

**Sales and Distribution Management**  
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**Lecture – 10**  
**The Sales Organization (Contd.)**

[FL] we will be continuing with our discussion on the Sales Organization which is a part of the second module of our course on sales management. We have already discussed a few things on sales organizations in lecture 9, we shall now be continuing with our discussion on sales organization and concluding it in this half an hour.

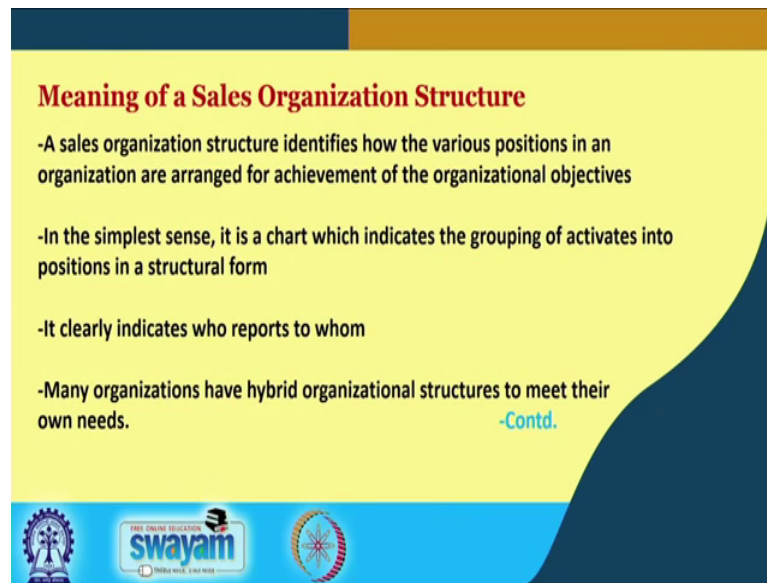
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So, the various topics which we you know covered under sales organization are the meaning and purpose of sales organization, formation of sales organizations, sales organization structures field sales organization. Out of these we have already covered the first two in the previous lecture 9.

We talked about the meaning and purpose of sales organizations, we also spoke about the formation of sales organizations. In this particular lecture we shall be dealing in greater detail on the various kinds of organizational structures and we also will speak about the field sales organization.

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**Meaning of a Sales Organization Structure**

- A sales organization structure identifies how the various positions in an organization are arranged for achievement of the organizational objectives
- In the simplest sense, it is a chart which indicates the grouping of activities into positions in a structural form
- It clearly indicates who reports to whom
- Many organizations have hybrid organizational structures to meet their own needs.

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Now, a quick recap on what we mean a by a sales organization structure, the sales organization structure which is actually a part of the bigger organization identifies how the various positions or how the various posts in an organization are arranged for the achievement of organizational goals and objectives.

So, in simpler words it is a chart which will indicate the grouping of activities into positions in a structural form and it will clearly mentioned who reports to him to whom. So, we have the clear cut you know depiction of the reporting relationships of the superior subordinate relationships and also providing four mechanisms of coordination and control.

Many organizations have hybrid organizational structures, which we shall talk of to meet their own needs. And these hybrid organizational structures are those which you know which while they are being structured they do not follow simple product based or geography based or market based structures. They are combining 2 or more of these together such that one there is there is a subordinate who reports not to one superior, but to 2 superiors. So, as organizations become more complex many organizations adopt the hybrid organization structures to meet their respective needs.

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**Types of Sales Organization Structures**

- A sales organization is a structure through which functions of sales management are carried out.
- It helps sales managers and executives carry out tasks efficiently and effectively to achieve sales, profits and market shares
- Basic management concepts related to sales organisation are:
  - ✓ Centralisation and decentralization
  - ✓ Degree of specialisation
  - ✓ Line and staff functions
  - ✓ Co-ordination and control

**A. Line Sales Organization**

**B. Line and Staff Sales Organization**

**C. Functional Sales Organization**

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So, in any case the organizational structure clearly tells us you know depicts to us the various positions, the reporting relationships and the various roles that people are to perform. Now it is actually a structure through which functions of sales management are carried out and it helps managers it helps executives to carry out their functions more effectively and efficiently without any chaos, without any confusion, without any duplication of activities and the people can work better and they can achieve their sales a profits and their market share.

