics and contrast them with baseline statistics, including conversion rates, customer happiness, revenue growth, and retention rates. The data should be analyzed to determine the advantages and disadvantages of the enhancements and any necessary corrections should be made. Along with acknowledging the accomplishments, the sales staff should be advised on best practices.

3.5 Monitor sales people's performance

Sales managers and team leads frequently track a team's sales in order to evaluate the effectiveness of the team and its members. They can improve an organization's sales strategy and assess the staffing and training needs of their team by monitoring key performance indicators (KPIs). One may use corporate resources more effectively and succeed as a sales management professional by knowing how to track sales and what KPIs to look for.

Assessing the sales success of the team enables one to make more informed business decisions. One can improve their sales strategy, identify growth possibilities, and anticipate revenue more precisely if one has a firm understanding of how well the staff is selling. Tracking sales metrics can reveal details on a number of aspects of sales management, such as the average revenue generated by a sales force and the average lead conversion time.

3.5.1 What does sales performance mean?

The ability of a sales team or individual seller to meet sales targets, goals, and objectives is measured and evaluated by sales performance. This is a measure of how well they achieve their goals over a given time frame, be it quarterly, annual, or monthly. Sales performance refers to how well a company's sales force performs overall. It evaluates the effectiveness of each sales representative individually as well as the team as a whole. The selling activities of both individuals and teams, as well as how successfully they meet their sales goals, are used to evaluate performance.

Monitoring key performance indicators (KPIs) that offer useful insights into the sales team's development is essential for managing and enhancing their performance. Understanding and putting into practice the appropriate sales KPIs will help meet revenue goals, increase team performance, and pinpoint areas for development.

3.5.2 KPIs

Key performance indicators (KPIs) are measurable values which show how well the sales staff is performing in relation to predetermined goals. They can assist in identifying areas for improvement and offer insights into how well your team is accomplishing its objectives. KPIs might be qualitative or quantitative, such customer satisfaction scores or revenue targets and conversion rates. These quantifiable criteria serve as a compass to help assess how well the team performed. One may make well-informed decisions and maximize their team's performance by monitoring and evaluating KPIs, which provide insightful information about how effective the plans are.

Selecting the appropriate sales KPIs requires careful consideration of the measures that will best support the company's objectives and offer valuable information about the performance of the team. The following four sales KPIs are the most useful to keep an eye on:

- **Revenue KPIs:** This is a key performance indicator (KPI) that tracks how much sales income the team must produce in a certain time frame. The sales team can be inspired to perform better if the set goals are both difficult and reachable. Monitoring revenue targets regularly identifies any discrepancies and modifies sales tactics accordingly.

- **Purchase Value:** The average amount of money spent by each consumer on a purchase is determined by the average purchase value KPI. One may evaluate the success of their cross-selling and upselling tactics with the aid of this metric. Gaining insight into the average purchase value will help spot chances to boost consumer spending and boost sales.

- **Sales Conversion:** The percentage of leads or prospects that eventually become paying customers is determined by the sales conversion rate. It helps to find possible bottlenecks in the sales process and gives insights into how well the team closes business. Tracking conversion rates regularly can improve the total conversion rate, pinpoint areas for development, and hone sales strategies**.**

- **Sales Cycle Length** - The duration of a lead's journey through the sales process, from first contact to contract closure, is tracked by the sales cycle length KPI. Determine which parts of the sales cycle could use some enhancement. Reducing expenses, increasing efficiency, and raising customer satisfaction are all possible outcomes of a shorter sales cycle.

3.5.3 Sales Performance Metrics

Every sales leader should track four groups of sales performance metrics: activity metrics, pipeline metrics, productivity metrics and results metrics.

- **Activity metrics** - Activity metrics monitor the routine chores and sales activities that the representatives perform to advance leads through the funnel and close deals. Sales managers typically keep an eye on these for a set amount of time—say, a week or a quarter. Some activity metrics to measure can be:

- New leads acquired (someone who has expressed an interest in your offer)
- Initial calls
- Follow-up calls
- Outreach emails
- Field sales visits
- Social media interactions
- Qualified leads
- Sales demos

- **Pipeline metrics** - The sales pipeline's stages can be broken down to identify precisely how deals are moving along and which actions of your sales representatives are having the biggest effects. Pipeline metrics can include:

  - Average sales cycle: Amount of time taken for a prospect to become a customer.
  - Number of deals in the pipeline: The total value of potential deals.
  - Number of opportunities: Number of qualified prospects which are likely to become customers.
  - Average deal size: The average amount of money spent by a customer spends on the company's product or service.
  - Closed opportunities: Deals won or lost by sales personnel.
  - Deal loss reasons: Prospects' reasons for not buying.

- **Productivity metrics** – Productivity metrics evaluate the effectiveness and efficiency of the team's sales efforts. It is only beneficial to send hundreds of emails a week if a respectable proportion of those emails convert into sales. Some commonly used productivity metrics are:

  - Win rate: Percentage of deals won.
  - Lead response time: Time taken by sales personnel to reply to the leads' messages.
  - Percentage of deals won: Percentage of deals won compared to the total number of sales opportunities.
  - Average customer acquisition cost (CAC): Cost of sales and marketing efforts to earn a new customer.
  - Conversion rate: How efficiently reps convert leads to customers.
  - Number of activities over time: Number of sales calls, emails and visits completed by sales personnel in a given time.

- **Results metrics** - Metrics for results communicate the overall success of the sales organization. Any sales team that succeeds should see increasing revenue, satisfied clients, and target achievement. Some of the most common results metrics include:

  - Sales quota attainment: The revenue or objective a salesman must achieve within a given period of time.
  - Customer satisfaction (CSAT) and retention rates: Measure the success of your customer experience, including new and existing customers.
  - Churn rate: Percentage of customers who stop paying for services.
  - Customer lifetime value (CLV): Amount earned from a customer over their entire lifecycle with your company.
  - Number of new customers: New customers acquired
  - Total revenue: Amount earned from all customers.

In summary, overseeing the sales function is a complex task that necessitates a strategic approach, ongoing adaptation, and a thorough comprehension of the dynamics inside the team as well as the market. Setting attainable goals, encouraging teamwork and ongoing learning, and using data-driven insights to guide decisions are all essential components of effective sales management. Sales leaders can make sure their teams are prepared to meet the changing needs of consumers by putting in place comprehensive training programmes, making use of cutting-edge technology, and keeping lines of communication open. Furthermore, putting an emphasis on moral behaviour and customer-focused tactics fosters long-lasting bonds and trust in addition to promoting sustainable growth. Proactive, resilient, and creative individuals that regularly match their tactics to the demands of the market and the organization's overarching goals will be the ones handling the sales function with the greatest success as the market continues to change. Sales managers may guide their teams to exceptional performance and sustained success by means of meticulous preparation, execution, and ongoing improvement

❖ **Exercise:**

- **Multiple-choice questions:**

1) Searching and identifying potential buyers for a product is
a) selling b) prospecting c) compelling d) canvasing

2) What is the primary goal of sales efficiency?
a) To increase the number of sales leads
b) To reduce the cost per sale
c) To maximize sales revenue with minimum resources
d) To enhance customer satisfaction

3) Which of the following activities is most likely to improve sales efficiency?
a) Increasing the size of the sales team
b) Providing regular sales training and coaching
c) Offering large discounts on products
d) Expanding the product line

4) Which of the following is an example of a key performance indicator (KPI) for sales efficiency?
a) Number of social media followers
b) Average handle time (AHT) in customer support
c) Sales cycle length
d) Employee satisfaction score

5) What is the purpose of tracking the sales conversion rate?
a) To measure customer satisfaction
b) To evaluate the effectiveness of sales efforts
c) To determine the cost of acquiring new customers
d) To assess the profitability of products

6) Why is it important to monitor the average sales cycle length?
a) To reduce the number of sales representatives needed

b) To increase the inventory turnover rate
c) To identify bottlenecks in the sales process
d) To decrease the marketing budget

7) Which of the following best describes the purpose of a sales presentation?
a) To close the deal
b) To understand the customer's needs
c) To showcase the product's features and benefits
d) To handle customer objections

8) What is the key activity during the closing stage of the sales process?
a) Generating leads
b) Negotiating terms and conditions
c) Delivering a product demonstration
d) Conducting follow-up calls

9) What is the main objective during the needs assessment stage of the sales process?
a) To identify potential customers
b) To demonstrate product features
c) To understand the customer's specific needs and challenges
d) To finalize the sales agreement

10. Handling objections in the sales process typically involves:
a) Ignoring the objections and pushing for a close
b) Acknowledging and addressing the customer's concerns
c) Offering a discount to overcome resistance
d) Referring the customer to another salesperson

Answers: 1-b, 2-c, 3-b, 4-c, 5-b, 6-c, 7-c, 8-b, 9-c, 10-b

- **Conceptual Questions:**

1. What are the steps of the selling process? Why should sales personnel follow the steps of the selling process?
2. Explain prospecting and the different sources of identifying sales lead.
3. How is the approach step different than the pre-approach step?
4. How will you handle buyer objections? Explain with examples.
5. A salesperson's job doesn't end with sales. Explain.

- **Experiential Exercises:**

1) Work as a salesperson for a day, pitching goods and services. Write a report on your experience, the steps you took to sell, the ways you presented your case to the buyer, how you overcame their objections, and the closing strategies you employed.

2) To increase the efficacy of communication, ask each participant to give a five-minute presentation in class on any subject covered in the curriculum that has been taught. After the presentation, have a private conversation with each attendee to recommend changes.

UNIT – 4 SALES FORCE MANAGEMENT

4.1 Introduction

Sales Force Management is a sub-system of marketing management. It is Sales Management that translates the marketing plan into marketing performance. That is why sales force management is sometimes described as the muscle behind the marketing management. Actually, sales force management does much more than serving as the muscle behind marketing management. Sales managers in modern organization are required to be customer-oriented and profit-directed and perform several tasks besides setting and achieving personal selling goals of the firm. Let us understand briefly the sales force management tasks involved in the sales force management.

Sales Management is generally acknowledged to be the backbone of marketing. Brech defines it as "the overall management of sales and it refers to only a specialized application of the process of management as a 'whole." According to the American Marketing Association "the planning, direction and control of the personal selling activities of a business unit include recruiting, selecting, training, assigning, rating, supervising, paying and motivating; as these tasks apply to the personal sales force." The ultimate objective of the sales management is to influence the consumer of the target market to get sales orders. 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. A sales force serves as a company's personal link to customers.

The company’s sales force is one of its most important assets and it is the major component of the firm’s promotion mix. Sales force plays a deciding role in deciding the company’s fate because the firm’s revenues are derived from sales. Very frequently its effectiveness to the large extent determines to extent to which overall marketing objectives will be achieved this is especially true for firms in which the sales forces is a major element or various kinds of services (for example, insurance) or those that sell directly to the consumers.

4.2 Meaning of Sales Force:

Sales Force Management originally referred exclusively to the direction of the Sales Force.

Sales force management meant of all marketing activities including advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

4.3 Definition of Sales Force Management:

Sales force management is defined as “the planning, direction and control of the personal selling activities of a business unit, including recruiting, selecting, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the personal sales force.

4.4 Objectives of Sales Force:

Companies must define the specific objectives they expect their sales force to achieve. The old idea was that the sales force should “sell, sell, and sell”. Later, the idea arose that sales representatives should know how to diagnose a customer’s problem and propose a solution. Salespeople do not try to sell a specific product initially. Rather, they show a customer-prospect how their company can help the customer improve its profitability. The sales force of a firm plays a very crucial role and they cover some of the objectives.

1. To keep and maintain continuous contact and business relationship with both existing and potential customers.
2. To understand and collect regularly information about customer needs and wants and send reports to the departmental head.
3. To book orders and help supply or deliver goods and services to all members of distribution channel without any bias and maintain regular relation and motivate them.
4. To meet their sales targets and maintain or follow sales policy, credit policy and pricing strategy.
5. To keep tracking customer satisfaction and take action as deemed fit.

6. To keep tracking a competitive position, particularly competitor’s new products, promotional activity and pricing strategy.
7. To prepare and send comprehensive and useful reports regularly.
8. To co-ordinate sales programme with the superior office and other branches and territories for the benefit of the organization.

Sales managers today must develop an integrative management style using adaptive, problem-solving, extensive information, in many cases in an ever-changing marketplace. The overwhelming majority of business environment workers are service providers such as insurance companies, investment bankers, consultants, and information technology specialists.

Sales managers in the current business environment must have the ability to add value, which certainly means functional expertise in sales and marketing along with knowledge of the industry. However, managers must also have the skills to lead, communicate, use changing technologies, build teams, motivate salespeople, form strategic alliances with customers, and build teams within the sales force. Sales managers need access to a flow of reliable information to initiate sound decision-making that turns of a dime. As a necessary pre-condition to high levels of sales force performance, empowerment, and control of their own work process, sales managers should also have a system of sharing information with the sales force.

These are times of drastic corporate downsizing in which sales organizations are expected to do more with less. Sales managers must also be more knowledgeable and possess a myriad of demanding new business skills. Many internal and external changers among organizations have dictated the need to conduct business differentially. Sales managers perform the sales force management function. They execute the entire human resource management function in an organization. They recruit, select, train, motivate, compensate and control the sales staff for achieving the desired goal of the organization.

Many efforts are under way to make Indian companies more competitive. Typically, the focus is on internal processes and operational efficiency up to the facto gate, but no further. Unaddressed challenges lie in “factor forward” process, often including competitive sales force management. The quality and low cost services are not enough - an efficient and effective sales force approach focused on customer value is an effective competitive weapon.

This acquires urgency because of the fact that new competitors typically poach the best members of incumbents’ sales force at a time when the experience and dedication of star performers are most needed. Many companies are currently taking the necessary steps towards successful sales force management and are achieving growth even in today’s economic environment. Others have fallen further behind - whether they will be able to participate in the next economic recovery is doubtful.

4.5 Objectives of Sales Force Management:

The basic objective of sales force management is to determine how well individual sales person have performed. However, the results of salesperson performance evaluations can be used for many sales management purposes:

1. To determine the specific training and counselling needs of individual salespeople and the overall sales force,
2. To provide information for effective human resource planning,
3. To identify criteria that can be used to recruit and select salespeople in the future,
4. To advise salespeople of work expectations,
5. To motivate sales people,
6. To help salespeople in setting career goals, and
7. To improve salesperson performance.
8. To ensure that compensation and other reward disbursements are consisted with actual salesperson performance,
9. To identify salespeople who might be promoted,
10. To identify salespeople whose employment should be terminated and to supply evidence to support the need for termination.

4.6 Elements of Sales Force Management:

1. **Lead Generation:**
   The Sales Representatives generate the sales lead and then track the potential user by gathering the data and customer related info like phone numbers, tastes, and buying patterns.

2. **Sales Forecasting:**
   Predicting the company future sales based upon the previous sales for a particular period of time; is sales forecasting process. The Sales Forecasting is done for the next tax year or the fiscal year (or for a period of a time in the near future). This enables the company to take important business decisions regarding production, distribution, advertising budgets.

3. **Order Management**:
   The sales Force Manages and streamlines the product orders efficiently. A well-executed Order Management System or OMS results in Sales Boost, Improved Customer retention and Better Consumer Relations. Order Management System is quite a hefty term for a simple concept; delivering Goods and products without or minimum delay is order management.

4. **Product Knowledge**:
   The basic element for closing a deal or making a successful sale is having the complete knowledge of the product. To win the customer trust is of outmost important for the Sales representative. In order to convince the buyer to spend the money on the product the Sale team must have the complete know how of the Product and its benefits.

4.7 Sales Force Management process:

The process of communication between salesperson and customer seems simple and small. But, in reality, the process of selling and working of sales managers have more comprehensive and rich work.

Any type of selling either personal or online requires a lot of planning, preparation, and analysing before and after the sales has been done. As the sales force definition describes the requirement a salesperson is knowledgeable about the product and the product hierarchy of the organization.

Here is the entire process of sales force management:

1. Pre-Sale Preparation:

Before making sales, every sales manager needs to gather information regarding the product and about the customer’s problems as well. Since customers face problems regarding the use of the product or purpose or details or features of the product.

So, a sales force needs to know about the product and they have to prepare and find solutions for customers' problems. According, to sales force definitions sales-person, must prepare themselves regarding company, product, market, customers, environment, competitors.

2. Prospecting:

After preparing themselves about the surroundings, products etc, now salesperson needs to find the prospects. Prospects refer to potential customers. Prospects are the people, who are unwilling, not have the ability, unsatisfied, not having knowledge about the product to buy.

As, the sales force definition describes salesforce find the potential customers from current customers, other sales-people, online actives, location targeting. Afterwards, the salesforce prepares the list of prospects, who have the willingness, power, and motivation to buy the product. So, the salesperson can approach them for sale.

3. Pre-Approach:

Once the salesperson has selected their prospects, now its time to prepare themselves for the sale. Sale preparation includes finding the customers problems, needs and wants. Afterwards, the salesperson finds solutions to customer problems.

Last, they prepare their presentation in such a way that it provides a solution and make a sale to the customer.

4. Approach & Sales Presentation:

In the next step as the sale force definition describes the salesperson who contacts the customer. Contacting can be in form of face to face, phone, interview, the salesperson. The approach consists of two major parts. Obtaining an interview, and the first contact.

Once the salesman has sought and found potential customers and he has matched their wants with his product, he is ready to formally present that product to the customer.

5. Post-Sale Activities:

As the sales force definition describes the customer’s problems and solution. Post-sale activities include analysing performance.

Analysing what wrong and what good has been done on how to improve the sales force process to improve sales management and the organization revenue.

Another thing which counts in the post-sales activity is customer relation, post-sales services. To build strong relationships with the customer, it is important to provide post-sale service, ask them about their experience. It not only builds strong relationships with customers but also makes future sales with the customer easier.

4.8 Sales Force Management Steps:

1. Setting objectives:

The first step involved in sales force management is to decide what a firm intends to achieve through personal selling. Personal selling may have any one or more objectives given below:

- Serving the existing customers.
- Developing new customers.
- Improving the company's image.
- Increasing the company's market share and profit.
- Enhancing customer satisfaction, etc.

2. Designing Strategy:

The next step of sales force management is to decide on one or more strategies to contact the prospective customers. Prospective customers are met in their respective places in the foreign countries. Prospective customers may be contacted personally or through mail or over telephone. Now the company should decide whether it should use company sales force or contractual sales force to contact the prospects.

3. Structure of Sales force:

After finalizing sales strategy, the next step to be taken by the company is to plan the structure of the sales force. Following options are available to a company for planning sales force structure:

- Territorial Structure: In this structure each salesperson is assigned an exclusive geographical territory.
- Product Structure: In this structure, each salesperson is assigned a product or product line.
- Customer Structure: In this structure the sales force is organized along customer lines.

4. Size of the Sales force:

Next step is the determination of the number of salespersons that the company needs over a specific period of time (say a year). The size of the sales force depends on the compensation methods used, salesman's morale, sales forecasts, and the overall management of the sales force.

It must be adjusted periodically with the variation in the company's marketing plans and changes in markets and forces in the marketing environment.

5. Recruitment and Selection of Salespersons:

The next step is to seek applicants who have required qualifications, and matching them to the duties of a salesman. The salesman may be chosen from inside the organization or Outside, through advertisement, introductions, educational institutions, small customers, etc., or the sales forces.of other firms in the trade. The sales manager should judge the ability of the persons concerned before actually selecting them as salesmen.

Since a salesman directly comes into contact with customers as a representative and he reflects the character of the employer, therefore, utmost care need be taken in selecting a salesman. Unwise selection will bring slow turnover, inefficient blocks of capital in stocks, loss of goodwill, increased selling expenses, certain qualities are deemed necessary for successful selling.

Meaning of Recruitment and Selection

- **Recruitment** is an act of inducing qualified and appropriate people to get interested in and apply for a salesman's position with the company. It involves the identification, location, and stimulation of job aspirants. Since it is an ongoing process, usually companies maintain and continuously update the prospect files and develop contact with educational and training institutions and employment exchanges so as to get appropriate leads for locating candidates. In brief, recruitment means making people to aspire for a job with the company.

Selection is a consequence of recruitment activities and implies choosing the desired number of applicants for employment with the company from amongst those who have applied. It involves the process of matching educational, aptitude and personality attributes of the applicants with the man-specifications laid down by the company.

- **Selection Process:**

Having developed the job description and man-specification and invited person to apply for a salesman's position in the company, the back-drop is ready to initiate the selection process.
It comprises screening of application blanks, checking-up applicants' antecedents with the references suggested, interviewing and testing. This process enables management to thoroughly screen and evaluate candidates against the job description and man-specification and helps to develop a panel of acceptable candidates from amongst whom the desired number may be employed. Amongst the different components of the selection process, the following deserve brief description.

(a) Application Blanks:

Although persons may be motivated and invited to talk and negotiate the job at the personal level, it is usual these days to ask them to apply formally on company's application forms, called application blanks.

These are filled in by the job aspirants as an indication of their willingness to be considered for employment with the company.

An application blank contains a number of questions relating to personal history, educational background, experience, reasons for leaving the current job, if any expectations, references, etc.

(b) Tests:

In order to develop an in-depth understanding of the candidates, the company may administer him/her a number of psychological and other tests. The psychological tests attempt to identify and quantify more accurately the various personality traits and attributes that are not usually measured by the screening of application blanks or even interviews.

Three types of psychological tests are used in the selection system of sales personnel:

Tests of ability,
Tests of habitual characteristics, and

Tests of achievement.

(1) Tests of ability attempt to measure how well a person can perform a particular task with maximum motivations. These are tests of best performance and include tests of mental ability (intelligence tests) and tests of special abilities, or aptitude tests.
(2) Tests of habitual characteristics attempt to gauge how prospective employees would act in their daily work normally, i.e., not when they are on their best behaviour. These are tests of typical performance and they include attitude, personality, and interest tests.
(3) Achievement tests are designed to measure “how much individuals have learnt from their training or education”. Besides, a company may also administer physical / medical tests to ascertain the physical fitness of the candidate for a hard and strenuous selling job.

(c) Interviews:

Interviews may precede or follow the administration of tests depending on the convenience of the company. Interviewing involves personal interaction between the candidate and interviewees in a formal / patterned or informal setting and is aimed at discovering the ‘salesman’ in the candidate.

In companies, “virtually no salesman is ever hired without a personal interview, and there are no satisfactory substitutes”. In these interviews a candidate is asked a number of questions originating out of application blanks so as to verify and interpret the facts contained therein as also to gather supplementary relevant information. Interviews also provide an opportunity to a candidate to ask questions about the job and reveal his expectations.

(d) Selection:

After having screened the application blanks, administered the various tests, and interviewed the candidates, the results of these different components of the process are compiled (duly weighted) and the final score is arrived at so as to prepare a panel of candidates eligible / acceptable for employment. Having prepared a panel, they are offered the position and if need be, the terms may be negotiated.

However, while selecting and appointing a salesman it should always be understood that if one has to be appointed he should be rigorously screened; having appointed once he should be retained - retained, he should be trained and retrained, adequately compensated, and effectively motivated

6. Training of Salespersons:

Salespersons should be properly trained. It is not only the newly recruited salesmen who need training but the existing sales then also need it as the product, market and the competition are in a continued process of change. Sales training programs can be directed at the entire sales force or at a few individuals.

They can be conducted by sales managers, other salespeople, or technical specialists from within the organization. There are also individuals and organizations that sell special sales training program. Regardless of who manages the training programme, several issues should be addressed, including type, location and timing, and methods and materials of training. The emphasis in all these issues should be on developing the necessary skills among salespersons so that they can prove to be assets for the firm.

