BRISBANE QUT

GRADUATE SCHOOL OF BUSINESS

MBA Program

Sales Management

GSN476

Study Guide
and
Resource Book

These materials have been written by Mark Hocknell for the Brisbane Graduate School of Business, Queensland University of Technology. They have subsequently been reviewed by Associate Professor James Everett, School of Advertising, Marketing and Public Relations, Faculty of Business, Queensland University of Technology.

Concept map of unit

GSN476
Sales Management

- **Module 1** Introduction to sales management
  - .1 Introduction to sales management
  - .2 Sales management in business strategy
  - .3 Why focus on sales management
  - .4 Sales management is underestimated
- **Module 2** The process of sales
  - .1 Introduction to sales process, cycles and adoption rates
  - .2 Ethics in sales
  - .3 Business to customer (B2C)
  - .4 Business to business (B2B)
  - .5 Introduction to sales strategies
- **Module 3** Sales strategies
  - .1 Customer relationship management (CRM)
  - .2 Mass market
  - .3 Service selling
  - .4 Customer centred selling
  - .5 Account management
  - .6 Implementing sales strategies
- **Module 4** Sales management—the people
  - .1 Job descriptions
  - .2 Recruitment
  - .3 Training
  - .4 Motivation
  - .5 Remuneration
- **Module 5** Performance management
  - .1 Performance management
  - .2 Retain/retire
  - .3 Call reluctance and other common difficulties
  - .4 Sales forecasting and planning
- **Module 6** Sales management process
  - .1 Sales force automation
  - .2 Sales management process
  - .3 Role of the sales manager
  - .4 Creating a world class sales force

Contents

* * * * *

* * * * *

Module 1: Introduction to sales management

Introduction

Textbook Calvin, R.J. 2001, *Sales Management*, McGraw-Hill, New York, Chapters 1 and 5.

Resource 1.1 Rock, J. 2000, 'Getting the right organisation' and 'Interrelating with other functions', *The Effective Sales Manager: Practical Solutions to Sales Management Problems*, Business and Professional Publishing, Australia, pp. 15–26, 231–235.

This is the first module of the Sales Management unit and introduces you to the process, concepts, goals, the value of studying sales management and the organisational issues with sales management today.

Sales management is a much-misunderstood discipline; it spans marketing and human resource management, strategy and leadership, entrepreneurship and economics, and, until recently, was not accepted as an academic subject. For many businesses, the sales function is where the customer first comes into contact with an organisation, its people and its products or services. The effectiveness of a sales force is almost always in the focus of management and analysts, and when sales results are not met, the sales force is often the first department to come under scrutiny.

This unit provides learning in the sales management discipline to equip a manager with practical strategies and tactics to implement. The topics under discussion in this module will establish an introduction to the sales management function with its positioning within the organisation, management structures, sales fore size and current issues facing the sales force and the sales management function.

Topics

1.1 Introduction to sales management
1.2 Sales management in business strategy
1.3 Why focus on sales management
1.4 Sales management is underestimated

Objectives

On completion of this module you should be able to:

1. Recognise an overview of the sales management process.
2. Demonstrate where sales management fits into the strategic goals and marketing objectives of a business.
3. Articulate the organisational issues with sales management including company structure and sales force size.
4. Articulate the current associated issues and challenges; the common pitfalls associated with the poor execution of sales management processes.

1.1 Introduction to sales management

Textbook Calvin, R.J. 2001, *Sales Management*, McGraw-Hill, New York, Chapter 1.

Sales management is a business management process that follows the strategic decisions made by an organisation. These decisions articulate the intent of the organisation in selling its product or services to its chosen consumer market. How the organisation now goes about this is the implementation of the strategy and becomes the face of the organisation to its customers.

Sales management then is not only the management of the human resource that makes up the sales force, but also involves the fine tuning of the strategic implementation to ensure congruence between the strategic goals of the organisation and its face to its customers, the sales people.

> The role of the sales manager is to produce agreed results for a specific area of operation through a productive, effective and satisfied sales force.
>
> Rock 2000, p. 1

The process

Calvin (2001, p. 3) describes the sales management process and says that it is critical to understand each step in the process, as well as the holistic system that the sum of the parts creates. The summary of the process is reproduced here, recognising that this unit will focus on the steps in the process that require sales management influence. For example, it is not the purpose of this unit to examine company strategy and objectives, but to see where sales management plays its part.

Strategy and objectives

- Structure follows strategy
- Sales management tactics reflect organisational strategy

Hiring

- Job description, candidate profile, sourcing, interviewing, reference checking, decisions

Training

- Induction training including, product, competitor, customer knowledge
- Selling skills
- Field coaching, sales meetings, initial training

Compensation

- Total dollar level, balancing the needs of the company and the salesperson
- Fixed pay versus performance pay

Organisation

- Channel choice—having a direct sales force or an indirect distribution model using third party distributors
- Geographic, product, customer, or functional sales force architecture
- Territory boundaries—deployment and sizing
- Time management within territory

Forecasts

- Bubble-up from the sales force versus the top-down company approach
- Format of the sales forecast/plan
- Sales plan—actions that drive forecast numbers

Non-monetary motivation

- Using various tactics to suit different types of people
- Recognition, usefulness, challenge, achievement, belonging, personal growth, leadership

Sales force automation

- Systems applications
- E-commerce/Internet
- Implementation, gaining productivity improvements

Performance evaluations

- Results, activities, skills, knowledge, personal characteristics, self-evaluation
- Quarterly
- Goal setting, development plan
- Measuring productivity

Whilst Calvin portrays the sales management process as a list of functions, the sales management process should also be viewed as an ongoing process. The strategy, objectives and values of the organisation remain relatively static, with the hiring function flowing on from the organisational policies. The sales management function then takes on a cyclical nature.

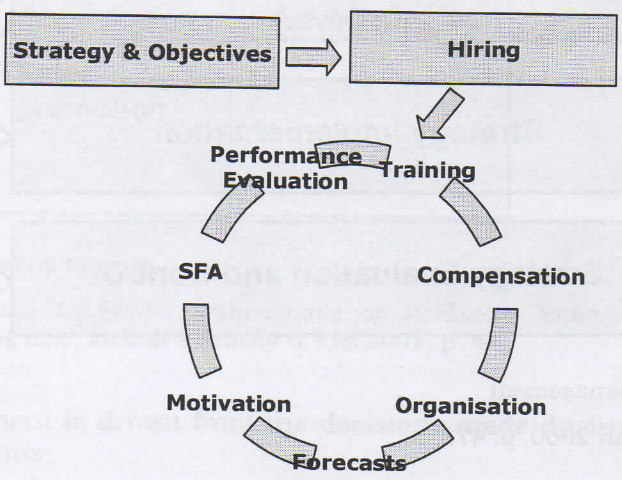


Figure 1.1: Sales management process

Source: Calvin 2001, pp. 3–4.

1.2 Sales management in business strategy

Textbook Calvin, R.J. 2001, *Sales Management*, McGraw-Hill, New York, Chapter 5.

Resource 1.1 Rock, J. 2000, 'Getting the right organisation' and 'Interrelating with other functions', *The Effective Sales Manager: Practical Solutions to Sales Management Problems*, Business and Professional Publishing, Australia, pp. 15–26, 231–235.

Strategic management

From your studies in *GSN405: Strategic Management* you would remember the following chart (Figure 1.2) from Viljoen and Dann (2000, p. 47).

