

Sales and Distribution Management
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Lecture – 30
Sales Force Management: Evaluation

[FL]. Today we will be discussing the next topic in Sales Force Management and this is evaluation of sales force. So, this is going to be the last lecture in this module 6 of our course on sales and distribution management; however, this topic shall be dealt with in two lectures and which will be lecture 30 and lecture 31. So, we shall be discussing a part of Sales Force Evaluation in this lecture and then in lecture 31, we shall be covering the rest of it. Now as we have discussed earlier that you know salesforce management involves recruitment selection, training, motivation you know of salesforce. It also you know involves reimbursements and you know managing selling expenses for salesforce.

we have also talked about the compensation system and we have spoken about how you know people are paid salaries either is fixed salaries or as variable components, our a combination of both. And we have discussed how the expenses of the salesforce are reimbursed. And the both compensation and reimbursement of these expenses act as huge motivators to salesforce which we also discussed earlier as a part of salesforce management.

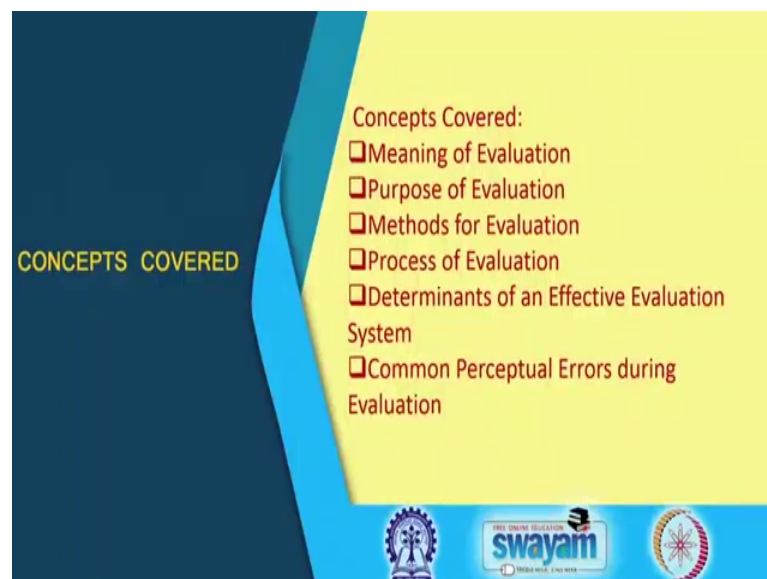
Now, the next topic in salesforce management is evaluation of the sales force. And this is going to be a topic of discussion today which we shall start with and continue in the next lecture.

Now, why is evaluation required? Any and every evaluation or assessment is required to ensure things are going on as planned. In our case, it is something which is required to ensure that that goals and targets which have been laid out are being you know met by the performance of the salesforce in the field. We need to see whether things are going on as planned. We have discussed earlier that you know planning and control are you know inseparable they are the Siamese twins. And in order for organizations to perform effectively it is very essential that both planning and control mechanisms are well go hand in hand. So, that whatever is planned as targets as sales goals, they can be achieved within the time frame and with the prescribed way; they were prescribed resources.

So, of course, we see that in several cases things do not go on as planned. And whatever has been planned in terms of sales goals sales objectives sales targets may not always be achieved. Yet you know companies must strive towards attainment and fulfillment of those objectives and that is why it becomes very essential that the performance of the sales force is evaluated from time to time. Not only to assess their performance levels at a micro level, but also to assess as to whether the overall objectives of the organization are being achieved or not. So, sales force evaluation at a micro level may mean an assessment of the sales force you know and the sales persons activities. But at a macro level it actually implies you know an overall assessment and a very comprehensive, you know assessment to ensure whether you know sales target sales goals objectives are being achieved as per plans across territories across branches regions zones etcetera.

So, that is why sales force evaluation becomes essential. The outcome of course, is either you know you know the fact that things are perfect and in place. And in those case the company may not have to take any action at all or may they it may, then you know based on the potential in the market it may decide to increase the targets. However, if things are not going on as planned then corrective action is required and this would mean that certain measures need to be taken either with respect to the job design or with respect to the targets or maybe you know training of the sales force and orientation of the salesforce and motivation etcetera. So, let us you know we discuss this topic on salesforce evaluation.

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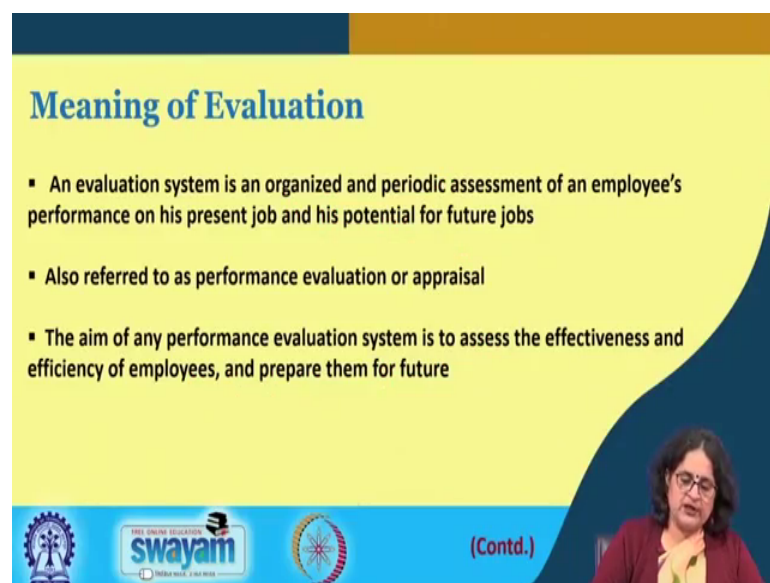
CONCEPTS COVERED

- Meaning of Evaluation
- Purpose of Evaluation
- Methods for Evaluation
- Process of Evaluation
- Determinants of an Effective Evaluation System
- Common Perceptual Errors during Evaluation

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The various topics which we shall be covering are the meaning of evaluation the purpose of evaluation. What are the methods for evaluation, The process of evaluation? Now the process of evaluation is something which is it is it is a four step process and will be elaborating on it in detail. So, the first step of it which we will discuss in this particular lecture and the subsequent three stages of the process we shall be discussing in the next lecture. And the next lecture we should also speak about the determinants of an effective evaluation system and what are the common perceptual errors during performance evaluation. So, let us begin with the topic.