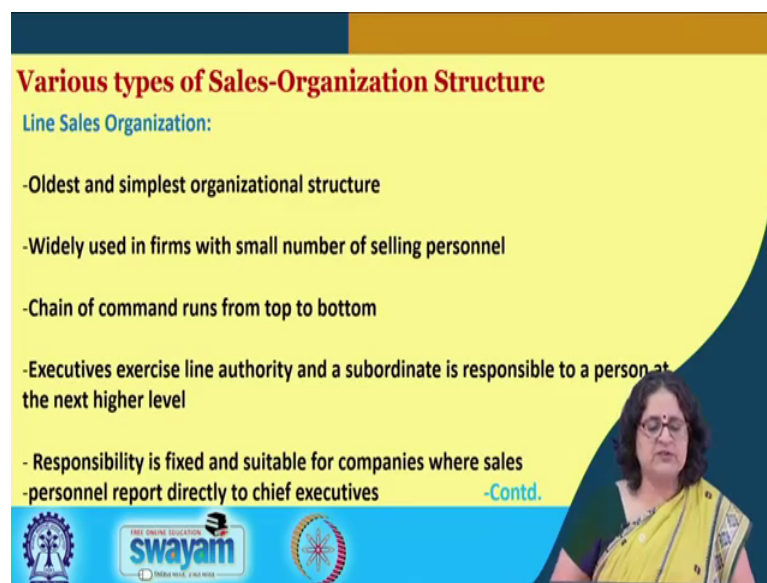
Now, the basic management concepts which relate to sales organization; in fact, they relate to any kind of organization are; 1 concept of centralization and decentralizations, 2 the degree of specialization, 3 the line and staff functions and the 4 which is a coordination and control. So, when we talk of centralization and decentralization it is a matter of whether the number of levels in the organization structure are few or many. In the case of centralized structure you know especially which are more useful in you know smaller organizations whether is one person who actually is able to you know control many positions under him or many jobs he the many activity he handles several of the activities and the large number of people reporting to one; which means that the number of levels in the organization also reduce.

But in the case of decentralized structures there are many levels reporting relationships are several people several layers of people who support superior and subordinate

reporting relationships exist and power in decision making is something which is very very decentralized. This degree of specialization would also determine whether organizations give follow highly you know adopt highly specialized rules and encourage growth of specialization. The line and staff functions clearly spell out, those functions which are important and critical for organizational objectives to be achieved and those which are support functions. And of course, we also have mechanisms for control.

So, when we talk about this the type of sales organization structures we will deal with the lines and line sales organizations we will talk about line and staff sales organizations and we will talk about functional sales organizations. Now in the previous lecture if you recall, I did speak about the line sales organizations where it is more of the superior issuing orders and directives and the people at the lower level are supposed to abide by them. The line and staff roles are where there is a staff or a support activity in the form of you know people who help the line. And in functional sales organizations these are highly specialized roles which are which are lay which are given importance.

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**Various types of Sales-Organization Structure**

**Line Sales Organization:**

- Oldest and simplest organizational structure
- Widely used in firms with small number of selling personnel
- Chain of command runs from top to bottom
- Executives exercise line authority and a subordinate is responsible to a person at the next higher level
- Responsibility is fixed and suitable for companies where sales
- personnel report directly to chief executives

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So, let us first talk about the line sales organization. Now these are the simplest and the oldest organizational structures and if you go and if we look at them here, they are where the chain of command runs from top to bottom.

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So, you have here a general manager and under him you have the sales manager and then you have assistant sales manager, division one, division 2, division 3 division 4. So, the assistant sales manager of the 4 divisions reports to the sales manager. And under the division 1, the sales division manager for assistant sales division you know for 1 has several sales people reporting to him, several. Similarly assistant sales manager division 2 has the sales people reporting to him and assistant sales manager division 3 has sales people reporting to him and assistant sales manager for there is an office staff which handles the office staff.

So, you have these different levels here the way our sales people for a particular division report to the assistant sales manager for that division, and the assistant sales manager for the different divisions reports to the sales manager, and the sales manager is under the general manager.

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**Various types of Sales-Organization Structure**

**Line Sales Organization:**

- Oldest and simplest organizational structure
- Widely used in firms with small number of selling personnel
- Chain of command runs from top to bottom
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So, you see here what we have is that there is a you know chain of command which runs from top to bottom and the executives exercise line authority. And the subordinate is responsible to the person at the next level. Responsibility is fixed and is suitable for companies where; and this particular system is suitable for companies, where the salespeople directly report to the chief executive.

So, you have the salespeople reporting to the sales man divisional sales managers and the divisional sales managers you know the particular area assistant sales; I am sorry the assistant sales manager division 1 is in charge of sales people under him. The salespeople for a particular division report to assistant sales manager division 1 and then the assistant sales division manager 2, 3, 4, 5 so forth they may report to the sales manager and the sales manager reports to the to the general manager.

So, responsibility is fixed totally, reporting relationships are clearly defined, there is a chain of command which runs from the top to the bottom and it is widely used in you know where the number of salespeople are few and the clear cut you know responsibility is demarcated and higher executives you know you exercise this line authority and the people at the and the subordinate is responsible to a person right above him. So, this is what we have as a line department or line sales department organization.

Now, what are the advantages and disadvantages of the line sales department organization?

