## Sales and Distribution Management Prof. Sangeeta Sahney Vinod Gupta School of Management Indian Institute of Technology, Kharagpur

## Lecture – 01 Introduction to Sales Management

[FL] Today, we will be beginning with a 20 hour course, the NPTEL online certification course, under the ages of the Swayam. This the name of the course is Sales and Distribution Management. And this particular course will be run across 20 hours, and we have 5 classes or 5 schedules or lectures, slotted per week. Before, I give you an introduction to the course; let me introduce myself, I am Prof. Sangeeta Sahney at the Vinod Gupta School of Management, IIT, Kharagpur.

This particular course on sales management, we will run through 8 different modules with 5 lectures each, where we will be talking about introduction to sales management. We will be talking about sales related marketing policies, sales organizational and department structures, planning, forecasting, budgeting. We will talk about buyer, seller diodes; will talk about the theories of selling.

And then we will elaborately be dealing with the selling process. And thereafter will be talking in great length about sales force management, where we will be talking about the recruitment, the selection, the training, the performance appraisal, the compensation management and the career growth for salespeople.

We will also be talking about sales territories, the quotas, and we will be talking about the sales budget which would and where we will discuss about the planning and control mechanisms. And we will finally, we ending up with some sessions on the distribution channel. So, today let me start with the first lecture, which is an introduction to sales management.

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Now, what are the different topics that we will be covering in this. We will be seeing what is sales management? How did sales management evolve as a function? What are the, what is the nature and role of sales management? What is the importance of sales management for the marketing function and for the organization as a whole. And what are the different trends or emerging trends in sales management, this is all that we will be covering in today, which is the 1st lecture on this particular course.

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So, what is sales management? Originally, a sales management was narrowly very narrowly referred to as the direction of the sales force personnel. The manager of an organization used to delegate the task of selling to one of you of his people, whom he could rely on. And this person was given the targets, he was asked to sell the products or services in certain territories and thereafter report to the office.

So, it was very narrowly referred, you know and very narrowly defined as a function, which was that direction of sales force personnel. And the job was here to merely sell, to basically sell what the organization or what they were business organization, actually produced or manufactured. However, gradually it was realized that sales or selling was just apart, it was something which is very narrow and it was not just important to sell, but it was actually important not to sell what you make, but to sell what the customer wants.

And so gradually, the business organizations began and taking a very began taking a broader approach to the marketing function. And so sales management began to get related to other aspects or more important aspects of marketing, both strategic and tactical, which included segmentation, targeting and positioning or STP, it included product merchandising and assortment, pricing, activity, physical distribution, pricing, and product communication.

So, now let us start with what is sales management? Originally, the sales function or the sales management was very narrowly defined as the direction of personal sales force. It was basically, just that the manager of an organization would delegate the task of selling to his people and the sales team or the team of people who were instructed with this job were suppose to just go and sell, what the organization produced or manufactured.

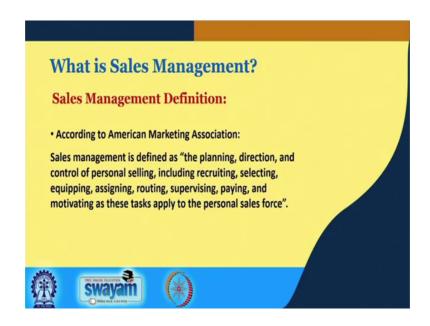
So, it was very narrowly defined and merely a direction giving to the sales force personnel to sell, what the organization makes. However, gradually it was realized that it is not important to sell what you make, but at all it is important to make what the customer wants. And that is where the customer as an entity, began to gain importance. At this particular time, sales management began to relate to other functions of management both strategic and tactical; including Segmentation, Targeting and Positioning which is STP.

Product merchandising and assortment, pricing, physical distribution and marketing communication, including advertising and sales promotion. Subsequently it was realized

that the sales management as a function was getting broader and broader and the academia as well as the businesses started using the word marketing management rather than sales management.