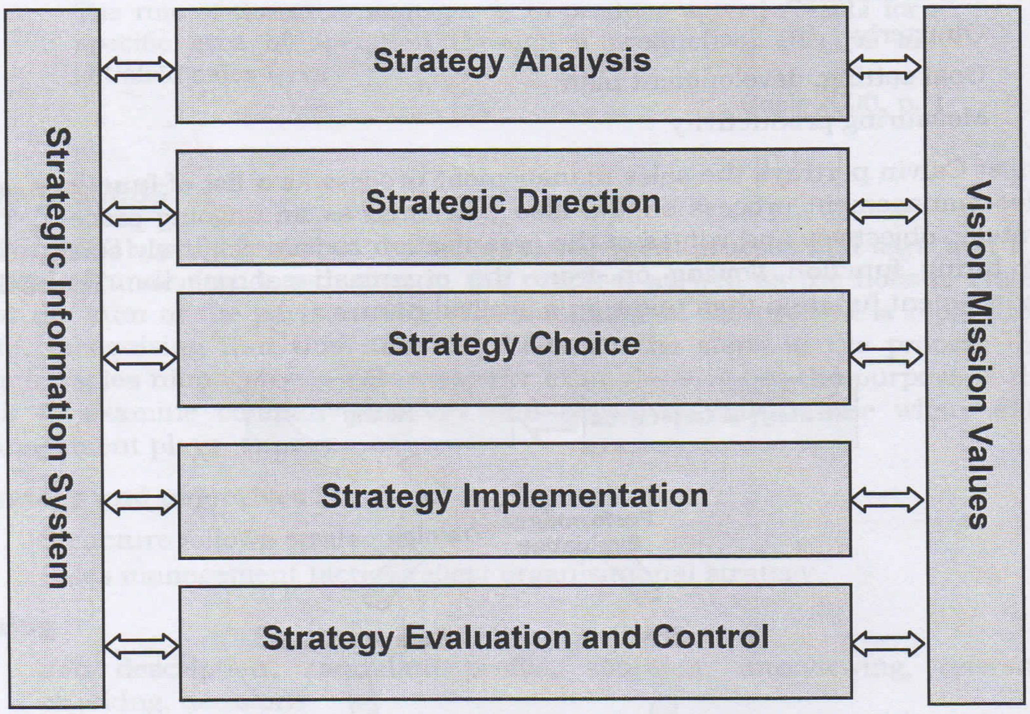


Figure 1.2: Strategic management

Source: Viljoen and Dann 2000, p. 47.

Following the decisions made in the formulation of vision, mission and values comes the strategy analysis. Strategy analysis is the understanding phase and requires managers to analyse all of the major forces at work in their chosen industry and marketplace to ensure that formulated decision making springs from strategic direction and choice.

The organisation then moves to implement the operational strategies and systems that are used to enable the realisation of the business goals. The marketing plan and the tasks for the sales force are part of the strategies implemented by the business to achieve its goals. The quality of execution can quite often become the competitive advantage for the organisation.

The sales management process also falls within the strategy evaluation and control process. Sales force performance measurement, evaluation and the taking of corrective action will ensure that the strategic choice and implementation models are finetuned to enable the goals of the business to be realised.

Marketing mix

The core activities of marketing management are described by McColl-Kennedy and Kiel (2000, p. 45) as the process of managing the marketing mix: the product, price, promotion, place (distribution) and people.

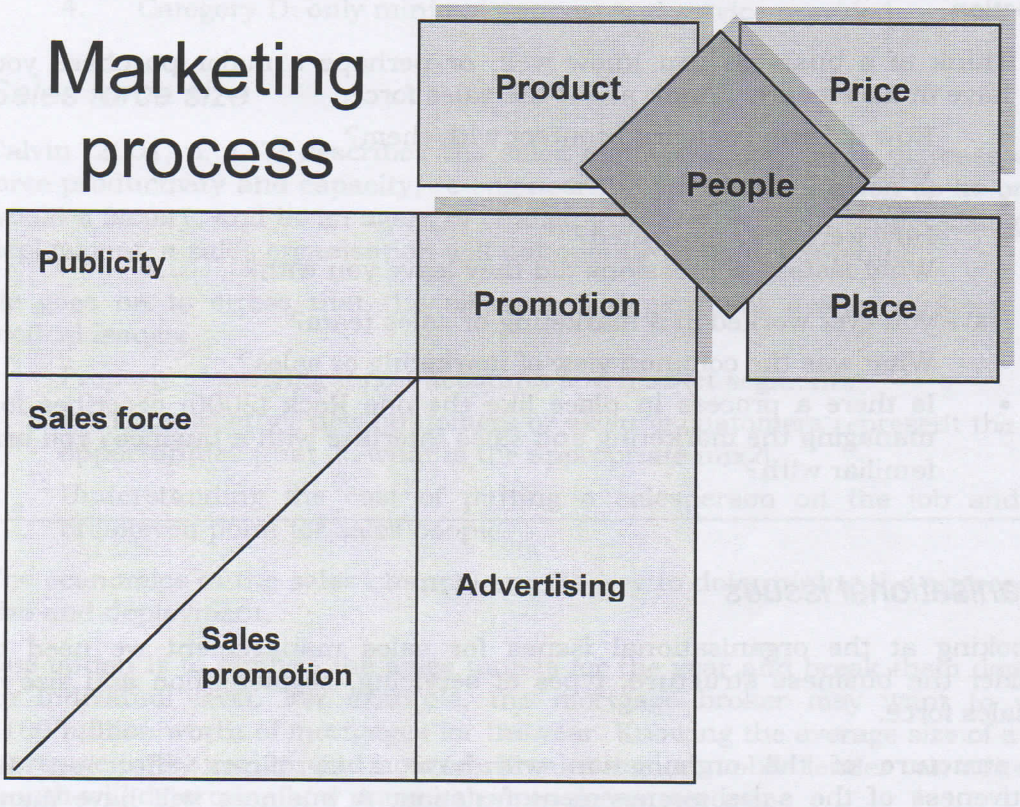


Figure 1.3: Marketing process

Source: Chart from *GSN408: Fundamentals of Marketing Management*, 'Elaboration of marketing mix', McColl-Kennedy & Kiel 2001, p. 44.

Sales management is driven from the decisions made during the formulation of the marketing mix.

For example, *Place* or 'distribution' is described as the marketing channel used and the physical delivery or logistics of getting a product to market: here, the decisions about channels are made. How will the product be sold, through a shop? Where will the shops be? What brand will the shop carry? Can the product be sold through agents, brokers or other distributors? How will these channels be measured and managed?

Secondly, *Promotion*, a form of communication adopted by marketers in an attempt to inform, persuade and influence potential buyers of a product/service in order to elicit a response. Within *Promotion* resides the sales force and the decisions made by the sales management team about the composition, size, compensation, etc. needed to achieve the business goals. This is where the sales management process lives.

Rock (2000, p. 231) describes the interdependence that the sales force have with other parts of the organisation. Marketing and sales functions, in many businesses, do not work well together. Often you will see the marketing process stop at the generation of enquiry for the sales force; if sales are not made, then surely the issue is with the sales force. In turn, the sales force will contend that the marketers do not know what is happening at the customer interface.

It is critical to the success of the organisation that the sales force and the marketing group work well together. This also can become a process to manage. Rock (2000, p. 235) describes such a process.

Reflection

1. Think of a business you know well, or perhaps a major purchase you have made recently. Think about the sales force.
   - How did you come into contact with them?
   - What channel was used?
   - How effective were they?
   - How were they motivated?
   - What lasting impressions did they leave you with?
2. Have you ever worked in a marketing or sales team?
   - What was the common view of marketing or sales?
   - Is there a process in place like the one Rock (2000) describes for managing the marketing and sales interface with a business you are familiar with?

Organisational issues

In looking at the organisational issues for sales management we need to consider the business structure, types of servicing, segmentation and size of the sales force.

The structure of the organisation will have a significant effect on the effectiveness of the sales management function. A business will have many questions to answer before deciding on the organisational structure and the sales force structure.

Considerations for organisational structure

- Channel choice—direct versus indirect sales. Calvin (2001, p. 130) says that the more influence a salesperson has on the sale, the more important a company direct sales force is. However, in Australia, large portions of wealth creation products are sold through intermediaries, for example, a growing number of home loans are sold through mortgage brokers.
- The type of product or service and customer expectations.
- Span and function of control.
- Clear lines of accountability.

- Market segmentation, based on profitability of the segment or specialist skill or knowledge required.
- Categorisation of customers. Rock (2000, p. 18) has four categories of customers:
  1. Category A: large accounts that are critical to success require full account management.
  2. Category B: fairly large accounts, desirable to the business.
  3. Category C: customers that are targeted by the business but to whom the business is not prepared to devote a high level of resources.
  4. Category D: only minimal support and service provided.

Sales force size

Calvin (2001, p. 137) describes the sales managers' goal as to increase sales force productivity and capacity, re-engineer the sales organisation as he or she would a factory, and be an agent of change. However, without proper sizing and deployment, a sales organisation will not operate at its full potential.

He goes on to stress that the sizing and deployment involve strategic and tactical issues:

- Properly identifying target accounts and market segments.
- Deciding whether new customers or existing customers represent the best opportunities (that is, what is the appropriate mix?).
- Understanding the cost of putting a salesperson on the job and the breakeven point for sales people.

The economics of the sales channel are the key to determining the appropriate size and deployment.

One option is to analyse the sales targets for the year and break them down to an individual level. For example, the mortgage broker may want to write $100 million worth of mortgages for the year. Knowing the average size of a new mortgage in the region, and how many sales a good mobile lender can write per month will determine how many sales people are needed.