7. Compensating salespeople:

One of the goals in developing a personal selling programme is to attract, motivate, and retain a highly productive sales force. To accomplish that goal, the business must develop and implement a plan for compensating the sales force. The compensation plan should provide salespeople with an adequate degree of income and incentive.

8. Supervision:

Effective supervision of salespersons plays a crucial role in improving their performance. Salespersons operate in the field and are often located thousands of kilometers away from the company office. This makes their supervision more difficult. There should be proper communication channels between supervisor and salespersons. Effective supervision motivates salespersons. Salespersons should be motivated through monetary incentives, sales contests, honors, promotion, personal growth, etc.

9. Evaluation:

Management of the sales force will not be complete without evaluation of their performance. For sound evaluation, these should be a feedback mechanism. This requires regular sales reports of the salespeople, personal observation, customer surveys, communication from the customers, discussions with others in the company. Meeting sales targets is one of the several criteria for evaluation. The purpose of evaluation is to take corrective measures, if needed, to achieve the objectives.

4.9 Advantages of Salesforce Management:

As businesses strive to enhance their customer relationships and streamline their operations, Salesforce has emerged as an agile system that delivers results. With its comprehensive CRM platform, Salesforce empowers organizations to effectively manage sales processes, marketing campaigns, and customer interactions. The advantages of Salesforce extend beyond its robust features and cloud-based architecture. From scalability and automation to real-time analytics and seamless integrations, Salesforce is a preferred choice for businesses of all sizes.

1. Comprehensive CRM:
Salesforce offers a complete customer relationship management platform to track interactions, sales, and marketing.

2. Scalable and Flexible:
Salesforce adapts to businesses of all sizes and can be customized to specific needs.

3. Cloud-based:
Accessible from anywhere, with automatic updates and high security standards.

4. Extensive AppExchange:
The platform provides a marketplace with pre-built apps, integrations, and industry-specific solutions.

5. Automation and Workflow:
Team can automate tasks, standardize processes, and boost efficiency.

6. Real-time Analytics:
Gain insights into sales, marketing, and customer behavior instantly.

7. Mobile Accessibility:
Manage customer interactions and collaborate on iOS and Android devices.

8. Integration Capabilities:
Seamlessly connect Salesforce with other business systems for data synchronization.

9. Community and Collaboration:
Foster collaboration, knowledge sharing, and self-service capabilities.

10. Ongoing Innovation and Support:
Regular releases, training resources, and a supportive user community let you leverage Salesforce with confidence and ease.

4.10 Disadvantages of Salesforce Management:

1. Steep learning curve:
Users sometimes find it challenging to quickly grasp all the functionalities of Salesforce. The platform can be complex, and it may require comprehensive training for users to become proficient in navigating and utilizing its features effectively.

2. Cost implications:
Salesforce can be costly, especially for larger organizations or those requiring extensive customization. The pricing structure typically involves per-user monthly fees, which can range from a few tens to hundreds of dollars. Additionally, the costs can increase if you opt for additional features, integrations, or storage space.

3. Limited mobile app functionality:
Some users have reported limitations with the Salesforce mobile app. Certain features and functionalities available on the desktop version may not be fully accessible or optimized for mobile devices.

4. Data storage limitations:
Salesforce imposes data storage limits that organizations may find restrictive, especially if they generate and handle substantial amounts of data. As a result, companies may need to purchase additional storage space.

5. Dependency on internet connectivity:
Salesforce operates primarily as a cloud-based platform, which means users heavily rely on stable internet connectivity. In situations where internet access is limited or unreliable, users may face difficulties.

6. Customization complexity:
While Salesforce offers a robust set of customization options, configuring and tailoring the platform to specific business needs can be complex and require technical expertise. Organizations may need to invest in additional resources, such as Salesforce administrators or consultants.

7. Integration challenges:
Depending on the complexity of the integration requirements, organizations may need to invest significant time and effort to ensure seamless data flow and integration between Salesforce and other systems.

4.11 Conclusion

Sales Force Management (SFM) is a sub-system of marketing management. It is Sales Management that translates the marketing plan into marketing performance. That is why sales force management is sometimes described as the muscle behind the marketing management. Actually sales force management does much more than serving as the muscle behind marketing management.

Sales managers in modern organization are required to be customer-oriented and profit-directed and perform several tasks besides setting and achieving personal selling goals of the firm. Let us understand briefly the sales force management, tasks involved in the sales force management. Sales managers in modern organization are required to be customer-oriented and profit-directed and perform several tasks besides setting and achieving personal selling goals of the firm.

Sales force management is necessary for building and maintaining efficient sales processes, from order fulfillment to customer service. It is also important in bridging the gap between customers, the company, brand and product or service.

4.12 Keywords

1. **Sales Force**:
   Sales force management meant of all marketing activities including advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

2. **Selection**:
   Selection is a consequence of recruitment activities and implies choosing the desired number of applicants for employment with the company from amongst those who have applied. It involves the process of matching educational, aptitude and personality attributes of the applicants with the man-specifications laid down by the company.

3. **Recruitment**:
   Recruitment is an act of inducing qualified and appropriate people to get interested in and apply for a salesman's position with the company. It involves the identification, location, and stimulation of job aspirants.

4. **Sales Force Management**:
   Sales force management is defined as "the planning, direction and control of the personal selling activities of a business unit, including recruiting, selecting, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the personal sales force.

5. **Personal Selling**:
   Personal selling is also known as face-to-face selling in which one person who is the salesman tries to convince the customer in buying a product.

6. **Sales Forecasting**:
   sales Forecasting means Forecasting future sales of the company based on previous sales for a specified period.

❖ Exercise

- **Long Question**:

1. Define Sales force.
2. Discuss Objectives of Sales Force.
3. Define Sales force Management.
4. Discuss Objectives of Sales force Management.
5. Explain elements of Sales force Management.
6. Discuss Sales Force Management Steps.
7. Explain process of Sales Force Management.
8. Discuss advantages of Sales Force Management.
9. Write note on disadvantages of Sales Force Management.
10. Write note on Selection process.

- **Short Question:**

1. What is Selection?
2. What is Sales force Management.
3. What is Recruitment?
4. Mention advantages of Sales force management.
5. Mention disadvantages of Sales force management.
6. Full form of SFM.
7. State any two steps of sales force management.
8. Mention process of sales force management.

- **MCQs**

1. _____ Management is generally acknowledged to be the backbone of marketing.
   A. Sales B. Purchase C. Product D. Price

2. The company's _____ force is one of its most important assets and it is the major component of the firm's promotion mix.
   A. Sales B. Purchase C. Product D. Price

3. ______ is a sub-system of marketing management.
   A. Purchase management
   B. Sales Force Management
   C. Master Force
   D. None of above

4. A sales force serves as a company's personal link to_____.

A. Seller B. Customers C. Creditor D. Financer

5. _______ is an act of inducing qualified and appropriate people to get interested in and apply for a salesman's position with the company. It involves the identification, location, and stimulation of job aspirants.
   A. Promotion B. Mix C. Recruitment D. Sales

6. _____ is a consequence of recruitment activities and implies choosing the desired number of applicants for employment with the company from amongst those who have applied.
   A. Promotion B. Mix C. Selection D. Sales

7. Sales Force Management Steps includes
   A. Setting objectives:
   B. Designing Strategy:
   C. Structure of Sales force
   D. All of above

8. Sales Force Management Steps includes
   A. Size of the Sales force
   B. Recruitment and Selection of Salespersons
   C. Training of Salespersons
   D. All of above

9. Sales Force Management Steps includes
   A. Compensating salespeople
   B. Supervision
   C. Evaluation
   D. All of above

10. Full form of SFM is
   A. Sales Force Management
   B. Sales Finance Management
   C. Sales Force Magazine
   D. Sales Finance Magazine

11. _____ managers in modern organization are required to be customer-oriented and profit-directed and perform several tasks besides setting and achieving personal selling goals of the firm.
   A. Sales B. Purchase C. Fund D. Labour

12. The basic objective of sales force management is to determine how well individual ____ person have performed.

A. Sales B. Purchase C. Fund D. Labour

13. The basic objective of ______ is to determine how well individual sales person have performed.
    A. Sales Force Management
    B. Sales Finance Management
    C. Sales Force Magazine
    D. Sales Finance Magazine

14. Disadvantages of Salesforce Management includes
    A. Steep learning curve
    B. Cost implications
    C. Limited mobile app functionality
    D. All of above

15. Disadvantages of Salesforce Management includes
    A. Data storage limitations
    B. Dependency on internet connectivity
    C. Customization complexity
    D. All of above

16. _____ types of psychological tests are used in the selection system of sales personnel.
    A. 2 B. 3 C. 4 D. 5

17. Achievement tests are designed to measure “how much individuals have learnt from their training or education.
    A. Tests of ability
    B. Tests of habitual characteristics
    C. Achievement tests
    D. All of above

18. _____ attempt to measure how well a person can perform a particular task with maximum motivations.
    A. Tests of ability
    B. Tests of habitual characteristics
    C. Achievement tests
    D. All of above

19. _______ attempt to gauge how prospective employees would act in their daily work normally
    A. Tests of ability
    B. Tests of habitual characteristics

C. Achievement tests
D. All of above

- **Answer of MCQs**

1. A. Sales
2. A. Sales
3. B. Sales Force Management
4. B. customers
5. C. Recruitment
6. C. Selection
7. D. All of above
8. D. All of above
9. D. All of above
10. A. Sales Force Management
11. A. Sales
12. A. Sales
13. A. Sales Force Management
14. D. All of above
15. D. All of above
16. B. 3
17. C. Achievement tests
18. A. Tests of ability
19. B. Tests of habitual characteristics

- **State if the following statement are True or False**

1. Sales Force Management is a sub-system of marketing management: **True**
2. Sales Management is generally acknowledged to be the backbone of marketing.: **True**
3. The ultimate objective of the sales management is to influence the consumer of the target market to get sales orders.: **True**
4. Sales force plays a deciding role in deciding the company's fate because the firm's revenues are derived from sales.: **True**
5. Personal selling is also known as face-to-face selling in which one person who is the salesman tries to convince the customer in buying a product.: **True**
6. Sales managers in the current business environment must have the ability to add value, which certainly means functional expertise in sales and marketing along with knowledge of the industry**.: True**
7. Fund is important in bridging the gap between customers, the company, brand and product or service.: **False**

8. Any type of selling either personal or online requires a lot of planning, preparation, and analysing before and after the sales has been done**.: True**
9. Sales Force Management originally referred exclusively to the direction of the Sales Force.: **True**
10. Sales Force Management (SFM) is a sub-system of fund management**.: False**
11. It is Sales Management that translates the marketing plan into marketing performance.: **True**
12. Zen Management is generally acknowledged to be the backbone of marketing**.: False**
13. SFM means Sent Fund to Me.: **False**
14. Sales force management is necessary for building and maintaining efficient sales processes, from order fulfilment to customer service.: **True**

UNIT –5	SALES CONTROL

5.1 Introduction

In this unit, we delve into the crucial processes of sales budgeting and control, pivotal aspects in ensuring the financial health and strategic alignment of an organization.

5.1.1 Sales Budgeting:

Following the successful sales forecast, the organization determines sales figures for the upcoming period. These figures serve as the basis for creating budgets across various departments. Higher sales forecasts may result in increased budgets for departments like marketing, enabling greater investment in advertising and sales promotions. Similarly, the sales department's budget allocation hinges on sales forecasts.

Once sales figures are established, estimates for expected revenue and net profit are derived. This provides insights into the organization's anticipated growth rate for the upcoming year. Based on fluctuations in net profits, budget adjustments are made across departments, either increasing or controlling expenditures accordingly. Understanding various financial concepts associated with budgeting, such as direct and indirect expenses, is essential. Sales budgeting entails addressing several challenges, including regional budget allocation, managing non-performing accounts, expanding into new territories, analyzing variances, and revising budgets as needed. Regular analysis of these issues is imperative for effective financial management.

5.1.2 Control Systems:

The latter part of this unit focuses on implementing control systems to manage budgets effectively. These systems not only prevent expenditures from exceeding allocated budgets but also facilitate analysis of competitors' activities and budget allocation strategies. Additionally, control systems monitor customer preferences, providing valuable insights to the sales department.

Effective control systems are essential for maintaining fiscal discipline and strategic alignment within the organization. Regular monitoring and analysis ensure that budgetary objectives are met while adapting to dynamic market conditions and competitive landscapes. In summary, sales budgeting and control are integral components of organizational financial management, requiring meticulous planning, monitoring, and adjustment to drive sustainable growth and competitiveness.

5.2 Sales Control:

Definition: Sales control refers to the process of monitoring and managing sales activities within an organization to ensure that they align with overall objectives, strategies, and targets. It involves measuring, analysing, and regulating sales performance to optimize results.

5.2.1 Importance of Sales Control:

Performance Evaluation: Sales control enables companies to assess the effectiveness of their sales efforts by comparing actual results against predefined goals and benchmarks.

Resource Allocation: It helps in determining the allocation of resources such as budget, personnel, and time to maximize sales productivity and efficiency.

Strategic Alignment: Sales control ensures that sales activities are in line with the broader strategic objectives of the organization, facilitating better coordination between sales and other departments.

Risk Management: By identifying deviations from expected sales performance early on, sales control allows for timely intervention to mitigate risks and capitalize on opportunities.

Continuous Improvement: It fosters a culture of continuous improvement by providing insights into areas for enhancement and optimization in the sales process.

5.2.2 Types of Sales Control:

Performance Metrics: Monitoring key performance indicators (KPIs) such as sales revenue, profit margins, conversion rates, customer acquisition costs, and sales pipeline velocity.

Sales Planning and Forecasting: Evaluating sales forecasts against actual results to adjust sales strategies and plans accordingly.

Sales Force Management: Supervising and optimizing the performance of the sales team through training, coaching, and performance reviews.

Sales Territory Management: Assessing the allocation of sales territories and resources to maximize coverage and penetration in target markets.

Customer Relationship Management (CRM): Utilizing CRM systems to track customer interactions, manage leads, and enhance customer satisfaction and retention.

5.2.3 Issues in Sales Budgeting:

Sales budgeting involves various complexities and challenges that require careful analysis and management. Some key issues include:

a) Establishing the Need for Budget:

   Sales budgets are typically determined at the macro level by top management, but the execution occurs at the micro level, often by local sales managers.

   Sales managers at the branch level are best positioned to understand the actual expenses incurred in the sales process, including travel expenses, office rents, and utility bills.

Budget allocation should involve input from local sales managers to accurately reflect the specific needs of each region or territory.

b) Having Multiple Views of the Sales Budget:

Sales budgets should provide insights from multiple perspectives, such as sales by region/territory, product/service, or sales representative.

Multiple views help in understanding discrepancies between sales forecasts and actual results and enable better decision-making.

c) Identifying Non-Performing Assets (NPAs) and Planning Events:

Multiple views of the sales budget enable sales managers to identify non-performing territories (NPTs) or sales representatives.

Action can be taken to improve sales performance in underperforming territories through targeted strategies or training programs.

d) Monitoring Forecasted Figures to Actual Sales:

Companies often break down yearly forecast figures into monthly sales targets for sales representatives. Regular monitoring of actual sales figures against forecasted sales helps identify discrepancies and adjust strategies accordingly. Variance analysis techniques like ANOVA can be employed to assess discrepancies and their causes.

e) Time Interval for Monitoring Sales Budgets:

The frequency of monitoring sales budgets depends on the preference of the sales manager and the nature of the business. Monitoring intervals can range from daily to yearly, with each approach having its benefits and drawbacks. Too frequent monitoring may lead to inefficiencies, while infrequent monitoring may result in performance gaps due to lax control. Addressing these issues requires a comprehensive understanding of the sales process, effective communication between different levels of management, and the implementation of robust control mechanisms to ensure budgetary objectives are met while adapting to dynamic market conditions.

5.3 Monitoring and Controlling Sales Budget:

Effectively monitoring and controlling the sales budget is crucial for maintaining a healthy balance sheet and achieving organisational objectives. However, striking the right balance in the timeframe for monitoring is equally important.

Too Frequent Monitoring: Conducting monitoring activities too frequently can lead to wastage of time and resources, as attention may be diverted to trivial or uncontrollable factors. It may also create unnecessary pressure on sales representatives.

Too Loose Monitoring: On the other hand, infrequent monitoring with large time gaps may result in inadequate oversight of the sales budget. This lax approach can lead to poor performance by sales representatives and hinder the achievement of organizational goals.

5.3.1 Importance of Monitoring:

Performance Recognition: Monitoring sales performance provides an opportunity to recognise the efforts of sales representatives. Regular feedback and acknowledgement of achievements can boost morale and motivation within the sales team.

Appraisal System: Monitoring performance also contributes to the development of an effective appraisal system. Objective evaluation of sales performance enables fair and transparent reward systems, fostering a culture of accountability and continuous improvement.

Balanced Approach: Striking a balance between too-frequent and too-loose monitoring is essential. Implementing a structured monitoring schedule that allows for regular review without overwhelming sales teams with constant scrutiny. Providing constructive feedback and support to sales representatives to help them meet their targets and improve their performance. Utilising performance data and insights from monitoring activities to inform strategic decision-making and optimise resource allocation. Effective monitoring and controlling of the sales budget require a balanced approach that considers the need for oversight without micromanaging sales teams. Recognising the importance of timely feedback and performance recognition can contribute to a positive work environment and drive towards organisational objectives.

5.3.2 The Need for a Sales Budgeting Control System:

A robust sales budget control system is essential for organisations to achieve their objectives and maintain financial health. The detailed reasons why such a system is indispensable:

a) Monitoring Performance:

The control system should continuously monitor sales figures to ensure that sales quotas are met. It is essential to monitor various factors beyond just sales figures, including efforts, expenses, and direction, to provide a holistic performance evaluation of sales representatives.

b) Identifying Areas of Improvement:

By monitoring performance, the control system can pinpoint areas where sales representatives need improvement. Targeted training programs can then be implemented to enhance the skill sets of sales representatives.

c) Identifying Areas of Weakness:

The control system should align with organisational goals and identify weaknesses in operations that may hinder sales performance. By analysing costs and operational inefficiencies, the system can optimize resource utilization and improve net profit margins.

d) Identifying Trends and Monitoring Competitor Activities:

Market trends and competitor activities are dynamic and require constant monitoring. The control system helps identify market trends and competitor movements, allowing organisations to adapt their strategies accordingly to sustain competitiveness and achieve sales targets.

e) Analysing Deviations:

Deviations from sales objectives must be analysed to understand the underlying reasons. Potential reasons for deviations include increased competition, seasonal fluctuations, changing consumer preferences, or high attrition rates among sales representatives.

f) Input for Organizational Strategies:

The control system provides valuable insights for setting organisational strategies by identifying strengths and weaknesses. Strategies can be adjusted based on the system's findings, such as pricing adjustments or targeted marketing activities.

g) Identifying Losing Market Share:

Achieving sales quotas doesn't always equate to meeting organisational objectives. The control system monitors not only sales growth but also market share fluctuations to ensure the organisation remains competitive and maintains its leadership position.

Sales budgeting control system is essential for organisations to monitor performance, identify areas of improvement, adapt to market dynamics, analyse deviations, inform strategic decisions, and maintain market leadership. By leveraging such a system, organizations can optimize sales performance and achieve long-term success in their respective industries.

5.3.3 The Need for Variance Analysis and Control in Sales Budgets:

Variance analysis is crucial in managing sales budgets effectively, as it provides insights into deviations in operating profits and helps control costs. Here's why variance analysis and control are essential. Sales variance, as defined by Ghosh (2005), is the difference between budgeted operating profit and the margin between actual sales and standard costs. Variance analysis helps identify irregularities in operating profits, whether they result from changes in sales volume or selling price.

Types of Sales Variances:

Operating Profit due to Sales Volume: This variance occurs when the actual operating profit differs from the forecasted figure due to changes in sales volume.

Operating Profit Variance due to Selling Price: This variance arises from changes in selling price, affecting operating profit even when sales quotas are met.

Mixed Variances: In many cases, variances stem from both changes in sales volume and selling price, termed as a mixed variance.

Controlling Sales Budgets:

Improving Sales Figures: Organisations need to revise strategies to boost sales when variance increases due to low sales, thus reducing variance.

Identifying the Right Selling Price: Before adjusting selling prices, organizations must analyze the impact on overall profitability. Decreasing prices should result in sufficient sales volume increase to offset decreased operating profits.

Implementing Proper Strategies: Effective strategies facilitate increased sales and decreased variances.

Enhancing Organizational Efficiency: Utilizing tools like CRM systems and optimizing organizational structures can reduce operating costs. This is crucial in competitive environments where prices are low, and maintaining operating profits is essential.

Therefore, variance analysis and control are vital for managing sales budgets effectively. By understanding the root causes of variances and implementing appropriate control measures, organizations can optimize profitability and achieve their objectives amidst market uncertainties.

5.4 Overview of Sales Control

Covering both informal and formal methods. Informal control relies on the intuition and awareness of sales executives to detect and address issues, while formal control involves written policies, budgetary controls, and setting sales territories.

Informal Control: Relies on the intuition and situational awareness of sales executives to detect and address issues as they arise. This method is effective in smaller organisations but becomes challenging as the company grows and the sales structure becomes more complex.

Formal Control and Written Sales Policies: As the organisation grows, formal control becomes necessary. This involves the implementation of written sales policies to provide guidelines for sales activities. Written policies ensure uniformity of action, conserve executive time and allow for better decision-making.

Policy Formulation and Review: Policies evolve through study and evaluation of information. They may need revision as circumstances change and new information becomes available. Sales executives reserve time for handling policy exceptions, and new policies may be formulated based on recurring exceptions.

Formal Control Over Sales Volume: Sales volume control involves estimating and monitoring sales performance against potential sales volume. It requires periodic sales forecasts and monitoring of industry trends, competitor activities, and market share.

Budgetary Control: Involves setting up sales budgets and territories to control margins, expenses, and profits. It allows for projecting profit-and-loss statements for various sales units and helps in identifying areas for improvement.

Sales Control and Organisation: Effective control depends on the organisational structure. Decentralised organisations allow for greater control at lower levels, while centralised organisations require higher-level executives to handle policy exceptions. Decision-making authority is delegated as far down the hierarchy as feasible.

Overall, effective sales control requires a combination of informal intuition and formalised policies and procedures to ensure consistency, efficiency, and adaptability to changing circumstances.

Sales managers must balance their responsibilities, including setting objectives, formulating policies, designing strategies, and developing the sales organisation. However, as you mentioned, they can sometimes get overwhelmed by day-to-day tasks and lose sight of long-term goals. To address this issue, sales executives should prioritise their activities and allocate time for strategic planning alongside daily operations. Regularly reviewing and revising selling and profit objectives ensures alignment with overall business goals. Delegating routine tasks to capable team members can free up time for sales managers to focus on strategic initiatives. Additionally, implementing performance metrics and tracking progress towards objectives can help keep sales managers accountable and focused on long-term results. Collaboration with other marketing units within the company ensures alignment and maximizes the effectiveness of integrated marketing efforts. By maintaining a balance between immediate demands and long-term objectives, sales managers can drive sustainable growth and success for their sales organization.

Indeed, in the dynamic environment of sales management, the implementation of effective control techniques is invaluable. Well-designed and executed control mechanisms enhance the focus of the sales organization on achieving selling and profit objectives.

The sales budget serves as a cornerstone in this process, providing a framework for financial planning and performance evaluation. Setting and managing quotas, whether for sales volume, profit, or activity levels, incentivizes sales personnel to strive towards these objectives.

