SALES MANAGEMENT

Table of Contents

EXECUTIVE SUMMARY .... *i*

AUTHOR .... *i*

MODULE INTRODUCTION *1*

Module Description 1

Module objectives 1

References 1

MODULE CONTENT *2*

Chapter 1. Sales Management Overview *2*

Chapter 2. Developing the Sales Program *5*

2.1. Factors influencing change in selling and sales management. 5

2.2. Integrating Strategies and the Role of Sales in CRM 6

2.3. Structuring the Sales Approach 11

2.4. The Importance of Information in Sales Management Strategy 14

Chapter 3. Executing the Sales Program *18*

3.1. Salesperson Performance: Assessing Behavior, Role Perceptions, and Job Satisfaction 18

3.2. Sales Force Motivation: Strategies to Enhance Performance 19

3.3. Sales Aptitude: The Impact of Personal Traits 20

3.4. Recruitment and Selection: Building a Competent Sales Force 21

3.5. Sales Training: Goals, Methods, and Outcomes Assessment 23

Chapter 4. Assessing and Managing Sales Program's Performance *25*

4.1. Cost Assessment 25

4.2. Sales Performance Review 28

EXECUTIVE SUMMARY

Sales management, once based on tradition and intuition, has evolved significantly. Research and theoretical models now inform salesperson behavior and motivation. As organizations transform, sales force management faces new challenges.

Sales management is crucial for modern organizations. As trends evolve, sales managers must adapt with new approaches. Personal selling, though expensive, serves as the direct link to customers. Salespeople play a vital role in demonstrating product value, ensuring successful sales. Managing the sales force is a critical executive responsibility. This module aims to provide an integrated overview of theory and research relevant to sales management.

AUTHOR

Lydia Karnadi, S.T., M.B.A.

MODULE INTRODUCTION

Module Description

The module teaches how to design and implement a sales force strategy. Students will be exposed to the responsibilities of sales managers and the strategic role of sales within the organization. The course presents techniques for identifying, recruiting, motivating, evaluating, and training salespeople, budgeting and sales forecasting

Module objectives

After finishing this module, students will have the capability to:

01	Determine the best sales organization, sales process, sales technique by considering major issues and factors
02	Apply Customer Relationship Management to improve customer satisfaction and loyalty.
03	Estimate the market potential, determine sales territories, quotas and forecast sales performance
04	Design a system from recruiting, motivating, and evaluating salespeople.
05	Develop sales training programs and measure the cost and benefits of sales training

References

Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Swift, R. S. (2001). Accelerating Customer Relationships: Using CRM and Relationship Technologies (1st ed.). Pearson Education, Inc.

MODULE CONTENT

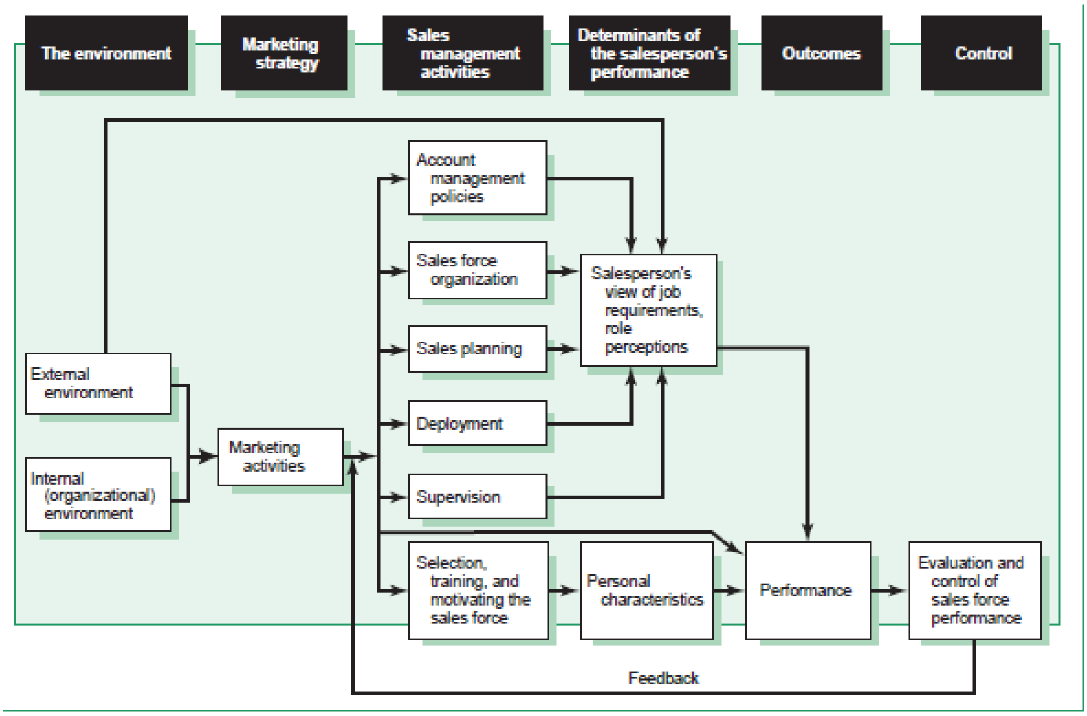
Chapter 1. Sales Management Overview

Sales organizations and their managers face significant changes. Understanding trends related to innovation, technology, and leadership is crucial for sales success. However, misconceptions about selling processes and the necessary skills persist due to varying job requirements.

The effective Sales Management Process involves three interconnected decisions or processes:

1. Developing the Sales Program:
   - Consider environmental factors.
   - Organize and plan overall personal selling efforts.
   - Integrate with other marketing elements.
2. Executing the Sales Program:
   - Select appropriate sales personnel.
   - Design and implement approaches aligned with objectives.
3. Assessing and Managing the Sales Program's Performance:
   - Monitor and evaluate sales force performance.
   - Adjust program based on performance.

Figure 1.1. Sales Management Overview



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

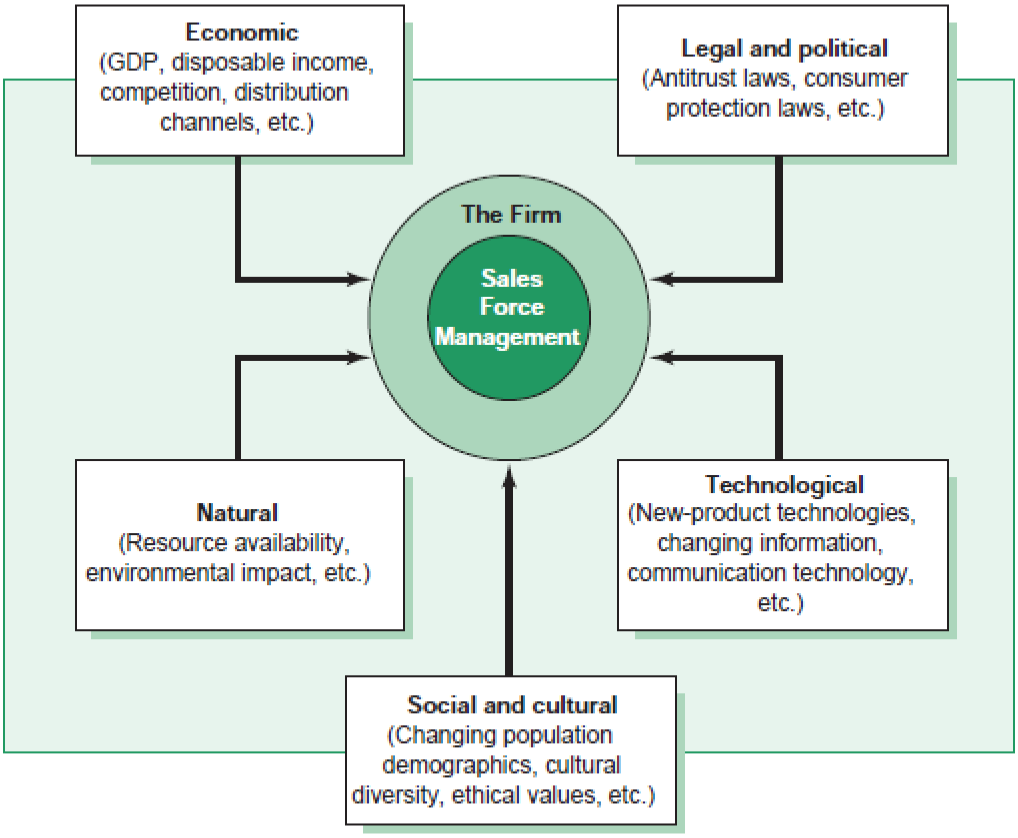
The external environment, beyond individual managers' control, impacts sales management. Companies attempt to influence external conditions through lobbying and PR efforts. Demographic changes affect market opportunities, including business markets. Global competition and economic openness impact both global and local company competitiveness.

The impact of environmental factors on sales management can be categorized into two broad categories: external environment components and internal environment components.