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Meaning of Evaluation

- An evaluation system is an organized and periodic assessment of an employee's performance on his present job and his potential for future jobs
- Also referred to as performance evaluation or appraisal
- The aim of any performance evaluation system is to assess the effectiveness and efficiency of employees, and prepare them for future

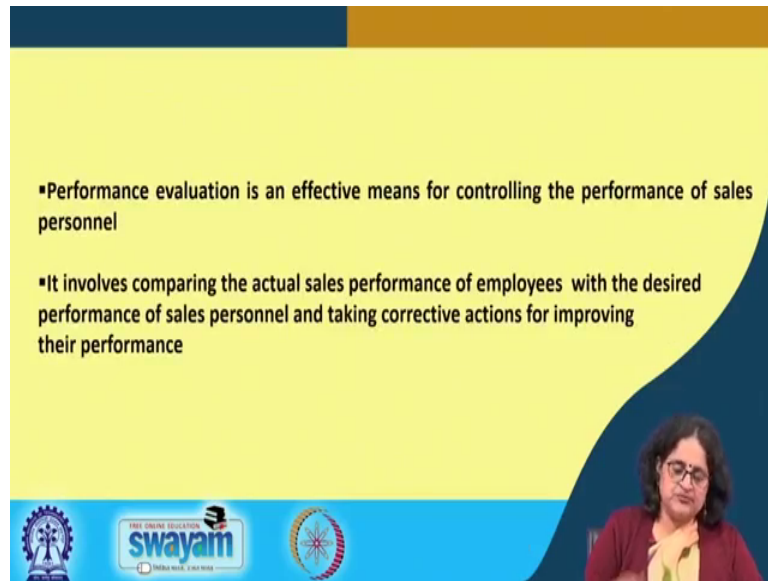
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Now, what is evaluation of? Evaluation is a system you know it is an organized and periodic assessment of an employee's performance on his present job and his potential for future job.

So, evaluation actually aims at assessing a person's performance at periodic intervals to examine as to how he is performing on the job and the kind of potential he has with respect to his knowledge skills and abilities. So, that he can contribute even better in future on those sales positions or on higher sales positions. It is also referred to as performance evaluation or performance appraisal. And the aim of any performance evaluation system is to assess the effectiveness and efficiency of the sales force and to prepare them for future.

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▪ Performance evaluation is an effective means for controlling the performance of sales personnel

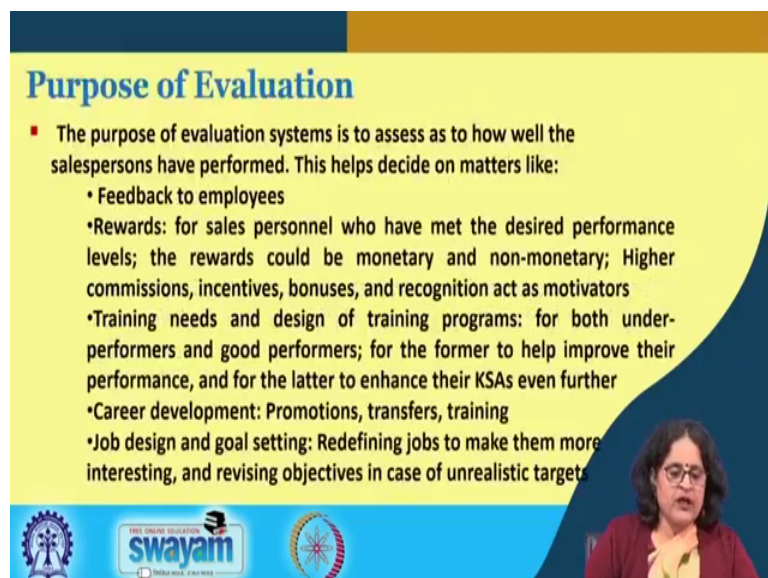
▪ It involves comparing the actual sales performance of employees with the desired performance of sales personnel and taking corrective actions for improving their performance

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So, if we define it a little more, it is an effective means for controlling the performance of sales personnel as well. Because, it involves comparing the actual sales performance of employees with the desired performance of the sales personnel and taking corrective actions for improving their performance.

So, it basically involves the actual sales performance of these of employees with the desired and taking corrective action for improving their performance in future and also to prepare them for future job positions.

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Purpose of Evaluation

▪ The purpose of evaluation systems is to assess as to how well the salespersons have performed. This helps decide on matters like:

- Feedback to employees
- Rewards: for sales personnel who have met the desired performance levels; the rewards could be monetary and non-monetary; Higher commissions, incentives, bonuses, and recognition act as motivators
- Training needs and design of training programs: for both under-performers and good performers; for the former to help improve their performance, and for the latter to enhance their KSAs even further
- Career development: Promotions, transfers, training
- Job design and goal setting: Redefining jobs to make them more interesting, and revising objectives in case of unrealistic targets

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What is the purpose of evaluation? Now as I said the purpose of evaluation assess as to how well the sales persons have performed and over a period of time. And this will of course, help decide on matters like one feedback to the employees. Now here in case performance has been up to the mark it has been as per standards. You know it also means that there has to be reward system for the good performers and you know for the sales personnel who have met the desired performance level.