Furthermore, the structuring of sales territories plays a vital role in enhancing the control of sales operations. By delineating clear geographical boundaries and allocating resources accordingly, management can streamline operations and improve accountability.

In addition to these fundamental control mechanisms, other tools such as sales audits, sales analysis, and cost analysis contribute significantly to the effectiveness of the personal selling effort. These mechanisms enable sales executives to monitor profitability, identify areas for improvement, and make informed decisions to optimize performance.

Overall, the implementation of robust control techniques empowers sales organizations to navigate challenges, capitalize on opportunities, and ultimately drive sustainable success in achieving their objectives.

Control techniques play a crucial role in enhancing the effectiveness of sales management by providing valuable insights and opportunities for improvement. Here's how various control techniques, such as periodic sales audits, sales analyses, and marketing cost analysis, contribute to this effectiveness:

Periodic Sales Audits: These audits offer comprehensive assessments of the entire personal-selling operation, identifying both strengths that can be further exploited and weaknesses that require improvement. By providing a holistic view of the sales function, audits enable managers to make informed decisions to optimize performance.

Sales Analysis: Sales analysis helps detect strengths and weaknesses within the sales operation, allowing managers to identify areas where improvement is needed. They also uncover hidden weaknesses or strengths that may not be apparent on the surface, enabling a more nuanced understanding of performance (the "iceberg situations").

Marketing Cost Analysis: By examining selling expenses in relation to sales volume, marketing cost analysis determines the relative profitability of different aspects of sales operations. This allows managers to allocate resources more efficiently and focus on areas that offer the highest return on investment.

Integration with Other Techniques: While sales audits, analyses, and marketing cost analyses provide valuable insights on their own, their results can be enriched by combining them with other techniques such as ratios and percentage calculations. This integration enhances the depth and accuracy of the analysis, enabling managers to make more informed decisions.

Continuous Improvement: Effective sales managers continuously scan the sales operation for opportunities to exploit strengths and overcome weaknesses. Control techniques facilitate this process by providing ongoing feedback and insights, allowing managers to adapt and refine their strategies over time.

In summary, control techniques serve as essential tools for sales management, providing valuable information and opportunities for improvement. By leveraging these techniques effectively, managers can enhance the productivity and performance of the sales function, ultimately driving success for the organisation.

5.4.1 Tools of Sales Control

Cost Control

Marketing cost analysis is a crucial process for evaluating the profitability of various aspects of sales operations by examining sales volume and associated selling expenses. Here's a breakdown of its key components and steps:

Sales Analysis by Categories: The first step in marketing cost analysis involves conducting a comprehensive sales analysis by various categories such as territories, sales personnel, products, class of account, size of order, and marketing channels. This breakdown provides insights into which areas are performing well and which ones may need improvement.

Breakdown of Selling Expenses: Once sales volume is analysed by different categories, the next step is to break down and assign selling expenses to these categories. This allows for a more accurate assessment of the costs associated with each aspect of sales operations.

Assessment of Relative Profitability: By comparing sales volume and selling expenses for different categories, marketing cost analysis helps determine the relative profitability of each aspect of sales operations. For example, comparing sales territories based on their sales volume and associated expenses can reveal which territories are more profitable than others.

Identification of Strengths and Weaknesses: The ultimate goal of marketing cost analysis is to identify relative strengths and weaknesses within sales operations. By pinpointing areas of high profitability and areas where costs may be excessive, organizations can make informed decisions to improve overall profit performance.

Continuous Improvement: Marketing cost analysis is an ongoing process aimed at continuously improving profit performance. By regularly analysing sales volume and selling expenses, organisations can identify opportunities for optimization and make adjustments to their sales strategies and resource allocation accordingly.

Overall, marketing cost analysis is a valuable tool for organisations to evaluate the profitability of different aspects of sales operations, identify areas for improvement, and drive continuous improvement in profit performance.

Sales audit

A sales audit serves as a systematic and thorough evaluation of the entire selling operation within a company. Its purpose is to assess how well individual components of the sales process integrate and contribute to the overall sales effort. Here's a breakdown of its key characteristics:

Comprehensive Appraisal: A sales audit examines every aspect of the sales function, including objectives, policies, methods, procedures, and personnel involved in executing those policies.

Integration of Inputs: It evaluates how well different elements of the sales process work together to achieve common goals. This includes assessing the coordination between various sales activities, such as prospecting, lead generation, customer relationship management, and closing sales.

Identification of Assumptions: The audit identifies and evaluates the underlying assumptions that drive the sales operation. This involves questioning the validity of assumptions and assessing their impact on sales performance.

Systematic and Critical Review: The audit follows a structured approach to review and assess the effectiveness of sales strategies, tactics, and processes. It involves a critical examination of each component to identify strengths, weaknesses, opportunities, and threats.

Unbiased Evaluation: A sales audit aims to provide an objective assessment of the sales function, free from personal biases or preconceptions. This ensures that findings and recommendations are based on factual evidence rather than subjective opinions.

Focus on Objectives and Policies: The primary focus of the audit is to evaluate how well the sales function aligns with the organization's objectives and policies. It assesses whether the sales operation is effectively implementing these policies to achieve desired outcomes.

Overall, a sales audit provides valuable insights into the strengths and weaknesses of the sales function, enabling management to make informed decisions and implement necessary improvements to enhance sales performance.

Sales Analysis

Sales analysis involves a thorough examination of sales volume performance to identify both strengths and weaknesses within the sales function. Unlike relying solely on summary sales data, which may provide a limited understanding of performance, sales analysis delves deeper to uncover valuable insights. Here are some key points about sales analysis:

Detailed Study: Sales analysis entails a meticulous review of sales data to understand trends, patterns, and performance metrics. It goes beyond surface-level numbers to uncover underlying factors affecting sales outcomes.

Identification of Strengths and Weaknesses: The primary goal of sales analysis is to identify both areas of success and areas needing improvement within the sales function. By pinpointing strengths, sales management can leverage successful strategies, while identifying weaknesses allows for targeted corrective actions.

Beyond Summary Sales Data: While summary sales data provides a high-level overview of performance, it may lack the depth needed for meaningful insights. Sales analysis delves into specific metrics, such as product performance, customer segmentation, geographic trends, and profitability, to provide a more nuanced understanding.

Holistic Evaluation: Sales analysis considers various factors beyond just sales volume, including profitability, product margins, customer preferences, and market trends. This holistic approach enables sales management to gain a comprehensive understanding of overall sales performance.

Actionable Insights: One of the key benefits of sales analysis is its ability to provide actionable insights for decision-making. For example, identifying that increased sales volume came from products with lower-than-average gross margins highlights a potential profitability issue that requires attention.

Overall, sales analysis is a vital tool for sales management to evaluate performance, make informed decisions, and drive continuous improvement within the sales function. By understanding the nuances of sales performance, organizations can optimize strategies, enhance profitability, and achieve long-term success.

❖ **Keywords**

1) Operating profit: Profit figure attained after subtracting the direct and indirect costs from the revenue generated.
2) Net profit: Profit figure attained after subtracting the organisation's total expenses including the tax from the total revenue generated.
3) NPT: Non-performing territories are those territories which are not able to achieve their sales quotas assigned by the organisation.

❖ **Exercise:**

1. Develop a sales control plan for a hypothetical company, outlining key performance indicators, monitoring mechanisms, and strategies for performance improvement and risk mitigation. Utilise CRM software to track sales activities, analyse customer data, and optimise sales processes. Conduct regular performance reviews and training sessions for the sales team to enhance skills and productivity. Adjust sales forecasts and strategies based on market trends and customer feedback to ensure alignment with organisational goals.
2. Role Play 1: Being a distributor for in-door Illuminating wall mounted decorative articles of Gujarat territory pitch for a deal of chain of hotels in Ahmedabad, develop a control mechanism for territory coverage.
3. Role Play 2: Being a purchase head enlist the parameters for evaluation of the sales plan & performance measurement techniques for high sales potential territory for a chain of multi-cuisine restaurants.

- **Answer the following questions:**

1. Explain the direct and indirect expenses for an organisation
2. Explain the advantages of having multiple views of the sales budgets
3. Identify the importance of timely monitoring of a sales budget.
4. Explain the need for a sales budget and control system.
5. Explain types of sales variances.
6. Identify the measure for controlling variance for an organisation

- **Do as Directed:**

1) _________ suits best when the producer intends to maintain control of the service level offered by the resellers.

   A. Exclusive distribution B. Selective distribution C. Intensive distribution

2) The primary step for determining sales figures is sales _____________.
3) Which system facilitates analysis of competitors' activities in the market?

4) Assessing the allocation of sales territories and resources to maximise coverage and penetration in target markets, is known as Sales Management / Sales Territory Management.

5) ____________training programs can then be implemented to enhance the skill sets of sales representatives.
   A. Targeted
   B. Timely
   C. Tedious
   D. Territory

6) The _________system helps identify market trends and competitor movements, allowing organisations to adapt their strategies accordingly to sustain competitiveness and achieve sales targets.

7) sales analysis has the ability to provide _______insights for decision-making.
   A. Actionable
   B. Measurable
   C. Mission
   D. Objective

8) When a territory achieves sales quota, does it always equate to meeting organisational objectives? True/False.

9) The variances stem from both changes in sales volume and selling price, termed as ____variance

- **Define the following:**

a) Sales control
b) Performance Evaluation
c) Strategic Alignment
d) Continuous Improvement
e) Performance Metrics
f) Sales Planning
g) Forecasting
h) Territory Management
i) CRM.

- **Answers**:

1) Exclusive distribution
2) Forecast
3) Control system
4) Sales Management
5) Targeted
6) Control
7) Actionable
8) False
9) Mixed

MBA
SEMESTER-3 MARKETING
SALES AND DISTRIBUTION MANAGEMENT
BLOCK: 2

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UNIT – 6	DISTRIBUTION CHANNEL AND INTERMEDIARIES

6.1 Introduction

6.2 Distribution Channel

6.3 Function of Distribution Channel

6.4 Importance of Distribution Channel

6.5 Objectives of Sales Force Management

6.6 Types of Distribution Channel

6.7 Levels of Distribution Channel

6.8 Reverse Distribution Channel

6.9 Distribution Channel in India- Examples

- **Keywords**
- **Exercise**

6.1 Introduction

Many producers opt to hire marketing intermediaries to carry out a variety of necessary tasks to get the product to the final user rather than selling goods or services directly to customers. The marketing channel, also known as the channel of distribution, is made up of intermediaries, such as middlemen (wholesalers, retailers, agents, and brokers), distributors, or financial intermediaries. These intermediaries generally enter into longer-term obligations with the manufacturer. Raw materials are used by manufacturers to create finished goods, which are then sent either directly to the merchant or, less frequently, to the consumer. However, finished items typically go from the producer to one or more wholesalers before they are delivered to the retailer and then to the customer. Normally, with the actual transfer of the items, each participant in the distribution chain obtains legal custody of the commodities, but this is not always the case. In the case of consignment sales, the producer maintains complete legal ownership of the goods even though they may be in the hands of the wholesaler or retailer—that is, up to the point at which they are received by the consumer or final user.

6.2 Distribution Channel

The marketing mix is composed of four fundamental components: product, pricing, place, and promotion. For successful product marketing and sales, all four factors must be taken into consideration. Distribution and the place element are related.

A distribution channel is a group of companies or middlemen that a commodity or service travels through before reaching the final consumer or buyer. A distribution channel is the route that all products and services take to reach their target customers. The length of a distribution channel depends on how many middlemen are needed to distribute a good or service.

A distribution channel is a system of middlemen that enables the delivery of goods from the producer to the final customer and the transfer of payments from the purchaser to the producer. In other words, it is the path a product takes to get from its site of production to its point of consumption.

Manufacturers may relax knowing that their goods and services will reach customers with ease if they use a trustworthy distribution channel. Along with securing the flow of commodities, it helps firms generate sales and build their brands.

6.3 Functions of Distribution Channel

- Product Distribution
- Market Coverage
- Inventory Management
- Order Processing and Fulfilment
- Promotion and Marketing
- Market Intelligence
- After-sales Service

6.4 Importance of Distribution Channel

Distribution channels are essential to business since they guarantee effective product distribution, broaden the market, and raise client pleasure. By taking care of jobs like storage, shipping, and inventory management, they make it easier for items to travel from producers to consumers.

- Members of the distribution channel can increase the effectiveness of making products available to the target markets through their contacts, specializations, levels of experience, and size of operation.
- As they are in direct contact with the customers, the intermediary channels facilitate the sales process. They bridge the economic and technological gap between manufacturers and consumers. These middlemen lessen the number of transactions necessary to transfer goods from producers to consumers.
- The intermediates have their own competence, just as the producers have with regards to producing goods. The wholesalers are experts at distributing goods from several producers to a larger number of merchants. Similarly, retailers are skilled in selling a large variety of goods to a larger number of eventual buyers in a less quantities.
- The intermediates also carry out a number of other tasks, such as financing the products, keeping them in storage, taking on risk, and supplying the necessary warehouse space.
- The business uses the distribution channel as a means of obtaining all necessary market information. It obtains all relevant data from the various intermediaries involved in its distribution route, including information on demand, price, and the nature of market competition. Additionally, clients give producers information & different suggestions through these methods. It aids in developing plans in light of that.
- The distribution channel provides financial aid to the business. The middlemen in the supply chain purchase products in bulk from the producers. These middlemen compensate the producers while making the purchase.

- Following that, these intermediaries offer these products to clients in the quantities that they specify. They even offer their clients credit options. However, thanks to credit selling, producers receive prompt payment and are shielded from having their funds frozen. Distribution channels so control how money moves across businesses.
- Each and every organization faces a certain level of risk. Distribution routes protect producers from the risk of promptly and safely delivering goods to clients.
- It becomes the responsibility of the channel's middlemen to provide it to clients on time. Producers shouldn't worry about concerns related to product delivery because they are only concerned with their own production activities.
- Employment in the economy is created by the distribution channel. The distribution system of businesses involves a sizable number of people. These individuals include wholesalers, retailers, and various agencies. These individuals all make a living by working in these distribution channels. As a result, people are given work chances by distribution channels.

Thus, a firm's comprehensive marketing strategy must include the distribution channels as a key component. They aid in raising sales as well as broadening the availability and reach of the product.

6.5 Types of Distribution Channels

Distributors: Distributors are experts in locating and delivering products from producers to other middlemen. Utilizing a dedicated distributor has the advantage of relieving producers of the logistics of shipping and the expense of keeping shipping personnel and supplies.

Distributors might also be able to combine various products into a single thing to sell to a store. For instance, while another company manufactures batteries, your business might produce television remotes. The distributor can increase the likelihood of a sale by bundling these things together to produce a more appealing, complete offering.

Brokers and Agents: Agents commonly act on behalf of the producer to accept payments and transfer the title of the goods and services as they move through distribution. In order to promote their goods, manufacturers may employ brokers and agents who do not assume ownership or control of the products. Only a handful of the marketing movements are normally carried out by brokers and agents, and their primary job is to make buying and selling easier by bringing buyers and sellers together and mediating negotiations between them. Brokers can represent either a buyer or a seller and are paid by the party who hires them. They are most frequently seen in the food, real estate, and insurance industries. Brokers frequently work on a commission basis for a number of non-competing product makers. They don't take on risk or carry inventories.

Wholesaler: Manufacturers and retailers are connected by wholesalers. They sell large quantities of goods, often at low prices, to retailers. Wholesalers purchase goods in bulk from manufacturers at a relatively low cost and resell them to retailers at a markup, who then increase the price of the goods even further to increase their profit. Retailers can often order items from wholesalers' warehouses from a catalogue of products. Many wholesalers demand that merchants purchase a predetermined quantity of their items and buy in bulk.

Retailer: Retailers either purchase from the manufacturers or another middleman or then distribute to customers via stores, grocers, or online. Before a customer makes a purchase, the final stop in the distribution chain is a retailer. They purchase things, often at a low price that is later marked up to make a profit, either directly from a manufacturer or indirectly through a wholesaler. Storefronts, catalogues, and e-commerce websites are just a few of the numerous channels that retailers might utilize to resell these products.

6.6 Methods of Distribution Strategy

- **Intensive Distribution Strategy**

  Products are placed in as many areas as possible as part of intensive distribution tactics. This tactic typically works for things that customers are less likely to actively seek out in a store, such as minor, routine purchases. This tactic, for instance, might be employed by the company that makes the breath mints you might see at the checkout counter at a large chain shop.

  For more deliberate purchases that need greater brand devotion, this method is less effective, but for smaller products, it can enhance exposure by maximizing the number of sales channels.

- **Exclusive Distribution Strategy**

  Making an agreement with a shop to only market your goods or services through their particular storefront is referred to as an exclusive distribution strategy. This approach excels when used to market expensive goods with strong brand recognition, such as Apple products.

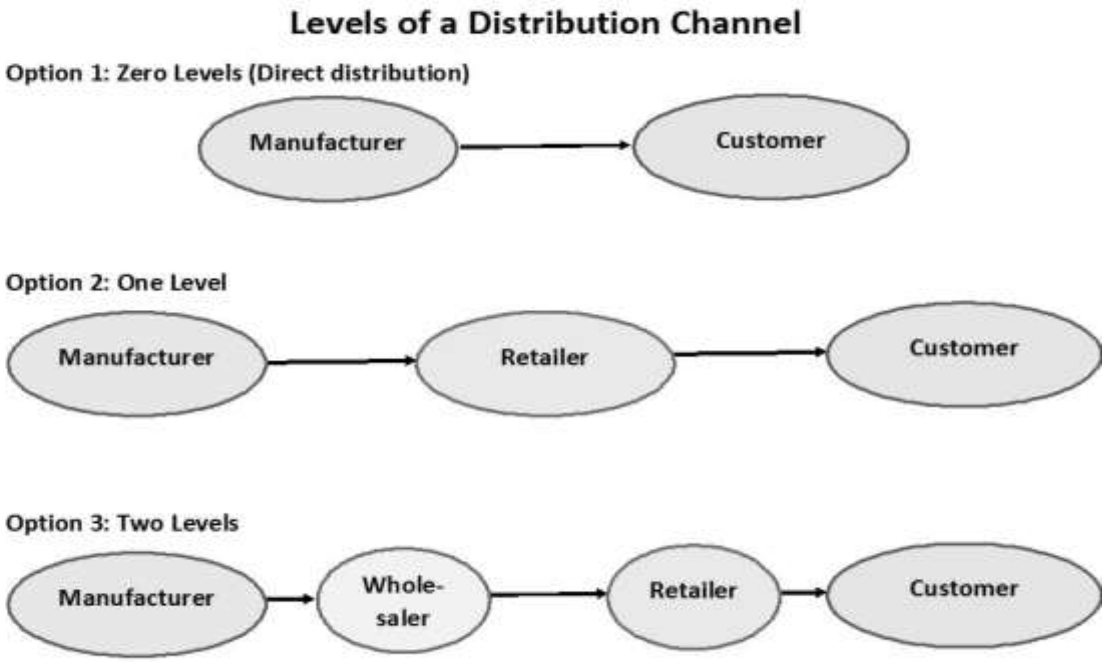
  Businesses that employ unique distribution methods may also conduct direct sales through storefronts bearing their own logos. For instance, Apple has a number of stores dedicated to selling its own goods.

- **Selective Distribution Strategy**

  A midway ground between intensive and exclusive distribution is provided by selective distribution schemes. When putting it into practice, your company finds a number of carefully thought and carefully chosen venues to market products.

  This technique allows you to determine which venues will reach your target audience the best, then make distribution agreements with those stores, as opposed to concentrating on the broadest reach feasible or aiming for one or two specific locations.

6.7 Levels of Distribution Channel



Zero Level

It is the quickest and most straightforward method of sending products directly from manufacturers to clients. Since there is no middleman involved, it is known as a zero level channel of distribution. In this channel level, direct communication between the manufacturer and the client is facilitated.

Ways of Direct Selling:

- Door to Door Selling
- Online Selling
- Telemarketing
- Company owned retail outlets
- Mail Order Selling

One Level

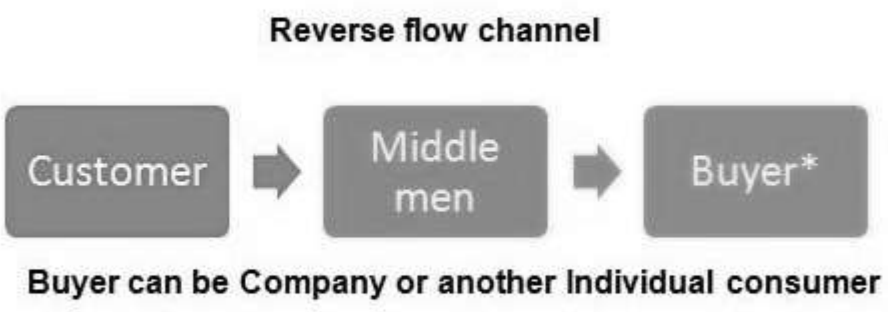
When selling products through a one-level channel, there is just one middleman between the manufacturer and the client. This middleman is referred to as a retailer. Simply put, in a one-level channel, businesses provide their goods to retailers who then sell them to consumers directly. For instance, businesses sell products like clothing, footwear, accessories, etc. with the aid of a mercant.

Two Level

The two-level channel is one of the most popular distribution methods that uses two middlemen to sell goods. Retailers and wholesalers are the involved middlemen. The producer first sells their goods in bulk to wholesalers, who then resell them to small retailers, who then give the goods to the clients. Typically, this channel is used to market practical things like soap, milk, milk products, soft beverages, etc. For instance, Hindustan Unilever Limited uses wholesalers and retailers to market products like detergent, tea leaves, and other items.

6.8 Reverse Distribution Channel

In a reverse distribution channel, it is the customer's responsibility to start the return process and make sure it gets to the business. Even though the client initiates the return, businesses should still work to make it as simple as possible for them.



Here are 4 ways that the reverse flow channel can be used.

1. Reuse products – Many products like containers, drums or metallic equipment can be reused by other consumers or companies.
2. Refurbish products – Computers, and furniture can be refurbished. A useless computer body can be used and you can repair the parts which are useless and use the other old parts which are working.
3. Recycle products – Above paper and plastic are the best examples of recycling. In fact, there are many business men who become rich via recycling.
4. Disposing – As shown in the garbage example above, it is a disposed object and can be recycled into organic waste via the reverse flow channel.

Consequently, there are numerous ways to recycle a product altogether. The typical distribution channel is the movement of goods from the business to the customer. The reverse flow channel, however, is the movement of goods from one consumer to another or a different organisation.

6.9 Distribution Channels in India – Examples

1. Hindustan Unilever Limited (HUL)

It is a major player in the fast-moving consumer goods (FMCG) industry. In the categories of personal care and home care, the company offers a variety of goods. Distributors, wholesalers, stockists, Clearing and Forwarding (C&F) agents, retailers, and others make up the company's robust distribution network.

2. Automobile Dealers

Dealerships are used to sell the products of automakers like Tata Motors, Maruti Suzuki, Toyota Kirloskar Motors, Hyundai India, and others. The dealership is a site where customers may see the model and place an order for cars.

3. Mc Donalds

The well-known restaurant does not directly interact with its patrons and instead uses a franchise system to sell its burgers and fries.

4. Reverse Channel

Recycling is an example of a reverse marketing channel.

❖ **Key words:**

1. **Intermediary**: A third party that provides an intermediary service between two trade parties is known as an intermediary.
2. **Marketing Channel**: A marketing channel, which includes all the institutions and marketing activities in the marketing process, is a collection of procedures or actions required to transfer ownership of commodities and move them from the site of production to the point of consumption.
3. **Reverse Distribution Channel**: Reverse distribution channels are when the consumer sells products back to the company.