Example 1.1

Sales target	Average mortgage	Best lender per month	Best lender per month	Best lender per year	Number of lenders
$100m	$150000	15 Loans	$2.25m	$24.75m	4 or 5

It is important to allow for fluctuations in seasonal demand and the fact that each person will have at least one month off for leave annually.

In Example 1.1 the sales manager has to make the decision for four or five lenders. If he/she takes four and they all write the prescribed volume and are productive, then the target is achieved. If he/she takes five, there is a better chance of making the target, but he/she may also make it more difficult for the sales team to achieve their individual goals. The other issue of putting on five rather then four lenders may have to do with operational expenditure.

Let's take another example, Example 1.2, of an outbound sales call centre. You have 20 people making outbound calls to sell holiday packages. Currently, they are making, on average, 10 calls each per hour, with a strike rate of 15 per cent. You are getting 6 hours productivity per day: this equates to 900 sales per week. The business needs 1200 sales per week.

Example 1.2

	CSR's	Call p/hr	Strike rate	Total sales p/wk (6 hr day)	Sales target
Current	20	10	15%	900	1,200
Opt A	27	10	15%	1,214	1,200
Opt B	20	10	20%	1,200	1,200

Taking Option A (to increase the size of the sales force) increases costs and relies on certain assumptions, such as, you can access a larger base to call and also have the facilities for the extra people.

Option B improves the productivity of the sales force and produces a better result for the business; however, it is the greater challenge to achieve.

Another method put forward by Rock (2000, pp. 21–23) elaborates on the categorisation of customers and then determines the number of contacts or visits with those customers per year. From there, the number of account managers can be determined.

Each of these methods requires a detailed understanding of the economics of the business—not only the dollar value and contact rates, but also the length of time required for each visit, sale, and the selling time available to each salesperson each year.

Reflection

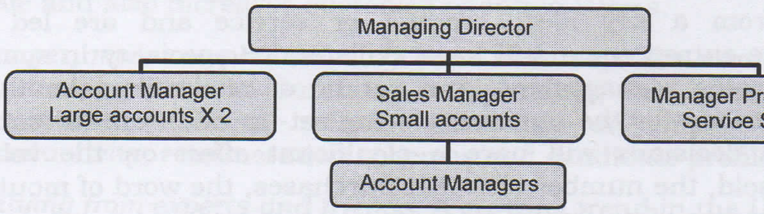
1. Think of a business you know well; think about the sales force.
   - Where do they fit into the organisational structure?
   - How many channels are there?
   - What are they?
   - Does this business differentiate the level of service for different categories of customers?
2. Think of the customer-to-business relationship you have with your bank (building society, credit union, etc.).
   - What sales channels are open to you?
   - What service channels are open to you?
   - How do they make new offers to you?

Organisational structure

Here are three examples of corporate structures to illustrate application of the above points.

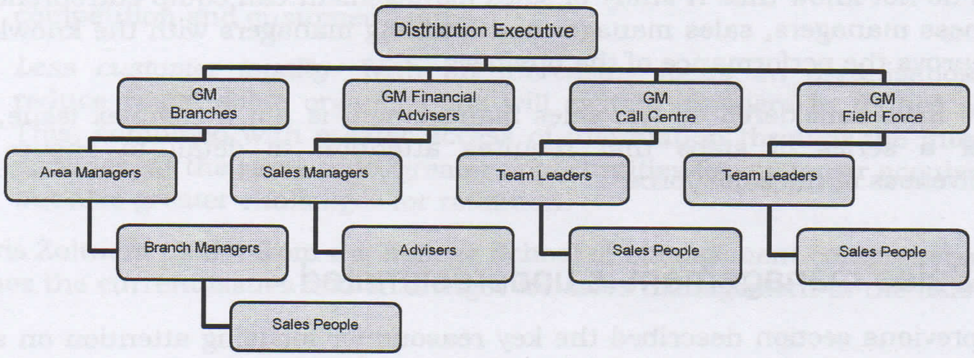
Example 1.3

This example would suit a SME that had large valuable accounts to manage.



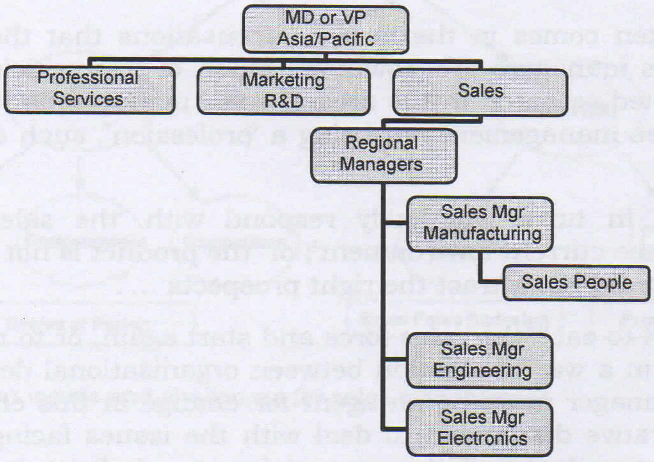
Example 1.4

This is an example of a Financial Services business. This model allows for the varying needs of customer groups, but does rely on inter-departmental cooperation.



Example 1.5

This last example is of a technology company who break their regions up into industry-focused teams.



1.3 Why focus on sales management

For any business that relies on customers purchasing their products or services, sales management is critical to the success of that business. Sales management is often not regarded as a specialist function, and so decisions are made that can actually hinder the effectiveness of the sales force.

The majority of businesses in Australia are small- to medium-sized enterprises that start up from a key idea, product or service and are led by an entrepreneur. The entrepreneur will have skills and a speciality in some area, most likely not sales management, and yet he or she will make the sales management decisions for the business during set-up and then for some time afterward. These decisions will have a significant effect on the volume of product/service sold, the number of repeat purchases, the word of mouth, and, ultimately, the success of the business.

Additionally, the way consumers and businesses are making their purchasing decisions is becoming more sophisticated and aware of 'sales ploys'. For the business to find competitive advantage in this environment it must have an effective sales force.

The stereotypical sales manager has become a thing of the past; unfortunately, some do not know this. A study of sales management can equip entrepreneurs, business managers, sales manager and budding managers with the knowledge to improve the performance of the business.

As we have considered so far, sales management is not a complex issue, but rather a series of steps that requires attention to detail to ensure the effectiveness of the sales force.

1.4 Sales management is underestimated

The previous section described the key reasons for focusing attention on sales management. However, in business today it is often found that the effect sales management has is underestimated. And yet, when organisations fail to meet their sales targets, it is common for managers to criticise the sales force and its management. Rock (2000, p. 8) says that there are three areas of operation in a company that are constantly and immediately under the microscope when a mistake is made: sales, distribution and production.

This criticism often comes in the form of accusations that the sales force is ineffective and its managers are 'cowboys'. Much of this criticism comes from the lack of accepted research in the area of sales management, coupled with a perception of sales management not being a 'profession', such as Marketing or Accounting.

The sales force, in turn, will likely respond with 'the sales targets were unreasonable in the current environment'; or 'the product is not competitive'; or maybe 'marketing did not attract the right prospects ...'.

The answer is not to sack the sales force and start again, or to retrain them, or become involved in a war of attrition between organisational departments. The effective sales manager must be an agent for change in this environment and facilitate collaborative discussion to deal with the issues facing the business. The following section looks at the current issues, challenges and pitfalls for sales management.

Current issues

Calvin (2001, p. 7) contends that sales managers are agents of change and must *manage change* to remain effective. Calvin then identifies six key issues that he believes are the main drivers for this focus on change.

1. *Shorter product/service life cycles.* A shorter life cycle 'commoditises' products, and therefore reduces the influence the salesperson has on the sale and also increases customer retention issues.
2. *Longer, more complex sales cycles.* Calvin says the number of steps from customer search to purchase is expanding; this is true particularly of business-to-business selling. This has an impact on sales force productivity, remuneration schemes and candidate profiles.
3. *Buying from experts and friends.* A growing trend in the United States that is requiring sales people to have expert knowledge of their industry and strong contact networks.
4. *Group decision.* In business-to-business selling, the decisions are being made more consistently through groups (discussed in Module 2, Topic 4).
5. *Intense competition.* Globalisation, technology, and the increasing accountability of businesses for their bottom line results is increasing competition and customer 'churn'.
6. *Less customer loyalty.* With an increasing focus on organisations to reduce costs, some organisations will switch suppliers to reduce costs. This, combined with greater access of information through the Internet, provides, at the same time, greater opportunities for customer acquisition, but also greater challenges for retention.

Andris Zoltners (2003) from the Kellogg School of Management comprehensively defines the current issues and challenges for sales management in the following way.