So, these rewards could be monetary and non monetary. We have discussed them when we did motivation and higher commissions incentives bonuses and recognition, all of which we covered and with the in the under our topic on compensation act as motivators. So, you know the evaluation helps decide you know matters with respect to rewards and reward systems. It also you know give provides insights into the kind of training needs and the kind of training programs that must be designed.

So, training needs and design of training programs according to training needs is something which needs to be taken care of and the basis of this is again performance evaluation or performance appraisals of existing employees. So, both under performers and good performers may need to be provided with training. For the under performers, it would help them improve their performance and for the over performers or good performers, it would actually mean enhancing their knowledge skills and abilities to prepare them for future job positions.

So, this would again mean you know a take away for career development whether it is with respect to promotions or transfers or need for more training on the new jobs you know or the new positions which a person must you know, have because you know he needs to be now trained for a higher job; if he has been promoted. Or he has to be trained for another job which is not something which he was doing earlier. So, you know the evaluation also helps you know provide inputs into career development, where if a person is being you know where it is you know examined you know and assessed as to who are the people, who can be promoted, who are those who can be internally transferred, who are those who can be sent to either you know, who can be actually positioned on different jobs with different job profiles.

And you know and of course, that would also come with you know that would also mean some kind of training for them to be able to perform on their new positions in a better

manner. So, what we are talking of is continuous sales training programs. So, evaluation also helps you know not only in training and initial training, but also you know of the continual sales training programs which will you know be conducted for people who are either under performers or who are good performers. But I have to be now sent to new positions or transferred to new positions and they have to be given more responsibility and more you know duties and responsibilities.

Now, evaluation also helps in job design and goal setting. Several times it is realized that the goals that had been set or the targets that had been set was something which were which were not realistic. And if they are not realistic, it would mean revisiting the objectives.

So, our job you know. So, evaluation also provides inputs into job design and goal setting where we mean that objectives have to be revised, in case they are unrealistic. And again jobs have to be made more interesting more you know, authority has to be provided to the salespersons or more autonomy has to be provided to them or there has to be more in the jobs have to be enriched more made more you know exciting enough for them to be kept motivated on the job so, that they can perform well. We have discussed earlier that if a salesperson is made to sell in a particular territory for years together or if he has been made to you know you know, sell certain products or sell to the same customers for years together. It may become an autonomous, it may become boring for him and there again performance may decline.

So, in those cases again you know either the job has to be made more enriching. So, that he is, he there is some kind of a motivation which has given to him with respect to the job factors or the job content factors which we discussed when we did a hertz burgs theory motivation. And else you know on the other hand it may also be so happening that the targets which have been set are too unrealistic. And so, in that case also it would mean revision of goals or you know changing the targets you know revising the targets so as to make them more realistic. So, the purpose of evaluation is one you know the to bring about a reward system in place and to ensure that people who have met the desired performance levels are rewarded and these rewards could be monetary and non monetary. Both of which will be motivating for them and you know encourage them to perform even better in the days to come.

Second is with respect to training needs and design of training programs which becomes essential when it is seen that salespersons performance is much below, the desired which probably is happening because the sales force is not trained enough. Or you know the fresh hired sales piece of people you know have been put on the field without any training and they have to be broad back to you know the classroom or to you know mentor to mentors to be able to you know get better training. And again for those people who are already working in the organization; if performance is low again it would mean that you know there is some kind of a training some kind of an orientation which was required to enhance their knowledge skills and abilities and to prepare them to from better on their respective job positions.

Again evaluation would also I help identify the good performers which would mean you know decisions taken with respect to their promotions or their transfers to higher positions or other departments and other job positions. So, in a way what we are talking of his career development. And evaluation also helps you know with respect to taking decisions on job designs to make them more interesting and revision of targets. If it is felt that the targets which have been set are the are something which is unrealistic. Of course, the point one which I have stated here is feedback to employees and you know one of the major you know takeaways for you know formal evaluation processes feedback to be given to employees.

If the employees have performed well they need to be appreciated. If the employees have not performed well there has to be some kind of a mechanism for a constructive criticism. They also has to be some kind of an you know a mentoring program or an orientation program or a training program which can ensure that people who are have been under performers can be brought to satisfactory levels of performance. So, these are the various reasons why evaluation systems are necessary in organizations and in the sales function.

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Methods for Evaluation

- Objective Measures: these measure employee performance in terms of units that can be seen and quantified; quantitative measures
- Subjective measures: these measure employee performance based on human judgment, like ranking, rating, paired-comparisons, forced distributions etc.; majorly, qualitative but also quantitative (in case of ratings)

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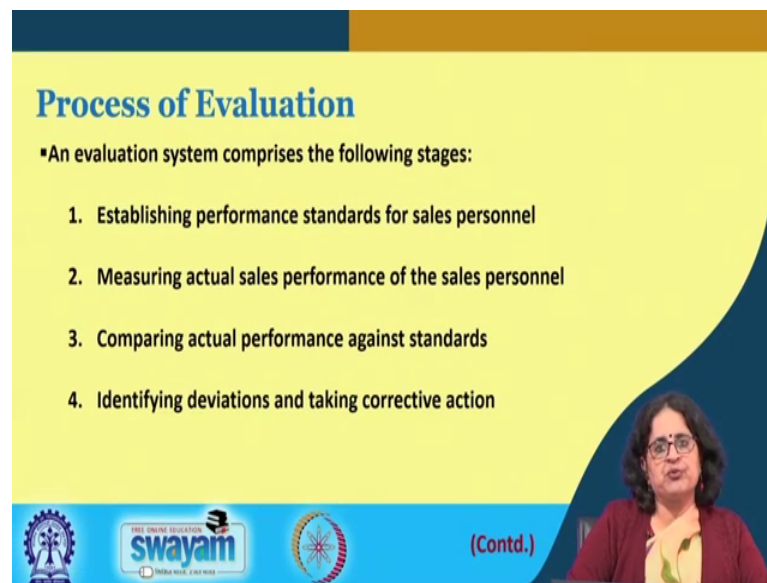
Now what are the different methods of evaluation? Now basically what is used are certain kinds of measures and these measures could be objective measures and subjective measures. Objective measures are those which are quantitative measures and they measure employee performance in terms of units that can be quantified, they can be seen and quantified on the other. And subjective measures are measures which are more qualitative in nature and they measure employee performance based on human judgment. Like rating ranking paired comparison force distribution. So, this would mean that these subjective measures although they are more tilted towards the qualitative measures, they some element of quantitative measures may be brought in if rating scales are used.