❖ **Exercises**:

- **Write a detailed answer.**

1. Define Distribution Channel. Explain the Importance of the Distribution Channel
2. Write a note on Types of Distribution Channels.
3. Explain various types of Distribution Strategies.

- **Choose the most appropriate option for each of the following:**

1. Which of the following is the function of the distribution channels?
   a. Product distribution
   b. Market coverage
   c. Inventory management
   d. All of the above
2. In which level of Distribution Channel there is no intermediary?
   a. One level
   b. Two level
   c. Zero level

d. Three level

3. In which level of Distribution Channel there are two intermediaries?
   a. One level
   b. Two level
   c. Zero level
   d. Three level

4. Making an agreement with a shop to only market your goods or services through their particular storefront is referred to as _______________.
   a. Exclusive Distribution Strategy
   b. Intensive Distribution Strategy
   c. Intensive Distribution Strategy
   d. None of the above

5. A ________________ is a system of middlemen that enables the delivery of goods from the producer to the final customer and the transfer of payments from the purchaser to the producer
   a. Proprietor
   b. Distribution Channel
   c. Manufacturer
   d. Supplier

6. Which of the following is not the way of direct selling?
   a. Door to Door Selling
   b. Online Selling
   c. Telemarketing
   d. All of the above

7. The marketing mix is composed of four fundamental components: product, pricing, place, and.
   a. Promotion
   b. Permission
   c. Possession
   d. Property

8. Recycling is an example of a reverse marketing channel.
   a. True
   b. False

9. Which distribution strategy is applicable for FMCG Products?
   a. Exclusive Distribution Strategy
   b. Intensive Distribution Strategy
   c. Selective Distribution Strategy
   d. None of the above

10. Of the following Intermediaries, who are working on a commission basis?
   a. Agents and Brokers
   b. Wholesalers
   c. Producers
   d. All of the above

- **Short Question - Answers:**

1. Explain the Reverse Distribution Channel
2. Briefly explain Agents and Brokers.
3. Who are distributors?

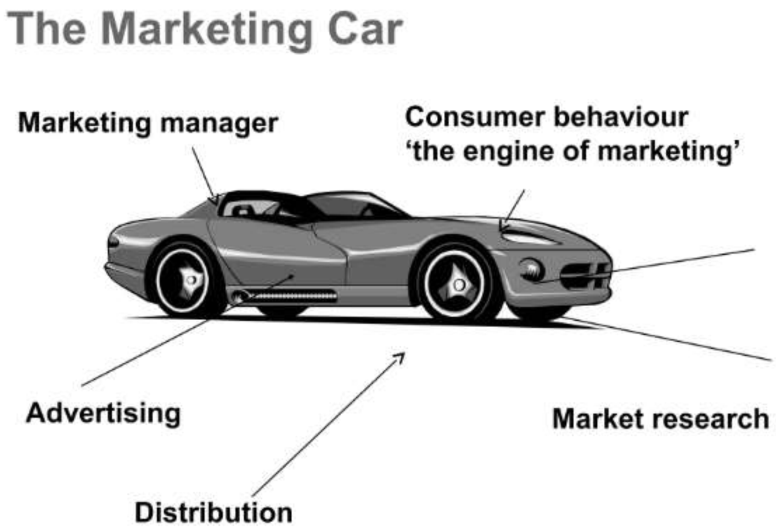
- **Answers to the Multiple Choice Questions:**

1. d. All of the above
2. c. Zero level
3. b. Two level
4. b. Exclusive Distribution Strategy
5. b. Distribution Channel
6. d. All of the above
7. a. Promotion
8. a. True
9. b, Intensive Distribution Strategy
10. a. Agents and Brokers

UNIT – 7	CHANNEL DESIGN AND MANAGEMENT

7.1 Introduction:

Consider yourself the manager of a brand for a well-known corporation in the ready-to-eat food sector. How do you plan to market your finished item? Will a supermarket receive products in the same way as a single customer? Can the finished product be delivered in more than one way?



Source: Consumer Behaviour, 4e; Neal, Quester & Hawkins, McGraw-Hill Australia Pty Ltd, 4e

If marketing were to be analogous to a car, then distribution would be the wheels of the car. The best of the engine, design, style and the car driver won't be able to move the car without its wheels. Without distribution, the marketing car simply won't reach places it is intended to reach.

Distribution is one of the four essential functions of marketing. A marketer's consumers aren't located at the same place as the place of manufacturing the product or creating the service. The customers are located at different places. If the manufactured goods do not find their way to the customers, they will be useless. Structured pathways need to be created through which the products and services are made available to the consumers. These structured pathways are also known as channels or marketing channels or channels of distribution. The word "canal" in French is where the word "channel" first appeared. A channel, then, is a means of facilitating the most efficient movement of commodities to their intended locations. Stated differently, the pathway that products take from their point of production to their point of consumption is referred to as the "Channel of Distribution."

7.1.1 Meaning of channels of distribution

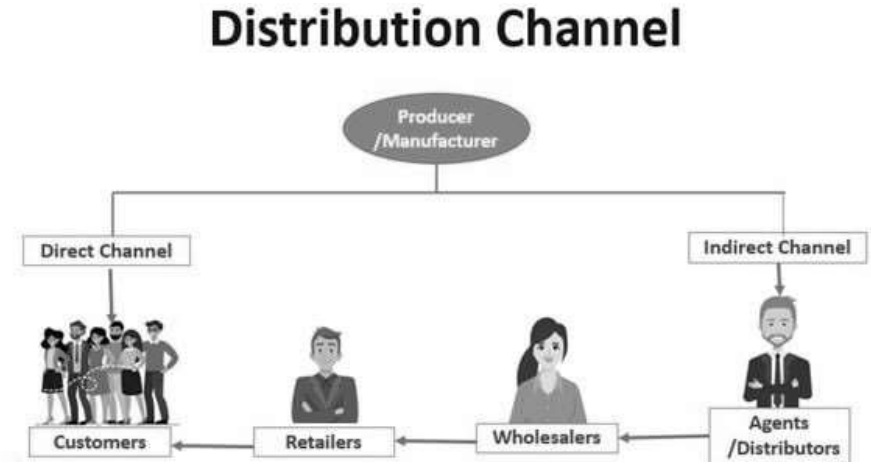
A channel is, in business parlance, the means via which the products or services are planned to be sold to the target audience. Many businesses use a variety of avenues to sell. For instance, selling might be done on social media, through a website, and a physical store. Larger goods could even be sold through a network of manufacturer's representatives while replacement parts and accessories are sold online to customers directly.

The phrase "distribution channel," which is frequently used interchangeably with "marketing channel," describes a group of marketing organizations that engage in marketing campaigns and help transport goods or services from producers to final consumers. Trade channels, distribution channels, intermediaries, or middlemen are other names for marketing institutions. They can be divided into three categories: (i) merchant middlemen, such as wholesalers and retailers; (ii) agent middlemen, such as commission agents, factors, brokers, and so forth; and (iii) facilitators, such as bankers, insurance companies, transportation companies, and warehouse keepers.

For example, a producer of bicycles might make them, but wholesalers and merchants are probably involved in the distribution chain that gets them from the factory to the consumer. The distribution channel for the bicycles is made up of these links in the sales chain.

"Every producer seeks to link together the set of marketing intermediaries that best fulfill the firm's objectives," according to Philip Kotler. The marketing channel, also known as the trade channel or the distribution channel, is this group of marketing middlemen.

A distribution channel is the group of people and businesses that work together to transfer goods or services from a producer to a consumer.



Source: wallstreetmojo.com

A direct channel of distribution is a scenario in which a business sells to customers straight. An example of a direct channel of distribution is an apparel firm that produces apparels and sells them at their own retail location or via an online store. There are no middlemen or partnering parties involved—products are delivered straight to the customer. For e.g., in India, Apple used to sell its iPhones through an indirect distribution strategy using retailers. In 2023, Apple opened two company stores – one each in Delhi and Mumbai, as a part of its direct distribution channel.

When businesses collaborate with one or more intermediaries or distribution partners to offer goods and services to consumers, this is known as an indirect channel of distribution. Perhaps the most prominent examples of companies adopting indirect channels of distribution in any market are the FMCG players like Hindustan Unilever Ltd. (HUL), Parle, Godrej, Procter & Gamble (P&G), Nestle or ITC. HUL sells its 50+ brands through a nation-wide network of 3500+ distributors and more than 90 lakh retailers[1].

Exercise: Identify at least ten companies each that sell (i) directly to its customers (ii) through only the indirect channels (iii) through both direct and indirect channels.

The distribution channels that things pass through are essential connections between manufacturers, marketing middlemen, and customers. A particular product might require a particular distribution system, and it might resemble a different category of goods. To prevent double handling, frozen items, for instance, need to be delivered to trade outlets as soon as possible, which calls for reefer trucks and a somewhat different distribution system.

Given their short shelf lives—a few days—pasteurized milk and soya bean curd will require comparable care. Retail store networks that are willing to stock and sell frozen food and have deep freezers are the frozen food distribution channel. Pasteurised milk and soya bean curd can be used in any establishment with refrigeration.

Exercise: How would a manufacturer of biscuits and similar confectionery items choose their channels? Identify existing distribution channels of such manufacturers, and examine the advantages and disadvantages of their channel structures.

7.2 Characteristics of Marketing Channels

The routes that goods or services take to get from the producer to the final customer are known as marketing channels. Several essential characteristics of these channels impact their efficacy and efficiency. Initially, they comprise diverse intermediaries including distributors, retailers, wholesalers, and agents, all of which contribute value by performing distinct tasks like distribution, storage, and customer support. Second, these channels' structures might differ greatly, from simple, straight channels with no middlemen to intricate, multi-layered systems. The producer's level of control over the channel, which affects how goods are sold and delivered, is another crucial factor. Furthermore, the dynamics and connections amongst channel participants are critical to the marketing strategy's effectiveness since they impact elements like communication, cooperation, and dispute resolution.

The characteristics of the channels of distribution are:

- Place utility, as they facilitate the transportation of products between locations;
- Time utility, as they deliver products to customers when needed;
- Convenience value, as they provide consumers with items in convenient sizes, shapes, units, styles, and packages;
- Possession value, since they enable customers to purchase items with ownership title;
- Marketing tools, which facilitate the external view of the marketing organization and bridge the physical and non-physical gaps in the flow of goods from producers to consumers; and
- Supply-demand linkage, which closes the gap between producers and consumers by resolving temporal (pertaining to time) and spatial (geographical distance) disparities in supply and demand

7.3 Designing of marketing channel system

Designing a marketing channel system is an essential part of a company's strategic planning process, with the goal of efficiently providing goods and services to the final customer. The procedure entails ascertaining the most efficient and economical combination of direct and indirect distribution channels to guarantee that the product reaches its intended market. Understanding the purchasing habits of the target audience, assessing the qualifications and reach of possible middlemen, and coordinating the channel strategy with the overarching business goals are crucial factors to take into account. A well-thought-out marketing channel system increases market penetration and optimizes resource allocation to gain a competitive edge, in addition to improving consumer happiness through accessibility and convenience.

Commercial organizations employ channel design, a strategic process, to allocate resources between direct and indirect channels, or routes to market. Field salesmen and online shopping sites are examples of direct channels, whereas a variety of distributors, partners, and markets can be found in indirect channels. Based on segmentation, cost and margin concerns, and more general strategic business goals, organizations optimize their channel mix.

Channel Design Decisions refer to the strategic choices and actions taken by a company to create an effective distribution and communication network for its products or services. These decisions involve determining the types of channels (such as direct, indirect, or hybrid), the number and location of intermediaries, and the integration of various communication and delivery methods. Channel design decisions also encompass considerations, such as channel length, breadth, and depth. The goal is to design a channel system that efficiently and effectively connects the company with its target customers, ensuring the right product reaches the right place at the right time while also maximizing customer satisfaction and achieving business objectives.

7.3.1Analyze customer needs

Analyzing customer demands and preferences for the channel is the first stage in making judgments about channel design. This entails being aware of the preferences, attitudes, and actions of clients with regard to the ways in which they would like to use and pay for goods and services. To accomplish that, respond to the following inquiries:

- Do the customers wish to buy single units of the product or do they want to buy in bulk? (Lot size)
- Do the customers wish to purchase the good or service from a store close to home, or are they willing to travel there? (Spatial convenience)
- Do they wish to buy the good or service over the phone, in person, or online?
- Do they value variety or do they prefer specific goods and services? (Product variety)
- Are the customers prepared to obtain these services from another source, or do they desire extra services like delivery, installation, repair, etc. along with the primary product? (Service requirements)

Since the business and its channel partners might not have all the necessary expertise, it is impossible for any organization to offer the customers all the services they want. Additionally, a business that offers its customers better service levels would incur greater channel costs, which will ultimately result in higher prices for customers. As a result, the business must consistently strike a balance between client price preferences, the viability and expense of satisfying those wants, and consumer needs. Furthermore, given the popularity of discount retailing, it might be assumed that customers are willing to accept subpar services in exchange for reduced costs.

7.3.2 Establish channel objectives

The next stage is to define specific channel objectives after assessing customer demands. Accordingly, the business must specify its marketing channel goals in this step in accordance with the desired degree of client service. In order to do this, a business must first determine which customer groups to target and the optimal channel for each of the segments it has chosen. Different consumer categories have varying expectations. Minimizing the overall channel cost of satisfying customer service requirements is the company's primary goal for every sector.

A company's channel objectives can also be influenced by its competitors, marketing intermediaries, environment, and product offerings. For instance, based on its size and financial status, a business can choose which marketing tasks to execute internally and which to assign to the intermediaries. In addition, businesses that offer perishable goods might employ more direct marketing in order to cut down on handling and delays.

7.3.3 Identify major channel alternatives

Businesses must discover significant alternatives for their distribution channel in this step. This entails taking into account the different kinds of intermediaries, figuring out how many marketing intermediaries there are, and outlining the duties of channel participants.

a) **Types of Intermediaries:** Depending on the product's characteristics, the target market, and the distribution plan, several intermediary types may be taken into account. Typical intermediary kinds include the following:

Retailers: These can be department stores, specialty shops, department stores online, or physical businesses.

Wholesalers: Wholesalers buy goods in large quantities from producers and resell them to retailers or other companies.

Distributors: With a focus on particular sectors of the economy or regions, distributors serve as middlemen between producers and retailers.

Brokers and agents: Brokers and agents operate as middlemen between buyers and sellers, but they do not hold the products themselves. For their services, they are paid fees or commissions.

The many kinds of channel members that are accessible for a company's channel activities must be identified. Some businesses supply their clients with their products through a large number of channel partners. For instance, Dell used to leverage its sophisticated phone and internet marketing to sell directly to corporations and end users. Through its direct sales force, it utilised to sell directly to significant institutional, corporate, and government buyers. However, in addition to the above methods, the company now uses merchants like Croma, Big Bazaar, Wal-Mart, and E-Zone to assist it sell its product indirectly in order to reach more customers and compete with rivals like Lenovo and HP. In addition to the stores, it distributes through dealers, independent distributors, and resellers with value-added services who create computer systems and applications tailored to the needs of small and medium-sized company clients.

b) **Number of Marketing Intermediaries:** The choice of how many marketing intermediaries to use is based on a variety of variables, including the product's complexity, the size of the target market, and the effectiveness of distribution. Some options to think about are:

Intensive Distribution: In order to maximize market reach, products are placed in as many locations as feasible. This strategy's main goal is to make the products available whenever and wherever customers want them. This strategy works well for inexpensive or convenient products. For instance, chips, candies, toothpaste, etc. This is how businesses like Nestle, Coca-Cola, Hindustan Unilever, and others distribute their goods. Parle G is almost an omnipresent brand in India, as even the remotest of places will have a retailer or two selling Parle G biscuits.

Exclusive Distribution: This refers to giving one intermediary, or a small group of intermediaries, the only rights within a specific market or geographic area. This tactic is frequently used for specialty or premium goods. For instance, only a small number of approved dealers sell Rolex watches. A company can increase markups and improve its brand image with the aid of this method. Tanishq, the jewelry brand from Titan is also an example of exclusive distribution. One can purchase Tanishq jewelry only from a Tanishq showroom.

Selective Distribution: This is the process of choosing a small group of middlemen on the basis of how well they can serve particular market niches. Products with distinctive features or niche markets such as furniture, appliances for the house, refrigerators, televisions, etc. are frequently the subject of this tactic. This strategy is used by companies such as Whirlpool, Sony TV, and General Electric to sell their key appliances and products through a limited number of large merchants and dealers.

c) **Channel Member Responsibilities:** Throughout the distribution process, each channel member has distinct tasks and responsibilities. Agreeing on the conditions and obligations of each channel member is the responsibility of the producer and the intermediaries. Regarding pricing policies, terms of sale, services to be rendered by each party, and territorial rights, they ought to be in agreement with one another. To do this, the producer must first determine a fair discount rate for the intermediaries and prepare a list price. Each channel member's territory must be well defined, and caution must be used while adding new sellers. Clearly defining the obligations and services that both parties will provide are also crucial (particularly in the case of franchise and exclusive distribution channels).

7.3.4 Evaluate Major Channel Alternatives

Businesses must assess the main alternatives after they have been determined, taking into account variables including cost, effectiveness, market reach, customer satisfaction, and alignment with overarching business goals. This assessment aids in choosing the best solution for channel design. It is crucial to compare each option to the economic, control, and adaptive criteria for a more thorough review.

Economic Criteria: A business can assess the projected costs, profitability, and sales of several options with the use of this criterion.

Control Criteria: When a business uses middlemen to sell its goods to customers, it usually involves granting the middlemen some degree of control over the product's marketing. Certain middlemen possess greater authority over marketing than others. A business also always prefers to retain as much control as possible internally, all other things being equal.

Adaptive Criteria: A corporation strives to maintain the channels' maximum flexibility so that it can readily adjust to changes in the environment, even while the channels entail long-term commitments.

7.4 Managing Marketing Channel

In order to make sure that goods and services are delivered to customers in an efficient manner, managing a marketing channel is an essential part of any company's strategy. Coordinating and managing a range of middlemen, including wholesalers, retailers, and distributors, is necessary to establish a smooth and effective supply chain from production to consumption. Strong ties with channel partners, a deep comprehension of market dynamics, and the capacity to adjust to shifting customer needs and competitive environments are all necessary for effective channel management. Businesses can improve consumer satisfaction, optimize distribution, and promote sustainable growth by carefully controlling their marketing channels.

7.4.1 Selecting Channel Members

Selecting the appropriate channel members is the top concern for any business. Because the marketing channel partners are essential to the business, choosing the right channel partner is critical to any company's success. Any business, whether it produces products like Colgate or Onida or offers services like IMS or Career Launcher, needs a strong channel partner to be successful.

All businesses typically use trade journals and newspapers to promote in order to find channel partners. The company will find them more easily if they are well-known and prosperous. But it can be difficult to locate a channel partner when a fresh business is introducing a new product. In such situations, the organization and the channel partner should have very clear guidelines for selecting a partner.

When starting a food franchise, for example, the site becomes more crucial than in any other type of business. The firm relies on the number of foot traffic it receives. The firm can assess each channel partner based on their track record of growth and profit, financial strength, locational benefits, and promoter experience. These criteria take on greater significance for the business in the event of exclusive distribution.

The selection process involves the following three steps:

1. Finding prospective channel members: It is crucial to find channel members who are not only interested in doing business with the firm, but are also a good fit with the firm’s product line, market and philosophy. Any marketer should always have an updated and consistent intelligence system to identify intermediaries that can become channel members. Some important sources for finding channel members are: field sales organizations, trade sources, reseller inquiries, customers, advertising, trade shows and online B2B portals such as IndiaMart.

2. Applying selection criteria to determine the suitability of prospective channel members: Once the company has found prospective channel members, the ‘right’ ones have to be filtered through a selection mechanism. Marketers would want prospective trade intermediaries to be selected on the basis of certain criteria such as – number of years in the business, product lines being carried by the intermediary, financial performance and strength, market reputation and service provisions.

One template for evaluating prospective channel members is known as SPCA:

S – Sales – how much sales can each member ensure within a given time frame
P – Profitability – which channel and which intermediary can provide better profitability to the company
C – Cost – How much cost would be incurred with each channel and its intermediaries
A – Adaptability – Whether the channel intermediary is flexible enough for any changes or not.

3. Securing the prospective channel members as actual channel members: The final step in selecting a channel member is to secure a potential channel member as an actual channel partner. This is normally executed through a contract. The proposition has to be offer clear benefits to the channel partner while ensuring that it is a win-win arrangement for the seller as well as the intermediary. Certain aspects to be considered are:

    - State the advantages of working with the company clearly, including the possibility of more sales, entry into untapped areas, marketing assistance, and training initiatives.
    - Demonstrate to possible channel partners how your goods and services might improve their offerings and financial results.
    - Give enticing, reasonable, and transparent terms for the collaboration. This covers price schemes, commission arrangements, and support services.
    - Provide co-branded advertising funds, promotional campaigns, and marketing materials as part of the marketing support offering.
    - Provide case studies, endorsements, and success stories from other channel participants to establish trust and reassure them about the possibilities of the collaboration.
    - Describe terms and circumstances of the collaboration comprehensively and draft agreements mentioning duties, termination conditions, and performance metrics. In order to safeguard the interests of both parties, get the contract evaluated through legal experts.

7.4.2 Training Channel Members

Since the channel partner represents the company, they must receive training after being chosen. Each company provides its dealers with comprehensive training programmes that cover topics such as product knowledge, desired service quality, operating protocols to be followed, and sales and service capabilities. The goal of the training is to help salespeople and dealers perform better and enhance their knowledge, abilities, and attitudes. The training, which covers functional, technical, and behavioural components, can be delivered both offline and online.

It is essential to provide channel members with training so they can sell and support your items effectively, understand your brand, and represent it properly. Certain aspects need to be considered for training and enabling channel members, which are as under:

- Identify the training needs and requirements: Ascertain the information that your channel members require regarding your goods, services, and corporate guidelines. Develop training curricula according to the distinct roles and duties of the channel's participants (e.g., sales, technical support).

- Develop customized training content: The training content should provide thorough details regarding the characteristics, advantages, applications, and competitive advantages of the company’s goods and services. Instruct the trade partner’s employees in successful sales strategies, including how to recognize the needs of the consumer, offer solutions, deal with objections, and close deals. The channel members should be taught about effective communication and problem-solving techniques as well as best practices for customer service. They should be made aware of the policies, brand standards, and compliance obligations of the organization.

- Select the training methods: Interactive learning opportunities should be planned by holding workshops, seminars, and on-site training sessions. Online training sessions and webinars should be organized for channel members who are spread out geographically or remotely. For one-on-one guidance and assistance, new channel members can be paired up with seasoned mentors. Channel members should be given an opportunity for on-the-job training so they may learn by doing.

- Implement training programs: A regular training programme should be established to inform channel members about new offerings in the market and in terms of services and products. To guarantee a smooth start, onboarding programmes should be developed for new channel members.

- Monitor and evaluate the learning: To find out how well channel members have retained the training content, tests and quizzes can be used. Keep an eye on channel members' performance to observe how training affects their customer service and sales. To make the training programme better every time, get input from the channel's users.

- Provide ongoing support: Hotlines or help desks should be created to address inquiries and offer continuing assistance. Continually communicate with channel members on upgrades, new items, and corporate policy changes. Establish online communities or discussion boards where channel users can exchange insights and best practices.