There are five broad categories of external environmental variables that impact sales and marketing:

1. Economic
2. Legal & political
3. Technological
4. Social and cultural
5. Natural

Figure 1.2. External environment components

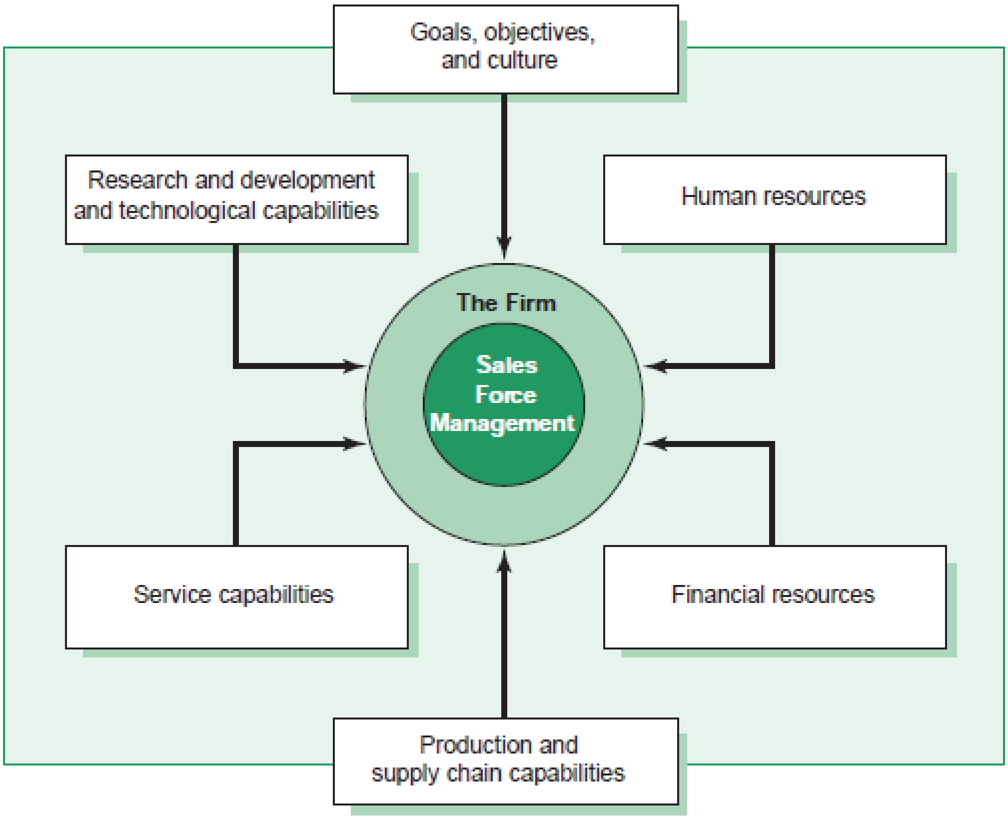


Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

The internal (organizational) environment significantly impacts sales management. It encompasses organizational policies, resources, and talent. Sales programs must align with organizational situations and limitations. Key internal variables include

1. Goals
2. Human resources
3. Financial resources
4. Production and supply chain capabilities
5. Service capabilities, and
6. Research and development and technological capabilities

Figure 1.3. Internal environment components



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Chapter 2. Developing the Sales Program

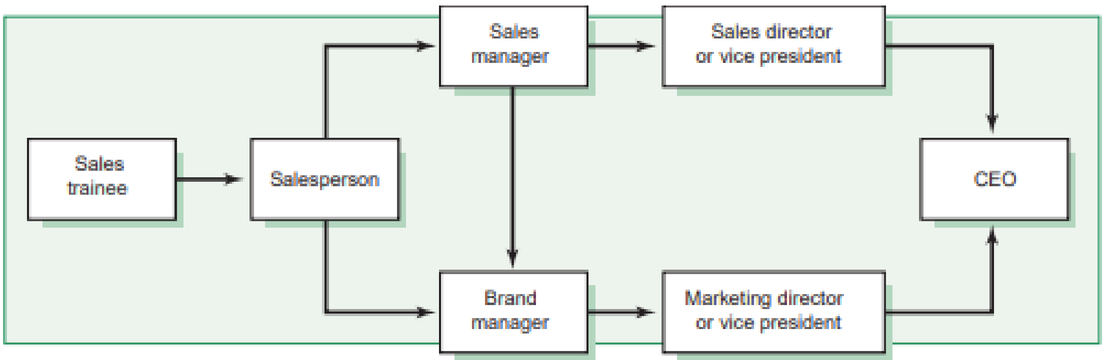
2.1. Factors influencing change in selling and sales management.

Selling dynamics have evolved. To meet the demands of an evolving market, sales organizations are undergoing transformation. There are six critical factors that are reshaping sales organizations to better address the needs of the modern marketplace:

1. Long-term Relationships: Focusing on building enduring relationships with customers and prioritizing high-value clients.
2. Adaptable Structures: Creating flexible sales organizational structures to cater to the diverse needs of different customer groups.
3. Salesperson Ownership: Encouraging salespeople to take greater ownership of their jobs and foster team collaboration.
4. Coaching Management: Transitioning from a commanding management style to a coaching approach to empower salespeople.
5. Technology Utilization: Leveraging technology effectively to gain a competitive edge in sales.
6. Performance Evaluation: Integrating salesperson performance evaluation more effectively to align with relationship selling and team dynamics.

Selling offers a rewarding career with opportunities for advancement, particularly into sales management. Changes in the field present chances for sales professionals to deliver exceptional value to clients and their companies. Modern selling, driven by technology and a shift to relationship-focused strategies, requires professionalism, skill, and extensive knowledge.

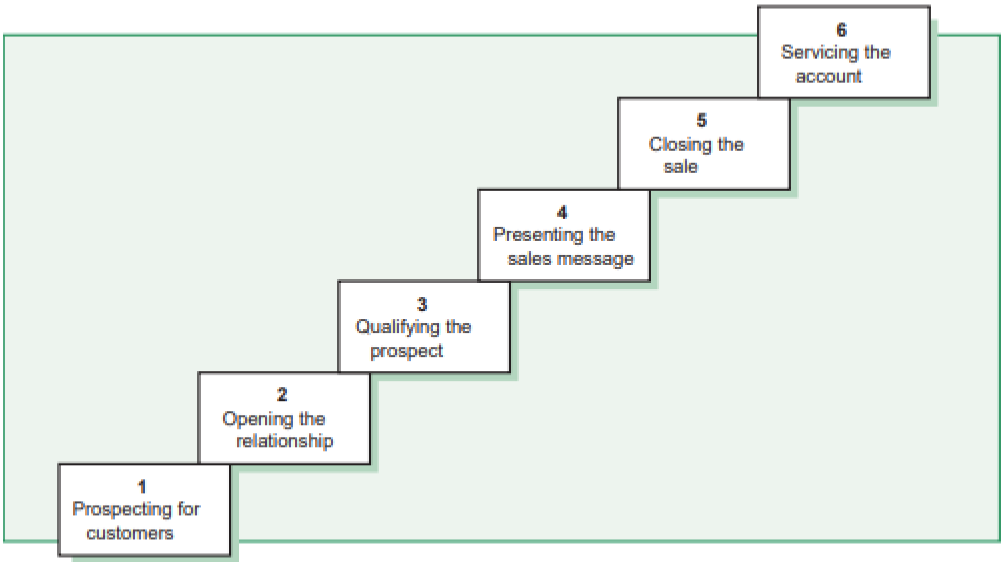
Figure 2.1. Potential career tracks for salespeople



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Understanding the six stages of selling and the dynamics of organizational buying is crucial for managing customer relationships effectively. Salespeople must adapt to various buying situations and leverage their expertise to provide solutions that benefit both their own and the customer's organization.

Figure 2.2. Six stages of selling



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

In the decision-making process, buying centre members influence various stages, which include:

1. recognizing a need,
2. specifying the item's traits and quantity,
3. seeking and vetting suppliers,
4. gathering and assessing bids,
5. appraising bids and choosing suppliers,
6. establishing an order routine, and
7. evaluating performance and providing feedback.

2.2. Integrating Strategies and the Role of Sales in CRM

The foundational philosophy of marketing, which is centered around the marketing mix, utilizes insights from customer feedback to inform strategic choices regarding products, their distribution, pricing strategies, and promotional activities. This mix forms the strategic toolkit for marketers.

Personal selling constitutes a segment of the promotional blend, alongside advertising, sales incentives, direct outreach, and public engagement. Embracing market orientation, a contemporary adaptation of the marketing philosophy, organizations streamline their processes for competitive edge, with customer-centric strategies at the forefront. Firms with a strong customer orientation, or customer-centric approach, tend to outperform others, placing customers at the heart of their business model.

Market orientation, now a common business approach, aligns organizational actions to enhance competitive success, centring on customer-focused strategies. Research shows that customer-centric firms, which prioritize customer relationships and satisfaction across all operations, outperform others. Key aspects of this approach include partnership models, consultative selling, structured customer analysis, proactive value education, and a commitment to continuous improvement. Formalizing these practices through CRM is essential for fostering long-term customer relationships and achieving customer-centric goals.

CRM is a strategic business model aimed at boosting revenue and profit through customer focus. It involves optimizing customer interactions across various touchpoints to enhance acquisition, retention, and cross-selling. Defined as a strategic journey, CRM integrates processes and technology to align a company's operations with customer behavior, leading to increased efficiency and revenue. It's a customer-centric philosophy and a system that uses technology to deliver value, requiring companies to adapt their processes and systems. The role of CRM in sales and marketing strategies is crucial, as it involves the sales force and other organizational functions working together to focus on the customer.

CRM's development is rooted in marketing's evolution, driven by technology. It transitioned from mass to target, then customer, and finally to one-to-one marketing. Initially focused on broad markets, businesses shifted to individual customer relationships in the 1980s, a change amplified by today's technology enabling personalized offerings. CRM formalizes this evolution with three goals:

1. retaining profitable customers,
2. acquiring suitable new customers, and
3. boosting customer profitability through timely delivery of appropriate products..