So, sales management then which was initially the term got replaced by a broader term which was marketing management, where the importance lay or the difference lay in terms of identifying the needs and wants of the customer and delivering the desired satisfaction in more effective manner, in a more efficient manner than what the competitors were doing.

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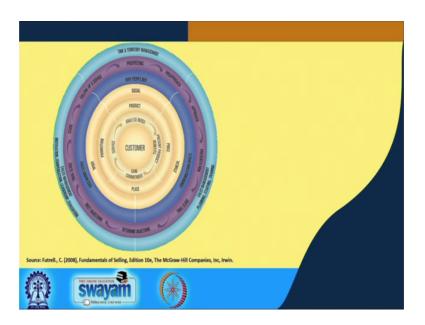
Now, so if we look at sales management and if we try to define sales management, according to the market American marketing association; sales management is defined as the planning, direction and control of personal selling, including recruitment, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force.

So, in a way what we are trying to say that it is, the HR function as applied to the marketing sales team and the sales force that actually you know it came to be defined in that particular manner. So, it was basically planning the sales function, directing this people, controlling the salespeople. And this involved all the HR functions including recruitment, recruiting them, selecting them, training them, you know praising them, looking for a career advancement for them, and to do all that.

And of course, to appraise their performance and to do all that it was very important to set for them goals or targets, it was important for them to for the managers to define a path or a territory within which these people must function. And it was also important that they were given proper incentives to keep them motivated at work, it was also important that they were compensated well as per you know industry standards and so that the people would work for the benefit of the organization ok.

So, here again if we define we would say, it is the planning, direction, and control of the personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the sale personal sales force.

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Now, if we look at this figure here, as I told a little while earlier that the importance gradually from the pre 1950's to the post 1950's, if we see the era; the importance gradually began being given to the customer ok. And it was very very important that the needs and wants of the customers are identified ok.

And a proper a good or service offering is provided, which would help meet the needs and wants of the customer. And it was important that the product was not of just a product or a service, but it was something which would help meet the need and want because of the benefit that it provided. It is important to understand that customers do not buy products or services, they buy actually the benefit which they derive out of it.

So, if it was important that marketers lay focus on the customer. The customer becomes the core, he is needs and wants are identified; he is provided a product or service offering which would help him need meet the need and want of the customer. So, that the customer would be happy and the company would be able to gain satisfaction of the customer, company would be able to gain commitment of the customer.

And the four P's are the marketing makes for the marketing program, needed to be designed accordingly in terms of the talking of whether it was product, price, place or promotion; which are the four P's are the marketing mix. Needed to be designed in a manner, keeping in mind the customer the segment which the marketer was going to deal with, but all this was also you had to be done in the within the socio-cultural, legal, ethical and environmental framework.

So, what was important for marketers was to understand, why people buy? What was important was, to make them understand or to inform them about their product and service offering. So, it was important that marketers communicated with the customer; it was also important that they had the skill, they then the sales staff had the knowledge, had the expertise, had the skill to be able to not only educate the customer, but also be able to persuade him, influence him both through his communication skills and through his persuasion skills.

And this involved the entire sales function, starting from you know prospecting, preapproaching the client, approaching the client, giving a presentation, handling queries, try closing the you know deal and then you know follow up with his services. So, as to be able to convey you know be able to be there, and present for the customer as in when the customer needs the marketer. Now, in needs the salesperson and the marketer. Now, when we do that the sales function involves lot of things; just a sales dialogue or the sales meeting or a sales presentation is one.

The other important part is which is more strategic for the sales function, lies in terms of time and territory management, lies in terms of you know the forecasting, lies in terms of you know planning the targets, planning the goals, in also deciding on territories and territory management that what goals to be attained in what time.

And for this it is important that the sales force management function is performed very carefully, whether it is with terms to recruiting, selecting the right person for the sales

job. Training them, compensating them, providing not only the basic salary, but also giving them regular incentives, to be able to keep them motivated at their workforce at their workplace.

