

# SALES MANAGEMENT - NATURE AND SCOPE

- Sales management is defined as “ the planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks, apply to the personal sales force.”
- Objectives of Sales Management:
  - (1) Sales volume.
  - (2) Contribution towards profit.
  - (3) Continuing growth.



# Sales Management Concept

## ■ *Personal Selling:*

- Personal selling is one of the means of effecting sales.
- Sales persons interact with different customers in different ways:
- The ultimate objective is to influence the customer which leads to purchase.
- One of the ways of influencing customers is called "salesmanship."

## ■ *Salesmanship:*

- Salesmanship is an important method of personal selling.
- But salesmanship is not the "Be all and end all" of sales management.
- It is "the art of successfully persuading prospects or customers to buy products."

# SM's Responsibilities

- Sales Managers are responsible for the following:
  - Organising sales efforts within the firm like -- structure, strategy and culture.
  - Organising sales efforts outside the firm like contact with customers
  - Supplementing information in making key marketing decisions like budgeting, quota, territories and channels, advertisement, promotion.
  - Liaison with other areas like manufacturing, personnel, and R&D.

# Theories Of Selling

- Management is considered as an "art and science." Some others consider it as a "science". Based on various viewpoints on sales, we discuss here, following four theories of selling.
  - AIDAS Theory.
  - Right set of circumstances Theory.
  - Buying Formula Theory and
  - Behavioural Equation Theory.

# AIDAS Theory

- According to this theory, a prospects or "potential customer" undergo four sequential mental states before he becomes an actual "customer" by buying the product.
- These steps are given below:
  - Attention
  - Interest
  - Desire
  - Action and
  - Satisfaction
- A successful salesman must be able to induce these five "mental states" in their proper sequence, which leads to purchase by the customer:

# Right Set of Circumstances Theory

- In this theory, the salesman induces the right type of "stimuli" in the prospect (customer) which leads to the right type of "response" in him leading the purchase.
- Hence, this theory is based on the psychological frame called "Stimulus - Response".
- One limitation of this theory is that the proponents have not stressed the "internal factors" leading to the right response.
- No emphasis is given to manipulate 'internal factors' of the prospects, to get right response.

# Buying Formula Theory

- This theory focuses on buyers-the prospects.
- Buyers' needs and problems are being solved.
- The salesman acts as a catalyst in satisfying the customer.
- Mental process involved in purchase is through solutions to a problem which is the Need.
- The problem is solved by two aspects –
  - Identification of product and
  - Identification of manufacturer (trade name).



# Mental Process of Purchase



# Behaviour Equation Theory

- Response (R) or buying behaviour of a customer is influenced by the following:
  - *Drives*: Strong internal stimuli that influence directly buyers' response leading buying decision
  - *Cues*: Weak stimuli that indirectly influence buyers' response
  - *Response*: The buying decision or otherwise of buyers.
  - *Reinforcement*: This is an event which strengthens buyers response.

# Behaviour Equation Theory

- Howard has given the following formula:

$$B = P \times D \times K \times V \quad \text{where}$$

- B = Response, the act of purchasing a brand of product or patronising a manufacturer/supplier.
- P = Predisposition or force of habit.
- D = Drive or amount of motivation.
- K = Incentive potential, value of product or its potential satisfaction to the buyer.
- V = Intensity of cues. These are weak stimuli which determine when to buy.

# BUYERS-SELLERS DYADS-THE CONCEPT AND PROCESS

- The term "dyad" is a situation in which two persons interact.
- Salesman and prospective customer (prospect) meeting is an example of 'dyad'.
- Advertisement is another attempt of dyad where a prospect reads the product details.
- Through advertisement and personal selling the supplier tries to influence the buyer to buy the product.
- This is an act of influencing in favour of the seller.
- Whether this influence leads to actual buying depends on the effectiveness of the nature of interaction *viz.* the "dyad."

# Buyer - Seller Process

- Successful outcome of buyer-seller dyad leads to exchange of item viz. the buying process.
  - *Compatibility of Subjective Factors*: For example, if biographical data of sellers and buyers are similar, chances of buying is more.
  - *Compatibility of Subjective Factors*: If perception of sellers and buyers are identical chances of successful dyads are more.
  - *Initial Conditioning of Buyers*: If buyers are made favourable with initial conditioning (briefing) chance of sales are high.
  - *Product Knowledge and Good Manners of Sales Persons*: This assists sales (successful dyad).
  - *Negotiation Skill*: Better the negotiation skill, higher the chances of successful dyads (sales).