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**Line Sales Department Organization**  
*Advantages and Disadvantages of a Line Sales Organization*

**Advantages:**

- Simple to use
- As departmental members report to only one supervisor, problems of confusion are minimized
- Defined placement of authority and responsibility saves time with replacement of administering changes
- Fosters close relationships
- Administrative expenses are low

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So, advantages are it is very simple to use as a department you know members, department members will report only to one supervisor. So, there are no problems or no confusions with respect to you know, who has to report to whom they all know that they have one boss and they must report to this boss or to the supervisor. So, problems of confusion are minimized, clear cut definition of authority responsibilities. So, clear cut delegation of authority defining of roles responsibilities.

And this saves time with replacement of administering changes also a close relationships can develop, because the superior has a subordinate and the subordinate reports to the superior. So, there is close ties between the both of them and relationships get forced, also administrative expenses are low because there is lesser chances of you know duplication of activities and any chaos. There is you know better optimization of resources and so administrative expenses are low.



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*Advantages and Disadvantages of a Line Sales Organization*

**Disadvantages:**

- A lot depends upon the head
- Head must be highly capable to manage the whole department
- Because of huge responsibilities, the head may not be able to devote much time to policy making
- Also, there is a narrow scope for proper planning

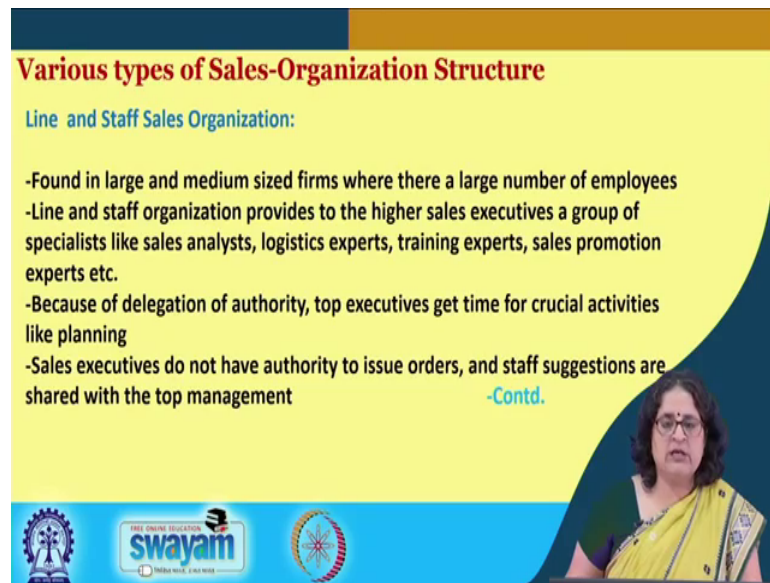
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But there are certain disadvantages of the system as well a lot the lot depends upon the head; the head must be highly capable to manage the whole department. Because of huge responsibilities he may not be able to devote much time to policymaking and there is narrow scope for poor planning.

So, he act the lot of responsibility for the division lies with the in charge of the division or the sales in charge of the division. He must be very highly capable of managing the whole department, because he has huge responsibilities and he has to deal with many salespeople. He may not be in a position to give more time or give much time to policymaking and so there is not a scope for poor planning activities.



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**Various types of Sales-Organization Structure**

**Line and Staff Sales Organization:**

- Found in large and medium sized firms where there a large number of employees
- Line and staff organization provides to the higher sales executives a group of specialists like sales analysts, logistics experts, training experts, sales promotion experts etc.
- Because of delegation of authority, top executives get time for crucial activities like planning
- Sales executives do not have authority to issue orders, and staff suggestions are shared with the top management

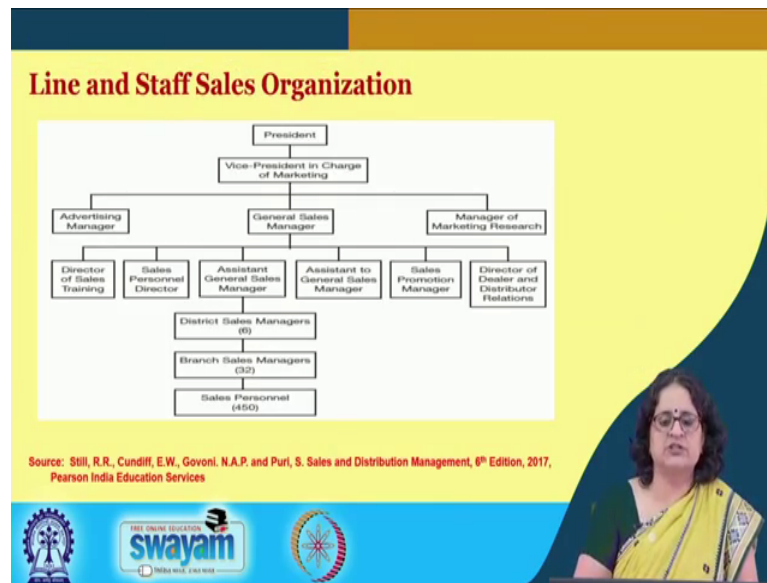
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Now, we come to the other one which is a line and staff sales organization. Now line and staff sales organizations are found in medium sized firms they also found in large size firms where their large number of employees and it give rights to the higher sales executive a group of specialists like you know; people who are trained in logistics or in accounting or report generation or sales ex promotion experts or sales analyst experts. So, because of delegation of authority top executives get more time for crucial planning. The branch head also gets time for planning, he can resort, he can actually contribute much more to the planning activities.