And to continually train them, whether it is with respect to short or long term training programs, keep them abreast with the organizational developments, with the new products that have been launched by the organization over the company. And also make them aware and informed about decisions taken with respect to product or a product modifications, pricing, distribution, promotion, etcetera. So, this entire gamut actually here, is what we talk of in terms of sales management; where sales is one part, which is the art of closing a deal, but beyond that what becomes important is sales force management, territory management, budgeting, forecasting, planning ok.

So, you know and understanding all the time what does the customer need, why does he need it, how would he buy, how does he buy, how would he like to transact and this sales function does not pertain only with respect to the b to b or the b to c, it goes beyond. It also you know takes you know into account, institutional buying; it takes into account, government buying.

So, we will be doing all of this in the subsequent chapters. How did the sales function evolve now? As I did briefly mentioned that there was a very big change which occurred pre and post 1950's. Now, what was this change now; this situation before in fact, the industrial revolution in the U.K was there was a dominance of the small scale manufacturers on the economy.

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The an importance was given to the production function, importance was given to the manufacturing function, selling was not at all an important function. Remember that was the era of the product concept and the production concept. The production concept meant mass, you know that you have to produce in bulk and sell. It was even if small manufacturers produced, they produced in bulk ok.

And this is the more importance was given to production and manufacturing. However, after the industrial revolution in the U.K and in the U.S, it was a large-scale manufacturers we took over, because there was huge amount of capital intensive means of production, which replaced the older you know labor intensive or small manufacturing practices.

And these large-scale manufacturers had you know who dominated the economy now, actually gave full-fledged you know importance to the operations and manufacture. And again the what was dominant was the product and the production concept.

Now, what was the production concept? Production concept meant that in order to succeed, it is important that businesses must produce mass scale, distribute mass scale, they would achieve economies of scale. And so they will be able to low down their you know per unit cost of production and keeping margin in hand, they would still be able to offer their products and services, cheaper than the competitor. And so they would gain, a

price advantage they would gain competitive advantage and be successful in the in the market.

The product concept talked about focusing on the product per sale. And it was it was believed that if manufacture if an organization produced a product or manufactured a product, which was good in quality had innovative features and was so superior; but people would be buying it, and the camp or the organization would benefit out of it organization would earn profits. However, the difference between the pre and the post industrial era, a post industrial revolution in the U.K and the U.S.A was that before the industrial revolution.

The organizations, because they were small and led by small manufacturers. There was no distinct division between the various functional areas, but once industrial revolution happened after that separate functional departments rows in the form of manufacturing finance and sales. Mind you, sales was again sales and not marketing department of marketing management at that time, because the focus again was purely on production. And then to produce and manufacture and to sell, what they what that marketer made or what the organization made rather than what the customer wanted.

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However, as things evolved, there was a the pre the in the first half of the 20th century and again beginning from the 1950's, the focus changed. One thing noteworthy is that in the era of the first half of the 20th century. The focus shifted from product and

production to the selling concept, where again the seller remained the king. And this focus was very very inside out, to make what he wanted and to sell the same rather than to sell what the customer wanted.

However, 1950's most colonies in the world started getting liberated, country started getting independence, many countries given grants by world bodies gradually in industrialization began all over the world. And it was realized that the seller could not be the king now. The sellers were beginning to realize that there was huge amount of competition that was emerging amongst them, and if they did not satisfy the customer; more effectively and efficiently, sooner or later they would be wiped out of business.

So, the focus here began being began to get shifted from you know from the seller to the buyer and it was the buyer now who became the king. So, due to extensive production of goods due to exports, due to you know selling to neighboring market, it was realized that all this was not sufficient. And it was important that the customer is regarded as a core, it is important that we marketers with organizations make and produce, what the customer wants. And so it was realized that one has to make what the customer wants rather than what the wants to we can sell.

So, it was not sell what you make, but it was to sell what the customer needs and wants; and that is where the marketing function assumed importance. And the sales function, which was merely and merely the art of transactions, began to lose it is importance. It was realized that the marketing function was more holistic in nature and it would involve activities like you know both strategic and tactical. And it would include concepts of the sale function as well as the support functions, like advertising, sales promotion, marketing research, and marketing logistics.