# Personal Selling-the Concept, Qualities And The Process

- Personal selling forms part of promotional steps in marketing management.
- Personal selling is direct, face-to-face, personal communication and persuasion in marketing.
- Following are the significance:
  - (i) In personal selling the message can be adapted or tailor-made to suit the prospect. Thus it is more effective than other promotional steps.
  - (ii) Personal selling is inescapable when items are slow moving and costly like automobiles.
  - (iii) Also ideal where bulk orders are envisaged or requires extensive training for utilisation.
  - (iv) If provided, effective feedback is possible. It is estimated that 20% of sales takes place through personal selling.

# Qualities of Personal Selling

- *Salesmanship*: Salesmanship is the positive effort at persuading people to buy and which benefit, both the seller and the buyer.
- *Hard Work*: It is not routine work. It requires proper planning and hard work.
- *Persuasive Power and Initiative*: Requires initiative at persuasion which is unique to suit each type of customer/buyer.
- *Product Knowledge*: Complete knowledge including technical details of design, operation and maintenance must be known to the salesman. Knowledge is his strength.
- *Sales Techniques*: Sales management is a specialised field. It has it's own techniques. Salesman must master them.

# The Process

- Pre-sales preparation.
- Prospecting.
- Pre-approach.
- Approach.
- Presentation.
- Handling objections.
- Closing and
- Follow up.



# Process – ctd.

- (i) *Pre-sales preparation:* In this phase, salesman must identify the market segment, customer's wants and needs. He must know product details, advantages, limitations, competition and prices. This is a sort of "Customer Research".
- (ii) *Prospecting:* Potential buyers are prospects. Finding and Identifying them is called prospecting. Prospects must have characteristics: like unsatisfied needs, ability (disposable income) and willingness to buy the product. Identifying the right prospects assist the salesman's efficiency in the sales very much.
- (iii) *Pre-approach:* This is the efforts in finding needs, problems, preferences, alternatives, interest, weaknesses if any, of prospects.

# Process – ctd.

*(iv) Approach:* Each prospect is unique. Here separate/unique strategy (approach) is planned for each prospect based on knowledge gained in pre-approach stage.

Types of approaches are:

*Preference approach:* Getting reference/introduction by know friend of buyer.

*Benefit approach:* This indicate sharing benefit of product.

*Sample approach:* By giving sample to influence prospect.

*Mutual approach:* Here prospect is considered supreme.

# Process – ctd.

(v) *Sales presentation*: There are certain modern methods like AIDAS (viz. Attention, Interest, Desire. Action and Satisfaction in influencing prospects.

Here also following approaches are possible:

*Canned approach*: Memorised sales talk convincing the buyer. This is stimuli-reaction approach.

*Formulated approach*: Identify buyers need and style and meet both.

*Need satisfaction*: Here the salesman holds discussion and debate with buyer and convinces him.

(vi) *Handling Objections*: Buyers may have objection - psychological or rational.

Psychological objection may be subjective or attitudinal. Rational objection is on quality, price and utility.

Salesman must convince the prospect by cogent argument.

# Process – ctd.

(vii) *Closing*: He should look for the right moment to clinch the deal. This is called "closing."

Proper gestures/gesticulation or body language must be read carefully.

Unnecessary prolonging presentation may be counter productive.

(viii) *Follow up*: Begins when prospect signs order.

He despatches the item, arranges delivery, arranges grant of credit, assures about his wisdom of buying and ensures after sales service.

Proper follow up assists second purchase and recommendation to friends.

# Personal Selling - Strategies, Skills And Limitations

- Following strategies are used in personal selling.
  - Selling.
  - Negotiation.
  - AIDAS.
  - S.R.Model.

# Selling Strategy

- Selling strategies are short-term and long-term.
- Short -term focuses on promotional steps and current sales.
- Long-term focuses on continuous sales, growth and goodwill.
- Customer service, co-operation, assistance and technical services assist long-term customer goodwill.
- This gives the customer loyalty. Selling strategy is considered better than negotiation.

# Other Strategies

- *Negotiation*: Negotiation on sales on price and other terms are used to iron out differences and finally enter into agreement.
- *AIDAS*: Here focus is on arousing buyer attention, interest, desire, action and satisfaction in that order.
- *S.R.Model*: Here buyers are given stimulus to create favourable response through steps like drive, cues, response and reinforcement.

# Communication Skill

- (i) *Customer Research*: Necessary research be done to gain the knowledge. The pre-sale preparation, prospecting and pre--approach come under this category.
- (ii) *Service Concept*: It must be remembered that sales person is doing a service to the prospects by meeting his needs. Mutual human dignity be recognised by both sides.
- (iii) *Probing technique*: This is to generate interest in conversation and stimulate *free* flow of talk.



# Communication Skill – ctd.

## *iv. Selective Process of Communication:*

- Prospects are more often than not biased, being exposed to products of different firms.
- This leads to selective perception in which prospects receive message which suits their existing beliefs and buying behaviour.
- Never attack directly the prospect's pet ideas, notion and beliefs.
- Start with a minor point of information, prospect may not resist to accept and develop on the same the co-operation and interest, to hear your view points fully.