And sales executives do not have authority to issue orders and staff suggestions are shared with the top management.

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So, we have this kind of a structure here where you see that there is the vice president in charge marketing and he has under him the manager in charge advertising general sales manager and manager market research. Now the general sales manager has with him people who are specialized, there is a director of sales training, there is director or sales personnel or HR, he has assistant sales managers or assistant general sales managers, he has assistant to general sales managers he sales promotion manager, and then he also has somebody taking care of the dealers and distributors.

And the assistant general sales manager then has district sales managers 6 of them, and those 6 of them then they have their branch sales managers and those which may be another big number 30, 32, 40 depending upon the size of operations. And then the branch sales manager 32 of them may have their own sales force or sales team which may be many.

So, in this case what happens is that the assistant general sales manager has district sales manager branch sales manager under him, but he also seeks help from other you know a staff specialist whether in the HR function or in the training function or in the sales promotion you know function or even somebody dealing with the dealer and distribution network. So, here we see that there is a line which is selling, but is also assisted in a big way with the staff functions which are again a little specialized functions.

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*Advantages and Disadvantages of a Line and Staff Sales Organization*

**Advantages:**

- Superiors at the top are relieved from detailed work, hence can focus on strategic activities like planning
- Experts offer assistance in specialized fields
- Sub-division of activities improves functioning
- It allows senior officials to take a broader view of the department

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So, what are the advantages here; superiors are relieved of you know from detailed work and so they can focus more in strategic planning. But the experts in the form of the staff provide a lot of assistance to the field people working you know in the sales function. So, experts offer assistance in specialized fields, subdivision of activities into these specialized verticals can improve function. It also allows senior management to take a broader picture about an overview of the department.

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*Advantages and Disadvantages of a Line and Staff Sales Organization*

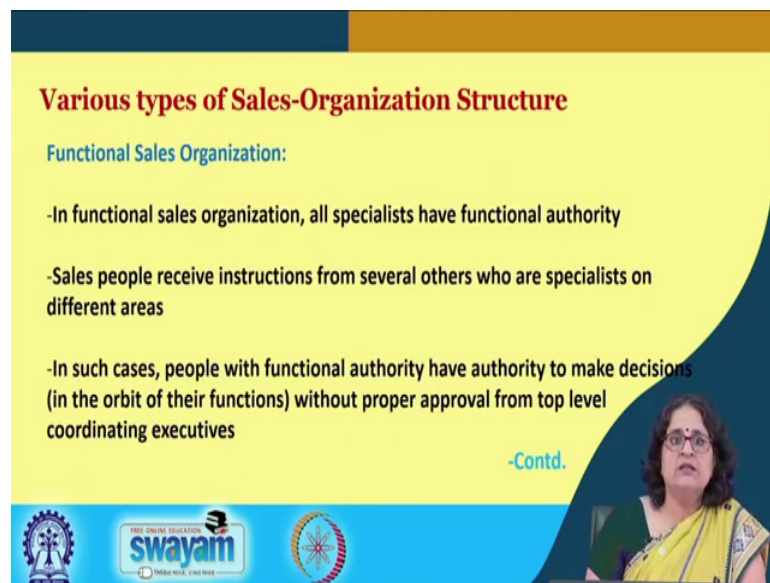
**Disadvantages:**

- Staff members are burdened with a lot of responsibilities
- Without proper coordination, there can be chaos among experts; hence control mechanisms are required
- There is an increase in administrative expenses
- Without close control, targets may not be achieved

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However, there are disadvantages of the system as well. Staff members are border burdened with a lot of responsibility, the people from the division people from the branch often contact them, approach them for different kinds of help and assistance. And in case and so administrative expenses are huge also without close control a target may not be achieved, and without proper coordination there may be any chaos at the specialist level and hence control mechanisms are strongly required.