Now ranking is when one person is compared to another and you know there are 10 ranks and 10 different people are being ranked you know and ranks are given according to subjective judgment by the immediate superior or you know you know the branch manager. And paired comparisons are when two people are compared or a pair of people pair is compared one against another one several qualities and for force distribution is when certain amount of people have to be graded as the best and another percentage has to be graded as the average and another percentage has to be graded as the you know the poor performer.

So, according to p p subjective assessments of the appraisers, these people are placed into these different categories. The distribution is called a force distribution because the

percentage of people who have to be fitted into these categories is well prescribed and defined. And of course, the rating scales are often used to rate people on scales of 5 or 7. Again here because it is a subjective assessment on qualities which are later rated on scales this makes a system little quantitative.

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Process of Evaluation

▪An evaluation system comprises the following stages:

1. Establishing performance standards for sales personnel
2. Measuring actual sales performance of the sales personnel
3. Comparing actual performance against standards
4. Identifying deviations and taking corrective action

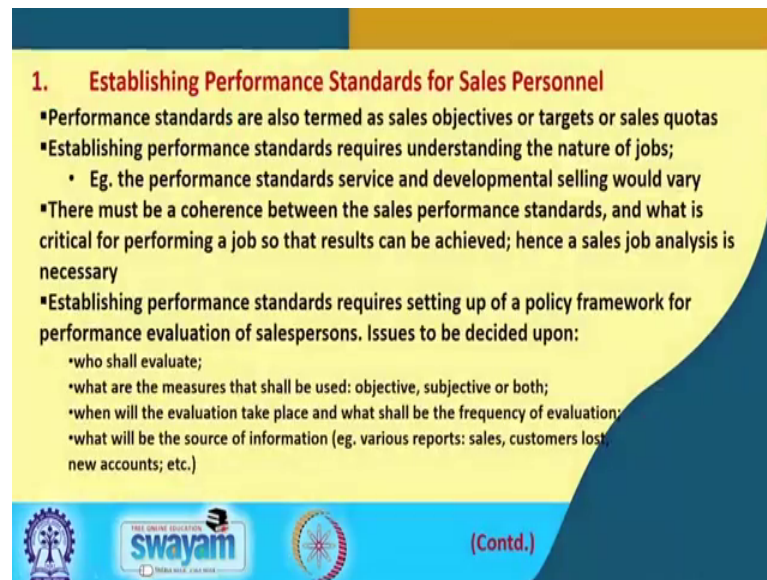
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Now let us go into the process of sales force evaluation. And if we go we see that any evaluation system comprises the following stages where we begin with establishing performance standards for sales personnel measuring the actual performance of sales personnel and then comparing the actual against the standards which have been postulated in stage one. And then we identify deviations and take corrective action. So, the first step is establishing performance standards, second is measuring actual performance of the sales people, third is comparing actual against standards and fourth is identifying deviations and taking corrective action.

So, let us first start with the first stage. We shall be covering this first stage in this lecture. The subsequent stages 2 3 and 4 shall be discussed in the next lecture.

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1. Establishing Performance Standards for Sales Personnel

- Performance standards are also termed as sales objectives or targets or sales quotas
- Establishing performance standards requires understanding the nature of jobs;
 - Eg. the performance standards service and developmental selling would vary
- There must be a coherence between the sales performance standards, and what is critical for performing a job so that results can be achieved; hence a sales job analysis is necessary
- Establishing performance standards requires setting up of a policy framework for performance evaluation of salespersons. Issues to be decided upon:
 - who shall evaluate;
 - what are the measures that shall be used: objective, subjective or both;
 - when will the evaluation take place and what shall be the frequency of evaluation;
 - what will be the source of information (eg. various reports: sales, customers lost, new accounts; etc.)

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So, first what is done whenever you know people have to be evaluated they must be evaluated against certain standards certain benchmarks. And so, the first stage in the sales force evaluation process is establishing performance standards for salespeople. Now a performance standards are also called as sales objectives or targets or sales quotas. And it involves establishing performance standards based on and this based on the nature of the job. So, whenever standards have to be set for sales personnel, it is very important that they are based on the nature of the job. And there has to be a coherence between the sales performance standards and what is critical for performing a job. So, that you know the desired results can be obtained.

So, hence a sales job analysis is very, very necessary. And what we are talking off again here is the job description. So, you start with a job analysis and a job description and then what becomes important is establishing performance standards you know which again would mean setting up policy framework for performance evaluation of salesforce.