# Communication Skill – ctd.

## v. *Empathy and Creativity:*

- Best human relations skill is the sine qua non of success of personal sales.
- Understanding customer's viewpoint and their feelings are essential prerequisites. This is empathy.
- Being insincere or by providing lip service is dangerous.
- Solving problem of prospects by new and untried method is a challenge which is tackled by salesmen who possesses "innovative skill" and "creative spirit" in them.

# Limitations of Personal Selling

- i. The job of personal selling is tough and demanding. Customers complain and vent their frustration in very many ways. This may demoralise the salesman.
- ii. While developing friendly relations ,with the prospect, one must not become more "loyal' to the customer than to one's own firm.
- iii. Personal selling requires extensive travel and cost. That is why small firms do not take up this method as a promotional step.
- iv. Personal selling is effective when sales persons *for* this work are carefully selected who have requisite professional knowledge and higher level of human relations skill.
- v. Proper training and development are essential to become successful in personal selling.

# Salesmanship - The Concept

- Personal selling accounts for 20% of all sales.
- "Salesmanship is the process whereby the seller ascertains and activates the need/want of the buyer and satisfies the same with mutual benefit on a continuous basis."
- Three broad classifications of situation in sales as follows:
  - Service Selling
  - Developmental Selling.
  - Developmental and Creative Selling

# Sub-Divisions of Classifications

<b>(a) Service Selling</b>	(1) Order taker (2) Delivery-man (3) Route salesman, (order taker in field) (4) Missionary (goodwill/educator)
<b>(b) Developmental Selling</b>	(5) Technical (6) Creative Tangibles (viz. Automobile) (7) Creative Intangible (viz. Insurance) (8) Political (sales through influencing the power-that-be)
<b>(c) Developmental and Creative Selling</b>	(9) Multiple sales influencing a whole set of key persons like a High Power Committee, Heads/Office bearers of Dept Political Party)

# Characteristics of Salesmanship

- a) *Flexible Approach*: Take different approach to different prospects to suit the latter's personality and interest.
- b) *Maintenance of Aim*: Keep the objective alive and constant.
- c) *Persuasive Skill*: Ability to influence the prospect by persuasive power.
- d) *Winning Buyers' Confidence*: This is done by solving his real problem and by assisting/clarifying doubts and inculcating self-confidence and self-satisfaction by education and training.

# Characteristics of Salesmanship

- e) *Mutual Benefit*: Salesmanship is not making profit by sales. On the contrary, this is a process of making profit by satisfying needs of prospects through sales of products and services.
- f) *Creativity and Innovation*: Negotiation, hard bargaining and convincing various members of dissimilar interest, requires exemplary qualities of creativity and innovation to suit different situations.
- g) *Communication Skill*: In person-to-person contact, communication skill is most important quality of salesmanship. A thorough knowledge of personal psychology and behaviour of individual and group assist communication.

# Characteristics of Salesmanship

- h) Empathy:* The ability to understand feelings, attitude and sentiments of the buyers. This is done by initiating the perceptual process by appealing to the sensory mechanism (sound and visual) by modifying attitudes and preferences of buyers.
  - i) Ego Drive:* There is a need to satisfy customers by solving their problems. This is done by initiating cognitive process designed to induce favourable thoughts towards company, and its product/service and convincing the same would solve the problem.
- **Limitations:**
- High cost in personal selling.
  - Difficult to locate competent and resourceful persons to do door-to--door selling.



# Direct Marketing - The Concept

- *Peter Hoko Definition:* "The total of activities by which the seller in effecting the transfer of goods and services to the buyer, directs his efforts to a qualified audience using one or more media for the purpose of soliciting a response by phone, mail or personal visit from a prospect or customer."
- *Robert F. Delay Definition:* "Direct marketing traces its origins to direct mail and mail order -time tested ways to sell a wide variety of products and services and which has been applied particularly in such fields as catalogue, magazine circulation, book and record clubs."

# Direct Marketing-Nature & Scope

- Direct marketing has broadened its scope from the traditional field, like journals and magazines, to all types of products and services.
- Direct marketing has found substantial applications in fund raising for political parties, professional associations and in fields of "education", "social" and "arts."
- Direct marketing consists of the following activities:
  - Direct Sales
  - Direct Mail

# Functions of Direct Marketing

- There are three different functions of direct marketing given below:
  - i. *A Traffic Builder*: Direct mail asks the prospect to come to the store either for buying a product or to pick up a gift.
  - ii. *Assist Personal Sales*: Direct mail helps prospect to reply. This will establish communication and subsequent personal call/personal selling.
  - iii. *Direct Sale*: Assist direct sale by getting an order in response to the mail.