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**Various types of Sales-Organization Structure**

**Functional Sales Organization:**

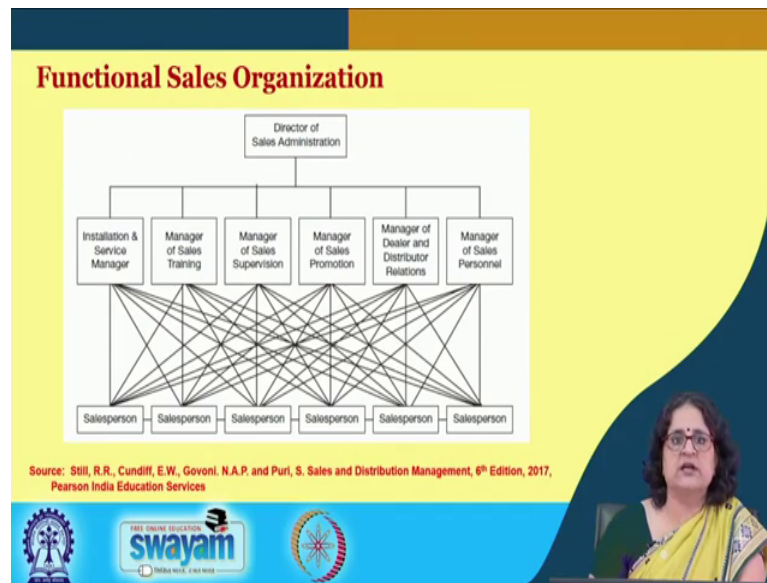
- In functional sales organization, all specialists have functional authority
- Sales people receive instructions from several others who are specialists on different areas
- In such cases, people with functional authority have authority to make decisions (in the orbit of their functions) without proper approval from top level coordinating executives

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Then we come to the next which is the functional sales organization. In the functional sales organization what we see is all specialists have functional authority. So, clear cut verticals, salespeople receive instructions from several others who are specialized in their own different areas. And so this is the kind of structure which we have.

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So, there in charge or a director of sales administration and he has people sales training sales supervision sales promotion, dealer distribution network and manager of sales personnel. So, the manager of sales personnel has a sales people. And if you see here installation and service manager deals with different salespeople, managers of sales training again deals with different people, manage of sales supervision again deals, this is a cross and a huge amount of interdependence and cross reporting relationships often leading to you know it is kind of both pros and cons of this system.

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**Advantages and Disadvantages of Functional Type of Sales Organization**

**Advantages:**

- It improves performance
- Specialized activities help in improving performances and effectiveness of sales force
- Makes sales operations highly centralized

**Disadvantages:**

- Not suitable for small and medium sized firms
- A single person coordinates all specialists, there is a possibility of clashes and confusion
- More administrative levels increase costs
- Centralized sales operations in large organizations may make the system inefficient

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So, advantages are it improves performance because specialized activities help in improving performance and effectiveness of the sales force. It makes sales operations highly centralized, creates better efficiency effectiveness, but the disadvantages is that it is not suitable for small structures or for medium size organizations. And because this kind of an administrative level will increase cost and it may not be wise, it may not be very efficient. So, also centralized sales operations in large organizations may make the system very inefficient. So, these are the advantages and disadvantages of functional type of sales organizations.

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**Field Organization of Sales Department**

- Field organization of sales department relates to the management of field operations
- It consist of all those employees who work away from the home office
- It includes employees like travelling sales supervisors and employees, clerical employees in branch and district offices, and also includes service, repair and promotional personnel as well.

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Now, we come to the next topic which is field organization of the sales department and the field organization of the sales department relates to the management of field operations. So, it actually deals with people who work away from the home offices are stationed in different territories, in different fields and it will include employees who are sales supervisors, traveling sales supervisors, employees they travel a lot they do not work in the home office. So, it will include people who are traveling sales supervisors, employees, clerical staff in the branch in the district offices, and it also include people who are involved in after sales like service repair and promotional activities.

So, the field sales of fields organization of the sales department will comprise people who work away from the home office. And they would include both people who are travelling, whether it is sales supervisors or salespeople it would also include the office

staff in the various branches, in the various sales districts and it will also include people in charge of after sales and local promotion.

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**Objectives of a Field Sales Organization**

There are two main objectives of a field sales organization:

- Facilitate selling tasks
- Assist sales people in achievement of their goals

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So, the 2 main objectives of having a field sales organization 1 is to facilitate the selling tasks and 2 is to assist salespeople in its seeing their goal in achieving their goals. So, the 2 the main activities which are performed or main we know responsibilities which have to be taken care of by the field sales organization is 1, to facilitate the selling activity of the selling tasks and 2, to assist the salespeople in achieving the goals or the various goals.



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**Factors that influence size of Field Sales Organization**

- Size of firm
- Relative emphasis placed on personnel selling
- Geographical spread of customers
- Desired frequency of sales calls
- Actual customer base
- Prospective customer base

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So, the factors which influence the size of the field sales organization will be the number 1, the size of the organization and the scope of its operations, 2 the relative emphasis that is placed on personal selling. So, you know especially this has implications in the b to b and b to c scenario it will also depend upon the extent of operations the geographical of the company and the geographical spread of the customers; whether it is in a state or across states within a country or across countries. The desired frequency of sales calls actual customer base and potential or prospective customer base. So, both actual and prospective or potential customers you know the size of that customer base of actual and potential will also determine the size of the field sales organization.