CRM plays a crucial role in gaining, maintaining, and growing a profitable customer base, with a focus on service excellence to foster loyalty. It assesses customer value by ensuring benefits surpass costs, thus securing loyalty and satisfaction. CRM's benefits over traditional marketing include:

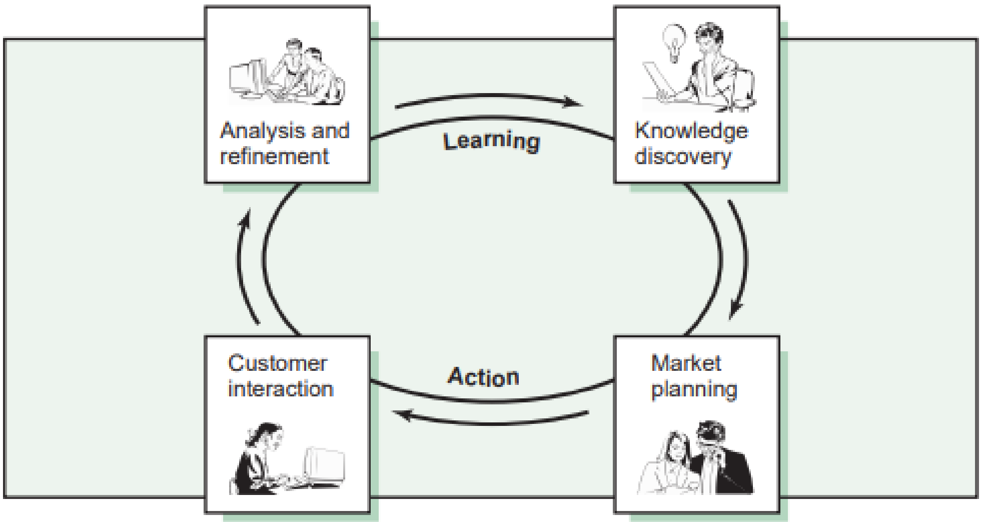
1. reduced advertising expenses,
2. targeted customer engagement,
3. measurable campaign effectiveness,
4. service-based competition,
5. balanced spending on customer value,
6. faster product development, and
7. optimized customer interactions.

CRM emphasizes the lifetime value of a customer as a measure of long-term profitability, guiding resource allocation for customer retention and acquisition.

Reichheld's work shows CRM's effectiveness in enhancing business outcomes. The CRM process cycle consists of:

1. knowledge discovery,
2. market planning,
3. customer interaction, and
4. analysis and refinement.

Figure 2.3. CRM process cycle



Source: Swift, R. S. (2001). Accelerating Customer Relationships: Using CRM and Relationship Technologies (1st ed.). Pearson Education, Inc.

CRM represents a strategic approach and a set of tools aimed at developing a business that prioritizes customers. It focuses on fostering enduring, reciprocal relationships. To enhance CRM effectiveness and transition to a relationship-focused business, consider these critical questions categorized into customers, the relationship, and managerial decision making:

A. Customers:

1. Identify the customers.
2. Understand customer expectations and desires.
3. Assess the customers' value potential.

B. The Relationship:

4. Determine the desired relationship with customers.
5. Encourage mutual exchange.
6. Collaborate and share control.

C. Managerial Decision Making:

7. Define the company's identity.
8. Organize to deliver value to customers.
9. Evaluate and manage performance.
10. Boost adaptability to change.

These questions guide businesses in refining their CRM strategies to better align with customer needs and organizational goals. A robust CRM system underpins this environment, providing the framework, resources, and leadership needed to pursue customer-focused goals and nurture lasting customer connections.

In the CRM-focused business landscape, the primary objective for sales organizations is to cultivate long-term customer relationships to foster loyalty and potentially develop strategic partnerships. Despite the rise of technology and electronic channels that might suggest a reduced need for personal selling, salespeople play a more crucial role than ever in driving a customer-centric strategy.

Their responsibilities have evolved to focus on nurturing relationships through stages of:

A. Exploration:

In the exploration stage, both parties assess the relationship's potential and set expectations. Trust is built as the buyer evaluates the seller's responsiveness and product quality. A positive initial experience with the product is crucial. Salespeople should:

1. Set proper expectations: Promise only what can be delivered and aim to exceed those promises to delight customers.
2. Monitor order processing and delivery: Ensure timely and correct delivery to maintain trust.
3. Ensure proper use: Verify that customers are fully benefiting from the product's features.
4. Assist in servicing: Proactively address any issues, even if the customer hasn't complained.

Handling complaints well during this stage can lead to customer readiness for the expansion stage, where the relationship deepens.

B. Expansion:

The expansion stage in customer relationships is about growing business opportunities by selling new products or increasing business share. It's a time when trust is solidifying, enabling salespeople to identify and cater to additional customer needs. Key strategies include:

1. Generating Repeat Sales: Encouraging customers to make regular purchases, especially for essential supplies, by understanding their buying patterns.

2. Upgrading: Persuading customers to choose higher-quality or newer products that better meet their needs.
3. Full-Line Selling: Offering the entire range of a company's products, aiming to establish the company's value as a supplier and encourage comprehensive purchasing.
4. Cross-Selling: Selling unrelated products by leveraging the trust already established in the relationship.

These strategies aim to deepen loyalty and commitment to a long-term partnership. Full-line selling should be distinguished from full-line forcing, which is coercive and has been criticized in the past, such as when Microsoft faced backlash for bundling its browser with its operating system. In contrast, full-line selling is a legitimate strategy to enhance the relationship.

C. Commitment:

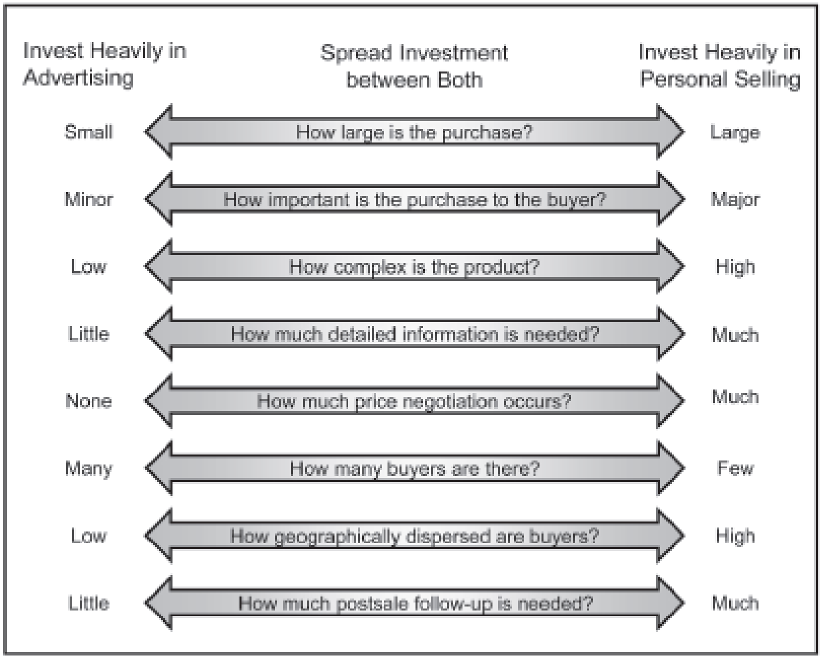
Expanding a relationship hinge on customer loyalty, characterized by repeat purchases and a reluctance to switch suppliers due to trust and satisfaction with the salesperson and products. Commitment is the ultimate stage, often formalized by preferred supplier status, which assures significant business share and priority for new opportunities.

Total Quality Management (TQM) practices reinforce this, requiring suppliers to meet high-quality standards. Commitment must be mutual, with both organizations aligned in a customer-centric culture. Sales representatives are crucial in establishing this dedication, making sure their organization's infrastructure and procedures bolster the alliance. Tailoring the sales approach to align with the preferences of customers can yield a strategic edge..

These three stages are critical for transitioning from transactional interactions to strategic partnerships. The emphasis is on leveraging innovative techniques to strengthen these relationships and enhance customer loyalty.

Company's pricing strategy significantly impacts its marketing communications. High-value items like industrial goods and consumer durables often need extensive personal selling due to their complexity and the perceived risk involved in purchasing them. Personal selling becomes crucial, especially when prices are negotiable, as with industrial goods and some consumer durables like cars. The role of personal selling versus advertising in the marketing mix is determined by factors such as target market size, product complexity, and overall marketing strategy. Figure 7 provides essential questions to guide investment decisions in Integrated Marketing Communications (IMC), ensuring promotional funds are used effectively.

Figure 2.4.
Key Considerations for Allocating Resources Between Advertising and Personal Selling



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

2.3. Structuring the Sales Approach

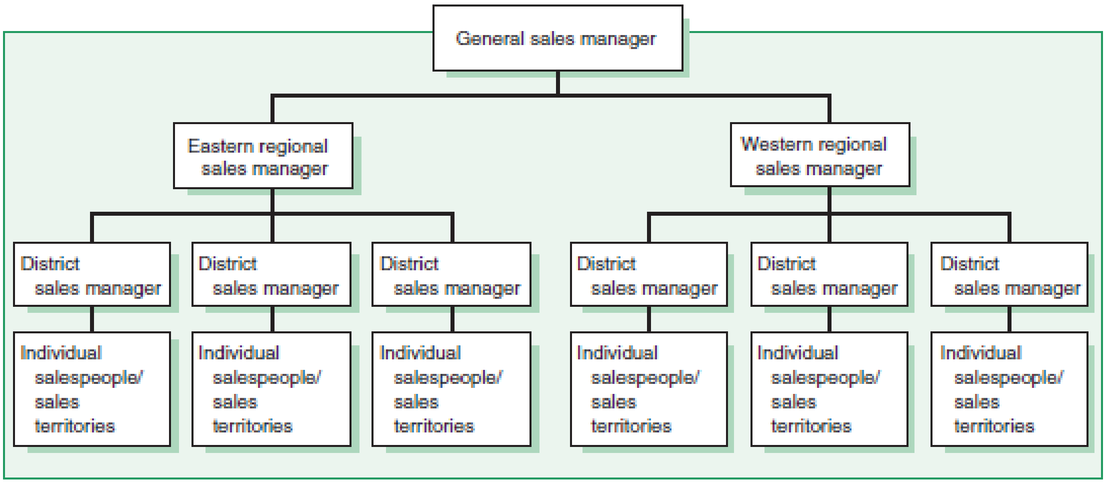
Organizing the sales force is crucial for sales management as it greatly influences sales performance. The evolving sales landscape, the emphasis on customer relationship management, and the integration of new technologies have driven significant changes in the structure of modern sales forces.