So, marketing activities like sales promotion, advertising and sales management; we can begin to gain more importance. So, here was the role of strategic you know requirement for the strategic plan in the form of a value proposition for the segment. And so we spoke we speak about STP or Segmentation Targeting and Positioning and on the other hand there was also the importance given to tactical plans in the form of the 4 P's of Product, Price, Place and Promotion.

And in order to be able to understand the needs and wants of the customer, in order to be able to deal with them more efficiently and effectively; it was realized that sales

management has to emerge as a different function within the marketing group function. Sales has to be a different role, it was also realized that marketing research is important, it is realized that you know communication, promotion, sales advertising, sales promotion was important from and subsequently all these different functions began to assume importance.

So, here if we look at what the current scenario looks like, we have ahead marketing. If we have a department marketing department, the marketing department could gain further be broken into these different wings. We have the manager – promotion, manager – marketing research, manager – sales, manager – marketing logistics, manager – customer service.

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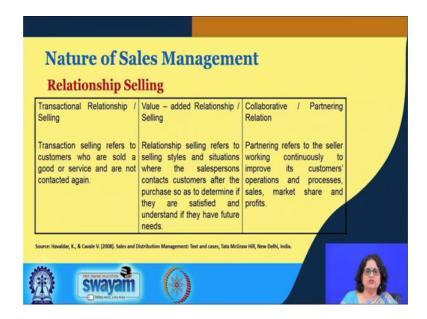


So, if you see here, sales is just one role now ok, because it is it was realized that if you if we just rely on making and selling, you will not be able to prosper. If what we need to do, we need market research to understand; what customers need and want. We need different heads to deal with the different P's, whether it is product assortment and product merchandising, whether it is pricing, we need people a different you know team for designing the marketing communication program; we need a different team for you know for you know keep which keeps tab of the logistics.

And keep working hand in hand with the production and the operations people. We also need a different head for dealing with after sales and service. And so of course, a big role

to be played by the sales team, so we also need a manager or a head to be able to deal with the sales force function; so that is how all of these different functions got segregated, all under the AGS or all under the umbrella of the marketing function ok.

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So, the let us now come to the discussing the nature of sales management. So, when we talk about sales management, we will talk about relationship selling here. Again, when even the seller was the king, he did not require to enter into long term relationships with his buyers, because he knew that the seller as a seller he was the king; the buyers are many, the sellers a few.

And so the buyer would definitely be coming to the seller time and again, because the seller was more powerful, but as competition emerged as the sellers they realized that there was huge amount of competition that was you know present or beginning to develop between them. It was important then that then the enter in to relationships with the customers and that is how the concept of selling moved from transactional approach to a partnering and a collaborative approach.

So, what is a transactional selling? What is value added relationship selling? And what is collaborative or partnership relationship selling? Let us, talk a little bit about this. So, transactional selling refers to customers who were sold the particular good and service and they are not, and are not contacted again. Now, this was a the in fact right till when the 1950's this was a general trend, where the seller actually preferred having a

transactional approach, because he realized it was no point that he you know goes out of their way and enters into relationships, he was more powerful and he did not need to do that.

But, so gradually that importance of transactional selling diminished and that of value added in partnerships began getting importance. However, there are even now, there as in certain cases transactional selling happens ok, like for example people go and buy a movie ticket and they watch a movie and then they do not go you know the cinema owner, the owner of the cinema theater does not actually have to contact the buyer again.

Of course, in certain cases where the buyer is into a the buyer is entered into a loyalty program or something like that he may be communicated with Edwards or with person or with messages, but otherwise that does not happen. The second kind of sale a relation selling which we talk of as a relationship in these value added relationships, where selling style it is a selling style or a situation where the salesperson contacts, the customer after the purchase. So, as to determine if the customer is satisfied with the product and if he needs anything else already has any requirements in future.

And then we have the collaborative of partnership, which is moving much beyond where the seller enters into a long term partnership or a contractual agreement with the buyers. We see this specially in the case of B to B scenario, and here he works continuously to improve his customers, you know operations and processes, he comes up with products and services, which would benefit the customer you know and help the customer you know gain, you know deliver better products and services, gain larger market shares, gain profits and success succeed in the market.