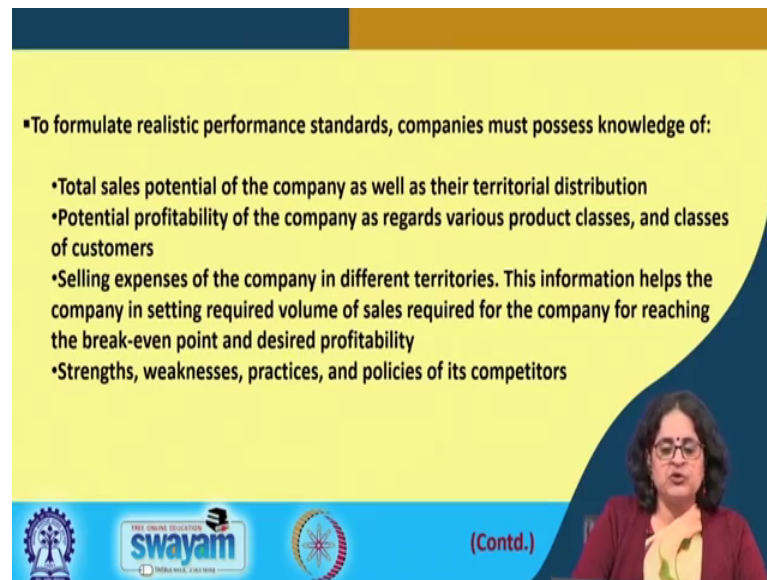
So, performance standards you know when they have to be set. It is very important that they are set differently for different sales jobs. And so, you know what the first step which is required is a sales job analysis and a sales job description which will help understand the nature of the job. And establishing performance standards would require setting up of a policy framework for the performance evaluation of the sales force. So, there is certainly issues that must be you know decided upon. First is who shall evaluate

you know the sales force or the sales personnel. What are the measures that shall be used here, what we are talking of will it be objective measures or subjective measures or both? We just discussed the objective being quantitative and the subjective being qualitative. And when will the evaluation take place and what would be the frequency of this evaluation? Is it going to be something which is once a year or it is going to be something which is twice a year? And so, is it going to be annually or is going to be half yearly.

Is it going to be quarterly ok? So, so and what will be the source of information on the basis of which you know evaluations are going to be made. So, this will mean you know deciding on the various kinds of reports. Like the sales volume reports or the selling expense reports or the customers lost reports or the new accounts reports etcetera. So, again it is very important to mention here that you know the performance standards will vary across the nature of the job and the selling strategy is involved.

For example, the performance standards for service and developmental settling would vary in a in very, very a lot. So, it is very important that when sales manager set to evaluate their sales force, they have to decide on the standards and on the benchmarks, which must be done based on job description or a sales job description. And it is also important that a policy is formulated with respect to who will be the appraiser you know and what are the measures that would be used for appraising and when will the evaluation takes place where and how often and what will be the source of information for evaluating the sales force or for measuring the performance you know take obtaining measures for their performance. So, this is you know which is something very, very crucial.

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▪To formulate realistic performance standards, companies must possess knowledge of:

- Total sales potential of the company as well as their territorial distribution
- Potential profitability of the company as regards various product classes, and classes of customers
- Selling expenses of the company in different territories. This information helps the company in setting required volume of sales required for the company for reaching the break-even point and desired profitability
- Strengths, weaknesses, practices, and policies of its competitors

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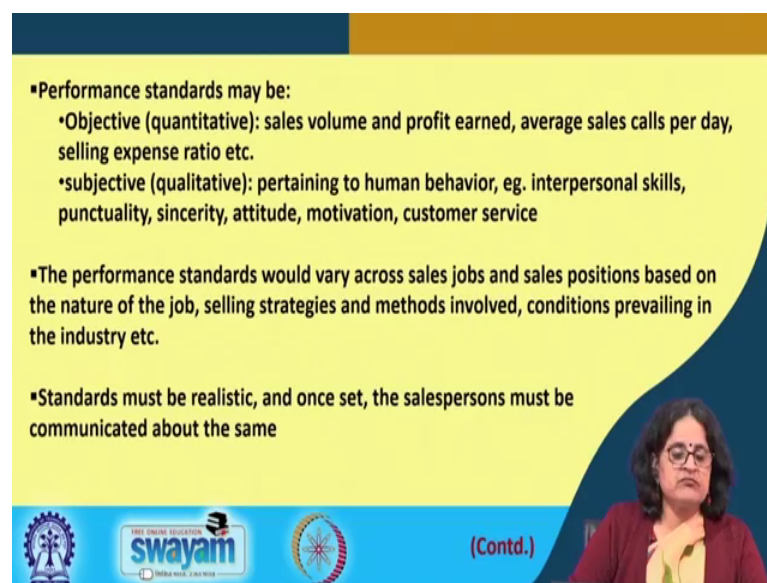
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Now, to formulate realistic performance standards companies must possess the knowledge of the total sales potential of a company as well as the territorial distribution. They must know very well that what are the in dust what is the market potential and what is the company sales potential. And if you remember we spoke of the market potential as the industry potential and we spoke of the company sales potential as the you know as the company put you know potential. And we also and this not only is the total sales potential important. It is also the territorial distribution of such potential which is vital.

So, you know to set realistic standards you know it becomes very important that companies have the knowledge of the total sales potential. They should also have information about the potential profitability of the company as regards the various product classes and the classes of customers or who are being catered to selling expense of the company in different territories also must be known. Now this information helps a company in setting required volume of sales required you know a required volume of sales required which are essential for a company for reaching the breakeven point and the desired profitability. Because if you recall we have spoken earlier that sales is important, but there is also an in it is also important that the selling expenses are curved. Else the net profit would get diluted. So, companies must have a have possessed knowledge about the selling expenses. And they must also possess knowledge about the strengths the weaknesses of the competitors their policies their practices their market share etcetera.

So, to formulate realistic performance standards companies must have knowledge about the total sales potential. Overall as well as territorial distribution to they must have an idea about the potential profitability of the company with respect to different kinds of products that they are you know manufacturing and selling as well as with respect to the classes of customers that they are dealing with. 3 they must have an idea about the selling expenses of the company across territories and fourth they must also be aware of competitor strengths and weaknesses their market share the products that they sell and they are selling policies and practices.

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•Performance standards may be:

- Objective (quantitative): sales volume and profit earned, average sales calls per day, selling expense ratio etc.
- subjective (qualitative): pertaining to human behavior, eg. interpersonal skills, punctuality, sincerity, attitude, motivation, customer service

•The performance standards would vary across sales jobs and sales positions based on the nature of the job, selling strategies and methods involved, conditions prevailing in the industry etc.