An effective organizational plan for a sales force should meet three criteria:

1. It should leverage labor division and specialization,
2. Ensure stable and continuous sales efforts by focusing on activities, and
3. Coordinate tasks across the sales team and departments.

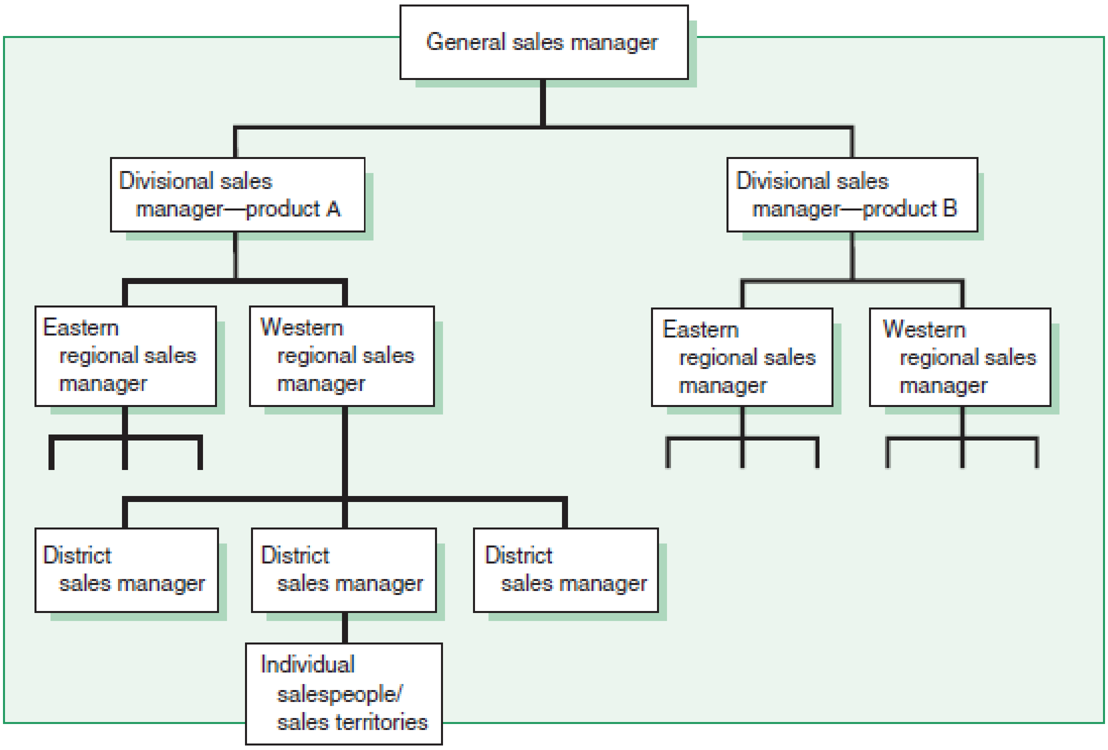
Decisions on **horizontal organization** involve choosing between in-house sales teams or external agents, with in-house teams often preferred for control and potential sales volume. Sales forces can be organized by geography (Figure 8), product (Figure 9), customer type (Figure 10), or function, each with its own benefits and drawbacks, such as specialization or potential duplication of efforts.

Figure 2.5.
Geographic Sales Organization



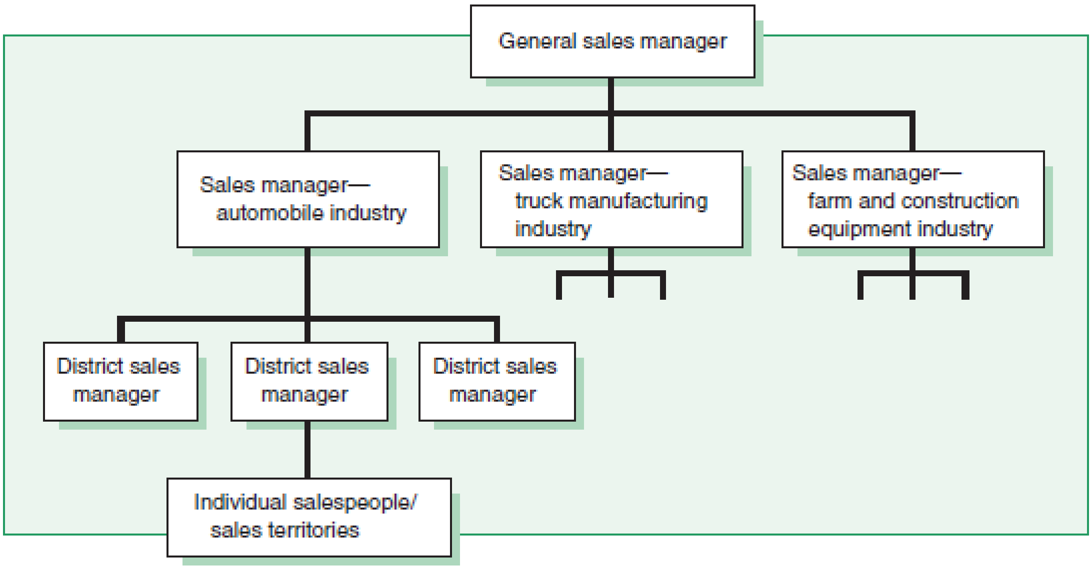
Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 2.6.
Product Sales Organization



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 2.7.
Customer Type Sales Organization



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Firms are evolving their organizational structures to better serve **key accounts**, which are crucial for marketing success and often require global coordination. Sales representatives are expected to manage these accounts with a deep understanding of customer strategies and the ability to tailor products and services. The trend is towards fewer but stronger global supplier relationships. Companies adopt major account management philosophies to foster long-term partnerships and improve sales coordination, which can lead to increased profitability and internal motivation. Handling key accounts may involve dedicated organizational roles or divisions due to their complexity and the need for specialized attention.

In addition to deciding on a basic structure, a company must define its approach to managing key accounts within its horizontal organization. Typically, there are three prevalent strategies:

1. Delegating key accounts to senior sales executives,
2. Forming an independent corporate division, and
3. Instituting a dedicated sales team for significant accounts.

Vertical organization involves determining the number of management levels and span of control, which should be tailored to the complexity of the sales task and the impact of sales performance. Authority levels for managers, especially regarding personnel decisions, should reflect their importance to the firm. Establishing a sales force requires strong leadership and the ability to implement best practices for a high-performing team.

Building a new sales force from the ground up offers a chance to sidestep common errors and establish a structure and culture poised for success. Here are six essential steps for creating a sales team:

1. Strategy First: Clarify the team's purpose, required skills, and customer advantages.
2. Form an Expansion Team: Involve HR and future sales managers in the hiring process.
3. Utilize Internal Resources: Recruit from within the company, your network, and business contacts.
4. Publicize: Use media articles to promote your business and attract talent.
5. Fair Compensation: Ensure new and existing sales teams are equally compensated to protect your investment.
6. Active Support: Demonstrate sales techniques in the field and share best practices