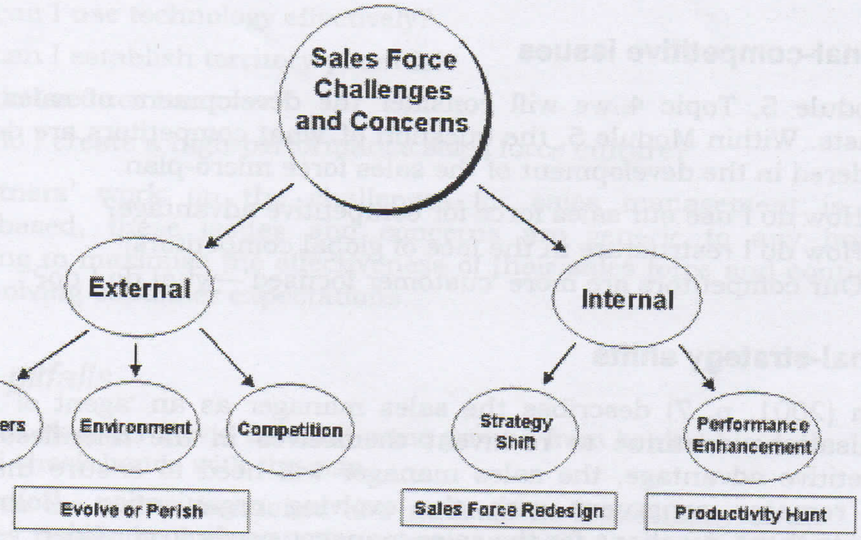


Figure 1.4: Current issues and challenges for sales management

External-customer issues

External customer issues need to reflect the changing environment from the customer perspective, so that the organisation can remain in touch with the changing customer/consumer needs and preferences. Zoltners (2003) provides a list of questions for a business—they should be reviewed regularly by sales management. They are:

- How do I change my selling process and sales force organisation to accommodate the following changes?
  - Customers are consolidating.
  - Customers are getting more sophisticated.
  - Customers are buying globally.
  - Transactional and consultative market segments are emerging.
- Should I go direct? Should I go indirect?
- How can my sales force support my channel partners?

External-environmental issues

Periodically, at least annually during the sales planning process, a business needs to consider the extent to which the external environment has changed, and then to what extent the sales force may need to change. Zoltners (2003) provides a basic list of challenges for sales management.

- The economy is growing rapidly—how do I manage the growth?
- We may be in a recession—what do I do with my sales force?
- How do I incorporate the Internet into my 'Go-to-Market Strategy'?
- How is technology changing the way that I need to sell?
- The unemployment rate is high—how do I upgrade my sales force?
- The unemployment rate is down—how do I attract/retain good people?
- Our industry is getting deregulated—how do I adapt my selling organisation?

External-competitive issues

In Module 5, Topic 4 we will consider the development of sales plans and forecasts. Within Module 5, the question of 'what competitors are doing' will be considered in the development of the sales force micro-plan.

- How do I use our sales force for competitive advantage?
- How do I restructure in the face of global competitors?
- Our competitors are more 'customer focused'—what do I do?

Internal-strategy shifts

Calvin (2001, p. 7) describes the sales manager as an 'agent of change'. As organisations continue to re-invent themselves in the relentless pursuit of competitive advantage, the sales manager will need to ensure that the sales force remains congruent with the evolving organisation. Zoltners (2003) suggests these questions for the sales manager needs to consider:

- How do I create a sales force?
- How do I effectively integrate selling organizations after a merger, acquisition or alliance?
- How do I change my sales force to successfully launch a new product or enter a new market?

- How do we move from a product focus to a customer focus?
- How do I adapt my selling organisation to a new selling motion?
- What should our service offering be?
- Do we need to redefine our selling proposition?
- How do I implement change without sacrificing revenue and profitability?

Internal-performance enhancement

Zoltners (2003) describes the internal issues facing sales management in the following questions. Performance evaluation is one of the most critical elements for the sales manager to address, and this will be examined in Module 5. The interdependence of the sales and marketing function was looked at earlier in this module, and a model for addressing these issues is within Resource 1.1 (Rock 2000, pp. 231–235).

- How do I measure sales force performance?
- How do I create the best sales force in the industry?
- How do I ensure that I can make the sales goal?
- How do I lower my cost of sales? How do I get more sales for less cost?
- How can I motivate our salespeople and sales managers?
- How can I increase the quality of our salespeople and sales managers?
- Half of our people are using an outmoded selling model—what should I do?
- How do we get everyone aligned behind the sales strategy?
- What is the right size and structure for my sales force?
- Who should we call on? How frequently?
- How should we manage strategic accounts?
- How much should I pay my salespeople? What is the role of incentives?
- What is the best training program?
- How can I get sales and marketing to cooperate?
- How can I use technology effectively?
- How can I establish territory potential?
- How do I reduce turnover?
- How do I create a high-performance sales force culture?

Whilst Zoltners' work on the challenges for sales management is North American based, these issues and concerns are generic to any business endeavouring to maximise the effectiveness of their sales force and continue to meet the evolving customer expectations.

Common pitfalls

> Sales Manager David Schmidt came around from behind his desk and shook hands with the man.
>
> When the visitor mentioned how unusual he found many of the sales people he had met, the sales manager admitted he didn't want to be like a lot of other sales managers either. 'I don't want to be like the Canadian hunting dog.'
>
> When the visitor voiced his confusion, the manager smiled and said, 'This American went hunting in Canada. He was lucky because he was given the best dog to hunt with. The dog's name was Salesman.'

The visitor smiled.

'For the first time in his life, the American got his full quota of birds in only two days.' "That's the greatest hunting dog I've ever seen," he said to his Canadian host. "I'd love to have him again next time."

But when the American returned the following year, he was disappointed. He was told that there was no use having Salesman this year.

When he asked why, he was told, "I'm afraid we made a very big mistake with that dog. We changed his name to Sales Manager."

The American asked, "What possible difference could that make?"

"It made a big difference", he was told. "Ever since he was named Sales Manager he just sits around all day on his tail and barks!"

Johnson and Wilson 1984, *The One Minute Sales Person,* pp. 61–62.

Whilst the author and QUT do not endorse the use of hunting dogs, this fictional anecdote illustrates one of the most common pitfalls in sales management—promotion of the best salesperson to the position of sales manager with the expectation that he or she will make everyone else as good as they were. A promotion of this kind will require the new manager to be trained, coached and mentored into the new skill set they will need to succeed in the new role.

Textbook Throughout his book, Calvin identifies the common mistakes made by sales managers; this is summarised on pp. 49, 99, 123, 150, 168, 197, 223 and 245.

However, a recent survey conducted in North America (see Resource 6.2) concluded that the following were the most common pitfalls in sales management practice today.

1. *Ineffective allocation of time.* The survey found sales managers spending large portions of their time on internal interactions and company administration, rather than the core functions of sales management (planning, performance management etc).
2. *Poor data capture.* Managers were found to spend portions of time collecting and collating data.
3. *Lack of institutionalised sales management process.* Businesses typically implement a sales process and then expect sales managers to manage it. The result: each sales manager does their own thing to varying degrees of effectiveness.
4. *Unfocused roles that are too broad.* 'Span of control' issues—market segments, sales channels and direct reports.

Activity 1.1

From your business example in the last reflection:

1. Write down the top three 'external' issues?
   -
   -
   -
2. What makes them issues?
3. How could they be addressed?
4. Write down the top three 'internal' issues?
   -
   -
   -
5. What makes them issues?
6. How could they be addressed?

Be prepared to enter into a class discussion on these issues.

References

Calvin, R.J. 2001, *Sales Management,* McGraw-Hill, New York.

Johnson, S. & Wilson, L. 1986, *The One Minute Sales Person,* Candle Communications Corporation, New York.

McColl-Kennedy, J.R. & Kiel, G.C. 2000, *Marketing,* Nelson Thomson Learning, Melbourne.

Rock, J. 2000, *The Effective Sales Manager,* Business and Professional Publishing, Australia.

Viljoen, J. & Dann, S. 2000, *Strategic Management,* Pearson Education, Sydney.

Zoltners, A.A. 2003, *Current Sales Issues,* http://www.kellogg.northwestern.edu/faculty/zoltners/htm/currentissuespr.html [accessed 15 September, 2003].

Further readings

Collis, J. 1996, *The Great Sales Book,* HarperCollins Publishers, Australia.

Crane, A. 2001, *Get Sales Focused: Rethinking and Revolutionising Sales Forces and Sales Results,* Pittwater Publishing, Victoria.

Donaldson, B. 1998, *Sales Management: Theory and Practice,* Macmillan Business, London.