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**Centralization vs. Decentralization in Sales force Management**

**Centralization:**

- In centralized organizations everything is administered from centralized headquarters.
- Centralized headquarters have the responsibilities for sales force management, like for recruitment, selection, training, development, controlling and evaluating the sales force.

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A little bit about the principles of in sales force management: so centralization and decentralization centralization everything is administered from central headquarters and they are responsible for sales force management including recruitment selection training appraisals etcetera. But, in the case of decentralization it is you know they are managed at various levels with the different regions or at the bit different divisions and they are handled by the branch managers or district sales officers.

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**Advantages and Disadvantages of Centralization**

**Advantages:**

- Suitable for smaller companies
- Fosters control over strategic matters

**Disadvantages:**

- Not suitable for large companies
- May lead to excessive control, reducing flexibility in operations

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So, advantages and disadvantages: of course, advantages are you know of centralization they are good for small companies, but disadvantages are that it is not at all feasible in the case of larger organizations, it may lead to excessive control and this may be to reduction reducing the flexibility in operations and a delay in decision making.

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**Advantages and Disadvantages of Decentralization**

**Advantages:**

- Effective cultivation of market
- Promotes effective control and supervision
- Improves customer services
- Reduces costs for territorial break in, by allocating same locations to people from which they belong to
- Lower travel expenses and improves sales force morale

**Disadvantages:**

- High cost and not suitable for smaller firms

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With respect to the decentralization, the advantages are it leads to effective you know cultivation of markets, it needs in a promotes effective control and supervision, improve customer services and reduces cost for territorial breaking by allocating same allocations to people from which they belong to, also a lower travelling cost. But, advantages are it is very costly and not suitable for smaller organizations.

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**Schemes for Dividing Line Authority in Sales Organization**

- Geographic Division of Line Authority
- Product Division of Line Authority
- Customer or Marketing Channel Division of Line Authority
- Dividing Line Authority on more than One Basis

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Now, what are the different ways or schemes for dividing line authority in sales organizations? As I said a little while ago companies when you know sales organizations are further divided in terms of geographies or product divisions or customer or market channel divisions. So, we will talk about this a little while ago I did mention about geography being a dominant you know criteria in structuring your sales organization; sometimes it could be a product base, sometimes it could be a customer based or market based. I also spoke about the hybrid structure. So, we will go into this and little more in detail.

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**Schemes for Dividing Line Authority in Sales Organization**

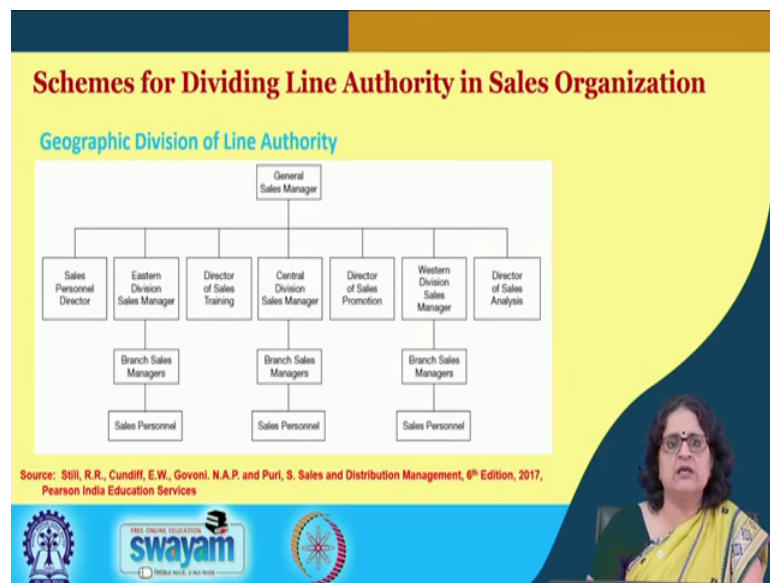
**Geographic Division of Line Authority:**

- Selling operations are divided geographically
- More apt when customer differ across geographical territories
- Geographical divisions is first made into regions which can be further divided into districts or branches.

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Now, geographic division of line authority is when the selling operations are divided geographically and it is suitable in conditions where there is a wide spread in terms of customer base. Customers are spread across different geographical territories and geographic division is first made into regions which are further branched off as branches; like in our case it may be north west east and South India and then Northern India may be further broken into different districts of different branches ok.