•Standards must be realistic, and once set, the salespersons must be communicated about the same

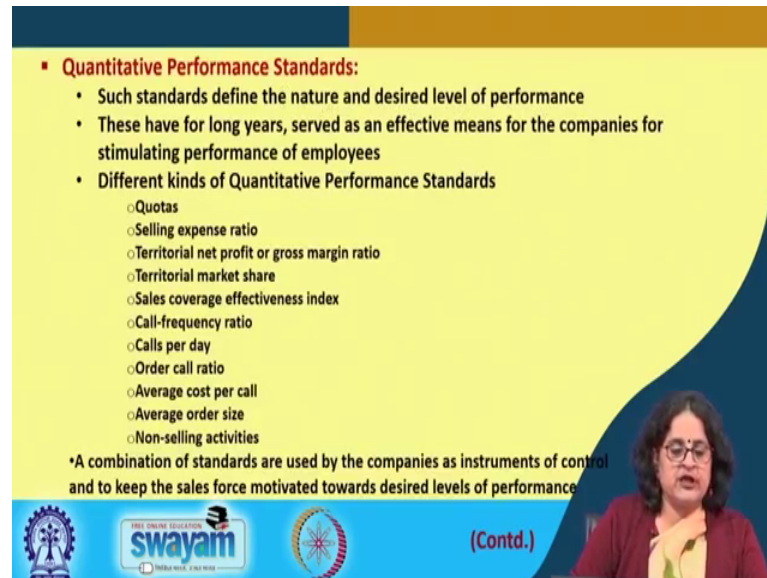
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Now, as I just said performance standards will be objective and subjective and you know the performance standards which vary again across the kind of sales jobs and sales positions based on the nature of the job the selling strategies and methods involved as well as conditions prevailing in the industry. So, whenever companies decide on the performance standards whether it is quantitative standards or qualitative standards they must keep in mind that you know these standards will vary across sales jobs in sales positions based on the nature of the job.

they are selling you know strategies and methods involved the conditions in the market and in the industry etcetera. And whatever standards are set must be very realistic and they must be well communicated to the sales force. The salesperson must be communicated very well in advance what they are supposed to you know earn for the

company and in what period. So, they must be very clearly informed very specifically it should be you know informed and communicated that what in how much period. So, what do they have to sell and how much do they have to sell in terms of sales volume and in terms of unit and in what period. So, these are things which need to be taken care of.

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▪ **Quantitative Performance Standards:**

- Such standards define the nature and desired level of performance
- These have for long years, served as an effective means for the companies for stimulating performance of employees
- Different kinds of Quantitative Performance Standards
 - Quotas
 - Selling expense ratio
 - Territorial net profit or gross margin ratio
 - Territorial market share
 - Sales coverage effectiveness index
 - Call-frequency ratio
 - Calls per day
 - Order call ratio
 - Average cost per call
 - Average order size
 - Non-selling activities

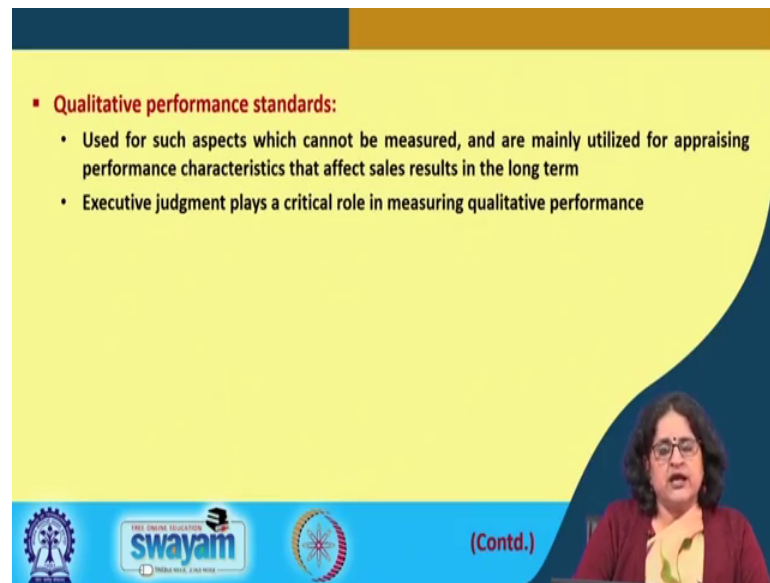
• A combination of standards are used by the companies as instruments of control and to keep the sales force motivated towards desired levels of performance

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Now quantitative standards as I said are those which are objective and they define the nature and desired level of performance. And quantitative standards are such which have been used by companies for you know encouraging employee performance for years and years or together. Different kinds of quantitative performance standards like for example, this the quotas the selling expense ratio the territorial net profit or the gross margin ratio.

And the territorial market share the sales coverage effectiveness index the call frequency ratio the calls or sorry the order call ratio, average cost per call average order size as well as non selling activities. We shall be discussing all of these standards you know in the next few minutes. And of course, companies use a combination of these standards as instruments of control. And so, that they so that they can ensure that the sales force are kept motivated towards desired levels of performance now.

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▪ **Qualitative performance standards:**

- Used for such aspects which cannot be measured, and are mainly utilized for appraising performance characteristics that affect sales results in the long term
- Executive judgment plays a critical role in measuring qualitative performance

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We also have qualitative standards and these standards are used for such aspects which cannot be measured or quantified. And they are mainly used for appraising the performance characteristics of employees which will have an impact on the sales in the long term. So, quality is like you know sincerity commitment customer relationships good interpersonal relation you know punctuality modesty you know politeness are few of these traits which need to be subjectively assessed.

Now, because qualitative performance standards are subjective in nature, executive judgment plays a very critical role in measuring qualitative performance.