Honeycutt, E.D., Ford, J.B. & Simintiras, A.C. 2003, *Sales Management: A Global Perspective,* Routledge, Taylor & Francis Group, London.

Module 2: The Process of Sales.

Introduction

Reading

Reading 2.2 *The Values Sales Process*, Hocknell

Reading 2.3 *SPIN Selling*, Rackham chapter 3.

Reading 2.4 *Selling the Wheel*, Cox & Stevens, pgs 9-12, 241-253.

Whilst the role of the sales manager is to manage the process of sales management described in Module 1, a significant portion of the sales manager's time is spent directly managing the sales people. This means leading the sales force through coaching, mentoring, and performance management. To facilitate an understanding of the role of an effective sales manager, it is important to gain an understanding of the sales process itself (business-to-customer and business-to-business selling), the customer decision-making process, ethics in sales and an introduction to sales strategies.

This module covers these topics as the basis of understanding what happens directly at the customer interface with the sales person so sales management can ensure decisions made about the sales management function are well founded.

Topics

- 2.1 Introduction to Sales Process, Cycles and Adoption Rates
- 2.2 Ethics in Sales
- 2.3 Business to Customer
- 2.4 Business to Business
- 2.5 Introduction to Sales Strategies.

Objectives

To gain an understanding of;

1. Sales processes, cycles;
2. Customer decision making and group decision-making processes
3. Ethics in sales
4. High level sales strategies.

2.1 Introduction to Sales Process, Cycles and Adoption Rates

This section lays the foundation stones for the development of sales processes and strategies.

Sales Processes

The world is full of sales processes that are developed and packaged up by sales people and offered to organisations to be their core sales processes. Jack Collis (1998:41) defines the sales process in the following way:

> *"The sales process is the sequence in which the separate parts of the total sales presentation are carried out. Each part builds on the preceding part in a logical problem-solving sequence."*

These sales processes then become the model that sales managers manage their people to. And therefore, the processes become core to the coaching and development activity to ensure consistent process and skills within the sales force.

Good sales processes are developed from the purchaser's stages in decision-making. Sales processes also should be fit for their purpose and therefore in this module they are divided into two categories, small to medium purchases, and larger purchases.

In Sections 2.3 and 2.4 we will look at sales processes for the small to medium purchases on businesses selling to consumers (B2C), and the larger purchases on business-to-business (B2B) sales.

Sales Cycle Length

In the development of the sales processes and strategies for a business, the length of the sales cycle for your product/service and your customer segment adoption rates will play a significant part.

The definition of sales cycle is: the length of time from the beginning of the sales process to the decision being made. This is a general definition for most products/services sold. However, in some industries the "decision being made", may need to take consideration of cooling off periods or delivery of the product or service.

The length of the sales cycle has a considerable impact on the sales process used, and the sales management process particularly involving hiring, training, compensation, motivation and performance evaluations. For example, in a one-call sale lasting perhaps only a few minutes the sales person is managed differently to large sales. They will most likely be measured on number of calls made or taken per hour, they will be using closing techniques, be rewarded on the sales they make, and be rewarded by conversion rates etc (covered in Module 4).

Some sales cycles, however, could last up to three years, say for example in the aircraft industry. The sale of software systems to businesses can frequently take from 6 to 18 months. And from section 2.5 we will see different individuals will need to be recruited, trained, rewarded and managed using a sales process relevant for the product and industry.

The key point in understanding the sales management implications is to assess the length of the sales cycle for the product or service under consideration.

Adoption Rates

Adoption rates are important to sales management particularly in sales of new or emerging technologies, products or service offerings. They are important also in understanding the potential market size and in the ways customers adopt the product or service.

Firstly let's look the market itself. McColl-Kennedy and Kiel (2000:370-1) say that the speed of adoption by consumers depends not only on consumer characteristics, but also on the prevailing economic conditions, competitor activity combined with the sales and marketing approaches of the producer.

The adoption of innovation curve (Rogers, 1983; McColl-Kennedy and Kiel 2000:370-1) classifies consumers into the following categories, these categories are perhaps too general, but are useful as a guide.

- Innovators. Representing around 2.5% of the available market, these are the portion of the population that are almost obsessed with trying out new ideas and products.
- Early adopters. Represents 13.5% of the population. These are distinct from innovators because they are much more reliant on group norms and values. Typically they are also more orientated to the local community and are likely to be opinion leaders.
- Early majority. The next 34% are very deliberate and are likely to collect more information and evaluate more brands than the earlier groups.
- Late majority. The next 34% adopt a new product mainly because most of their friends have adopted the product. They are a group reliant on norms and the adoption is the result of pressure to conform.
- Laggards. This final 16% have a similarity with innovators in not replying on the group norms. Their purchasing decisions are made in terms of the past, by the time laggards adopt new products, they have probably been superseded.

Once the business has chosen targeted segments of the market to sell its products to, it must recognise that each targeted segment is likely to contain these categories of adoption.

The second area of adoption to consider is the adoption process in the usage of a new product or service. McColl-Kennedy and Kiel (2000:369) describe this adoption process in the following way.

Awareness → Knowledge → Evaluation → Trial → Adoption

This process of the adoption of product or service usage is again important to the sales process and strategy development. Analysis of the adoption process for a particular product or service will determine the parameters of the sales strategies. Does the product require ongoing service for adoption? How should the sales people behave during the evaluation stage? What interaction if any is required with the company during the trial stage?

Activity

Consider a small business, less than 20 employees involved in automotive spare parts supply to motor mechanics and panel beaters. Write down your responses to the following questions.

1. What do you think is the typical sales cycle for purchasing a new accounting software package to run its accounts?

2. Which ones would adopt the latest packages available?

3. What characteristics are they likely to display.

4. What factors influence the adoption of a new supplier from China for oil filters?
   The spare parts provider?

   Their customers?

2.2 Ethics in Sales

Ethical issues affect everyone, the difficulty of applying company policy will depend on the business context, conditions and circumstances as well as moral positions. For example, if the business runs a sales competition, will the sales force try and get the customer to order more than they need or reschedule orders in an attempt to win? (Donaldson, 1998:323).

The sales force typically has high goal or result orientation while at the same time a key interface with the customer for the business, creating ethical and moral decisions being made by individual within the sales force. Like this, the sales job creates a number of ethical dilemmas which create role stress. The sales people and sales management have to decide how to approach these ethical issues. Being ethical includes being fair, truthful and impartial and not profiting unjustly at someone else's expense. Businesses must acknowledge that their prosperity depends upon their interdependence with a variety of stakeholders (Donaldson, 1998:323-4).

What is ethically right for a business needs to be determined by the management itself, except where it may be considered "unconscionable" under the Trade Practices Act 1974. Sections 51 through to 65 prohibit behaviour which could be perceived as unconscionable in the supply of goods or services up to $1m in value. This includes statements or actions by the sales force that could be regarded as misleading, deceptive or false about the product or service in terms of quality, grade, composition or even misrepresentations about the future. A business must establish business processes and measures to ensure consistency and compliance within the sales force.

Additionally the sales force ethics need to be congruent with the values of the organisation. The strategic management model we looked at in Module 1.2 described the process for strategic decision-making, these decisions are founded upon the company vision, mission and values. The behaviour and actions of the sales force must be based on ethical standards in harmony with the corporate values.

Donaldson (1998:326) says for the objectives of the sales force to be achieved, ethical issues come into play, particularly at a personal level but also with the company, competitors and customers. He lists the most important concerns for marketing practitioners and sales management.

1. ***Bribery*** – Gifts from outside vendors, money under the table, questionable commissions and rebates.
2. ***Fairness*** – Manipulation of others, conflict between company and family, inducing customers to use services not needed.
3. ***Honesty*** – Misrepresenting services and capabilities, lying to customers to obtain orders.
4. ***Price*** – Differential pricing, meeting competitors' prices, charging higher prices than firms with similar products while claiming superiority.
5. ***Product*** – products that do not benefit consumers, copyright infringements, product safety, exaggerated performance claims.
6. ***Personnel*** – hiring, firing, employee evaluation.

7. ***Confidentiality*** – temptation to use or obtain classified, secret or competitive information.
8. ***Advertising*** – misleading customers, crossing the line between puffery and misleading.
9. ***Manipulation of data*** – distortion, falsifying figures or misusing statistics or information.
10. ***Purchasing*** – reciprocity in supplier selection.

The sales management function must address each potential area for ethical conflict and these issues will have to be built into the company's audit procedures. Effective management involves not only profit and return on investment, but also the human and moral issues that concern employees, customers and the general public (Donaldson, 1998:333).