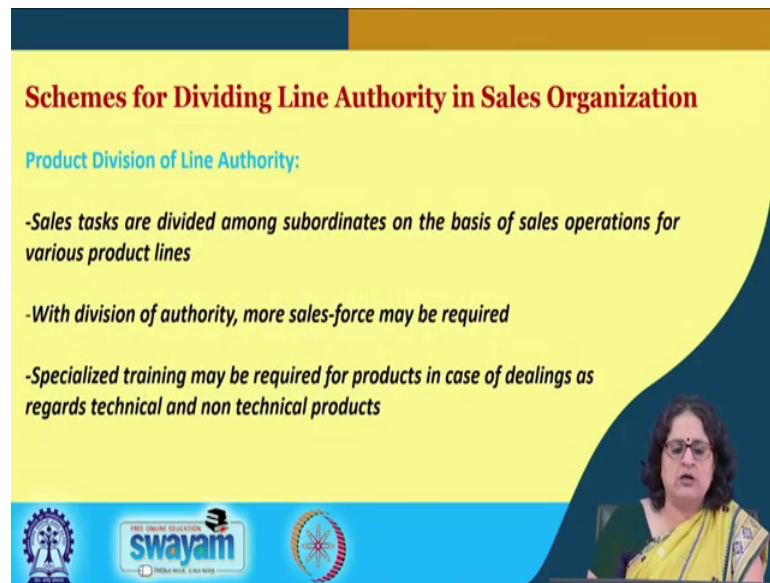
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So, what we get here is something like this, where you have eastern division sales manager or central division sales manager or western division sales manager and then you have branch heads under them and then you have sales people. So, in our case for example, it could be a sales person at a particular territory reporting to the branch and the branch manager reporting to you know the regional office eastern India and the regional officer east west north and south reporting to the to the national manager sales ok.

So, in this case you we have different sales people from in the north east and west reporting to the branch heads at the North West east and south. And then the branch heads of the north east west and south reporting to the division heads of north east west and south and so forth; and the finally, the different divisional managers reporting to the national manager.

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**Schemes for Dividing Line Authority in Sales Organization**

**Product Division of Line Authority:**

- Sales tasks are divided among subordinates on the basis of sales operations for various product lines
- With division of authority, more sales-force may be required
- Specialized training may be required for products in case of dealings as regards technical and non technical products

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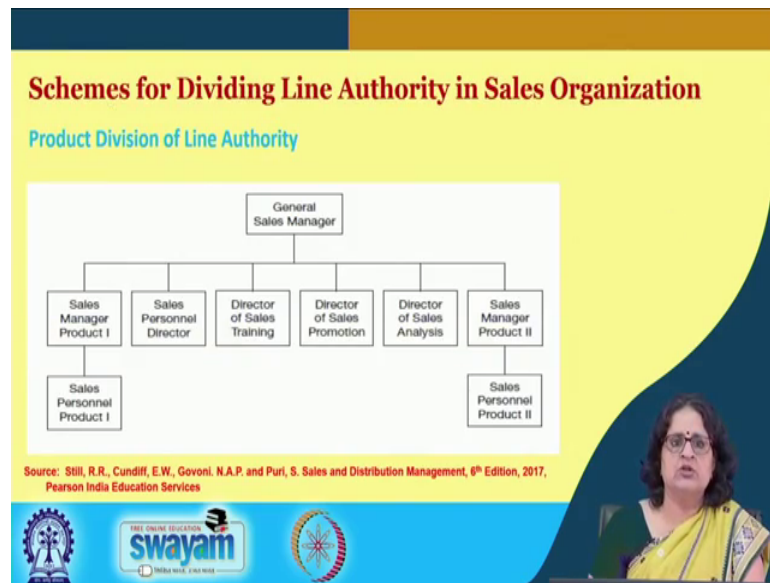
Now, the second way of departmentalizing or dividing the line here could be in terms of product division. So, the sales tasks are divided among subordinates on the basis of sales operation for various product lines.

For example, if there is a company which is into refrigeration and it also makes cooling equipment or it makes heating equipment or it makes you know deals with you know in terms of cool products which are into temperature control, so it could be products which are heaters and blowers for hot for creating higher temperatures or it could be cooling equipment again you know air conditioners or cooling you know structures for cooling the environment.

In those cases the sales organizations would be based on the product. So, there will be sales people reporting to the branch head or branch head reporting to others, but clearly the vertical would be in terms of product.

So, there would be a person in charge of cooling there will be another person in charge of heating; why because, the company deals with both cooling as well as heating equipment ok. So, the company is dealing with products meant for climate control or for temperature control and because of this temperature control equipment here which could be for cooling it could also be for heating. So, there is there is one clear cut division in the sales dealing only with the cooling equipment, there is another dealing with the heating equipment.

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So, here you have for example, sales manager product 1 and sales manager product 2. So, sales manager product 1 deals with you know the heating equipment blowers and heaters. And the sales manager product 2 deals with the cooling equipment which could be you know say refrigeration or it could be air conditioning and so forth or say other cooling coolers and things like that. So, in this way the division here is product based ok.