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Performance Standards	
Performance Standards	Description
Quotas	These standards are expressed in absolute terms (in rupees, number of units, or points) and apportioned to a specific marketing unit; these are specific desired levels of sales volume, gross or net profit, selling expenses or a combination; the marketing unit may be a salesperson, dealer, territory etc.; most popularly used standard
Selling Expense Ratios	The standard is meant to exert control over selling expenses, as selling expenses, if high, can dilute the net profits of a company; what is assessed is selling expenses in relation to sales; the ratio is determined on the basis of estimates regarding both the sales volume potential and the selling expenses in a territory, and hence these may vary across territories, and across salespersons serving across territories

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Now, we shall be discussing the subsequent step stages in the next lecture, but we will want, but what we need to discuss now is something on the performance standards. So, what I am now going to discuss some of these performance standards and the description of these standards. So, the most popularly used and widely used and standard is what we refer to as the quotas, which clearly a specified to a salesperson. What he must sell how much and in what period. So, these standards are expressed in absolute terms whether it is monetary terms in rupees or it could be in units or it could also be in points.

Now what is the point quota here is something which we shall be discussing you know a you know subsequently in our chapter on sales quotas we shall. We will put that on hold for later discussion. Now quotas or standards or you know which I expressed in absolute terms. And they apportioned to specific marketing unit. Now the specific marketing unit here could be a salesperson, it could be a branch, it could be a you know a dealer or it could be a territory. And these the desired level of sales volume you know gross profit net profit selling expenses or a combination of all of them are actually specified.

So, this is one of the most popularly used quotas and popularly used performance standards and we shall have a separate discussion on quotas in our lectures next week. So, but you know in a nutshell quotas are standards which are expressed in absolute terms. In rupees or a number of units or as points and they clearly indicate what say a sales person must sell, how much of it and in what period it is as I said the most widely


used standard. The second is a selling expense ratio now we have discussed earlier that sales persons contribute to organizations net profit in two ways; one by earning huge sales for the company and 2, by curbing the selling expenses. So, the selling expense ratio basically tries to curb the selling expenses of the sales person. It acts as a control element on the selling expenses incurred by the salespeople because if the selling expenses are very high, it would dilute the profits of the company or the net profits of the company.

So, what is assessed is selling expenses in relation to the sales. And the ratio is determined on the basis of estimates regarding both the sales volume potential and the selling expenses in a particular territory. And hence the selling expense may vary across territories and across sales person serving in different territories. Because the expense condition across territories may vary it may be very you know at a tier one and tier 2 cities may be more expensive when tier three cities in terms of travel in terms of boarding and lodging in terms of an entertaining clients etcetera. So, the sales this sorry the selling expense ratio varies across territories and across salesperson serving across different territories.

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Performance Standards	Description
Territorial Net Profit or Gross Margin Ratios	These standards are determined on the basis of required territorial ratio of net profit to sales or gross margin to sales for each territory; the objective is to encourage salespersons to sell a balanced line of products and also keep in mind the relative profitability across different products, customer segments and territories; the objective is that each territory must contribute towards overall profits, and all kinds of big and small ticket items as well as high and low profit potentials must be paid attention to
Territorial Market Share	In order to control the company's market share on a territory by territory basis, the target market share percentages for each territory are specified, and thereafter company sales to industry sales in each of the territories is compared to check the effectiveness and efficiency of the salespersons; the standard serves as a basis for maintaining a certain level of customers across each territory

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The third performance standard which we speak of is a territorial net profit or a gross margin ratio. Now these standards are determined on the basis of the required territorial ratio of net profit to sales or gross margin to sales for each of the territories.

The objective is to encourage sales persons to sell a balanced line of products and also to keep in mind the relative profitability across different products across different customer segments and territories. Now often it happens that as we have you know that a small ticket item is easy to sell and so, the salesperson concentrates on the small ticket item. Something it is also easy to obtain small orders as compared to large order. So, again the sales persons may concentrate on obtaining small orders, but this is something which can you know which with the competitor can gain advantage off whether it is big in terms of big orders or in big you know big ticket items or it could be also bigger clients.

So, this is something which a company would not desire at any cost. And so, to ensure that there is a balanced line of orders for you know off products and to keep in mind the relative profitability across different products different customer segments and territories. The territorial net profit or the gross margin ratios are specified. The objective here is that each territory must contribute towards the overall profits of the company. And all kinds of big and small ticket items as well as big and small orders as well as high and low profit potentials customers are paid attention to.

The next standard is the territorial market share. Now in order to control this company's market share owner territory by territory basis, the target excuse me the target market share percentages for each territory as specified. So, what the company tries to do is that it actually stipulates the target market share percentage for each territory. So, that it can control the you know the company so, that the market share of the company can be controlled on a territory by territory basis. After this the, you know the company sales to industry sales in each of the territories is compared to check the effectiveness and efficiency of the sales persons. So, the standard serves as a basis for maintaining a certain level of customers across each territory. Companies would always and always want that you know they have large market shares in every territory that they are serving and to ensure that they prescribe this standard.

And once the appraisal period is over or one every quarterly or every half yearly, the company sales in the territory is come you know or to the industry sales in the territory is assessed to check the efficiency and effectiveness of the sales force.

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Performance Standards	Description
Sales Coverage Effectiveness Index	This index is calculated as a ratio of the number of customers to the total prospects in a particular sales territory; individual standards for sales coverage are specified for customers, across segment(s), be it class or size
Call Frequency Ratio	This is calculated by dividing the number of sales call made to a particular class of customers by the total number of customers in that class; the method ensures that sales effort are made towards such customers who are the most profitable ones, and would give huge orders
Calls Per Day	These are standards with respect to a certain number of calls which the sales personnel are required to make per day; this assures generation of leads, which would help sales personnel plan their activities in the coming days and weeks; the standard is determined based on customer density and spread, road and traffic conditions etc. and varies across territories
Order Call Ratio	This is calculated by dividing the orders materialized with the number of calls made; it is used as a measure for judging the effectiveness of sales personnel as regards obtaining final orders; the order call ratio is set for different classes of customers; also called the batting average ratio

(Contd.)