Reflection

- In what industries must sales people display the utmost highest ethical standards?
- From your perspective what sales environments could create potential ethical problems?
- Why do some sales people behave unethically?
- Who do these environments create problems for?

<u>Answer questions 1-5 for the business you considered in Module 1.</u>

1. Are gifts or inducements appropriate for customers? If so, to what extent?
2. What comes first, the interests of the business, the sales person or the customer?
3. Is it appropriate for the sales person to use pressure or coercion?
4. Is it appropriate for the business to pay for leads or referrals? If so, in under what conditions?
5. What are the ethical standards for the industry or consumer segment you are selling into? How do you match these?

2.3 Business to Customer (B2C)

Reading

Reading 2.1 *The Values Sales Process*, Hocknell

In this section we will define B2C as businesses selling their product to consumers, distinct from business to business transactions (section 2.4). Also, this section will look at the small to medium sized purchases for consumers.

The Decision-Making Process

The small to medium purchases are those that we typically do not seem to think too much about. It could be changing your car insurance from one provider to another, buying a pair of shoes, a new fridge, selecting a book, or deciding how to take the next short break. McColl-Kennedy and Kiel (2000:163) describe this decision-making process in this seven step model.

Recognise	Elaborate	Identify	Evaluate	Decide	Implement	Modify
That a problem or opportunity exists	On the nature of the problem or opportunity	Alternate courses of action to solve the problem	Alternative courses of action	As to the course of action selected	the decision	Actions as the decision is implemented

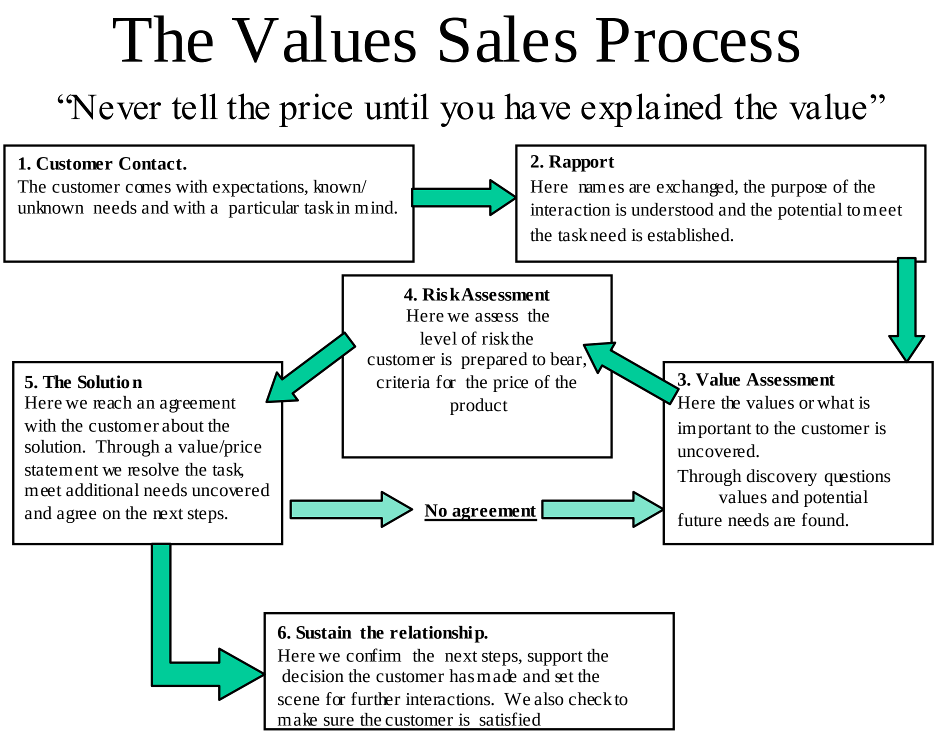
To develop an effective sales process for a product or service, the sales manager must understand the process customers are going through in assessing the various offerings from the market and then making their decision.

We can see from the model above that most consumers will go through the first two stages in isolation. Then in the Identification stage the consumer will search for potential courses of action to solve their newly recognised problem. This is where brand awareness is important and the channel choices are relevant for where the consumer will first commence their search. For example with a change of car insurance, the consumer is likely to obtain quotes off the Internet or ring a series of call centres. However, the consumer has already made choices and decisions in short-listing who they will contact for a quote. This short-listing is done on a perception basis and relies on brand awareness and the experience of the consumer.

So we can see from these stages in decision-making that the consumer only comes into contact with the sales force during the Identify-Evaluate-Decide-Implement stages. This process may only take a few minutes, a couple of hours or at best a few days or so.

The Sales Process

The sales process discussed in Reading 2.2 is designed for these shorter interactions for small-to-medium sized purchases and intends to maximise the opportunity through efforts to focus the consumer's attention on the value of the product rather than the price only. This can be essential for differentiating your product with ever increasingly commoditised consumer behaviour. The process below is also based on solution selling, which endeavours to engage customers in an enduring relationship, rather than a 'one-hit' sale.



Once a sales process is adopted by a business the Hiring, Training (including coaching), and Performance Evaluation steps of the sales management process become much easier to manage, the benefits can be listed in this way.

1. The business can be confident in consistent sales delivery.
2. Sales managers have a constant model that breaks the sales interaction down into pieces that can be managed.
3. Product/service specific scripts/prompts can be developed for each step in the process.
4. Performance assessment is based, not only on the sales results, but also on the delivery of each step in the process.
5. Development and coaching plans can be developed for each sales person, focusing on their individual needs, and allows for best practice sharing.
6. Hiring is based on the competencies needed to deliver the sales process.

Hocknell (2003)

Some sales processes are more focused on getting the commitment from the consumer. These are typically the telemarketers or direct marketing/mail pieces that solely want a quick 'yes', and then your credit card details. These processes target a quick delivery of the benefits of the product or service (assuming everyone has the need) and then engage in closing tactics. Closing can be defined as a behaviour used by the seller which implies or invites a commitment, so that the buyer's next statement accepts or denies commitment (Rackham, 1988:21). The public perception of these sales processes with a high closing focus is not good, however, they still prove to be very successful for low-involvement, low-price sales, – 'but wait, there's more…'

Reflection

Think of the last time you bought a major household appliance.

- Jot down some notes about how you went through the decision-making process.
- Did you develop a mental shortlist of brands / suppliers?
- What influenced you towards a particular brand / supplier?
- How did your beliefs or values influence the decisions?
- How did the sales force behave – did they consult with you? Did they try to get you to buy too early?

Think of the last time someone called you and tried to sell you something over the phone.

- How did you respond to the process?
- Why?
- Did you feel pressured to do something there and then?

2.4 Business-to-Business (B2B)

Reading

Reading 2.2 *SPIN Selling*, Rackham chapter 3.

As mentioned earlier this section will look at business-to-business transactions and the larger purchases. This doesn't mean that consumers don't make large purchases, they do, such as new cars, houses, even the selection of a mortgage for a first home buyer is a major purchase. However, the large purchase for a consumer will still follow the decision-making process above, it will just take more time.

The Decision-Making Process

McColl-Kennedy and Kiel (2000:137) contrast the behaviour of the organisation and the consumer buyer with this chart.

Buying Stage	Organisational Buyer	Consumer Buyer
Recognition of problem or need	Purchases are planned and needs are anticipated	Purchasing occurs when the need arises
Determination o f product characteristics	Systematic, cost-benefit analysis	What is affordable
Description o f product characteristics	Technical specifications	User benefits
Search for suppliers	Regional, or national in scope	Immediate trade area or community of residence
Acquisition and analysis of proposals	Proposals and bids formally solicited	Usually occurs after the consumer decided from whom to purchase
Evaluation of proposals supplier	Extensive comparison and ranking of suppliers	Limited evaluation and very subjective
Selection of an order routine	Time and place of delivery and frequency of order specified as part of the contract	Informally agreed on
Performance feedback and evaluation	Active file maintained on supplier and product performance	Information evaluation, which results in general feeling of satisfaction or dissatisfaction

One of the key differences between organisational and consumer buying for the sales person is the use of a buying centre or decision-making unit. These are business teams who become involved in the process of the purchase from the beginning to the end and can involve large numbers, but typically have a core team. These teams are used for the purchase of new computer systems, stationery suppliers, photocopiers, fleets of cars etc.

The five roles of the buying centre structure are users, deciders, influencers, buyers and gatekeepers (McColl-Kennedy and Kiel, 2000:141).