Channel members can be provided with the information and abilities they need to thrive by putting in place a thorough and continuous training programme. This will improve the distribution network and produce better commercial results.

7.4.3 Motivating Channel Members

Any firm that depends on indirect sales to generate income and broaden its market reach must prioritise the motivation of its channel members. Distributors, retailers, and agents are examples of channel members who are essential to making sure goods and services are efficiently delivered to final consumers. Their work directly affects the company's success, so it's critical to maintain their commitment, engagement, and alignment with the organization's objectives. Proven motivating techniques, including as reward schemes, acknowledgment, education, and assistance, can greatly increase employees' output and commitment. Businesses can guarantee that their channel members are driven to attain mutual prosperity and expansion by cultivating a cooperative and fulfilling atmosphere.

Some effective strategies to motivate channel members are:

- **Incentives:** This includes competitive commission rates, bonuses for exceeding targets such as gifts or travel incentives and monetary rewards. This can be implemented through tiered incentive programs where higher performance levels yield greater rewards.

- **Appreciation and Recognition:** Give prizes, certifications, and public recognition to channel members that excel. Highlight the accomplishments of your successful channel members at meetings, on your website, and in newsletters. Express your gratitude for their efforts by sending them a personalized thank-you note or message.

- **Training & Development:** Provide channel members with continual training opportunities to help them develop their careers and acquire new skills. Offer certification schemes that attest to and confirm their knowledge. Clearly define job trajectories and partnership progression opportunities.

- **Collaborations:** To promote mutual success, the seller and the intermediary should work together on marketing initiatives, co-branded promotions, and events. They should be given a sense of ownership and involvement in the company by including them in strategic planning meetings. It should be ensured that both parties gain from the relationship by matching their mutual objectives.

- **Financial Incentives:** Provide refunds and discounts based on volume to encourage larger sales volumes. Provide marketing cash in response to performance measures, motivating businesses to make more investments in expansion. To assist in managing their cash flow and lowering financial stress, provide flexible terms for payments.

- **Community Building and Networking:** Host yearly or biannual partner conferences to exchange best practices, foster networking, and recognize achievements. Create mentorship programmes so that seasoned participants can advise and assist more junior partners.

In conclusion, creating a solid, cooperative connection that promotes growth and success for both parties is a more effective way to motivate channel members than simply providing rewards. Businesses should make sure their channel partners are motivated and engaged by putting in place complete strategies that include strong support systems, ongoing training, open communication, and competitive rewards. Their performance and commitment are further reinforced when their efforts are acknowledged and rewarded, when they are given the resources and tools they need, and when they are included in strategic planning. In the end, corporate growth and long-term success are mostly fueled by an empowered and driven channel network that benefits the company as well as its partners.

7.4.4 Evaluating Channel Members

Any company looking to optimize its distribution network and guarantee steady growth must evaluate its channel members. This review entails methodically evaluating distributors, retailers, and agents' performance, competencies, and general alignment with the company's strategic goals. A thorough audit makes sure that channel partners are hitting sales goals, upholding quality standards, and offering top-notch customer support. It also helps identify areas for development. Businesses may make well-informed judgments about which channel members to develop, replace, or keep by combining qualitative and quantitative measurements. This will ultimately result in a more successful and efficient distribution strategy.

Some key aspects involved in evaluating channel members are:

- **Criteria for Evaluation:**
    - Sales performance – volume and growth of sales
    - Market coverage – extent to which the channel member covers the target market, both in terms of geographic reach and customer segments
    - Customer service – quality of service provided

- **Financial Metrics:**
    - Revenue contribution – contribution of each channel member's revenue to total sales
    - Profit margins – profitability of each member and the cost associated with supporting each member
    - Payment terms – adherence to payment terms

- **Assess Their Capabilities:**
    - Sales and marketing capabilities – marketing strategies, sales techniques, promotional activities, ability to effectively market and sell the company's products
    - Technical expertise - technical expertise and capacity to support the company's offerings, particularly if they are complicated or call for after-sale support
    - Logistical support – efficiency in managing delivery, inventory and logistics

- **Compliance:**
    - Compliance with policies - compliance with company's policies, legal requirements, and ethical standards
    - Brand Alignment - upholding the band's integrity and reflection of the brand's core beliefs

- **Feedback from Customers:**
    - Customer Reviews and Surveys - feedback from customers regarding their experiences with the channel member
    - Net Promoter Score (NPS) - gauges customer loyalty and satisfaction with the channel member's service

- **Continuous Improvement and Feedback:**
    - Actionable Insights - constructive criticism based on the evaluation's findings to aid in their improvement
    - Support and Resources - required assistance, instruction, and materials to fill in any gaps found throughout the assessment
    - Continuous Monitoring - continuing assessment and observation to guarantee consistent performance

In order to maximise a business's distribution network and guarantee strategy alignment, channel members must be evaluated. Evaluations of the company's financial health, market coverage, customer service standards, sales performance, and policy compliance are all part of this process. Businesses can evaluate their partners' strengths and opportunities for development by looking at these parameters. Actionable insights for ongoing improvement are provided by benchmarking against industry standards, customer input, and regular performance reviews. Stronger relationships, increased operational effectiveness, and mutual progress are all facilitated by effective evaluation, which guarantees that channel participants make a positive contribution to the overall success of the business.

7.4.5 Modifying Channel Members

The goal of modifying channel members is to improve a company's distribution network's efficacy and efficiency through a methodical and deliberate procedure. In order to discover gaps in market coverage, customer service, and sales efficiency, this approach starts with a thorough review of the performance of the channel as it currently exists. Establishing specific goals is crucial; these could include increasing market penetration, raising customer satisfaction levels, or cutting expenses. Possible modifications may include bringing on new partners with greater technical or market presence, reorganizing current members' roles and duties to better fit strategic objectives, or eliminating underwhelming contributors whose contributions fall short of expectations.

Establishing strict standards centered on reputation, financial stability, and market reach is the first step in the selection of new channel members. These are then thoroughly assessed through performance reviews and interviews. It is critical to negotiate precise agreements defining roles, duties, and performance objectives as soon as new partners are chosen. Throughout this procedure, communication is crucial. It's critical to bring new members into the network by highlighting their talents and expected contributions and to openly explain changes to current members, making sure they comprehend the advantages and expected results.

To guarantee a smooth integration or exit, implementing these changes call for comprehensive transition plans. Training and assistance are also necessary to help all members adjust to their new duties. Continuous processes, monitoring and modification involve tracking performance against important metrics and getting feedback to make necessary adjustments. In order to guarantee that all contractual agreements reflect the modifications and adhere to pertinent rules, legal and compliance considerations must also be taken into account.

Long-term success depends on establishing and preserving solid bonds with both new and current channel members. This entails consistent outreach, assistance, cooperative marketing initiatives, and reward schemes to maintain members' drive and alignment with corporate goals. In the end, a thorough examination of the results—such as sales volume, market penetration, and customer satisfaction—should be used to assess the effects of these changes. The channel strategy should then be optimised and improved upon going forward.

7.5 Summary

A successful distribution plan must include both channel design and management to guarantee that goods and services are delivered to clients quickly and effectively. Understanding the target market well, figuring out what the demands of the customers are, and choosing the best channel structure—direct or indirect, single or multichannel—are the first steps in the process. It takes careful planning to choose the right channel members. It involves establishing precise selection standards, assessing possible partners, and drafting contracts that specify roles, duties, and performance standards.

To guarantee that channel members are prepared to represent the brand and increase sales, effective management necessitates continuing assistance and training once the channel is designed. Tracking sales, customer happiness, and market coverage through the use of key performance indicators (KPIs) is crucial for effectiveness. A thorough feedback system and regular performance assessments aid in pinpointing problem areas and providing quick fixes.

Maintaining high performance and loyalty among channel members requires constant engagement, recognition, and incentive programmes. In order to address disagreements and guarantee a coherent network, conflict management techniques must be in place. Staying competitive requires constant adaptation and development, which includes regular market feedback, technology integration, and tactical tweaks.

A non-negotiable component of channel management is legal and ethical compliance, which guarantees that all operations respect the company's values and comply with laws. Businesses may guarantee long-term success and a competitive edge in the market by properly planning and controlling their marketing channels. This will also help them optimise their distribution network, improve customer happiness, and spur sustainable growth.

❖ Exercise

- **Choose the most appropriate option for each question given below:**

1. What is the primary objective of channel design in marketing?
   A. To increase product variety
   B. To maximise efficiency in product distribution
   C. To reduce advertising costs
   D. To simplify product manufacturing
2. Which distribution strategy involves selling products through all available channels to reach a wide audience?
   A. Exclusive distribution
   B. Selective distribution
   C. Intensive distribution
   D. Direct distribution
3. What is a potential drawback of using too many intermediaries in a distribution channel?
   A. Increased direct contact with customers
   B. Lower product variety
   C. Higher costs and reduced control over the product
   D. Simplified supply chain management
4. What factor should a company consider when deciding the length of its distribution channel?
   A. The geographic location of its headquarters
   B. The number of employees it has
   C. The type of product and customer preferences
   D. The desire of the distributors
5. Why is it important to evaluate and modify a distribution channel regularly?
   A. To change the company's brand colours
   B. To adapt to market changes and improve efficiency
   C. To increase the length of the channel
   D. To reduce the number of intermediaries to zero

6. What is a primary goal when selecting channel partners?
   A. To ensure they have the lowest operational costs
   B. To find partners that align with the company’s goals and can enhance distribution efficiency
   C. To choose partners based on their geographic location
   D. To select partners that require the least amount of training

7. Why is monitoring channel performance important in channel management?
   A. To increase the number of intermediaries
   B. To ensure channels are meeting sales targets and operating efficiently
   C. To reduce the variety of products offered
   D. To lower advertising costs

8. Which of the following is an example of a channel management decision?
   A. Choosing a new product design
   B. Deciding which intermediaries to partner with for product distribution
   C. Setting the price of a product
   D. Designing a new company logo

9. How can a company ensure effective channel management?
   A. By avoiding feedback from channel partners
   B. By regularly training channel members and providing support
   C. By reducing the number of products offered
   D. By minimizing communication with intermediaries

10. Which of the following is a key function of channel management?
   A. Product design
   B. Pricing strategy development
   C. Managing relationships with intermediaries
   D. Office layout design

- **Answers:**

1 – B, 2 – C, 3-C, 4-C, 5-B, 6-B, 7-B, 8-B, 9-B, 10-C

Exercise 1: Case Study

CASE

Agile Distribution: Mastering Fast Fashion, the Zara’s Way

The Spanish Inditex Group, one of the largest fast-fashion companies globally is the parent company of the famous brand Zara. Founded in 1975 by Amancio Ortega in Spain, Zara operates under a fast-fashion model and its core competence lies in the ability to swiftly respond to customer demands and fast changing fashion trends. The fast fashion approach aims to curtail lead times and rapidly adapt to changing fashion trends. However, this puts pressure on the company to emphasize on rapid designing, production, and distribution of fashion trends.

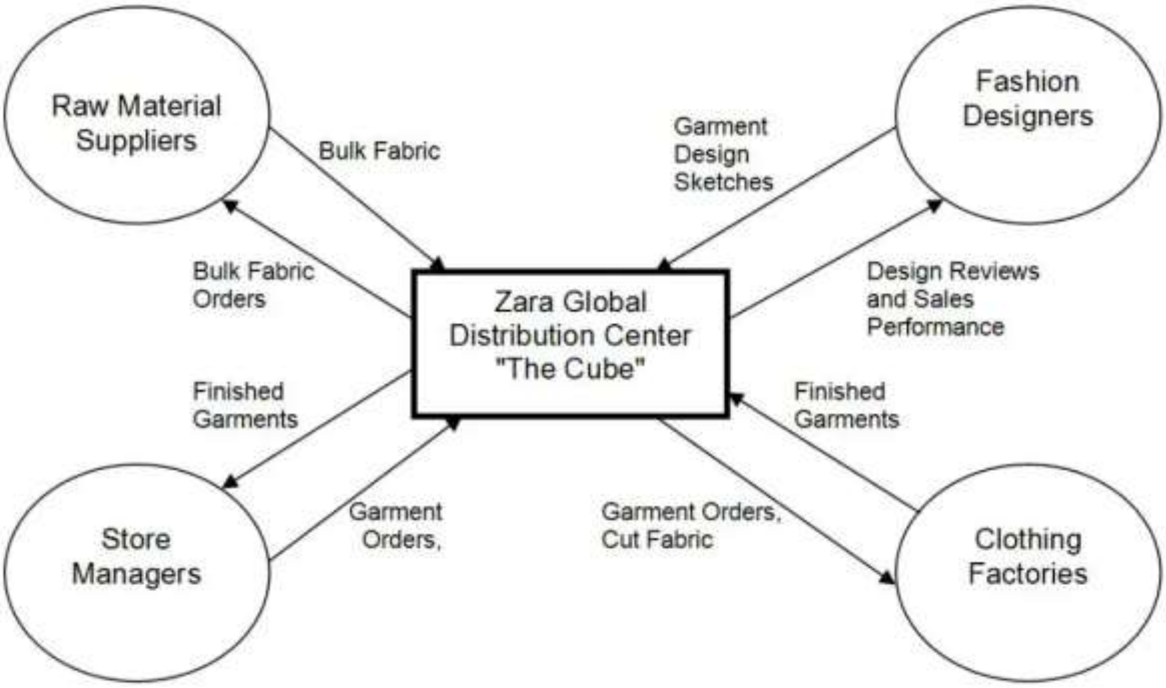
Zara's distribution strategy is the cornerstone of this agility, ensuring that new designs reach stores speedily and efficiently. Zara adopts a Corporate Vertical Marketing System (Corporate VMS) up to a great extent to enable this agility. This implies that, Zara controls a significant portion of its supply chain, which allows for better flexibility and faster turnaround times. A few of the key takeaways from the distribution strategy of Zara is as below:

- **Centralized Distribution System**

Zara simplifies its fabric sourcing by purchasing large quantities of just a few types of fabric each year, typically only four or five types, though these can change annually. The company handles garment design and the cutting and dyeing processes internally. This approach allows fabric manufacturers to quickly deliver bulk orders directly to Zara's centralized distribution center, known as the Cube.

Zara sources raw fabric from suppliers in Italy, Spain, Portugal, and Greece, who are able to deliver within just five days of placing an order. These deliveries primarily arrive by truck.

This centralized distribution center, Cube, in Zaragoza, Spain, is massive 464,500 square meter (5 million square feet) facility, is highly automated and features underground monorail links to 11 Zara-owned clothing factories within a 16 km (10 mile) radius. All raw materials are routed through the Cube to the clothing factories, and all finished goods pass back through the Cube before being shipped out to stores. Zara has two major distribution centers in Spain – Arteixo and Zaragoza. These hubs manage majority of its global distribution. The centralization facilitates a tight control over inventory and speedy distribution to stores worldwide.



***Source:* https://www.scmglobe.com/zara-clothing-company-supply-chain/**

- **High Coordination**
  To avoid delays in the supply chain, ensure shorter lead time and high responsiveness, Zara ensures a strong coordination in its supply chain including procurement, merchandising, suppliers and other teams. These teams are co-located for higher that allow them cross-functionality and greater collaboration.

- **Proximity Sourcing**
  Zara often heavily relies on sophisticated fabric sourcing, cutting, and sewing facilities closer to its design headquarters in Spain. About half of Zara's products are manufactured near to its headquarters in Spain, that is, in Portugal, and Morocco. This proximity to the main distribution centers decreases lead times and enables quick restocking.

- **Just-in-time Manufacturing**
  Zara keep majority of its production in-house and ensures that the factories reserve 85% of their capacity for in-season adjustments. Zara plans only 15 to 25 percent of its seasonal line six months in advance and locks in 50 to 60 percent by the start of the season, allowing for mid-season flexibility. If a new trend emerges, Zara's designers quickly create and fast-track the new styles to stores while the trend is still hot. Store managers relay customer preferences directly to designers, who immediately start working on new designs based on this feedback. Zara maintains extra production capacity to quickly adapt to changing demands, typically operating 4.5 days a week with the ability to add extra shifts as needed. This agility ensures Zara can respond rapidly to market trends and customer needs.

- **Multi-channel System**
  Zara operates through both, traditional brick-and-mortar channels as well as through online stores. Zara operates over 2,000 stores in 96 countries, focusing on high-traffic shopping areas in Europe, Asia, and the Americas to maximize visibility and accessibility. These physical stores play a crucial role in the brand experience, allowing customers to directly interact with the products. Since launching e-commerce in 2010, Zara has seen significant growth in online sales, which made up over 14% of Inditex's total sales by 2020 and continue to rise. Zara's online platform is well-integrated with its physical stores, offering convenient services like in-store pickup for online orders and easy returns. This seamless omnichannel strategy boosts customer convenience and drives overall sales.

- **Robust Logistic Network**
  Zara uses a highly advanced logistics network with sophisticated inventory systems and fast transportation. They ship products from central distribution centers to their stores twice a week, ensuring a steady flow of new merchandise. This frequent restocking keeps stores updated with the latest trends and helps avoid overstocking.

- **Technology Driven Systems**
  Zara’s success in fast fashion largely stems from its advanced technology in distribution. They use RFID technology to track inventory in real-time, enhancing stock accuracy and speeding up processes like restocking and shipping. Advanced data analytics help Zara analyze sales data and customer feedback to forecast demand accurately and adjust inventory promptly. Their integrated information systems, such as ERP and POS systems, ensure seamless communication across the supply chain, allowing for quick inventory decisions. Automated warehousing with robotic systems and sorting machines reduces labor costs and increases efficiency. Zara also optimizes logistics with Transportation Management Systems and dynamic routing to ensure timely deliveries while reducing transportation costs. Their e-commerce platform integrates seamlessly with physical stores, allowing for omnichannel shopping experiences like online orders

with in-store pickups. Mobile technology further enhances efficiency, enabling store associates to manage inventory and assist customers from anywhere in the store. Lastly, Zara adopts green technologies, including energy-efficient warehouses and sustainable packaging, to support its sustainability goals.

Hence, this agile distribution approach of Zara sets it apart from its competitors making it one of the most successful fast-fashion brands in the world.

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Exercise 2:

Question 1: As a manager of a ready-to-eat food brand, discuss the differences in distribution strategies/ tactics to a supermarket versus a single (individual) customer. Justify your answer with examples from the food industry.

Question 2: How would the distribution strategies/tactics of Cadbury, Samsung consumer electronics, and Tata Motors differ from each other?

Question 3: Are the concepts of multi-channel and omni-channel distribution the same? Explain with relevant examples.

Question 4: Discuss the importance of analyzing and understanding customer needs while designing a marketing channel system. How might the distribution channel objectives and distribution channel system of a company manufacturing luxury fashion items differ from that of a FMCG company?

Question 5: Discuss the various channel decisions in terms of (a) type of intermediaries (b) number of intermediaries (c) and levels you would select if you were a company selling bathing soaps, chocolates, mobile phones, two-wheelers, and luxury cars. Justify along with rationale and real-life examples.

Question 6: Explain the criteria used to evaluate major channel alternatives. How would a tech startup manufacturing and selling innovative gadgets use these criteria to select the best distribution channels?

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Exercise 3:

Study the business model of Walmart. Study the distribution and supply chain management system of Walmart. Analyze how the supply chain management system of Walmart enable it successfully realize its business model.

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Exercise 4:

Visit any local retailer near you and gather information related to:

- Can you provide an overview of the distribution channels used by your company to acquire products?
- Can you provide information of various criteria used by your suppliers to select a retailer (which may vary by brand)?
- How do you select your suppliers and partners for your distribution channel?

- How do you manage your relationship with your distributors (wholesalers)/ suppliers and vice versa?
- Does any company/ brand provide trade incentives of any sorts, and for what reasons?
- What challenges you encounter in managing your distribution (in terms of inventory management, procurement, returns & exchanges to the supplier, promotional help & support required from the supplier or the main company, etc.)?
- Are there any distribution strategies of the brands you sell you appreciate, and why?
- With the rise of e-commerce, how has your business affected, and what are the measures taken by you to sustain and grow your business?
- Are there any major changes you have made in your distribution strategy and why?
- Are there any distribution strategies that would have succeeded and why; and a few that failed and why?

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UNIT – 8	RETAILING AND WHOLESALING

8.1 Introduction of Retailing

Retailing comprises all activities required to market consumer goods and services to ultimate consumers who are buying for their own or their families' requirements.

Retailers are starting to take charge of a distribution route. Due to a shortage of suppliers in the market, suppliers used to hold the majority of the power. Purchasing products from the supplier to sell in their stores was the only alternative available to retailers. However, there are now numerous vendors for a particular kind of good.

Retail refers to the sale of goods and services to the broader population for consumption. The word "retailing" refers to the activities necessary to market consumer goods and services to consumers at a point of sale who are making single or group purchases. Retail transactions are not limited to physical businesses; they can occur in a multitude of settings and circumstances. A Pampered Chef salesperson, for example, may cook them at a customer's home. Retail purchases also occur online, through catalogues, automatic vending machines, and in hotels and restaurants. Brick-and-mortar stores still account for the majority of retail sales, notwithstanding the significant growth of atypical retail locations and internet purchases.

The importance of retail marketing to today's manufacturers cannot be overstated. Retail stores are essential to the extensive distribution of products and the prominent display of businesses. In retail contexts, retailers deal with consumers or the people who will ultimately purchase their products. At the moment, the largest employment sector is the retail sector. One in nine individuals are employed in the retail industry, according to estimates. Furthermore, women make up two-thirds of retail employees overall, and over half of them work part-time, providing them the flexibility to adapt to the particular needs of any company.

8.2 Characteristics of a Retailer

- Because they have a 0direct touch with customers, retailers are thought of as the last link in the entire distribution chain.
- The last link in the supply chain, the retailer is the one who deals with the consumer. As a result, he has the chance to learn about the opinions and preferences of his clients. The manufacturer receives this information from the retailer once it has been gathered from his customers.
- A retailer purchases goods in bulk from wholesalers and resells them to customers in smaller quantities.
- A retailer's objective is to maximise client satisfaction by going above and beyond their expectations and offering exceptional services. In essence, a retailer keeps a selection of goods in stock.
- Establish a direct relationship with customers: Unlike B2B companies, retailers sell products and services to final consumers directly, creating a direct relationship with them.
- Reduced quantity: Because the buyer is an end user, he or she only purchases to satisfy their needs. Consequently, fewer quantities are sold to each buyer.
- Point of purchase displays: Helping customers find what they're looking for is a major benefit of point of purchase displays and promotions.
- Optimised inventory management: Because retail stores carry a smaller quantity of items than wholesalers, their ability to manage inventory is subject to demand, which may have a limited scope.

8.3 Key Functions Performed by a Retailer

- A retailer is in charge of both the assembly and acquisition of products. A retailer's responsibility is to choose the most economical method of purchasing goods from suppliers and to pass those savings forward to customers.
- The retailers are in charge of storage and warehousing. They store the goods in large quantities and distribute them based on demand from customers. The maintenance of inventory and storage facilities helps guarantee that the products are always available to customers.
- The primary responsibility of a retailer is to close sales to consumers. To this end, they employ a range of business tactics and techniques to achieve their strategic goals.
- A retailer's primary objective is to boost customer satisfaction by offering premium products and services on a cash-and-credit basis. A retailer needs to have excellent risk control.
- Retailers are essential in grading all of the goods that are often left ungraded by wholesalers or producers in order to guarantee that purchasers would accept the products.
- The store shall package the products in tiny containers or packaging for the convenience of the customer.

- Retailers keep an eye on the evolving tastes and preferences of consumers because they have a direct line of communication with consumers. They provide manufacturers with feedback from these customers to help them continue to develop their goods and services.