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Now, let us come to the nature and role of sales management. There is certain specific duties of a sales manager. The first and foremost is to determine the goals and objectives of the sales force. It is very very important for a sales manager, to determine the goals and objectives of the sales force. The goals and objectives here, we refer to in the in day to day language as quotas, as targets, but actually the term is quotas.

So, the sales quotas also organizing the sales force in terms of territory management and quota allocation, forecasting, budgeting. We will be talking about, self forecasting and budgeting gradually, where we will see that while forecasting is the planning function, budgeting a it brings in a control element and we all know that planning and control are the two Siamese twins, they cannot be separated. The role of the sales manager is also to deal with sales force management, recruitment, selection, training, motivation, performance management, praises career development, etcetera.

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Now, what is the importance of the sales man of the sales management and of the sales department? The sales department is the only department in an organization which brings in revenue, they are the only revenue generators. And the financial results of a company, actually depend upon the performance of the sales force.

Also the sales force acts as a link between the customer and the conch organization, they are in interface and there is in and the sales executive has a responsibility to basically, he has a responsibility towards the organization or the object where he works, he has a responsibility towards the people or the customers and he has a huge responsibility towards the society to which with where he written is functioning.

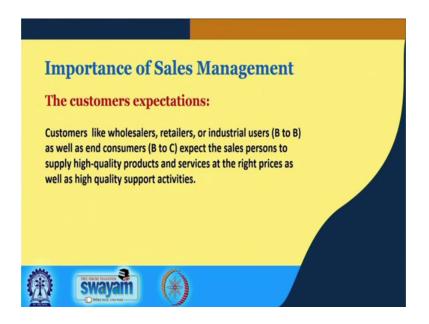
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So, what are the top management expectations? The top management expectations here are with respect to the fact that the sales man is able to achieve the sales targets, he should be able to contribute to the profits of the organization and he should maintain a continuous growth for the organization. So, it is the sales force here or the sales management here is allocated certain targets or quotas. And the attainment of these quotas or targets helps the organization earn profits and continual business growth.

Now, on the sales force also provides you know feedback to the top management or to the middle management and this feedback which is provided by the salespeople at the you know territory level or at the lower you know rungs are the feedback provided by them act as a feedback, acts as an input for setting up of objectives, which are to be or setting up of targets or quotas. So, targets are set for sales volume, they are checked for gross margin, for net profit and whether these targets with respect to the sales volume, the gross margin or the net profits are reached or not, all of this actually depends upon the performance of the sales force.

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So, a little more about the expectations which people have from the top from the customers now. Customers also whether it is B to B or B to C, whether they are wholesalers, retailers or industrial users, or where they are end customers. They also expect the salesperson to provide them with the right kind of product at the right price, and high quality support services.

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And of course, the society also has huge expectations from the sales force which is in terms of a commitment to deliver the right product, right quality product at a price which is the final buyer will pay. Also products which are ethical, which are less harmful for the environment and which take into account social and ethical, well-being of the community at large.

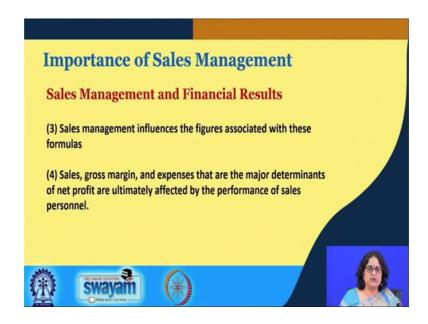
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Now, talking about the importance of sales management; we would also like to see here that sales management contributes directly to the financial results of a company. And the financial results of our company are actually illustrated through two formula; one where we talk about gross margin and two where we talk about net profit. So, what is gross margin? Gross margin is the sales minus the cost of goods sold or the cost of sales, which will give us the gross margin. And once we get the gross margin, if we actually subtract the expenses; what do we mean by expenses here, the selling expenses, what we get is net profit.