1. **Users**. The members of an organisation who will actually use the product being sold.
2. **Deciders**. Organisational members who have the power, either directly or indirectly to decide which product or supplier to select.
3. **Influencers**. Those who provide information and add decision criteria throughout the process.
4. **Buyers**. Those who have the authority to execute the contractual arrangements.
5. **Gatekeepers**. The organisational members who control the flow of information to other members of the buying centre.

The sales person selling into a business must identify who the members of the buying centre are. Sometimes one individual can occupy several roles, whilst some influencers and buyers may not ever come into contact with the sales force. A business selling into another business must understand the decision-making process and buying centre compositions for their products or services.

Rackham (1988:11) describes the four stages of the larger sales call in this way.

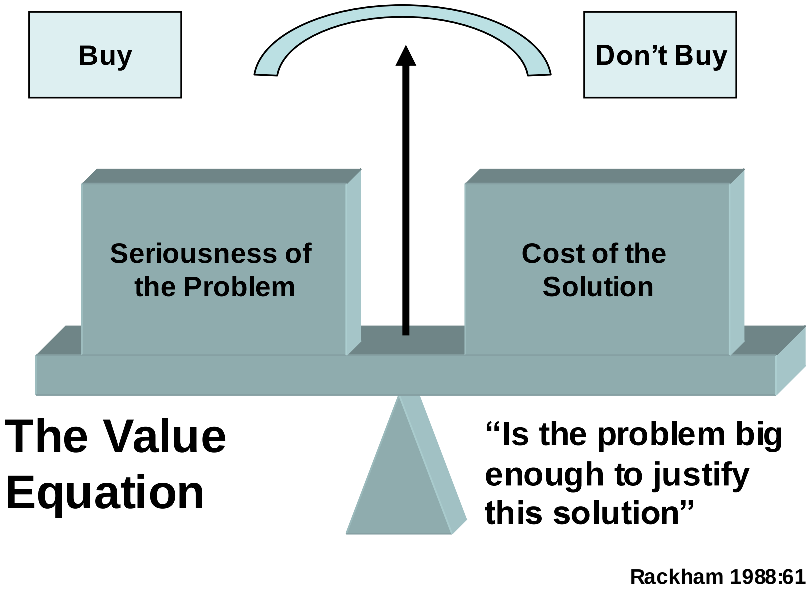
1. ***Preliminaries***. The warming up events before the serious selling, introductions early conversation etc. the first two minutes of the interaction form the initial impressions that will influence the rest of the sale.
2. ***Investigation***. Investigating is the most important stage of B2B selling. It is more than collecting data and understanding the customer, their organisation, it is also about understanding their business problems.
3. ***Demonstrating capability***. Every sale will require the seller to demonstrate they have the capability to solve the business problem. It is likely to involve presentations, demonstrations of the product, references from other customers and perhaps even developing a proof of concept.
4. ***Obtaining commitment***. Every successful sales process will end with some sort of commitment from the customer and in larger sales there is likely to be a series of commitments before and order is placed or contracts signed.

In chapter 3 of SPIN Selling Rackham (1988:57-59) drills a little deeper into the investigating stage and the customer needs in a large sale. Rackham's research led him to categorise the needs of an organisation into two categories, implied and explicit needs.

Implied needs – statements by the customer as problems or difficulties and dissatisfaction with their current processes, systems, products or suppliers.
Explicit needs – are the specific statements a customer makes about what they want.

The nuance of these needs is important in the differentiation between small and larger sales. As Rackham (1988:59) says, 'implied needs are buying signals in small sales, but not in large…successful salespeople in a large sale will use implied needs as raw material as part of their needs-development strategy'. Whereas in the smaller sale, implied needs are often expressed in the explicit needs and the smaller purchase rarely requires further need development.

Rackham then introduces the Value Equation.

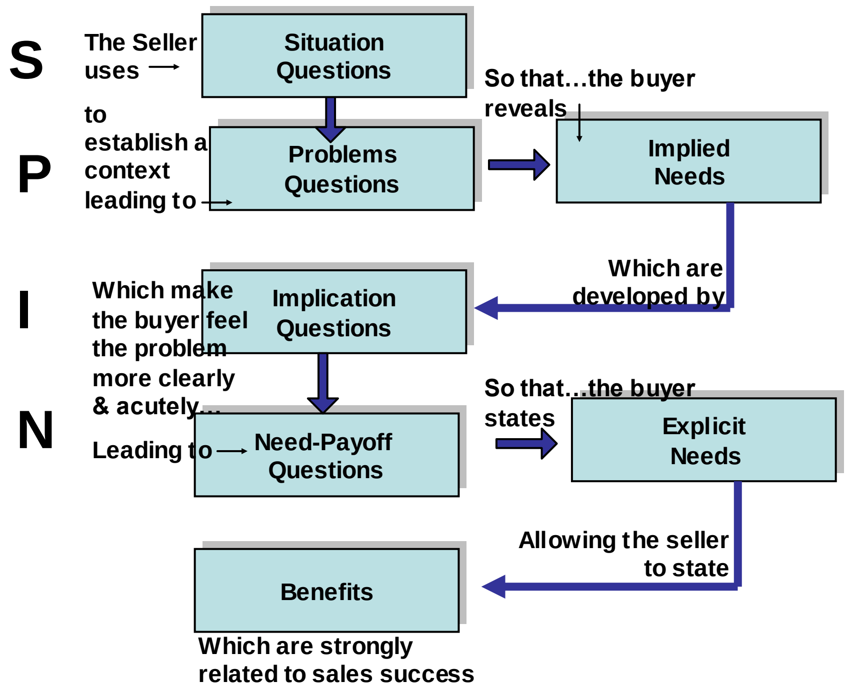


The organisation will develop a cost benefit analysis; however, the sales process for larger business-to-business sales will involve the sales person helping develop the explicit needs and therefore increase the benefits to justify the expense of the purchase.

Collis (1998:78) concurs in saying, "*when the concern is one of cost, it means the customer does want to pay too much. They also worry about paying too little. If it seems cheap, then maybe the quality isn't good. What they want is value for money and the knowledge that they have made a good decision*".

The Sales Process

Reading 2.3 is chapter four of *SPIN Selling*. Rackham's S.P.I.N. model (1988:91-3) is an appropriate sales process, or guide, for use in the larger sale/purchase. His research has shown that selling by a fixed formula is a sure recipe for failure in larger sales. Therefore, the SPIN model is designed around asking questions which "taps directly into the psychology of the buying process".



1. ***Situation Questions***. At the start of the call, successful people tend to ask data-gathering questions about the facts and the background. They have an important fact-finding role, but shouldn't be overused as they can be annoying to the buyer.
2. ***Problem Questions***. Once sufficient information has been established about the buyers situation, the seller moves to using these questions that explore problems, difficulties, and dissatisfactions in the areas where the sellers product can help.
3. ***Implication Questions***. A little more complex and sophisticated, these questions take a customer problem and explore its effects and consequences that helps the customer understand the problem's seriousness and urgency.
4. ***Need-Payoff Questions***. Asked during the investigation stage of the sales call, these questions define what needs are important to the business by confirming the benefit or payoff.

Activity

Think of a business you know well. If this business was going to purchase software package to improve its supply chain management or customer management;

Who would form the buying centre?

In forming a value equation, what issues could be placed under the 'seriousness of the problem'?

What benefits could be used to solve these issues?

What part could a sales person from a software vendor play in developing the cost/benefit analysis?

2.5 Introduction to Sales Strategies

Reading

Reading 2.4 *Selling the Wheel*, Cox & Stevens, pgs 9-12, 241-253.

This section introduces the concept of sales strategies at a high level and provides a basis for more detailed sales strategy development in Module 3.

The reading in this resource book, Reading 2.4 is an extract from the book by Jeff Cox and Howard Steven called “Selling the Wheel” (2000). In this novel book the writers tell the story of the development of the wheel, and as the technology and market changes they describe the various models that are adopted by the business. As such the book is subtitled, “Choosing the Best Way to Sell for You, Your Company, and Your Customers.

The models presented in the reading are based on research by the writers and present a general appreciation of the various markets and sales approaches to customers. Stevens (2000:12) makes the assertion that the most potent resource for gaining a competitive edge is not the product being sold or the guarantees you attach: it is the quality of the sales force selling the product. Quality, here should be understood as not only productive, but also strong alignment between the technology maturity, customers and sales people.

Technology maturity.

1. ***Birth*** – new technology, revolutionary and in some ways primitive in its development.
2. ***Fast Growth*** – the technology advances, often in jumps increasing options and complexity.
3. ***Incremental Growth*** – the technology now goes into widespread use, market penetration has increased and so have the competitors.
4. ***Maturity*** – technology is now standardised and has near universal acceptance.