2.4. The Importance of Information in Sales Management Strategy

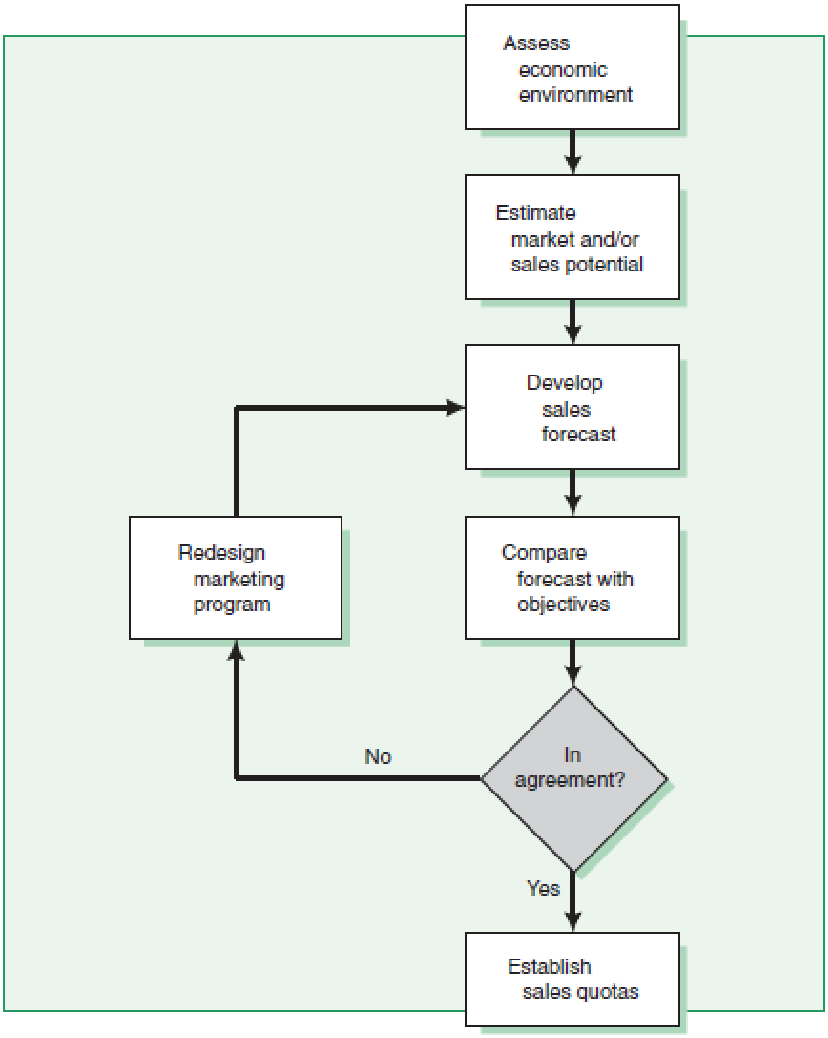
Sales managers play a critical role in both producing and utilizing information, which is essential for the company's marketing strategy and the performance of the sales team. Sales managers' expertise in managing information—such as sales forecasts, quotas, and territories—significantly impacts a firm's operations. Their ability to handle this data affects everything from marketing success and customer satisfaction to salesperson incentives. Proficiency in information management is thus crucial for the success of sales managers, the firm, and its sales team. Effective information management by sales managers influences key decisions throughout the organization.

Market opportunity analysis distinguishes between market potential, sales potential, forecast, and quota.

- Market potential is the industry-wide sales estimate under ideal conditions,
- Sales potential is what a firm can expect to achieve.
- Sales forecasts predict future sales based on a marketing plan, and
- Sales quotas are specific sales goals set for different marketing units.

The process involves assessing the economic environment, estimating potentials, and adjusting forecasts and marketing efforts to align with objectives, which then inform sales quotas and budgets

Figure 2.8.
Market potential, sales potential, and sales forecasting process

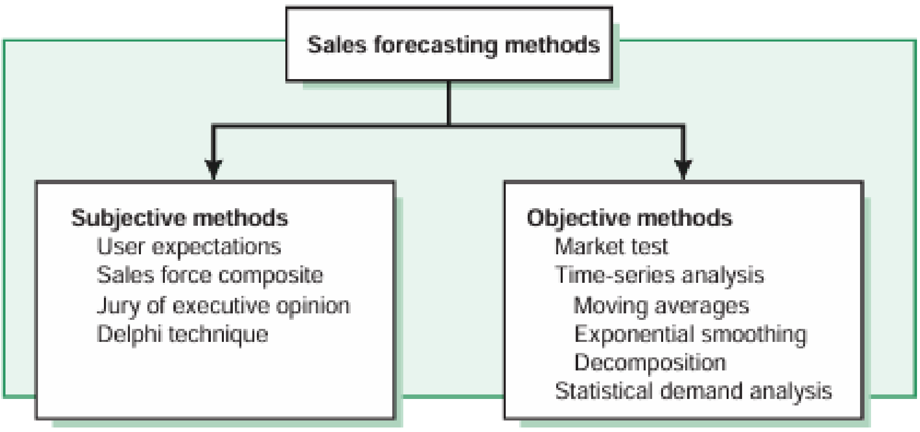


Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

2.4.1. Sales Forecasts

Sales forecasts are vital for company planning, guiding top management in resource allocation and operational control. They inform financial decisions, production planning, human resources, purchasing, and marketing strategies. Accurate forecasts are crucial, especially for global coordination. Sales managers depend on forecasts to set quotas, plan compensation, and evaluate sales efforts, necessitating familiarity with forecasting techniques. The choice of method depends on the company's technical capability, historical data, and forecast application

Figure 2.9.
Classification of Sales Forecast Methods



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Sales forecasting is a complex task with no one-size-fits-all method. Studies show that various techniques yield similar accuracy, and the best approach may involve using multiple methods and managerial judgment. Scenario planning, which considers different potential changes, is becoming a popular tool to understand the forces and uncertainties affecting sales forecasts.

2.4.2. Territory Demand Estimates

Territory demand estimates are crucial for effective sales planning and management. They impact sales territory design, customer identification procedures, sales quotas, compensation, and performance evaluation. The approach to developing these estimates differs between industrial and consumer goods:

- Industrial goods often relate sales to common denominators (e.g., employees, production factors)
- Consumer goods rely on aggregate conditions (e.g., households, population, income).

Some firms use statistical regression analysis to estimate demand based on predictor variables, while others utilize standard multiple-factor indexes like the Buying Power Index (BPI)

2.4.3. Sales Quotas: Planning & Evaluation

Sales quotas are essential for managing the field selling effort. They help allocate resources, evaluate effectiveness, and motivate salespeople. Volume quotas are typically set below sales potential but close to the sales forecast. Quotas apply to specific periods and can be expressed in dollars or physical units. They vary based on profitability and customer desirability.

Sales quotas are key for planning and evaluating sales efforts, offering incentives for sales representatives and serving as a benchmark for performance assessment. They motivate through clear targets and rewards, influence compensation plans, and help identify areas for improvement in sales performance.

Effective sales quotas should be achievable, straightforward, comprehensive, and promptly communicated. Unrealistically high quotas are discouraged as they may demotivate or lead to unethical behavior. Quotas should be clear and based on market potential, cover all performance criteria, and allow for immediate feedback to guide future efforts.

When setting quotas, sales managers must select a type of quota to implement:

1. Sales Volume Quotas
   Some companies set sales quotas based on historical performance, urging units to surpass previous years' sales. This method is straightforward and cost-effective but fails to consider current market dynamics. For instance, a growing territory might warrant a higher quota than a stagnant or highly competitive one. Relying solely on past sales can lead to inaccurate assessments of sales reps and missed market opportunities. It can also prompt salespeople to manipulate sales timing to ease future quotas. While territory potential is a good starting point for setting quotas, it's crucial to adjust for each territory's unique circumstances. Involving sales reps in quota setting can provide valuable insights, but their potential bias towards lower quotas must be managed.
2. Activity-Based Quotas
   Activity quotas are set based on territory conditions and require detailed analysis. Factors include territory size, the number of accounts and prospects, customer size, and purchasing patterns. These determine the frequency of sales calls, service visits, and equipment demonstrations. Inputs for activity quotas come from discussions, sales reports, and market researc
3. Financial Outcome Quotas
   Financial quotas align with a firm's financial objectives, such as desired net profit or gross margin. For instance, if a sales rep focuses on two products with margins of 30% and 40%, the sales manager can influence sales strategy by setting a target gross margin of 37%. This would require the rep to sell more of the 40% margin product compared to a lower target of 34%.

Subsequently, they need to establish precise targets. Among these, Sales Volume Quotas are the most frequently utilized.

Chapter 3. Executing the Sales Program

3.1. Salesperson Performance: Assessing Behavior, Role Perceptions, and Job Satisfaction

A salesperson's performance is influenced by a mix of personal traits, motivation, and job perceptions. Sales managers must understand these factors to fully realize each salesperson's performance potential within the organization.

Comprehending the salesperson performance model is crucial for sales managers as their actions significantly impact it. This includes how they organize the sales team, select and train salespeople, and manage compensation, all of which shape salespeople's job perceptions, abilities, and motivation. The model serves as a guide to understand these impacts and the interconnected nature of managerial decisions.

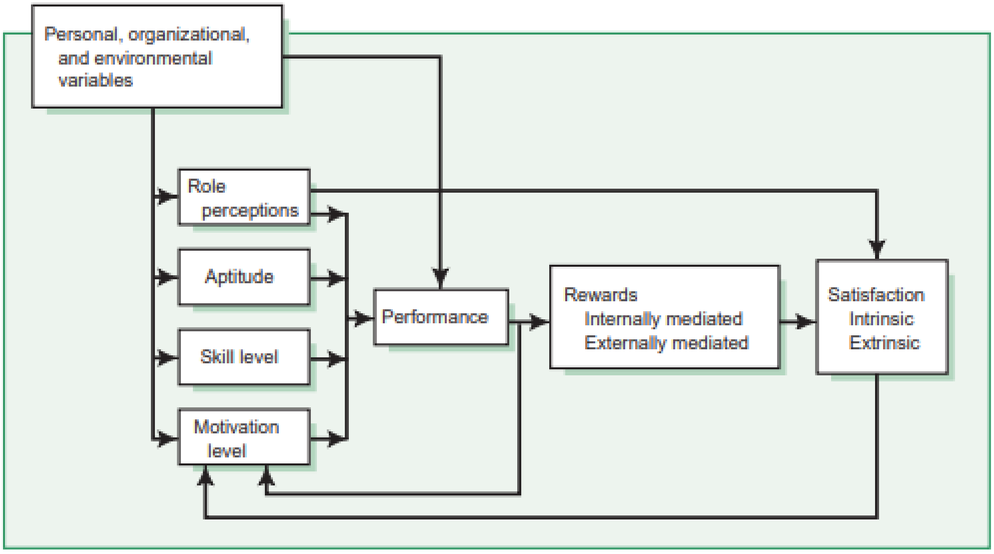
Research in industrial and organizational psychology identifies five fundamental factors influencing a worker's job performance:

1. **Role perceptions**
   A salesperson's role perceptions are shaped by the expectations and pressures from role partners, who are individuals affected by the salesperson's job performance. These perceptions are influenced by three key factors:
   - Role accuracy (the correctness of the salesperson's understanding of partners' demands)
   - Perceived role ambiguity (uncertainty about job requirements), and
   - Perceived role conflict (contradictory demands from different partners).
2. **Aptitude**
   Salespeople often face uncertainty and conflict due to their intermediary role between the firm and external parties, requiring them to be innovative. Their effectiveness is influenced by their aptitude, which includes inherent abilities and personal traits, and acts as a foundation for their performance.
3. **Skill level**
   Unlike aptitude, skill level acquired through learning and experience.
4. **Motivation**
   Motivation plays a crucial role, driven by the salesperson's expectations of success and the value they place on improving performance and receiving rewards. Essentially, a salesperson's performance is a blend of their natural abilities, learned skills, and the motivation to succeed and earn rewards
5. **Personal, organizational, and environmental variables.**
   Sales performance is shaped by personal, organizational, and environmental factors that either help or hinder it, as well as by how these factors affect motivation and role understanding. A salesperson's performance determines their rewards, which are either extrinsic (given by others) or intrinsic (self-attained). These rewards then significantly influence job satisfaction, which

stems from both the intrinsic fulfillment from the job and the extrinsic benefits received, like salary and promotions.