8.4 Retailing Types:

Retailing can be divided into five types. Here are the types of retailing that exist today –

Store Retailing: This type of retailing includes a wide range of establishments, including pharmacies, superstores, department stores, speciality shops, supermarkets, convenience stores, showrooms for catalogues, and extreme value and discount merchants.

Non-store retailing: This type of retailing involves conducting business outside of conventional establishments. It is further divided into two categories: direct selling (where the company uses direct tactics like door-to-door selling) and automated vending (installing automated vending machines that sell a variety of products without the need for a human merchant).

Corporate retailing: This kind of retailing entails conducting business through corporate channels, such as conglomerates that sell goods, franchises, and chain stores. Corporate retailing's primary objective is to sell only goods under the parent or partner brand.

Internet retailing: Internet retailing, also known as online retailing, works on the same basic principles of selling small quantities of goods to the end user, even if it caters to a wider market and lacks a physical store where buyers may come and touch or try the product.

Retailing services: As part of their retail offerings, retailers provide services in addition to tangible goods. The practice of a retailer dealing with services is known as service retailing. Restaurants, lodging facilities, and bars are examples of service retailing businesses.

8.5. Retailing Examples

There are various types of retailers like traditional kirana stores and modern retail stores like specialty stores, supermarket, discount stores, department stores, convenience stores etc.

8.6 Wholesaling

Wholesaling is the process of buying products in large quantities from a manufacturer at a discount, then selling them to a retailer at a profit so they can repackage and sell them to customers in smaller quantities at an even higher price.
Since retailers purchase goods in bulk from the producer at a reduced cost, the wholesaler is able to offer discounts to retailers.

The whole cost of doing business is reflected in the price the retailer charges clients.

According to the American Marketing Association:

"Wholesalers sell to retailers or other merchants and or industrial, institutional and commercial users but they do not sell in significant amounts to ultimate consumers".

8.7. Functions of Wholesalers

1. **Wholesalers perform the function of sales and marketing**

   A specialised sales staff works for wholesalers. Wholesalers offer the services of their sales staff to manufacturers so they can reach out to several small-scale clients at a fair price. Because distributors have strong ties, buyers usually rely on them more than a distant producer.

2. **Wholesalers do the activity of buying and assortment building of activities**

   A wholesaler saves the customer a great deal of work by choosing the products and assembling a mixed bag of all those products at their request.

3. **Wholesalers also do bulk breaking**

   Wholesalers can save their clients a great deal of time by buying things in bulk and then breaking that bulk up into smaller parts based on particular needs.

4. **Wholesalers do warehousing**

   Suppliers and customers save the expenditure of inventory because wholesalers hold onto supplies, which reduces inventory costs and the risks associated with them.

5. **Wholesalers perform the function of Transportation**

   Because they have chosen a prime location for their business, a wholesaler is usually able to deliver the things to their consumers more quickly.

6. **Wholesalers also perform the function of Financing**

   By implementing the practice of placing orders early and making all bill payments on time, wholesalers finance their suppliers. Additionally, they finance clients by giving them credit.

7. **Wholesalers are Risk-Bearers**

   Since wholesalers are the legal owners of manufacturers, they bear full liability. All problems (including spoilage, damage, theft, obsolescence, etc.) are the responsibility of the wholesalers.

8. **Wholesalers have Industry Information**

   Wholesalers provide suppliers and manufacturers with all relevant industry information, including new product launches, competitive positioning, pricing tactics, and technological breakthroughs. They also give customers the information they need about a variety of products.

8.8. Marketing Decisions for Wholesalers

Wholesaler marketing decisions include the following important decisions:

1. Target Market and Positioning Choice:

It is impossible for wholesalers to satisfy every kind of customer. They must therefore determine their target audiences and establish a strong presence in that area, just like retailers do. Depending on the size of their clientele, which consists mostly of large retailers, they might select a particular target market, provide credit services to customers in need, sell products to customers through convenience stores, etc. Target groups help in locating possible customers, crafting better offers for them, and establishing enduring connections with them. The wholesalers have several options at their disposal, such as funding an optional chain, creating systems for management guidance and training, proposing automated reordering techniques, etc.

2. Marketing Mix Decisions:

Marketing mix decisions involve decisions related with the 4Ps of marketing. A wholesaler should decide about the product, price, place and promotion decision which are as follows:

i) Product Decisions:

When evaluating the products, consideration must be given to the variety of goods and services the wholesalers plan to provide. It is quite difficult for wholesalers to offer full line services or to maintain extra inventory on hand for quick sales. But, they run the risk of losing their possible profits if they don't maintain control over this difficult situation and maintain adequate inventories. Wholesalers are choosing to maintain just the most profitable product lines, and as a result, they are currently executing fewer product lines overall. They are also keeping a careful eye on the services that help establish reliable client relationships and those that ought to be discontinued or have a cost associated with them.

ii) Price Decisions:

Selecting a price is one of the most crucial factors for a wholesaler. Adding twenty percent to the cost of products and services is the standard pricing criterion. After deducting expenses (nearly 17%), hardly 3% of earnings remain. Products in the grocery store have the lowest profit margins—less than 2%. Because of this, every wholesaler aims to employ creative pricing techniques. They have several creative pricing schemes in mind. Sometimes, wholesalers try to attract new customers by simply lowering the profit margin on specific product lines.

iii) Place Decisions:

Place selections are another crucial factor to take into account because a wholesaler needs to exercise extreme caution when deciding where to exhibit himself in person or online. It is commonly observed that wholesalers tend to invest very little on their buildings, systems, and other property and that they prefer locations with low rent and taxes. As a result, their material handling and order processing systems are usually outdated. But in recent years, a number of large-scale wholesalers have adopted a forward-thinking business strategy, embracing increased costs by putting money into automated warehouses and online purchasing platforms. They are becoming more efficient by advancing technologically.

iv) Promotion Decisions:

Even though many wholesalers do not focus much importance on promotional efforts, choosing the right marketing is equally important. Wholesalers frequently carry out a range of ill-conceived and disorganised promotional activities, including trade advertising, public relations, sales promotion, and personal selling. They still lay more emphasis on one-on-one selling than they do on concentrating on a group or sector at a time. Consequently, wholesalers need to give up on this antiquated approach in favour of modern promotion techniques, some of which are used by retailers.

Key Terms

Retailer: A retailer is a person or business that you purchase goods from. Retailers typically don't manufacture their own items.

Wholesaler: A wholesaler is a person or business that sells items to retail stores that will then sell them to individual customers for a higher price.

Marketing Mix: A marketing mix includes multiple areas of focus as part of a comprehensive marketing plan. The term often refers to a common classification that began as the four Ps: product, price, placement, and promotion.

Target Market: A target market is a group of customers with shared demographics who have been identified as the most likely buyers of a company's product or service.

Promotion: Promotion is a marketing tool, used as a strategy to communicate between the sellers and buyers. Through this, the seller tries to influence and convince the buyers to buy their products or services.

Exercise:

1. Define Retailing. Explain its functions.
2. Write a brief note on types of retailing.
3. What is Wholesaling? Explain the functions of Wholesalers.

- **MCQ:**

1. ___________includes all actions necessary to promote consumer products and services t o final customers making purchases for their own or their families' needs.
   a. Wholesaling
   b. Retailing
   c. Franchising
   d. Mergers

2. Which of the following is an example of Non-store retailing?
   a. Wholesaling
   b. Retailing
   c. Automated Vending
   d. Mergers

3. _____________ consists of the sale and all activities in selling goods or services to those who buy for resale or business use
   a. Wholesaling
   b. Retailing
   c. Advertising
   d. Acquiring

4. Marketing mix decisions involve decisions related with the _________ of marketing.
   a. 6 Ps
   b. 9 Ps
   c. 4 Ps
   d. None of the above

5. Supermarket and Department stores are the examples of ______________.
   a. Store-based retailing
   b. Non-store retailing
   c. Online retailing
   d. All of the above

6. Which of the following are the functions of Wholesalers?
   a. Selling
   b. Warehousing
   c. Risk Bearing
   d. All of the above

7. 4Ps of Marketing stands for Product, Price, Promotion, __________.
   a. Physical goods
   b. Possession
   c. Place
   d. Property

8. The retailers handle the warehousing and storage tasks.
    a. True
    b. False

9. Which of the following is a characteristic of Retailer?
    a. It the final link in the entire distribution channel
    b. It sells in small unit to the customer
    c. It keeps a selection of goods in stock
    d. All of the above

10. Target Market and Positioning Choice is one of the marketing decisions for Wholesalers.
    a. True
    b. False

- **Short Question - Answers:**

1. Explain Retailing and Wholesaling.
2. Explain non-store retailing.
3. Explain marketing mix decisions of wholesalers.

- **Answers to the Multiple Choice Questions:**

1. d. Retailing
2. c. Automated Vending
3. a. Wholesaling
4. c. 4 Ps
5. a. Store-based retailing
6. d. All of the above
7. c. Place
8. True
9. d. All of the above
10. True

UNIT – 9	THE BASICS OF SUPPLY CHAIN MANAGEMENT

9.1 Introduction

The coordination and supervision of a complex network of interrelated procedures involved in moving goods or services from suppliers to customers is known as supply chain management or SCM. In order to reduce costs, increase output, and improve customer satisfaction, supply chain management must be done well. This chapter provides a comprehensive overview of the key components of supply chain management (SCM), including crucial components, practices, strategies, technology, and challenges.

9.1.1 What is a Supply Chain?

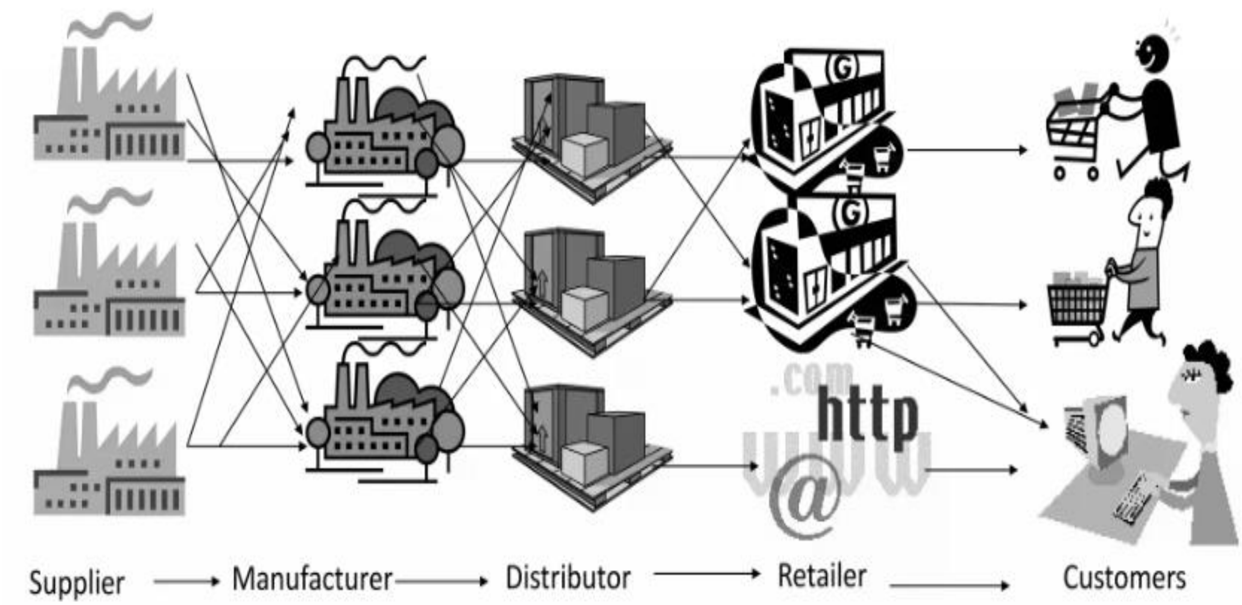
A supply chain is a group of people and businesses that work together to produce a good and get it to the customer. The raw material producers are the first link in the chain, and the van's delivery of the finished goods to the customer marks the end of the link. A more efficient production cycle and reduced costs are the outcomes of an optimised supply chain, which makes supply chain management an essential procedure. Businesses work to streamline their supply chains in order to save expenses and maintain their competitiveness.

9.1.2 Understanding the Supply Chain Management

A supply chain consists of each stage required to deliver a final good or service to a client. Obtaining raw materials, putting them through production, and then shipping the completed goods to a warehouse or retail location so that customers can get them are some of the processes that may be involved. Producers, vendors, warehouses, transportation firms, distribution centres, and retailers are some of the businesses that are a part of the supply chain

A business's supply chain starts to function as soon as a customer places an order. Product development, marketing, operations, distribution networks, financing, and customer service are among its key responsibilities. An organization's profitability can increase and overall expenditures can be reduced with good supply chain management. If one link breaks, it could have an expensive effect on the entire chain.

Figure 1: Supply Chain



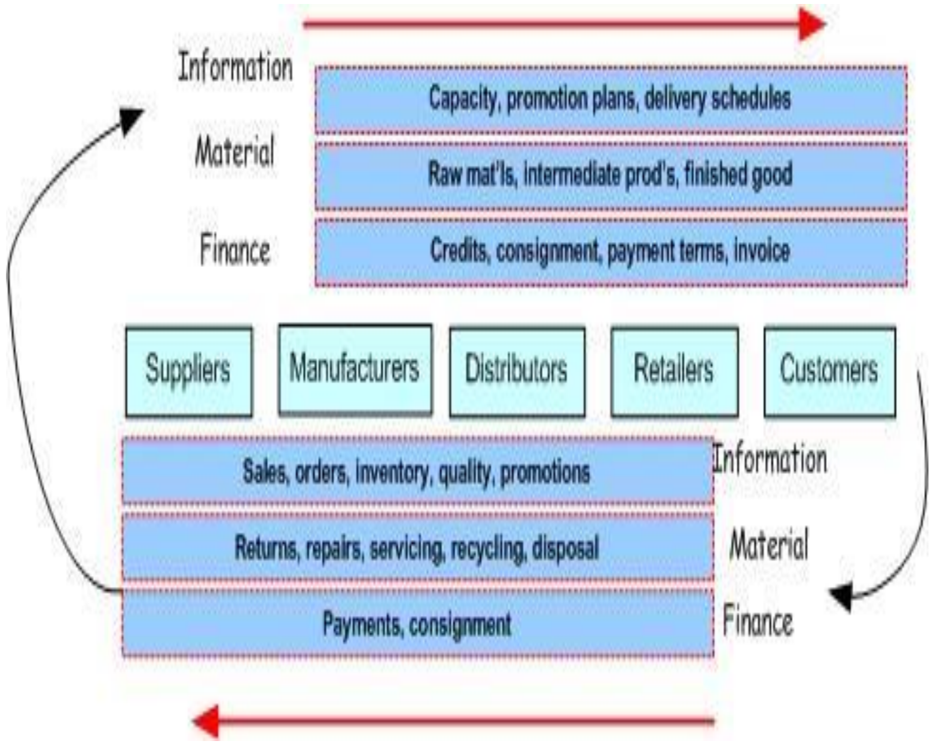
Any Source

Traditionally based on the principles of procurement, operations, and logistics, supply chain management goes beyond these conventional ideas. Three main flows must be integrated between stages and beyond corporate boundaries in order for supply chain management to function:

- Flow of information,
- Product/materials, and
- Funds.

Participants in the supply chain function as partners who are "linked" to one another by information and physical flows. This is what distinguishes an efficient supply chain. "Physical flows" are those that include the transformation, transportation, and storage of resources, money, and things (see Figure 2).

Figure 2: Supply Chain Flow



Source: Upendra Kachru, (2010) "Exploring the Supply Chain", Excel Books

These flows are easily visible -

Information flows support the physical flows. The many supply chain partners employ information flows to effectively manage the daily flow of materials and goods into the supply chain as well as to coordinate their long-term objectives. Essentially, the supply chain facilitates the movement of goods, services, and data along the chain as a whole. Business organizations benefit from increased efficiency and effectiveness when these three flows are successfully integrated or coordinated.

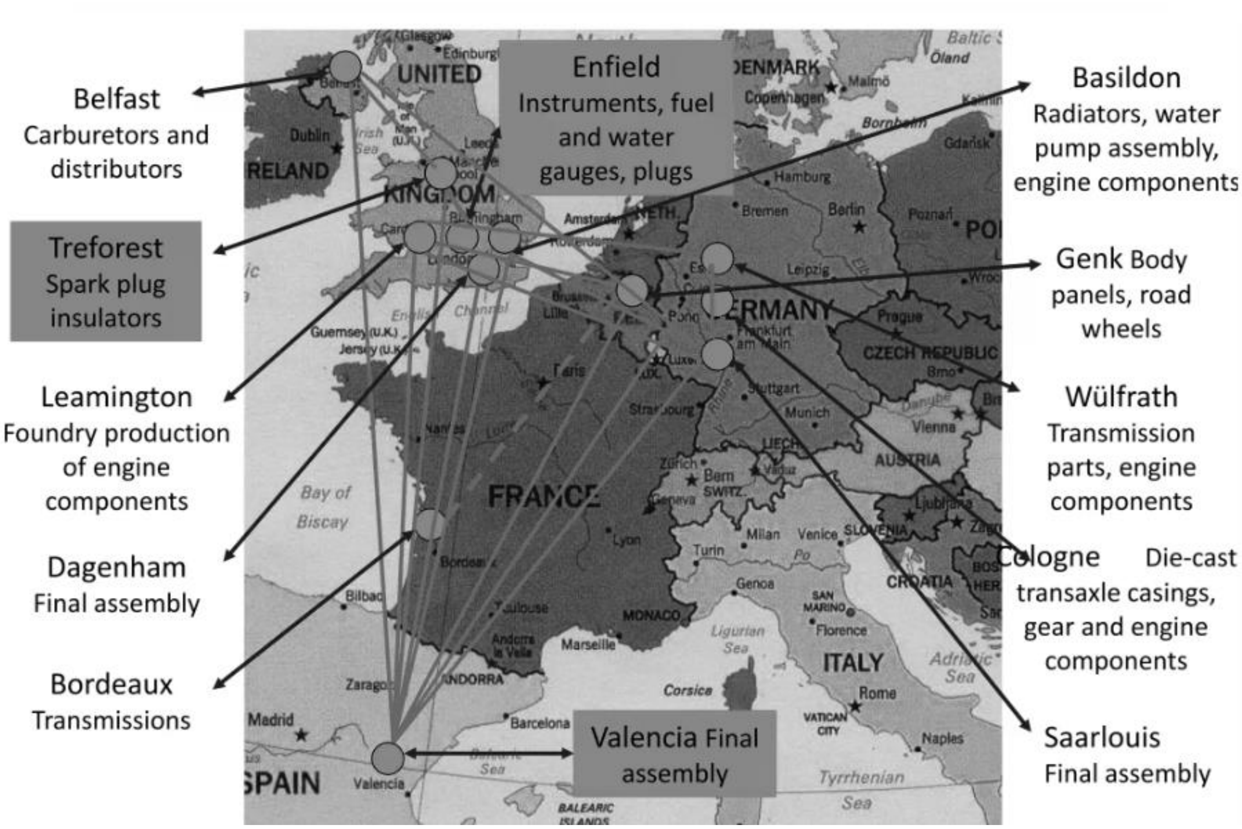
'Supply Chain Management' can be defined as the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective and efficient ways possible. There can be various types of supply chains. There is a basic supply chain, and an extended supply chain. The definition of a basic supply chain is a set of three or more companies directly linked by one or more of the upstream or downstream flows of products, services, finances, and information from a source to a customer.

Other definitions of SC are-

"**Supply Chain** is the **network** of organisations that are involved, through upstream and downstream linkages, in the different processes and activities **that produce value** in the form of products and services in the hands of the ultimate consumer" - *from Logistics and Supply Chain Management by Martin Christopher.*

"**Supply chain management** (SCM) refers to the coordination of production, inventory, location, and transportation among the participants in a **Supply chain** to achieve the best mix of responsiveness and efficiency for the market being served" - *from Essential of Supply Chain Management by Michael Hugos.*

Suppliers of the immediate supplier and customers of the immediate customer are included in an extended supply chain, which is connected by one or more upstream and downstream flows of goods, services, money, and information.
For Example: Ford



9.1.3 Why to have a Supply Chain?

Effective and efficient operations of firms depend on a well-managed supply chain. Strong supply chains are essential for the following reasons:

1. **Efficiency and Cost Reduction**

    - **Optimized Resource Usage:** A well-managed supply chain guarantees that resources are used effectively, cutting expenses and waste. This entails controlling inventory levels, minimising excess stock, and optimizing manufacturing schedules.
    - **Economies of Scale:** Businesses can further cut costs by achieving economies of scale in production, distribution, and purchasing through efficient supply chain management.

2. **Improved Customer Satisfaction**

    - **On-Time Delivery:** Product delivery on time is guaranteed by an effective supply chain, which raises customer satisfaction and loyalty.

- **Quality Control:** Businesses may ensure that products live up to client expectations for dependability and quality by enforcing strict standards across the supply chain.

3. **Risk Management**

   - **Supply Chain Resilience**: A well-managed supply chain is more resistant to shocks like supplier failures, natural disasters, and unstable political environments. This entails having many sources and backup plans.
   - **Transparency and Visibility**: Modern supply chains make use of technology to offer real-time transparency into each step of the procedure, facilitating the prompt detection and handling of possible problems.

4. **Competitive Advantage**

   - **Agility and Flexibility**: Companies with efficient supply chains can quickly respond to market changes and customer demands, gaining a competitive edge over slower rivals.
   - **Innovation**: A robust supply chain can support innovation by providing the necessary resources and capabilities to bring new products to market quickly.

5. **Sustainability**

   - **Environmental Impact**: Effective supply chain management can reduce a company's environmental footprint by optimizing transportation routes, reducing waste, and sourcing sustainable materials.
   - **Corporate Responsibility**: Companies with sustainable supply chains often enjoy better reputations and stronger relationships with consumers and stakeholders who value environmental and social responsibility.

6. **Global Reach**

   - **Market Expansion**: Efficient supply chains enable companies to expand their reach into new markets by managing the complexities of international logistics, compliance, and distribution.
   - **Global Sourcing**: Access to a global network of suppliers allows companies to source the best materials and products from around the world, often at lower costs.

7. **Innovation and Product Development**

   - **Speed to Market**: A streamlined supply chain accelerates the time it takes to bring new products from concept to market, allowing companies to capitalize on emerging trends and consumer demands.
   - **Collaborative Innovation**: Close collaboration with suppliers and partners in the supply chain can lead to co-innovation, resulting in better products and processes.

8. **Data-Driven Decision Making**

   - **Analytics and Insights**: Modern supply chains generate vast amounts of data that can be analyzed to gain insights into performance, identify trends, and make informed decisions.

- **Forecasting and Planning**: Advanced analytics and forecasting tools help companies predict demand more accurately, plan inventory levels, and align production with market needs.

9.1.4 Key Components of Supply Chain Management

These are the most important components of SCM

1. Planning

- **Demand Planning**: Forecasting customer demand to ensure products are available when needed. This involves analyzing historical sales data, market trends, and seasonal variations to predict future demand accurately.
- **Supply Planning**: Ensuring that materials and resources are available to meet the forecasted demand. This includes capacity planning, inventory management, and procurement planning.

2. Sourcing

- **Supplier Selection**: Choosing suppliers who can provide the best quality materials at the best price. This involves evaluating suppliers based on criteria such as cost, quality, reliability, and compliance.
- **Supplier Relationships**: Building and maintaining strong relationships with suppliers to ensure long-term collaboration and reliability. Effective communication, negotiation, and performance management are key aspects of managing supplier relationships.