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Now, another method or another system which can have its customer and the type of customer, so let us take the same organization. If it deals with cooling equipment it may

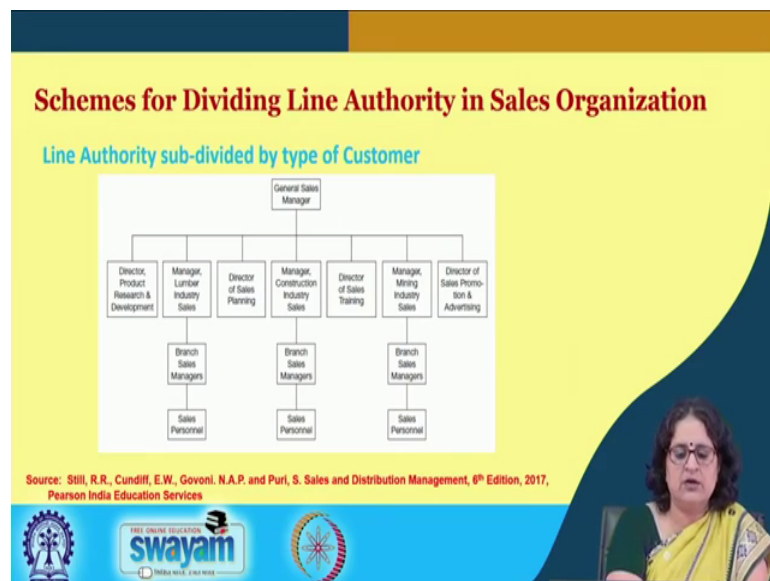


have b to b customer based, it may also have a b to c customer based. A b to b customer based here may be institutional buyers, who would want cooling equipments or refrigeration or central cooling further entire office or further factory or for so forth. So, in that case this particular there will be a sales team and a sales division dealing only with the b to b.

On the other hand there is a b to c segment which also buys refrigerator refrigerators or it buys air conditioners. So, in those cases it is going to deal with the b to c scenario where it is end use and the sales force here does not deal with the institutional buyers, but deals with the members of the trade channel or the marketing channel with dealers distributors and stockiest.

So, here the customer or marketing channel division; you know the division of line authority is based on the customer or on the market segment that is being catered to.

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So, we have here where you have sales people reporting to the branch and this branch reporting to a particular you know industry you know; which is say lumber as a customer group or it could be another industry which could be mining as a customer group. So, they have 2 different customer groups which they are catering to you know, so either in terms of customer or in terms of a market segment.

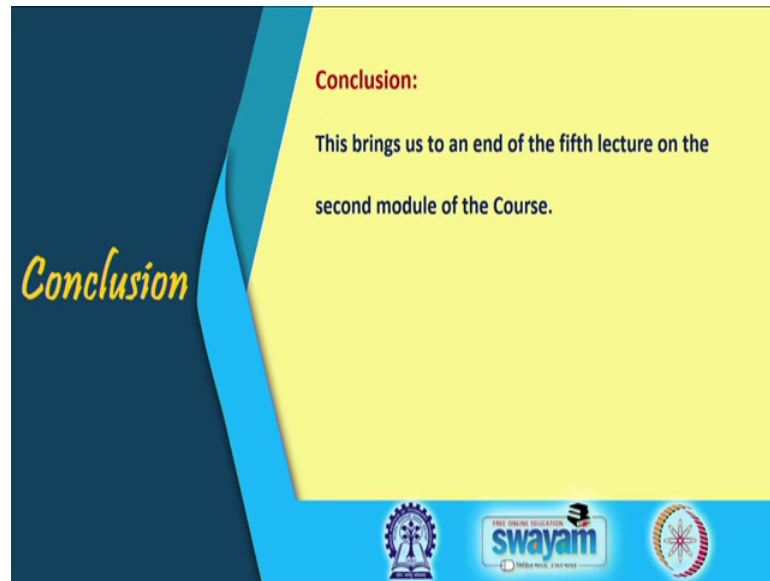
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So, here you know as a similarly, they could also have a line you know authority subdivided by type of marketing channel, where the sales people reports to sales manager chain stores or the sales person reports to the wholesaler or reports to the institutional manager institutional sales or the manager export sales. So, this is typical terms of the marketing channel.

So, we see that we what we what gets emerged is different kinds of structures whether based on you know geography or whether based on product or whether based on the marketing channel or on the customer.

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So, this brings us to an end of the fifth lecture on the second module of the course, we shall be continuing with the sub with you know the subsequent lectures we shall be starting with module 3.

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The references for this particular lecture: Still, Cundiff, Goboni, Puri, Sales and Distribution Management Pearson India; Havaladar and Cavale Sales and Distribution Management Mcgraw Hill Education; Panda and Sahadev Sales and Distribution

Management Oxford University Press; and Futrell Fundamentals of Selling Mcgraw Hill Education.

I hope you have benefited out of this session, we shall start with module 3 in the next session.

Thank you.