The next performance standard is the sales coverage effectiveness index which is calculated as a ratio of the number of customers to total prospects in a particular sales territory. And individual standards for sales coverage are specified for customers across segments. And these customers will vary across size across class. Then we have the call frequency ratio which is calculated by dividing the number of sales call made to a particular class of customers by the total number of customers in that class. So, the method ensures that the sales efforts are being made towards such customers who are the more profitable ones and the more probable ones to give huge orders.

Another standard which is used by companies is calls per day. And these relate to the number of call with salesperson must required to make every day. Now this ensures that the generation of leads which would help sales persons in future you know is you know is done properly. And the standard is determined on the customer density and the spread on the road and traffic conditions in the particular territory. And so, it would vary across territory. So, the this particular ratio it assures generation of leads which would help sales personals plan their activities in the future days. And of course, the standard would be determined based on the customer spread the customer density the condition of the road

condition of the traffic and would vary across territories. Then we have the order call ratio which is calculated by dividing the orders materialized with the number of calls made. So, in a way what we are talking of is a number of number of orders received to the number of calls made. So, it is used again as a measure to judge the effectiveness of sales persons as regarding you know obtaining final orders. And it is also we it called popularly as the batting average ratio and these are again set for different categories of customers or different classes of customers whether they we are you know high or medium or low profit potentials.

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Performance Standards	Description
Average Cost Per Call	This standard highlights the relevance of profitable calls; mainly used as a means for reducing calls frequency on orders that require more calls but are less profitable; the objective is to set standards for each category of customers
Average Order Size	The average order size controls the frequency of calls that are made on different accounts; different targets are set for different kinds of customers, be it size or classes of customers; by determining the average order size, sales personnel are encouraged to put more efforts towards selling to accounts from where large orders can be obtained
Non-selling Activities	These include collection of payments from dealers and distributors, securing display of products at various locations, local advertising arrangements with dealers, etc.

Other standards which we have is the average cost per call which highlights the relevance of profitable calls. And it is mainly used as a measure of reducing calls or you know reducing frequent using the call frequency on orders that require more calls, but are less profitable. And then we have the average size order. The average size order or the average order size controls you know the frequency of calls that are made on different accounts and different targets are set for different kinds of customers be it you know customers based on size or on different classes of customers. And by determining the average order size sales personnel I encourage to put more effort towards selling to those accounts from which they can obtain large orders. And then finally, we also have performance standards for non selling activities. Now non selling activities are generally not linked to any kind of a monetary incentive or compensation. That is why sales

persons want to avoid or ignore such activities which is not something which is very wise.

So, to ensure that such non selling activities are also conducted performance measures or standards are also laid out or prescribed for them. And these you know such activities include a collection of payments from dealers and distributors securing displays of product at various locations entering you know, long local advertising agreements with dealers goodwill building with customers, follow up calls with customers etcetera.

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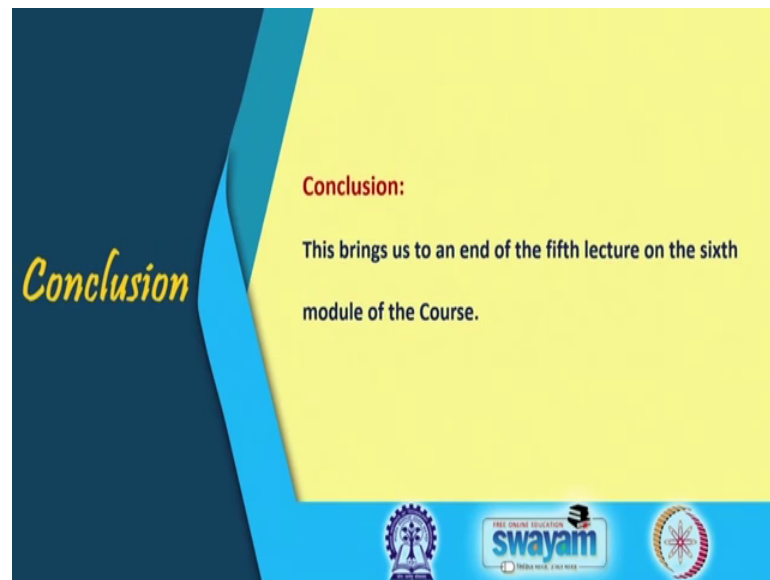
The slide features a dark blue background on the left with the word 'References' in a yellow, cursive font. The right side has a yellow background with a list of references. At the bottom right, there is a video inset of a woman with glasses and a red top. The Swayam logo is visible at the bottom center.

References:

- Still, R.R., Cundiff, E.W., Govoni, N.A.P. and Puri, S. Sales and Distribution Management, 6th Edition, 2017, Pearson India Education Services.
- Panda, T. and Sahadev, S., Sales and Distribution Management, 2012, Oxford University Press, India.
- Panda, T. and Sahadev, S. Sales and Distribution Management, 2nd Edition, 2011, Oxford University Press, India.
- Havaladar, K.K. and Cavale V. M., Sales and Distribution Management: Text and cases, 3rd Edition, 2017, McGraw Hill Education (India) Private Limited.

So, with this we come to an end of this session. And we have references still Cundiff Govoni Puri Sales and Distribution Management, Panda and Sahadev Sales and Distribution Management and again Panda and Sahadev Sales in Distribution Management 2011 and then we have Havaladar and Cavale Sales and Distribution Management 2017 McGraw hill.

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So, this brings us to an end of the 5th lecture on the 6th module of the course. I hope you found this beneficial. We shall be now deliberating on the next three stages in the next lecture.

Thank you.