3. Manufacturing

- **Production Scheduling**: Planning the production process to ensure efficient use of resources and timely completion of products. This involves creating production schedules, allocating resources, and monitoring progress.
- **Quality Control**: Ensuring that products meet the required quality standards through rigorous testing and inspection processes. Implementing quality management systems (QMS) and continuous improvement initiatives are critical for maintaining high-quality standards.

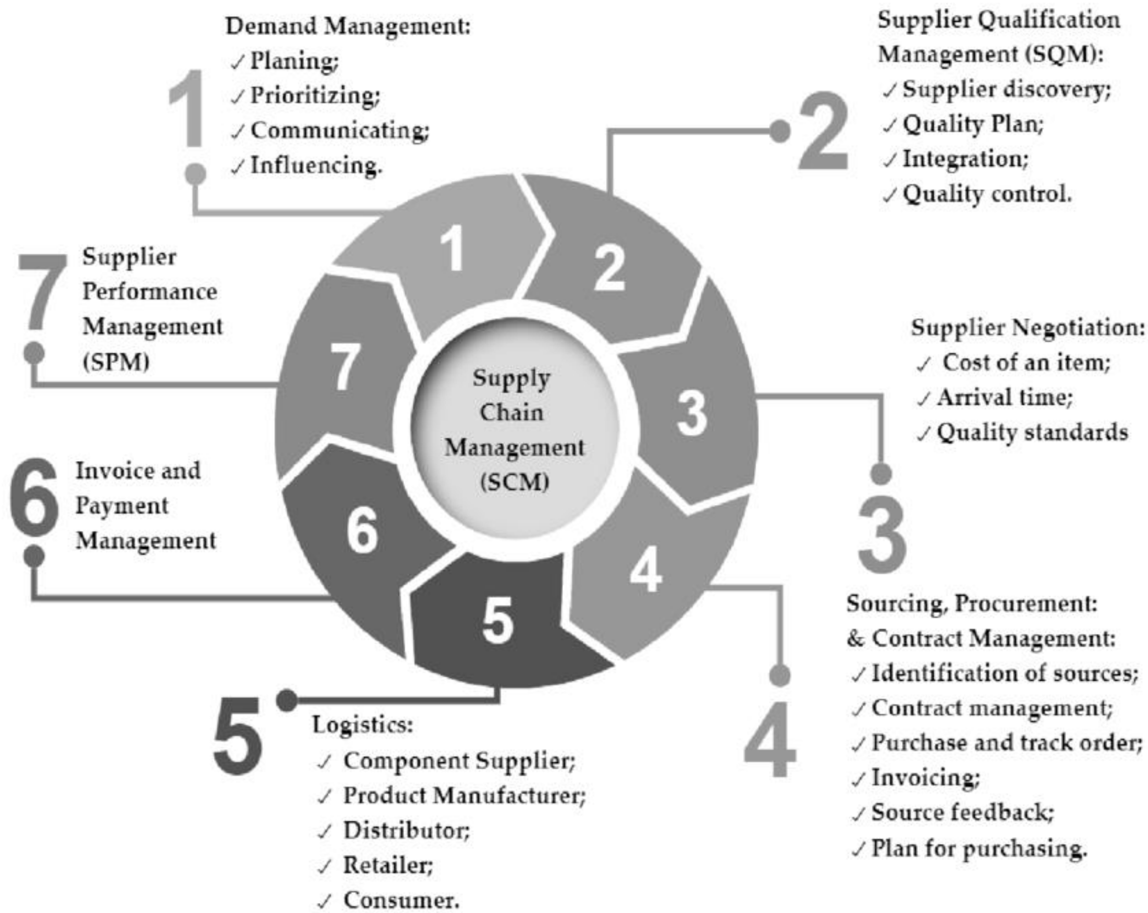
4. Delivery

- **Logistics**: Managing the transportation and storage of goods. This includes selecting transportation modes, planning routes, and managing warehousing and distribution centers.
- **Distribution**: Ensuring that products are delivered to the right location on time. This involves order fulfillment, managing distribution channels, and coordinating with logistics providers.

5. Returns

- **Reverse Logistics**: Managing the return of products from customers for repair, recycling, or disposal. This includes handling returns, refurbishments, and managing end-of-life products.

Figure 3: Key Components of Supply Chain Management



9.1.5 Key Processes in Supply Chain Management

The following are the processes in SCM -

1. Procurement

- The process of obtaining goods and services from external sources. This includes activities such as supplier negotiation, contract management, and order placement. Effective procurement ensures that the organization gets the best value for its purchases while maintaining quality and compliance standards.

2. Production

- The process of transforming raw materials into finished products. This involves managing production schedules, workforce, and equipment. Key activities include production planning, process optimisation, and implementing lean manufacturing principles to minimise waste and increase efficiency.

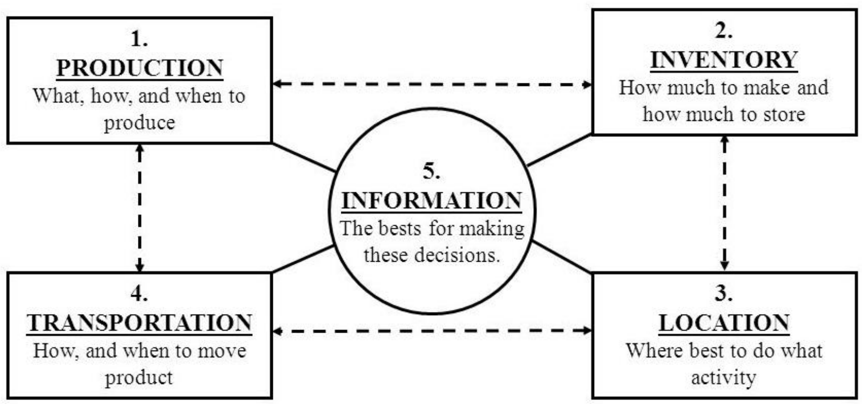
3. Distribution

- The process of delivering products to customers. This includes warehousing, order fulfillment, and transportation. Efficient distribution ensures that products are available at the right place, at the right time, and in the right condition, enhancing customer satisfaction.

4. Inventory Management

- The process of managing the storage of goods. This includes tracking inventory levels, orders, and deliveries. Effective inventory management ensures that there is enough stock to meet demand while minimizing holding costs and avoiding stockouts or overstock situations.

Figure 5: The Five Drivers of Supply Chain Management



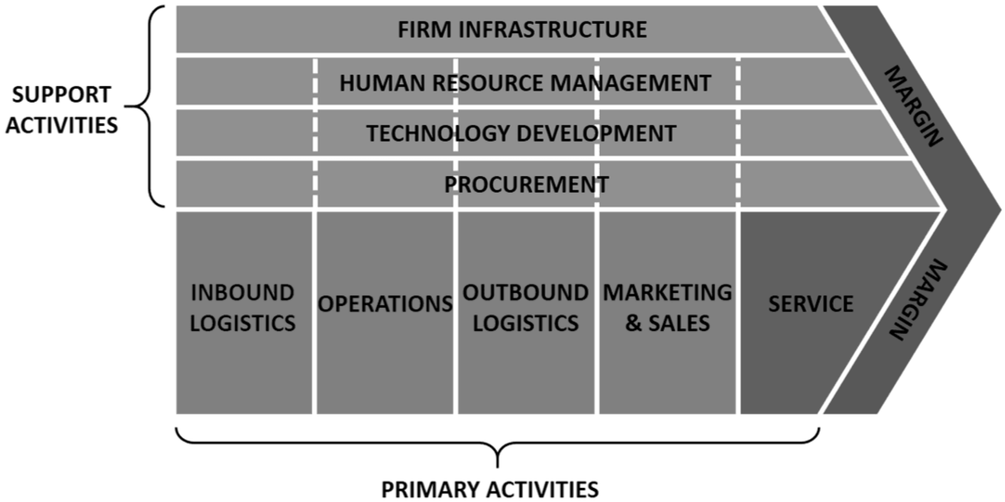
The key processes in supply chain management encompass a wide range of activities that are critical for ensuring the efficient and effective flow of goods, services, information, and finances. By optimizing these processes, companies can achieve greater efficiency, reduce costs, improve customer satisfaction, and build a more resilient and sustainable supply chain.

9.2 Value Chain

Physical distribution, manufacturing support, and procurement are three sectors that typically overlap within an organization to enable integrated management of materials, semi-finished components, and products moving between locations, suppliers, and customers. By seeing each as a crucial component of the broader value-adding process, it becomes possible to take advantage of each person's special qualities while streamlining the process as a whole. A supply chain's "product/material flow" refers to the acquisition, transportation, and storage of raw materials and completed goods. When products are delivered to an industrial user, retailer, wholesaler, dealer, or other customer, thousands of components, raw materials, and parts may be involved in these activities for a large manufacturer.

Utilizing specialized services, including proprietary things into products, and developing ancillaries to support their products and services are some of the main characteristics of the modern industrial system. Seldom does a single business handle every aspect of the project, from product design to component manufacturing, final assembly, and delivery to the customer. Typically, roles are specialized, and multiple organizations contribute to the creation of the finished product. As a result, any company involved in getting goods or services to the end user is a part of the supply chain's value chain system. The value chain concept is expanded to include a supply chain in Figure 4 from a single enterprise.

Figure 4: Value Chain



Source: https://www.techtarget.com/searchcio/definition/value-chain

The difference between the final product's value to the customer and the effort the supply chain puts forth to fulfil the customer's request is the value that a supply chain creates. As a result, as opposed to the conventional method of measuring organizational success in terms of the profits at each level, the profitability of a supply chain is dependent on the flows within and between stages. Each link in the supply chain should receive a profit share of the ultimate product price, which should cover all associated costs. There is only a limited amount of profit margin accessible throughout the entire value system.

This is the difference between the total cost of all expenses incurred during the manufacturing and delivery of the good or service (such as raw materials, energy, etc.) and the final price that the client pays. How this margin is primarily allocated among the different value system components will depend on the form of the value system.

Example: Suppliers, producers, distributors, customers, and others.

To obtain a larger share of this margin, each value chain participant will employ its position in the value chain, its position in the market, and its negotiation strength. When every link in the value chain feels that it benefits from the relationship, the value chain is successful. One of an organization's primary competencies and sources of competitive advantage is frequently its capacity to affect the performance of other organizations in the value chain. A lot of organizations have specialized departments that work with distributor and dealer training,

Ancillary development, etc.

Examining an organization's internal operations alone is insufficient to determine its strategic capabilities. We need to look into the relationships.

Much of the value creation will occur in the supply and distribution chain. Any analysis of the strategic capability must be viewed from a holistic view that includes the entire value chain.

Example: An analysis into the value chain may show that some of these interconnections

will be critical to the competitive advantage of the organization; some can perhaps have substitutes: others can be eliminated.

Value chain analysis should therefore encompass the entire value system within which the company functions. One of the most popular methods for raising an organization's technology competency is through a value chain. Diffusion is the method by which knowledge is transferred between participants in the value chain. As a result, both the knowledge provider and the knowledge recipient gain new competencies. This is demonstrated by the conventional organization of the Japanese industry. Units affiliated with the parent unit collaborated to enhance productivity, impart knowledge and insights to one another about enhanced work execution, and support one another in cutting expenses. In doing so, they can achieve a higher total margin to the benefit of all the members in the system.

9.2.1 Value Chain Analysis

Conceptually, value chain analysis is not a particularly challenging exercise. However, it's frequently a really difficult exercise that needs a lot of information and data processing power to analysis, depending on the product's nature, the links, the main procedures involved, etc. Nonetheless, a lot of the ideas of segmenting operations into activities and assigning charges to them are now commonplace in cost accounting, which streamlines the procedure. It turns into a routine task once the fundamental data has been gathered and the connections made.

A typical value chain analysis can be performed in the following steps:

1. Analysis of own value chain –Identify the primary and support activities. Each of these activity categories needs to be broken up into its basic components and costs are allocated to every single activity component.
2. Analysis of customers' value chains – Examine how does our product fit into the value chain of the customer.
3. Identify activities that differentiate the firm and the potential cost advantages in comparison with competitors.
4. Identify potential value added for the customer – How can our product add value to the customer's value chain (e.g., lower costs or higher performance) – where does the customer see such potential?
5. The final step is to identify those activities that provide a differential advantage compared to competitors. These are the competencies or the core competencies of the organization.

9.3 Strategies for Effective Supply Chain Management

1. Lean Manufacturing

- A production philosophy that aims to minimize waste and maximize efficiency. Lean manufacturing involves techniques such as just-in-time (JIT) production, which reduces inventory levels by producing goods only when needed, and continuous improvement (Kaizen), which focuses on making incremental improvements in processes.

2. **Agile Supply Chain**
   - A supply chain that is flexible and responsive to changes in demand. This involves maintaining a flexible network of suppliers, being able to quickly adjust production and distribution plans, and using real-time data to make informed decisions.

3. **Sustainability**
   - Incorporating environmentally friendly practices into the supply chain. This includes using sustainable materials, reducing waste, and minimizing the carbon footprint. Implementing green supply chain practices not only helps the environment but can also reduce costs and improve brand reputation.

9.3.1 Supply Chain Models

A number of standard business models are applicable to supply networks. The two primary goals of the models are efficiency and reactivity. Though they approach those goals in different ways, each model aims for a certain combination. Models also have a tendency to choose one over the other. Businesses can compare each value offer to their objectives and limitations and select the one that best fits their needs.

The available model types are as follows:

- **Continuous Flow Model:** This form of model is most effective in existing, stable industries.
- **Agile Model**: This approach functions best in sectors with erratic demand and custom-made goods.
- **The Quick Chain Model**: This model functions best for goods with a brief lifespan, such apparel.
- **Flexible Model**: This type of model functions well in industries with some degree of stability and a few somewhat regular demand peaks.
- **Custom Customized Model:** This one emphasizes personalization.
- **Efficient Chain Model:** This model performs well in fiercely competitive marketplaces where price is a major factor.

The supply chain manager should create the models to meet the specific supply chain, as they are prone to overlap.

9.4 Technologies in Supply Chain Management

Technology can improve the security of global supply chains by enabling automation, software, and connection. New technical developments can be applied to recycling, storage, delivery, and production.

1. **Enterprise Resource Planning (ERP) Systems**
   - Software that integrates all aspects of a business, including supply chain activities. ERP systems provide real-time data, streamline processes, and improve decision-making by providing a unified view of operations.

2. **Warehouse Management Systems (WMS)**
    - Software that manages warehouse operations, including inventory tracking, order fulfillment, and shipping. WMS helps optimize warehouse space, improve accuracy, and increase efficiency.
3. **Transportation Management Systems (TMS)**
    - Software that manages transportation operations, including route planning, carrier selection, and freight payment. TMS helps reduce transportation costs, improve delivery times, and enhance visibility across the supply chain.
4. **Blockchain**
    - A technology that provides transparency and security in the supply chain. Blockchain can be used to track the provenance of goods, ensure the integrity of transactions, and reduce fraud by providing an immutable record of all transactions.
5. **Internet of Things (IoT)**
    - A network of connected devices that can collect and share data. IoT can be used to monitor inventory levels, track shipments, optimize logistics, and improve maintenance by providing real-time data and insights.

Challenges in Supply Chain Management

It is interesting to see what issues supply chains of various organisations around the world are facing as a result of events like the war in Ukraine, shifts in geopolitics, the shift from brick-and-mortar stores to online shopping, and more!

1. **Globalization**
    - Managing a global supply chain can be complex, with challenges such as cultural differences, varying regulations, and longer lead times. Effective global supply chain management requires understanding local markets, compliance with international trade regulations, and efficient coordination across different regions.
2. **Risk Management**
    - Identifying and mitigating risks in the supply chain, such as natural disasters, political instability, and supplier disruptions. Developing a risk management strategy involves assessing potential risks, implementing contingency plans, and building a resilient supply chain.
3. **Cost Control**
    - Balancing cost reduction with maintaining quality and service levels. Effective cost control involves optimizing procurement, production, and logistics processes, and leveraging technology to improve efficiency and reduce waste.
4. **Customer Expectations**
    - Meeting increasing customer expectations for fast delivery, high quality, and customized products. Companies need to be agile and responsive to changing

customer needs, leveraging data and technology to enhance customer service and satisfaction.

Chapter Summary

In order to manage the flow of goods, services, information, and money from suppliers to customers, supply chain management, or SCM, entails the strategic coordination of business processes both within and across enterprises. SCM's main elements include sourcing, manufacturing, delivery, returns, and planning. Predicting demand and making sure there are enough resources to supply it are both parts of planning. While manufacturing includes scheduling production and quality control, sourcing concentrates on choosing and managing suppliers. Delivery include the planning, organising, and distributing of goods to guarantee their timely delivery to clients, whereas returns management manages product returns, recycling, and disposal. Procurement, production, logistics, inventory management, distribution, returns management, customer relationship management (CRM), technology and integration, risk management, and sustainability are some of the crucial SCM processes. Improved productivity, cost savings, customer happiness, risk management, competitive advantage, and sustainability are all results of effective supply chain management. Businesses can attain operational excellence and keep a competitive edge in the market by integrating these parts and procedures.

A company's ability to successfully manage its supply chain is essential to its success. Through comprehension of the essential elements, procedures, tactics, and technologies involved, businesses can construct a robust and effective supply chain that fulfils client demands and propels expansion. To achieve excellence in supply chain management, one must embrace best practices, make use of technology, and be proactive in addressing difficulties.

❖ Exercise

- **State whether the following statements are true or false:**

1. Members of the supply chain act as partners who are “linked” together through both physical and information flows.
2. Logistics can be defined as the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage.
3. For any supply chain, there is only one source of revenue: the customer.

- **Fill in the blanks:**

1. In …………………… most participants performed as buyers and sellers independently of other firms supplying to the buyer.
2. SCM philosophy drives supply chain members to have a …………………… orientation.
3. Effective SCM also requires supply chain partners mutually sharing channel risks and rewards that yield a …………………….
4. The …………………… flow in a supply chain is concerned with the procurement, movement and storage of materials and finished products.

5. Within the whole ……………………, there is only a certain value of profit margin available.
6. A …………………… is one of the most common sources of increasing the technological competence of organizations.
7. …………………… sets the platform for supply chain execution if the supply chain members understand the process crosses their company and extends beyond the company.
8. Supplier performance, or the lack of, can create havoc on revenue, inventory and …………………….
9. It is critical to align …………………… with demand planning.

- **Review Questions**

1. What are the basic concepts of Supply Chain Management?
2. Discuss the traditional supplier-buyer relationship.
3. What is the basic objective of Supply Chain Management?
4. "A typical supply chain may involve a variety of stages". Elaborate.
5. What are the different stages of a supply chain?
6. **"**SCM philosophy drives supply chain members to have a customer orientation". Explain.
7. What are the primary SCM activities?
8. Briefly explain the SCM value chain system.
9. "Value chain analysis is not a very difficult exercise conceptually". Clarify.
10. Explain Information Technology and Logistics Management in 21st Century.

- **Further Readings**

Books

1. Chopra and Meindl, *Supply Chain Management – Strategy, Planning and Operation*, Prentice-Hall of India, latest edition.
2. Coyle, Bardi and Longley, *The Management of Business Logistics a Supply Chain Perspective*, Thomson Press, latest edition.

CASE STUDY

Case Study: Strengthening the Supply Chain: A Case of Delta-Sigma Pvt. Limited

Delta Group of Industries had set up their plant to produce Backhoe Loaders and Vibratory Compactors at Noida, near New Delhi in the year 1985-86. They started manufacturing Backhoe loaders in the year 1985 in the technical collaboration with PI-Sigma of U.K. They introduced another product Vibratory Compactor in the year 1992. On October 1, 1999, Delta made collaboration with the Sigma Corporation of U.K.

and the company was renamed as DELTA-SIGMA Pvt. Limited. Sigma was world's largest manufacturer of Backhoe Loaders with more than 29% share worldwide and had *manufacturing plants in U.A.E., U.K., France, Germany, Brazil, and Japan etc. and had headquarters in Tokyo, Japan. Sigma sold its products in 170 countries through a network of approximately 6200 independent dealers. The factory was established in a lush green environment, well laid out and spread over the area around 45 acres. It had its own machine shop equipped with the CNC Machines, Fabrication Shop, Assembly Shop and Paint Shop. A team of 220 persons were working in various departments. The company was manufacturing various models of Backhoe loaders and Compactors. Backhoe loaders were earthmoving machines used for loading, grading, ditch cleaning, trenching, backfilling, while Vibratory compactors (Rollers) were used basically in road construction, irrigation work, land developments and bridges.*

DELTA-SIGMA Pvt. Ltd. Manufactured three types of road Vibratory Compactors of 12, 8 and 3-ton capacity. These Vibrators required 160, 180, 140 man-hours respectively. The strength of the Vibratory Compactors manufacturing shop was 20 employees. On an average, a workman worked 26 days a month and 8 hours in a shift. The market requirement of all the three types of Vibratory Compactors varied from 10 to 35 machines per month. But, with the existing capacity, only 26 Vibrators could be made per month. Peak requirement for the product existed during January to April. As the cost of machine was very high and certain parts like, Tyres, Batteries were to be delivered fresh to the customers, hence keeping inventories for more than a month was not feasible.

Quality Policy

DELTA-SIGMA operated in a highly competitive environment, where quality was of prime importance. Since, the company was in a service-oriented industrial sector, the quality objectives were laid down by the top management covering all the departmental functions and were updated every year. These objectives were clearly measurable in terms of performance, which facilitated an effective and efficient review by management.

The effectiveness of the quality policy and objectives were discussed in every management review meeting to facilitate continuous improvement, promoting commitment to quality and achievement of objectives. Simultaneously, DELTA-SIGMA had appointed selling agents for marketing its products to encash the brand image of DELTA group. They would interact with customers, finalize orders and obtain the orders in the name of DELTASIGMA.

DELTA would provide after-sales and product support. DELTA-SIGMA would provide spare parts to the customers through DELTA and/or their dealers. The company mostly focused on the satisfaction and expectations of the present and potential customers. To satisfy the customers, management had taken some initiatives such as understanding customer requirements, determination of key product characteristics, identifying and assessing competition in the market. Various documented procedures were established and implemented in the organization to assess the customer needs and satisfaction.

Automation

Right from the beginning, the company focused on computerization of various activities and covered functions like, Engineering, Purchase, Stores, Issue, WIP, Bill Passing, Attendance, etc. They installed in-house designed FoxPro based software. In 1999, a major up-gradation in terms of latest Client/Server technology and Satellite *communication with other DELTA works/offices and inter-departmental communication had been done.*

They also Installed Enterprise Resource Planning (ERP) system. Initially, the company had faced lots of resistance from the employees during implementation of ERP. Data feeding and understanding the new system was quite a difficult task. But, conducting training programs for the employees of all the departments and at each level, motivating the employees and explaining the advantages of the new system, organization had succeeded and most of the departments had been connected through ERP. Since 2001, latest ERP system – SAP was controlling the company's day to day operations in Product Planning (PP), Materials Management (MM), Quality Management (QM), Production Management (PM), Financial (FI), and Sales and Distribution (SD) modules. IT department activities were outsourced to DELTA technologies. Computer-based various fabrication-related activities like, robotic welding; CNC gas and laser cutting machines etc. had been started.

Painting line with conveyors had been installed for shot blasting, priming, and painting of components. The company had its own standard room equipped with latest inspection measuring and testing equipment and their calibration facilities.