All these factors interact, and their interplay significantly impacts a salesperson's performance.

Figure 3.1. Salesperson Performance Determinants Model



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

3.2. Sales Force Motivation: Strategies to Enhance Performance

Salespeople work in a fast-paced, challenging setting. Motivation is key to their performance, and it's crucial for sales managers to grasp and apply motivational strategies effectively to optimize each salesperson's potential.

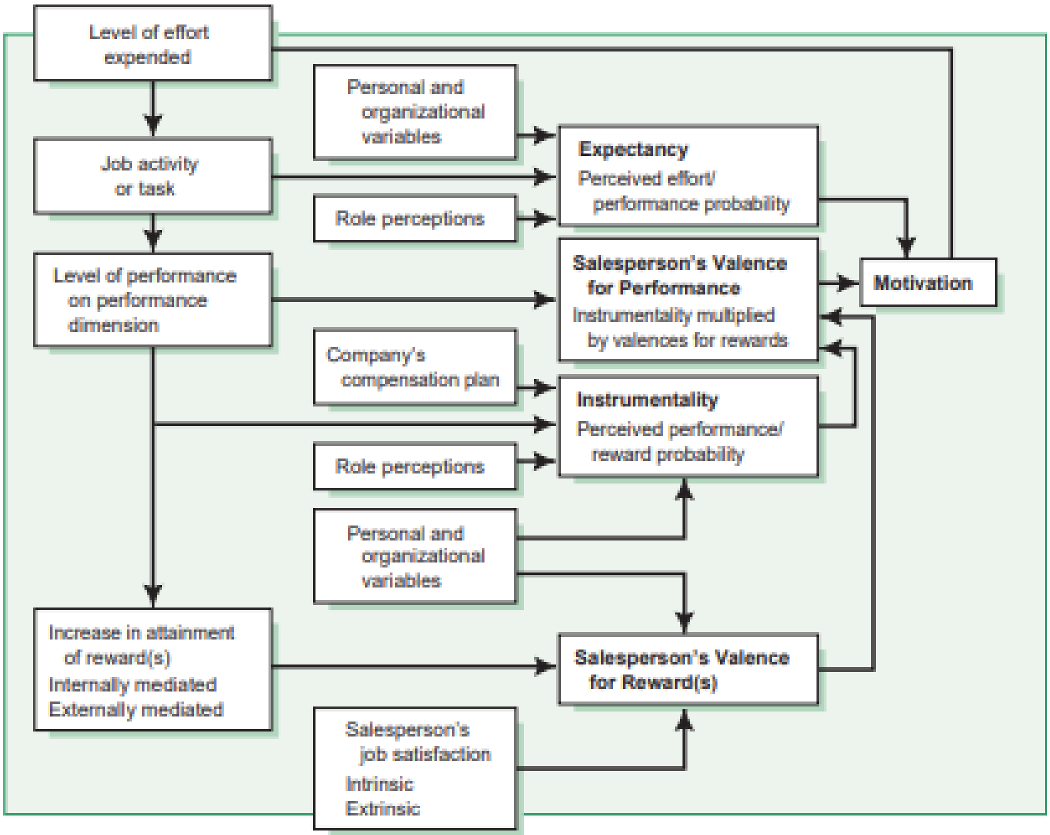
The framework in Figure 3.2. is based on expectancy theory, which is a comprehensive approach to motivation that includes elements from various other theories. It's widely researched in sales management and helps guide the creation of motivational programs. While other theories are also considered, expectancy theory is the main focus, especially in understanding how personal traits influence individual motivation.

A salesperson's motivation, which is the willingness to put effort into job tasks, greatly affects performance. This motivation is shaped by

1. Expectancy (belief that effort will improve performance)
2. Instrumentality (belief that performance leads to rewards), and
3. Valence (desirability of rewards).

These factors are influenced by personal traits, work environment, and company policies, all of which determine a salesperson's drive to perform well.

Figure 3.2. Psychological Factors in Motivation and Influences on the Motivation Process



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

3.3. Sales Aptitude: The Impact of Personal Traits

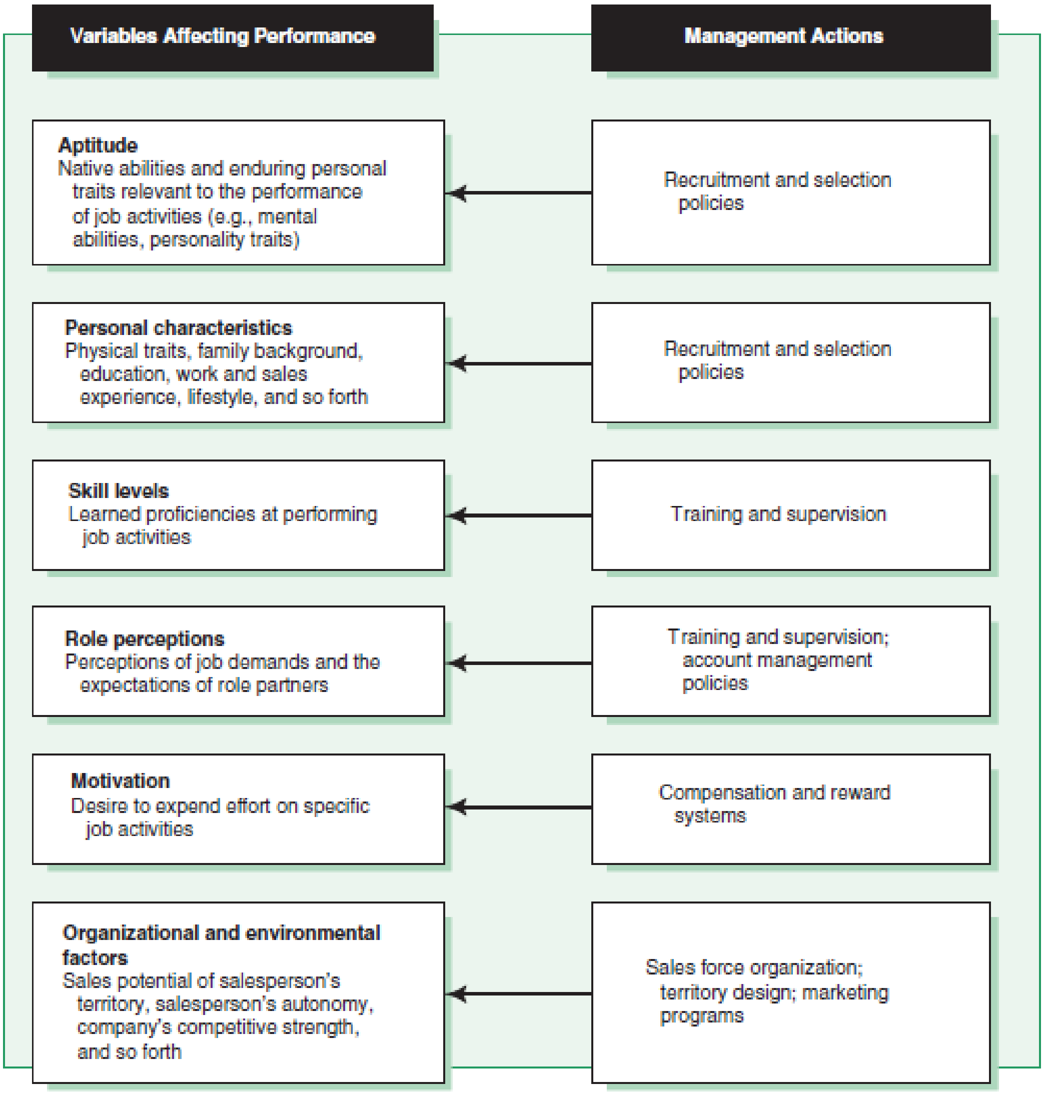
Identifying the traits that make a successful salesperson is crucial for sales managers as it significantly influences recruitment, motivation, and evaluation within their teams. Personal traits and aptitude are often considered to set an upper boundary on an individual's capacity to excel in a specific sales role.

A salesperson's performance is influenced by a variety of personal factors, including:

1. Demographics and physical characteristics (e.g., age, sex, and physical appearance)
2. Background and Experience factors (e.g., level of education, and sales experience)
3. Status and Lifestyle (e.g., marital status and financial status)
4. Mental aptitude
5. Personality traits, and
6. Skill levels.