So, the salesperson has a very important role to play in bringing in profits for the company or the net profit for the company by doing this. He either increases the sales or he reduces the selling expenses, by either increasing the sales or by reducing the selling expenses, he would be contributing to the net profit of the company and that is why the sales team or the sales force is extremely in front instrumental, in gaining profits for the company and engineering and in you know for the organizations success, the salespeople have a huge role to play.

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So, sales management influences these figures associated with these formulas, either by increasing the sales or by reducing the net profit. All of this whether you earn your sales, your gross margin, your net profit, actually are affected by the performance of the sales personnel.

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Finally, we come to the emerging trends in sales management. And while we are talking of this we will give, some we will actually ponder on a few of these things. One sales today is, because companies are multinational, because companies are going global;

there are huge amount of global issues with sales teams or sales management has to take into account, this is with reference to you know diversity within the sales force, which is another point in listed here.

We will be we talk about, the diverse sales force but, it is always intelligent on the part of corporates or companies to actually have marketing managers, who may be rotated from one country to another. But, when it comes to the sales force, hiring of sales force or you know and allocating to him to territories; it is always a more wise to have people who are localized.

There has been a huge advancement in technology and with the internet revolution we see that planning the sale you know targets or and you know having a control mechanism in place, through reports, report generation, you know feedback to the corporate or to the headquarters, reports sending reports to headquarters situated within and outside the country, all of this has become easy.

Also with technology advancements sales team in one part of the country or one part of the continent can interact with others across countries, within country, across country, across continents, they are way kept you know abreast or what is happening all over the world. They get to know a real time of developments, product developments or other changes in the marketing makes.

Big importance today is being given to team selling, which involves a cross functional roles where a team or sales team specially in the case of B to B, does not comprise only the technical, but it also involves people from different functional areas both technical and non-technical. Also retailing today has assumed a different forms, you have multichannel retailing, retailing is not what it was just earlier; where the sales force made a face to face, had a face to face interaction or made a face to face presentation.

Today there is there are issue, there are there are alternatives available two people; where they can search online by offline or by off, you know search offline by online, they have different channels which they cannot resort too. So, you know they can also directly communicate or interact with the organization and buy or transact. There may be need there are suffering products for which we have indirect channels or the middlemen or the traditional channels, but today the more modern channels in the form of online, in the

form of direct marketing, direct selling, in the form of Omni channel and multi-channel are resuming.

Another important issue which is there is ethical, social environmental concerns. Today marketers, today sales force have to can take into account the social issues, the ethical issues, the environmental issues. And especially environmental issues are some or one thing which is assuming huge importance, today customers themselves are becoming very conscious towards their environment. And so marketers and sales force have to be well prepared to deal with you know such issues.

Relationship selling and partnering is the requirement of the day. As a salesperson one cannot afford a situation, where he just sells and sells the product and forgets the customer. He has to be continually in touch with the customer, continually insured in touch with him to not only discuss what you know the current requirements are, but also to understand what future needs could be and customer orientation is the key.

Also as we just said with respect to multi-channel, E-selling is assuming huge importance. You know people make presentations to their clients, online and deal with them, transact with them, any in any and every part of the world which mean gives not only huge opportunity to the marketers and sellers, but it also poses huge challenges. Because there is always at the lack of human interface or the lack of the you know the face to face interaction is lacking because of which relationship building can become very difficult. So, it is not only transactions, but also it is building relationships which is important in today's day and age.

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So, with this we finish our module, but before this let us look into with finish our lecture, but before this let us look into the references. So, we have Havaldar and Cavale, Sales and Distribution Management; Text and Cases by Tata McGraw-Hill. We have Tapan and Saha Tapan Panda and Sahadev which is Sales and Distribution Management, Oxford University Press. Still, Cundif and Govoni and Puri, Sales and Distribution Management, Pearson Education. And then we have Futrell, which is Fundamentals of Selling, Edition 10 which is Tata McGraw-Hill.

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So, with this I come to a conclusion of the introductory session on Sales and Distribution Management. So, I hope you found this lecture beneficial.

Thank you.