Restructuring

Till 2001, the company was working on the concept of departments and had three separate departments for purchase, quality control and production. In the year 2001, the company underwent restructuring and made two separate divisions for Backhoe loaders and Compactors.

These departments were supposed to look after purchasing, quality control as well as production of their line. Charge of Compactor Division was given to Ramesh Sharma, who was previously the head of quality control department. Sharma was allotted a new team of people picked up from various departments. But he had an edge since he had good rapport with some of the workmen who had already worked with him in other departments.

Sharma was assigned the responsibility of increasing production by 45% with the existing capacity, staff, and infrastructure. New responsibilities of Sharma were purchase of parts, subassemblies, chassis manufacturing, and sub-assembly of outsourced components, quality testing and delivery of products. To improve productivity, Sharma formed PSGs (Problem Solving Groups) and involved middle level managers, supervisors, and workmen. The PSGs maintained the problems record register and recorded 126 problems in the first month itself. Sharma identified some problem areas such as rework, storage and handling damages, shortage of components and workmen sitting idle.

He found that 65% of the problems were due to the inferior quality of components supplied by the vendors. Sharma surveyed the vendor's production units to check whether proper testing was done at the suppliers' site or not. Surprisingly, he found that the quality testing system (inspection tools) of vendor's was not at par with the desired standards. To rectify this problem, the company designed certain customized calibrated gauges and distributed them to the vendors and organized awareness camps at the plant and demonstrated methods of quality check. To avoid storage and handling damage and *wastage time, DELTA-SIGMA provided customized racks and bins to the vendors for specific components. Vendors started supplying the finished components in these racks to the company and racks were moved directly to the shop floor, which reduced loading and unloading time dramatically.*

The empty racks were sent back to vendors. Sharma also explored the vendors who could supply complete subassembly to the company. This would minimize the problem of rework as well as shortage of components. In case of sudden purchase orders from the SIGMA-DELTA, many a time's vendors had shown their inability to supply the components on time. More vendors were explored. Some items were being procured from Bangalore and it took around 48 hours to deliver the components and they were suggested to identify warehouses near the plant to reduce the lead-time.

To minimize the workman sitting idle time, work-study was conducted. It was found that improper movement of overhead cranes in assembly lines and shortage of components were the major reasons.

For optimum movement of cranes an amendment was done to the layout. To identify the critical assembly points, PERT/CPM analysis was also done. Workers were segregated based on their specialization. Skilled workers were given responsibility in each sub-assembly based on their primary and secondary specialization. Skilled workers were given responsibility in each sub-assembly based on their primary and secondary specialization. Soon it was found that limitations of manual production scheduling were being eliminated and ERP facilitated overcoming the irregularities of placing an order.

The assembly shop productivity was improved by 30%, rework was reduced from 9.6 to 2.1% and process capability was maintained above 1.33. Sharma was quite satisfied with the output and was wondering what else should be done for future.

Questions

1. *Comment on the merging of the three departments like Purchase, Quality Inspection and Production.*
2. *Did the organization take right steps towards implementing ERP System?*
3. *If you were in Sharma's place, what other strategies you would have adopted to*

1. *cope up with the fluctuating demands and strengthening the supply chain?*

Source: Source: Upendra Kachru, (2010), "Exploring the Supply Chain," Excel Books

UNIT – 10	NEW TRENDS IN SALES AND DISTRIBUTION MANAGEMENT

10.1 Introduction

Sales are changing faster than ever. Fierce competition, changing customer behavior, increased pace of innovation, new technological solutions and changing values are some of the driving forces that companies need to cope with to keep up with this rapid development. This raises several questions. Householder orients us amongst all these changes. Which technologies matter? What should we invest in for the long term? And how do we prioritize and make wise decisions? It is easy to feel overwhelmed and become paralyzed by the rapidly growing volume of information. In this context, trend analysis is an important tool for preparing for the future. A trend can indicate a long-term and stable direction of a change. There is also a movement connected to a trend: something increases or decreases, a new value arises, or a new phenomenon appears that changes people's expectations and fundamental needs in a new way. By making wise decisions, trends can accelerate an organisation and lead to better results. At the same time, employees can feel more motivated and prouder to work for a modern, future-oriented company. Those who understand how to adapt to these rapid changes and turn these changes into opportunities will be the winners of the future.

10.2 Shopper Marketing

This relatively young and modern marketing strategy focuses directly on the buyer. In other words, marketers and sellers try to turn visitors into customers. The most important aspect of this strategy is the sales place.

Shopper marketing can be described as any marketing stimulus that is based on the understanding of customers' needs. The aim is to persuade the customer to buy a

product. Shopper marketing is not only linked to the place of purchase but also to trade and brand marketing. (Pavlíčková, 2012) Research and consulting companies state that, in developed markets, 70% of customer's purchasing decisions are made in the store.
Shopper marketing is the fastest growing marketing discipline, according to manufacturers of consumer goods and retailers. (Marketing Journal, 2018) Ziliani and Ieva (2015) highlight the importance of sales promotion and POS as an instrument of competitive advantage. Shopper marketing is based on close cooperation between the sole distributor and retailer. Effective cooperation between the two parties must follow a cooperation plan which states clear rules for cooperation, responsibilities, and marketing strategies. Shopper marketing is a difficult discipline. Customers expect low prices and product availability, which imposes high expectations on retailers.

The main aim of this marketing method is to create a win-win situation for both parties that reach their expectations and goals. Consumers have become more demanding and, therefore, shopper marketing has come up with a new method called "emotional benefits".

Emotional benefits can be divided into the following areas (Pavlíčková, 2012): -

- Research and monitoring at the point of sale
- Combined projects with high efficiency
- Creative elements and installations
- Setting and measuring promotional programs
- On-line solutions, mobile applications, kiosks, digital coupons
- Development and search for new elements and POS media

10.2.1 Trends in Shopper Marketing

Over time, marketing faces a myriad of changes and the emergence of new trends which include these two categories: the category of social media and online shopper marketing. In the past, social media was not given such importance as today. For most companies, they are a must. Facebook, which is considered the largest and most popular social network, is an excellent example of this trend. Facebook opens a new horizon to marketers, as it enables them to communicate with followers, create brand awareness, offer products and services and work with the feedback and ideas provided by customers.

Another trend is the use of mobile phones in permanent stores. Approximately 60% of customers use their mobile phones in stores to search online for information about the product of their interest. They compare prices, find detailed information, and discuss their decision with friends. There are a lot of mobile applications and comparison websites, such as Heureka.cz, where customers trawl through selected retailers' products to find the cheapest offer. Consequently, they visit a permanent store to see and try the chosen product.

10.2.2 Seasonal Shopper Marketing

Seasonal marketing campaigns are very popular nowadays. Based on customers' preferences, retailers create special marketing offers. This shopper marketing method aims to encourage consumers to purchase a given product, as well as to increase its appeal and persuade customers to buy a product they did not intend to purchase.

A good example is the so-called Black Friday or the newly promoted White Friday. Customers are more likely to make an unplanned purchase when, for example, the price for postal service is free under the condition that they buy products for a specified price. White Friday is used by the internet shop.

10.3 Trade Marketing

Trade marketing is described as a link between marketing and sales department of a company. Furthermore, trade marketing includes all activities that are carried out in places where customers might meet a product, such as shops or workshops. It is also important to mention that trade marketing activities are carried out both by manufacturers and distributors.

Another source explains that trade marketing activities have two main roles. The first one is to improve sales results with the support of trade marketing activities which are performed within a distribution chain. The second role is to achieve a perfect relationship between the manufacturer of a product and the distributor who offers it to the end customer.

For a better understanding of trade marketing, we can say that the aim of this method is to push products or services of a brand through the distribution chain, which is to say from the manufacturer to the customer. Trade marketing activities are carried out in the sales place, and include, therefore, the support of sales, such as promotional discounts on products, tasting of products or volume bonuses offering one product for free.

10.3.1 Trade Marketing and Differences Between B2B And B2C

Trade marketing is implemented in the B2B and B2C markets. To give an example of a B2C process, we will focus on a mobile phone store. If we compare these two markets in terms of communication language, the B2B market uses professional terminology, as the mobile phone industry is a specialised area. On the other hand, it is better to use simple terms when speaking with a customer. The aim is to make the message understandable. For example, when you explain the specifics of a mobile phone, it is better to use the words wireless data transfer rather than Bluetooth. Today's trend is to tailor communication to the needs of a customer so, for example, when a retailer describes the advantages of a smartphone to an elderly customer, he/she must use clear terms so that the customer perfectly understands all the specifics and features of the phone. When it comes to the content and length of a message, the B2B market focuses on specific information with extensive content.

The B2C market, on the other hand, considers a short and straightforward message the most effective. The content is focused on the most useful information communicated in an entertaining form. Today, the trend is to provide customers with the information they want to hear and try to adapt it to his/her level of knowledge about a product.

Finally, if we consider the issue of the possibility of influencing demand in both markets, the B2B market is more challenging to influence. Trade marketing focuses on sales promotion and, therefore, it is easier to change demand in the B2C market. If we take the sale of a mobile phone as an example, companies often promote advertisements, discounts, or gifts, such as a case or protective glass, the customers receive for free. (Khodl, 2015)

10.3.2 Trends in Trade Marketing

In today’s world, trade marketing is gaining in importance. As a marketing discipline, it is based on trends that significantly influence its nature. In the last few years, retailers have moved to shopping centres and established associations. Over time, the number of small businesses has dropped dramatically as the number of large sales units is growing. For small retailers, this merger means a significant reduction of costs and diverse possibilities for cooperation with other companies, which brings them a better chance to cooperate and to be more effective in promotional activities. Typically, companies focus on a more aggressive pricing policy and an extensive range of additional services.

With the development of the internet and technology, customers have enough information about products and services. Not only can potential customers search for almost all product information, but they can also publish reviews which significantly influence product sales. Moreover, there are many advertisements on the internet that encourage customers to write an assessment of his/her shopping experience. Trade marketing is strongly associated with promotions offering a special discount on the next purchase if a customer posts a review. It is undoubtedly a very effective marketing strategy.

10.4 Merchandising

Merchandising refers to the activity of promoting products by their presentation in stores. In a broader sense, merchandising can be understood as working with individual products that are displayed and presented to customers in attractive packaging or arrangement. It is necessary to highlight that merchandising is a crucial element whose task is to increase the sales rate. Merchandising influences the end customer. It is focused on a specific customer as it draws his/her attention to a product that he/she, ideally, purchases. Merchandising plays an important role in self-service stores without personnel, where a customer chooses from a range of products. The role of merchandising is based on an effective presentation of a product in a way that attracts the attention of an end customer. It has been proven that products displayed on shelves at eye level will be the first ones to catch a customer's attention.

A good example of merchandising is the store and showroom of the Alza company in Pilsen. The general trend in merchandising is to emphasise a particular brand. Taking the sale of mobile phones as an example, it is obvious that the Alza company focuses on premium brands, such as Samsung and Apple, as they have separated shelves compared to other brands, whose products do not have such attention. The strength and quality of a brand is an important factor that is associated with price. Obviously, higher prices are more interesting for the sellers than prices of less known and cheaper brands. Very important is the placement of exclusive mobile phones that are, in the case of the Alza store, merchandised near the entrance. Thanks to this position, the products gain most customers' attention, as they are in the busiest area of the store.

10.5 Multi-Channel Strategy

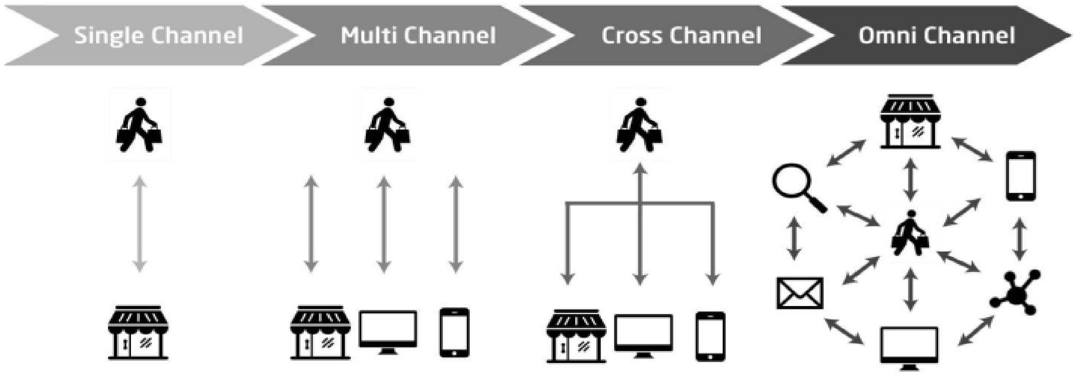
Increasingly more companies focus their distribution strategy on the use of several distribution channels. Multi-channel customers can utilize various distribution channels. Multi-Channel was created thanks to the extension of the basic distribution channel, the so-called Single-Channel, which uses only one distribution channel. The importance of the multichannel strategy was confirmed by Valos who carried out quantitative research on this topic.

10.5.1 Example of Multichannel Strategy

The main representatives of this strategy are permanent and mail-order stores. One example is the German company Neckermann, which was founded in 1948 by Joseph

Neckermann. The owner of the company was the first to use a combination of a mail-order and permanent store. First, he launched a permanent store and, two years later, he established a mail-order business that became an important player in the German market. The traditional multi-channel strategy focused on permanent stores and catalogues, as well as on the launch of an e-shop. This new channel became, together with the permanent store and mail-order store, part of the company's distribution strategy.

Figure 1: Distribution Channels.



Source: Thedma.org, 2018.

With the development of new technologies, the traditional multi-channel strategy developed into the cross-channel marketing approach as depicted in Figure 1. The omni-channel strategy is considered the highest level of all multi-channel approaches.

The pressure to launch new distribution channels is very high nowadays. The launch and use of new distribution channels are influenced by three factors: the constantly changing customer behavior, growing competition, and the current development within the company. If we take the German market and the Neckermann company as an example, German customers can be described by terms such as individualism, overconfidence, extensive knowledge of the market and having a high variety of offers. Customers require high-quality and uniform services in all distribution channels. The second factor, focused on the competition fight, also concerns the distribution strategy. Thanks to the implementation of a new distribution channel, the company creates a competitive advantage which differentiates it from the competition and generates higher profits. The last factor can be associated with the development and objectives of the company. The main aim might be closer contact with customers.

10.5.2 A Successful Shopping Process Based on Multichannel Strategy

For a successful purchasing process within the multi-channel strategy, it is necessary to consider the following factors –

Integrated Communication

An integrated communication strategy is linked to and included in all distribution channels of a company. In the case of expanding the distribution channels, it is essential that the communication is comprehensive. The company should focus on informing customers about the activities that will be carried out. Specifically, the company can use marketing materials or incorporate the company's website on product packaging to inform customers or encourage a purchase.

Maintaining Brand Identity

In a situation where a company includes several brands, each brand must have its own multi-channel strategy. In this way, customers will not be confused. Moreover, the choice of a distribution channel should conform to the brand development strategy. The choice of the distribution strategy depends on the intensity of distribution, which is associated with the distribution strategy and the nature of the product, which can be distributed selectively, intensively, or exclusively.

Differentiation and Profitability of Offers

It might seem that the multi-channel strategy is widely used by many companies. To differentiate themselves from the competition, companies should use only those distribution channels that have a powerful impact on target groups. Therefore, retailers should carry out activities that encourage customers to buy products in the distribution channels that generate the highest profits. These activities might include loyalty programs or bonuses, which bring customers certain benefits.

Interconnection of Distribution Channels

During the shopping process, a customer might use more than one distribution channel. A customer might search for information about a product on the internet and then make an order. The product can be sent as a home delivery, or it can be picked up in person at the selected location. Another example can be the visit to a store from which the customer takes a catalogue of products offered. The purchase of furniture is the best example of the situation described above, which is to say that customers visit a store and leave with a catalogue. An example might be the Swedish furniture company IKEA.

10.6 Cross-Channel Strategy

The cross-channel strategy can be described as an advanced form of multi-channel retailing, which differs by binding individual distribution channels within one distribution policy. This strategy focuses on the expansion of distribution channels with an emphasis on their interconnection. Van Baal (2014) focuses on his article "Should retailers harmonize marketing variables across their distribution channels? An investigation of cross-channel effects in multichannel retailing" on the harmonization of marketing activities to avoid mutual cannibalization and support customer loyalty.

Let's take the example of customers who search for and collect information about a product on various websites and then visit a permanent store to see or try the selected product and, ideally, to purchase it. This shopping procedure is typical of customers who want to buy electronics. They would like to buy a new laptop. They compare several types on the internet, choose the best option and search for more information. Consequently, they visit the nearest store and ask the personnel for additional information. They can see and try the product physically in the store. Moreover, they can choose the desired color and carry out the purchase in the permanent store.

The airline Lufthansa gives a great example of a perfect interconnection of e-mail, mobile marketing, and social media. The company developed the so-called pre-flight packet. Customers can book a flight with the help of the channels mentioned above. Consequently, they receive a confirmation email about their flight and the day before departure, the customer receives an SMS or email notification about the possibility to check-in online. In addition, the service provides the customer with a weather forecast at the destination.

Another example of a cross-channel strategy on a foreign market, particularly in Germany, is the IKEA company, whose distribution channels are also interconnected. If customers want to know whether a product is available in a selected store, they enter the question into the search engine on the website of the company. The system verifies their request and displays a result. If a customer wants to book a product, it would not be possible, as the IKEA company does not offer this service. It provides information about product availability, which is regularly updated.

10.7 Omni-Channel Strategy

If we understand communication and sales channels as one environment with one common goal where each of the channels represents a part of the customer's decision making and shopping process, we are speaking about the omni-channel strategy. The nature and advantages of the omni-channel strategy in relation to the development of technologies are discussed, for example, by Grewal et al.

An excellent example of this strategy is the store Mall.cz and its innovative off-line shop in the Prague metro. A few years ago, the company placed QR codes in various Prague metro stations. When they were waiting for a metro, customers captured the code with their mobile phone and added such a product into a virtual shopping cart. They selected either home delivery or pickup in one of the Mall.cz stores. This idea was not very successful in the Czech Republic, but it works perfectly in South Korea.

Another example, which is implemented abroad, is the omni-channel strategy employed by the chain Starbucks. Customers use a mobile application to re-load their card with a pre-defined credit or to connect their account with their credit card. Thanks to this application, customers can order and pay for a cup of coffee in a specific Starbucks shop on their way to work. When the customer arrives at the shop, the coffee is ready, and he/she does not have to wait in long queues.

The perfumery chain Douglas strives to support its distribution channels and their interconnection. Therefore, the company offers the possibility of ordering goods through the mobile application Douglas-App and, at the same time, continually expands the range of products sold in its online store. Douglas also has a dozen of permanent stores across the Czech Republic.

If a customer of the Apple company orders a product via its mobile application and is near an Apple store, he/she receives a notification that experts working in the store are available to provide more information about the selected product. Moreover, the customer can pick up the order in the store.

10.8 E-Commerce

E-Commerce refers to the development of direct marketing in the form of online stores. The essence of e-commerce is since all phases of the shopping process are performed on a computer.

Today’s customers can buy everything online. From clothing and cosmetics to garden furniture and food. E-shops that offer clothes and accessories are the most common ones. Furthermore, many e-shops focus on the sale of home and garden equipment, electronics, food, sport, and tourism. The best-selling products are mobile phones, gadgets, and swimming pools. The product range is continuously expanding and among the most attractive products are garden and summerhouses, boilers, and smart watches. E-commerce is divided into three groups: The most common form is B2B, followed by B2C and C2C.

Table 1: E-Commerce Forms.

E-Commerce Form	A Practical Example
B2C	**Alza.cz** = a company that sells goods via the internet
B2B	**IT Systems** = the e-shop of this company is designed for corporate customers, i.e. for companies and organizations
C2C	**Sbazar.cz, Aukro.cz, Mimibazar.cz, Bazoš.cz** = these webpages offer goods from other customers

Source: Own processing, 2019.

In today's world, e-commerce is a significant time-saver, as a customer searches for a product or service within a few minutes. Thanks to e-commerce, customers can book all kinds of services, such as hotel accommodation, transport tickets and tickets for cultural events.

If a customer decides to travel to a foreign country and wants to book a trip for the lowest price possible, he/she can look up the accommodation on webpages such as trivago.cz, booking.com, and Airbnb. To book a cheap flight or bus ticket, he/she can visit the webpages studentagency.cz, flixbus.cz, pelikan.cz, or letuska.cz. Tickets for cultural events can be purchased on ticketportal.cz, goout.net or ticketstream.cz.

A personalized form of e-commerce is e-mailing marketing. Scientific studies show that a well targeted personalized business message is six times more efficient than its impersonal version. Even though this form of marketing takes place automatically, 70% of companies do not use this effective and simple method of communication.

10.9 Conclusion

The future of distribution strategies will be determined by the development of merchandising. Nowadays, customers can choose from various designs and brands. Over time, retailers, together with manufacturers, will put more emphasis on specific brands which become more and more specialized. This process will represent the outcome of the companies' behavior in a very strong competitive environment, in which bigger and more stable brands gain in importance.

The main trend will be the development of e-commerce, which will further develop according to the emerging trends associated with internet purchases. Permanent stores, on the other hand, lose in importance and will be replaced by parcel shops. Parcel shops will be established in many places due to their better accessibility for end customers.

In our opinion, email marketing will be growing significantly, as it is the best way to address customers. One of the new trends is that if a customer does not finish an order, he/she receives a notification email with a discount code. In this way, the customer has a chance to get a price advantage which convinces him/her to complete the purchase. Moreover, retailers focus on the promotion of competitions in which customers can participate if they buy a product. Email marketing is not only informative, but it provides the customer with benefits and discounts. Retailers will care more about their customers if they buy a product regularly, for example, pet food, contact lenses or food supplements. Retailers will follow their regular consumption and notify them about the possibility of a new purchase.

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સ્વાધ્યાયઃ પરમં તપઃ
સ્વાધ્યાયઃ પરમં તપઃ
સ્વાધ્યાયઃ પરમં તપઃ

શિક્ષણ, સંસ્કૃતિ, સદ્‌ભાવ, દિવ્યબોધનું ધામ
ડૉ. બાબાસાહેબ આંબેડકર ઓપન યુનિવર્સિટી નામ;
સૌને સૌની પાંખ મળે, ને સૌને સૌનું આભ,
દશે દિશામાં સ્મિત વહે હો દશે દિશે શુભ-લાભ.

અભણ રહી અજ્ઞાનના શાને, અંધકારને પીવો ?
કહે બુદ્ધ આંબેડકર કહે, તું થા તારો દીવો;
શારદીય અજવાળા પહોંચ્યાં ગુર્જર ગામે ગામ
ધ્રુવ તારકની જેમ ઝળહળે એકલવ્યની શાન.

સરસ્વતીના મયૂર તમારે ફળિયે આવી ગહેકે
અંધકારને હડસેલીને ઉજાસના ફૂલ મહેંકે;
બંધન નહીં કો સ્થાન સમયના જવું ન ઘરથી દૂર
ઘર આવી મા હરે શારદા દૈન્ય તિમિરના પૂર.

સંસ્કારોની સુગંધ મહેંકે, મન મંદિરને ધામે
સુખની ટપાલ પહોંચે સૌને પોતાને સરનામે;
સમાજ કેરે દરિયે હાંકી શિક્ષણ કેરું વહાણ,
આવો કરીયે આપણ સૌ
ભવ્ય રાષ્ટ્ર નિર્માણ...
દિવ્ય રાષ્ટ્ર નિર્માણ...
ભવ્ય રાષ્ટ્ર નિર્માણ

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