# Direct Sales - The Concept

- In direct sales, manufacturer takes up distribution function.
- Distribution studies 'show that shorter the channel, costlier the operation.
- In direct selling manufacturer choose to use the door-to-door direct selling method.
- Alternatively the manufacturer decides to open its own retail outlets.
- Direct selling has higher gross margin. However, since selling costs are also high, its net profit is often less.

# Direct Sales - Costs

Direct Selling	Own Retail Outlets
<ul style="list-style-type: none"><li>(i) Transportation.</li><li>(ii) Storage</li><li>(iii) Financing</li><li>(iv) Risk Taking.</li><li>(v) Door-to-door selling expenses.</li><li>(vi) Advertisement.</li></ul>	<ul style="list-style-type: none"><li>(i) Setting up more stores locations.</li><li>(ii) Cost of building and stores.</li><li>(iii) Cost of retail Salesman.</li><li>(iv) Retail Advertisement.</li></ul>

# Manning and Administration

- For Direct Selling,
  - Manufacturer must engage sales persons to go for door-to-door selling.
  - Innumerable problems in recruitment, selection, training, supervision and compensation of sales personnel.
- In case, Retail work is taken up, it requires
  - Leasing premises,
  - Organising display and retailing officers,
  - Managing retailing staff, and selecting retailing minded executives
  - Arranging their compensation and motivation plans, auditing and accounting.

# Industrial Products

- Direct selling is more common in industrial products compared to consumer items.
- However, costs- are higher even in industrial products field.
- In this field direct sales person need better training which is expensive and are to be paid more to enable rendering of better services.
- This may offset the higher gross margin

# Direct Sales - Conclusion

- Longer marketing channels using distributors and retailers may reduce gross margin but it considerably reduces, cost of operations which more than offset the loss of gross margin.
- Indirect distribution benefits manufacturers in more than one way as shown below:
  - Higher profit per unit of product sold.
  - Shifts wide range of problems to the middlemen.
  - Better utilisation of specialised skill of salesmanship possessed by middlemen and their influence with customers.
- The two limitations of indirect sales are given below:
  - Remoteness from actual users/customers.
  - Less control over conditions of product sale.



# Direct Mail-the Concept

- Direct mail is an amazing medium and is used by advertisers more than any other advertising medium.
- More money is spent annually on direct mail than in any other form of advertisement.
- Yet it is the most misunderstood media and is abused by legislators, courts and postal services.
- Following are the definitions:
  - (i) *Direct Mail*: Direct mail is a medium of advertising and communication and forms part of a broader term - direct advertising.
  - (ii) *Direct Advertising*: "Direct advertising is a vehicle for transmitting an advertiser's message in permanent written, printed or processed form by controlled distribution direct to selected individual."

# Direct Advertisement

- Has the following sub-divisions:
  - (i) *Direct Mail Advertising*: This include all forms of direct advertising (except mail order) that are sent through mails.
  - (ii) *Mail Order Advertising*: Here mail service is used for inducing prospects to send orders by mail.
  - (iii) *Unmailed Direct Advertising*: Advertisement material like floor hanging, package, counter displays which assist dealers. These printed materials are not sent by mail.
- Out of these subdivisions, "Direct Mail Advertisement" is, in fact the Direct Mail.

# Direct Mail

The seven characteristics of Direct Mail:

- i. Direct Mail is Selective:* Select subject, prospect and message.
- ii. Direct Mail is Personal:* It gives personal touch.
- iii. Little competition with other messages:* Header read your mail only.
- iv. Production Flexibility:* Considerable flexibility in producing message/ letter in time and space.
- v. Editing/Correction is easy.*
- vi. Sampling and Unique Promotional Opportunity:* Samples can be supplied.
- vii. Easy and Economical to test and evaluate.*

# Basic Contents of Direct Mail (Elements)

1. *The List*: This is the list of prospects viz. the name and address of potential customers.
2. *The Offer*: Direct Mail must have an objective. This is called "the Offer" and is the cornerstone of direct mail.
3. *Package*: Consists of letterhead, envelope, postage, order form, circulars and samples.
4. *Fulfillment*: This is the process of responses to the queries from prospects.

# Principles (Rules) for Success

1. *Objective:* Lay down objective clearly.
2. *Correct Address:* Send mail to the right person in the right list in right time.
3. *Highlight Benefit:* Specify benefit offered in the first paragraph.
4. *Design Copy to Suit Prospect:* The design and layout of copy should suit the offer and prospect.
5. *Inducement for Easy Action by Prospect:* Like prepaid stamped envelope, free gift for action, money back guarantee for action etc.
6. *Repeat the Mail:* Personal selling experience shows order after 5th call. Similarly if there is no responses repeat mail.
7. *Research to make it Better:* Test product, offers, copy, the list, timing of mail again and again to make it better.