Meta-analysis has shown that sales performance is influenced by a mix of personal and organizational factors, categorized into six groups (Figure 13). Aptitude and personal traits are innate and unchangeable, while skills can be developed through training. Management directly affects role perceptions, motivation, and organizational environment. No single factor fully explains performance; it's a complex interplay of various elements. Success in sales depends on both inherent qualities and effective management.

Figure 3.3 Factors affecting individual salespeople's performance and management actions to influence them



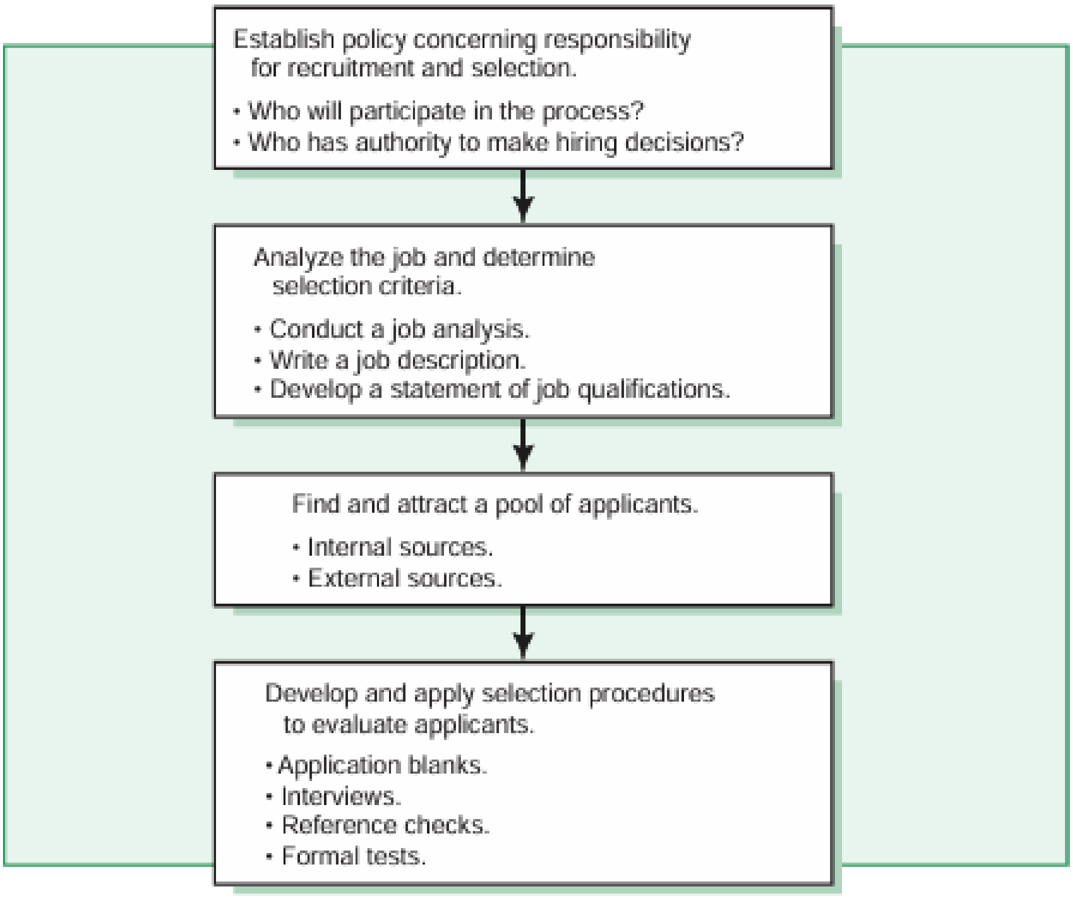
Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

3.4. Recruitment and Selection: Building a Competent Sales Force

Effective recruitment of new salespeople is crucial for an organization's enduring success. With expanding markets, the demand for skilled candidates to fill sales roles grows. Meanwhile, retaining talent becomes challenging as competitors may entice them away. The stakes are high; poor recruitment can incur significant costs. Thus, the recruitment and selection of salespeople are key responsibilities for sales managers.

Hiring the best employees is a challenging task with several critical issues to address during recruitment and selection. Exhibit 3.4 outlines these key considerations. The initial decision involves determining who within the company will be responsible for hiring new salespeople. While field sales managers often handle this duty, top executives and personnel departments also play an active role in some firms

Figure 3.4.
Recruitment and Selection process



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Effective recruitment is key to ensuring new sales reps are apt and likely to succeed. While no universal traits guarantee success in all sales jobs, a careful recruitment process involves analyzing the job and defining the necessary qualifications. The goal is to attract a select group of qualified candidates, not just a large number of applicants, due to the high costs of recruitment and training.

The hiring process concludes with a careful evaluation of each candidate's history, interviews, references, and tests to identify those likely to succeed, all while adhering to equal employment laws.

3.5. Sales Training: Goals, Methods, and Outcomes Assessment

Salespeople work in a competitive, ever-changing setting and must quickly learn about their company, products, and customers. Training is crucial for both the success of existing staff and the preparation of new hires, recognized as a vital factor for a sales team's success in today's business landscape.

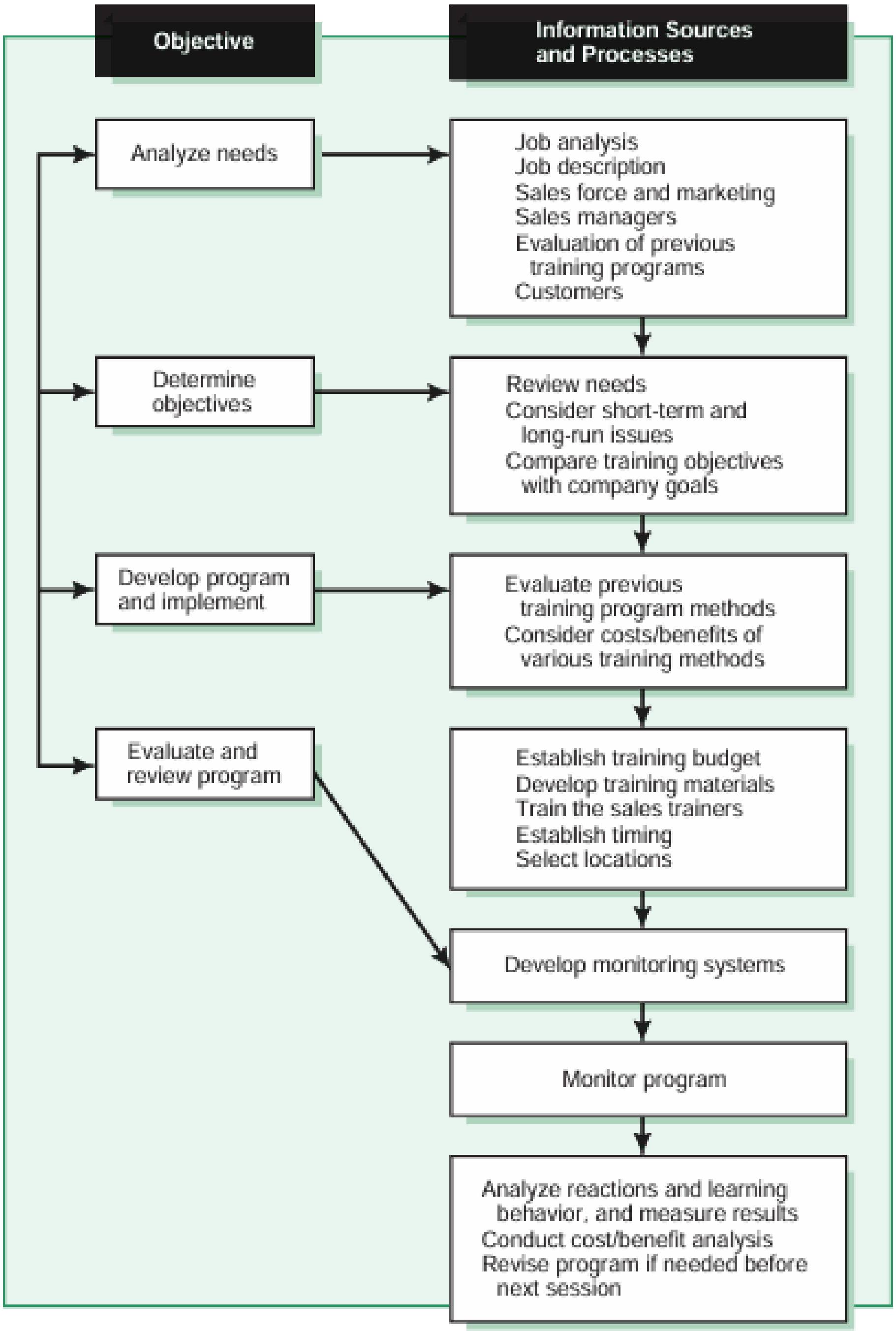
Sales training is undeniably crucial, but implementing it faces challenges. Key issues identified by senior managers include aligning training with business strategy and fostering customer-centric skills. However, obstacles such as lack of commitment from top management and frontline staff, and unclear training objectives and applications, hinder progress. Management sometimes wrongly expects training to fix all sales issues, which may stem from other areas like product quality or supply chain efficiency. Viewing training as a cost rather than an investment, and the difficulty in measuring its effectiveness, are also concerns.

Sales training programs often face credibility issues and are frequent targets for budget cuts, possibly due to management's perception of their limited impact. For these programs to be effective, they must align with the organization's long-term goals and provide tangible value, similar to the company's products and services.

Sales training is essential and widespread, despite being costly and complex. It's mandatory for all sales staff, aiming to enhance skills, productivity, morale, customer relations, and management of time and territories. Training length and content vary by industry, company policy, job nature, and products or services. Product knowledge is prioritized in training, followed by sales techniques and company awareness, though this focus is often debated.

Common sales training methods include on-the-job training, individual instruction, in-house classes, and external seminars. Companies recognize that different subjects require varying approaches. Overlapping occurs within these methods. On-the-job training includes individual coaching and in-house classes. Companies are increasingly open to seeking external help for training and motivation. Additionally, creative approaches are making sales training more engaging. However, using external sources remains controversial, with companies questioning the investment in such training.

Figure 3.5.
Assessing the training requirements for the sales team.



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

With technological advancements, sales training methods have evolved, incorporating devices like cell phones and laptops, and increasingly using online platforms. While the exact benefits of sales training are hard to quantify due to external influences, it's seen as valuable for setting expectations and equipping the sales team with the skills for high performance.

Chapter 4. Assessing and Managing Sales Program's Performance

4.1. Cost Assessment

Marketing cost analysis identifies costs related to sales levels to assess segment profitability. It's beneficial for sales managers to evaluate profitability across different business areas. However, firms have been slow to adopt cost analysis due to the impractical format of costs in accounting systems, which activity-based costing (ABC) is addressing.

Marketing cost analysis can use:

1. Full cost
   The full-cost method allocates all costs to a segment.
2. Contribution margin
   The contribution margin method only deducts directly associated costs from segment revenue.
3. Activity-based cost (ABC) approaches.
   ABC defines and allocates the cost of each activity.

Figure 4.1.1.
Full cost vs Contribution margin

Full-Cost Approach

	Sales
Less:	Cost of goods sold
Equal:	Gross margin
Less:	Operating expenses (including the segment's allocated share of company administration and general expenses)
Equal:	Segment net income

Contribution Margin Approach

	Sales
Less:	Variable manufacturing costs
Less:	Other variable costs directly traceable to the segment
Equal:	Contribution margin
Less:	Fixed costs directly traceable to products Fixed costs directly traceable to the market segment
Equal:	Segment net income

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 4.1.
Full cost by deparment

	Totals	Department 1	Department 2	Department 3
Sales	$500,000	$250,000	$150,000	$100,000
Cost of goods sold	400,000	225,000	125,000	50,000
Gross margin	100,000	25,000	25,000	50,000
Other expenses				
Selling expenses	25,000	12,500	7,500	5,000
Administrative expenses	50,000	25,000	15,000	10,000
Total other expenses	75,000	37,500	22,500	15,000
Net profit (loss)	25,000	(12,500)	2,500	35,000

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 4.2.
Contribution margin by department

	Totals	Department 1	Department 2	Department 3
Sales	$500,000	$250,000	$150,000	$100,000
Variable costs				
Cost of goods sold	400,000	225,000	125,000	50,000
Selling expenses	25,000	12,500	7,500	5,000
Total variable costs	425,000	237,500	132,500	55,000
Contribution margin	75,000	12,500	17,500	45,000
Fixed costs				
Administrative expenses	50,000			
Net profit	25,000			

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 4.3.
Contribution margin vs ABC Methods

	Widget	Zidget	Widget	Zidget
Sales	$750	$750		
Less variable costs[i]	440	461		
Contribution margin	$310	$289		
	ABC Method		Contribution Method	
Less fixed manufacturing costs[ii]	$119	$21	$70	$70
Less fixed selling costs[iii]	$60	$40	$50	$50
Income using ABC	$131	$228		
Income using contribution			$190	$169

i Includes direct variable manufacturing and shipping costs as well as sales commissions paid to salespeople.
ii Total fixed manufacturing costs = $140. ABC allocates costs based on the complexity of the manufacturing process for each product.
iii Total fixed selling costs (includes administrative expenses and sales expenses) = $100. ABC allocates costs taking the longer selling cycle for Widgets (3 sales calls instead of two).

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

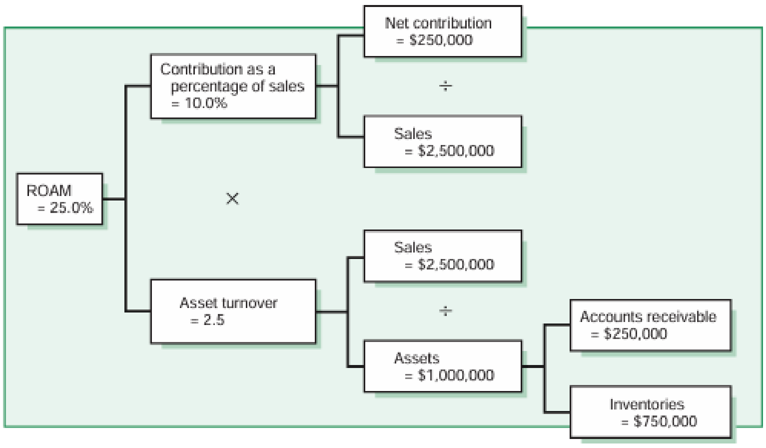
The process of marketing cost analysis involves four steps:

1. Defining the study's purpose
2. Distributing costs to functional centers
3. Allocating these costs to segments based on cause-and-effect, and
4. Summing allocated costs to determine segment contribution.

Return on assets managed (ROAM) is another financial metric for sales managers, calculated as the product of profit contribution percentage and asset turnover, which is sales divided by the assets required to generate those sales. ROAM, which emphasizes optimal asset utilization for profit maximization, is less used than sales or cost analysis in sales management.

Figure 4.4.
Return on Assets Managed (ROAM) model

	Branch A	Branch B
Sales	$2,500,000	$1,500,000
Cost of Goods Sold	2,000,000	1,275,000
Gross Margin	500,000 (20%)	225,000 (15%
Less Variable Branch Expenses		
Salaries	155,000	80,000
Commissions	25,000	10,000
Office expenses	30,000	20,000
Travel and entertainment	40,000	20,000
	250,000	130,000
Branch Contribution to Profit	250,000	95,000
Branch investments		
Accounts receivable	500,000	150,000
Inventories	750,000	225,000
	1,250,000	375,000
Earnings as a Percentage of Sales	10.0%	6.3%
Turnover	2.0	4.0
Branch Percentage Return on Assets Managed	20.0%	25.2%



Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

4.2. Sales Performance Review

Performance evaluations are crucial dialogues between salespeople and managers, aimed at driving professional growth and success. Effective reviews require managers to understand various performance metrics and conduct appraisals that reinforce strengths and identify areas for improvement.

Performance and effectiveness differ: performance assesses a salesperson's behavior in relation to organizational goals, while effectiveness considers overall outcomes.

Salespeople are evaluated based on objective (quantifiable) and subjective (personal assessment) criteria.

- Objective measures include output (results) and input (effort) metrics, often expressed as ratios.
- Subjective evaluations can be prone to errors and biases, leading to unfair appraisals.

To enhance fairness, organizations should use 360-degree feedback, including self-evaluation.

Figure 4.5.
Common measures to evaluate salespeople.

Output Measures

- Orders
  - Number of orders
  - Average size of orders
  - Number of canceled orders
- Accounts
  - Number of active accounts
  - Number of new accounts
  - Number of lost accounts
  - Number of overdue accounts
  - Number of prospective accounts

Input Measures

- Calls
  - Total number of calls
  - Number of planned calls
  - Number of unplanned calls
- Time and time utilization
  - Days worked
  - Calls per day (call rate)
  - Selling time versus nonselling time
- Expenses
  - Total
  - By type
  - As a percentage of sales
  - As a percentage of quota
- Nonselling activities
  - E-mails to prospects
  - Phone calls to prospects
  - Number of formal proposals developed
  - Advertising displays set up
  - Number of meetings held with distributors/dealers
  - Number of training sessions held with distributor/dealer personnel
  - Number of calls on distributor/dealer customers
  - Number of service calls made
  - Number of overdue accounts collected

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.

Figure 4.6.
Common ratios to evaluate salespeople.

Expense Ratios

- Sales expense ratio = $\frac{\text{Expenses}}{\text{Sales}}$
- Cost per call ratio = $\frac{\text{Total costs}}{\text{Number of calls}}$

Account Development and Servicing Ratios

- Account penetration ratio = $\frac{\text{Accounts sold}}{\text{Total accounts available}}$
- New-account conversion ratio = $\frac{\text{Number of new accounts}}{\text{Total number of accounts}}$
- Lost account ratio = $\frac{\text{Prior accounts not sold}}{\text{Total number of accounts}}$
- Sales per account ratio = $\frac{\text{Sales dollar volume}}{\text{Total number of accounts}}$
- Average order size ratio = $\frac{\text{Sales dollar volume}}{\text{Total number of orders}}$
- Order cancellation ratio = $\frac{\text{Number of cancelled orders}}{\text{Total number of orders}}$
- Account share = $\frac{\text{Salesperson's business from account}}{\text{Account's total business}}$

Call Activity or Productivity

- Calls per day ratio = $\frac{\text{Number of calls}}{\text{Number of days worked}}$
- Calls per account ratio = $\frac{\text{Number of calls}}{\text{Number of accounts}}$
- Planned call ratio = $\frac{\text{Number of planned calls}}{\text{Total number of calls}}$
- Orders per call (hit) ratio = $\frac{\text{Number of orders}}{\text{Total number of calls}}$

Source: Johnston, M.W. and G.W. Marshall. (2016). Sales Force Management. Leadership, Innovation, Technology. Twelfth edition. Routledge.