Correlating Customers Types

1. ***Gateswingers*** – these customers are looking for opportunity and exclusivity. Represents around 1% of the market.
2. ***Progressive Customers*** – wanting advanced solutions and are the adopters of technology in the fast growth stage, up to 20% of the potential market.
3. ***Relationship Customers*** – want reliability and accepted product, but may also want the product modified to suit their needs, up to 70% of the potential market.
4. ***World Customers*** – want the standard product, at a value-for-money price; represent 94% of those in the mature market (6% are new entries who need extra support).

Against the background of these four types of technologies and customers, Cox and Stevens (2000) then characterise four types of sales people;

1. ***The Closer*** – somewhat the stereotypical sales guy. Extroverted, high energy, charming, potentially manipulative with the need to succeed.
2. ***Wizard*** – sales professional, team player and leader.
3. ***Relationship Builder*** - Solid citizen who builds rapport easily, hardworking, enjoys the entrepreneurial spirit of sales but also the security of the organisation.
4. Captain and Crew – upbeat, down-to-earth, not an over achiever, focused on service.

From these four types of salespeople Cox and Stevens then go on to develop the Strategy, Selling Approach, Marketing, Getting the Sales tactics, and Service approaches to the salespeople types to suit the technology maturity and customer types.

It is important to gain an understanding of these generic strategies and tactics as a basis to decision making in sales management. To facilitate this, do the following activity and then upon this basis of understanding we will move onto a more detailed look at sales strategies.

Activity

After considering the above text and the 2.4 Reading, follow through the concept of the sales people types to the strategy, selling approach etc and think of a business or product that fits into each of the categories.

1) Closer. – Business/Product ____

a) Strategy:

b) Selling Approach

c) Marketing

d) Getting the Sale

e) Service

2) Wizard. – Business/Product ____

a) Strategy:

b) Selling Approach

c) Marketing

d) Getting the Sale

e) Service

----

3) Relationship Builder– Business/Product ___________________________________

a) Strategy:

b) Selling Approach

c) Marketing

d) Getting the Sale

e) Service

----

4) Captain and Crew– Business/Product ____

a) Strategy:

b) Selling Approach

c) Marketing

d) Getting the Sale

e) Service

References

Calvin, Robert.J., (2001), *Sales Management*, McGraw-Hill, New York.

Collis, J. (1998), *The Great Sales Book*, Harper Business, Australia.

Cox, J., And Stevens, H., (2000), *Selling The Wheel: Choosing The Best Way To Sell For You, Your Company And Your Customers*, Simon and Schuster, New York.

Donaldson, B. (1998), *Sales Management, Theory and Practice*, Macmillan Business, London.

Hocknell, M.A., (2003), *The Values Sales Process*, Unpublished.

McColl-Kennedy, J.R., & Kiel, G.C., (2000), *Marketing*, Nelson Thomson Learning, South Melbourne.

Rackham, N., (1988), *SPIN Selling*, McGraw-Hill Book Company, New York.

Rogers, E.M., (1983), *Diffusion of Innovation*, 3rd ed, Free Press, New York.

Further readings

Parinello, A., (1994), *Selling to the Very Important Top Officer*, Bob Adams Inc, Holbrook, Massachusetts.

Web

The following websites are listed here as examples of organisations that provide sales training. On these websites the businesses discuss their approach to sales process and often reproduced their sales process online.

www.huthwaite.com
www.chally.com
www.amehigh.com
www.itsalesbootcamp.com
www.turningpoint.com.au
www.sales-train.com

In Australia, the following training businesses provide sales training and have comprehensive materials available on request that would compliment the material in this module.

- Wilson Learning
- OMEGA Performance
- SFC Consulting

Module 3: Sales Strategies

Introduction

Reading

Reading 3.1 Making Solutions the Answer, Foote et al

Reading 3.2 – Spotlight on the Sales Force, Alldredge et al

Reading 3.3 Creating a Service Selling System, Abraham

Reading 3.3 Customer Centered Selling, Jolles (1998), pages 345-346 & 325-340.

This module introduces key sales strategies and their application to various business models. Sales strategies form part of the strategic management model and within the marketing plan and mix. High level strategies like customer relationship management, service selling and mass market approaches are typically the result of corporate decisions; whereas account management can be driven through the sales management function.

Sales strategies need to reflect the values, mission and direction of the organisation. As the effectiveness of the sales force is a key differentiator among competitors the strategies must be well thought through and implemented with precision. Once in place the execution of the sales strategy can be finetuned through the monitoring and measurement process. Sales strategies should also be periodically reviewed against changes in the market, alignment with marketing initiatives and competitor activity.

Topics

- 3.1 Customer relationship Management (CRM)
- 3.2 Mass Market
- 3.3 Service Selling
- 3.4 Customer Centered Selling
- 3.5 Account Management
- 3.6 Implementing Sales Strategies

Objectives

To gain an understanding of;

1. The purpose of sales strategies.
2. Types of sales strategies.
3. Application of sales strategies to various business models.
4. Role of the sales management function in sales strategies.

3.1 Customer Relationship Management (CRM)

Reading Reading 3.1 Making Solutions the Answer, Foote et al

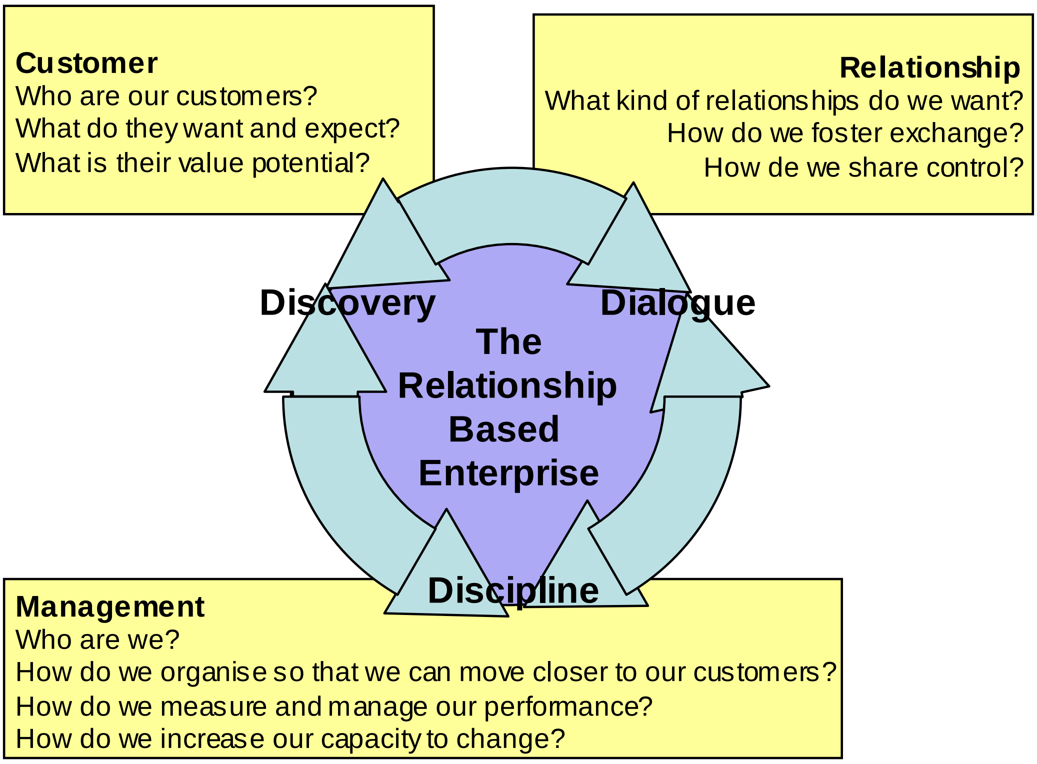
CRM is not a sales management strategy; it is included here because it is often discussed as if it was a sales management strategy. CRM is a holistic business strategy about customer management and therefore the sales management process is significantly affected by the CRM strategy.

CRM has a history of being driven by software vendors and the IT industry as they provide excellent tools and opportunities for businesses. CRM has a poor track record with industry analysts claiming that most CRM initiatives have failed to deliver ROI for the business (up to 70%). One research firm a few years ago described CRM as a business strategy that puts the customer at the heart of the business. More recently a CRM analyst in China described CRM as “a business strategy to acquire, retain and maximise a customer’s profit worth” (Lee, 2002). Managers today, in their attempt to gain value from CRM, are no longer just implementing technology but change. The change tackles the issues of culture and people, processes and technology in an effort to gain increase wallet share and tenure with customers.

There are many definitions of CRM, however the most descriptive seems to be;
CRM is a customer-centric business strategy that is enabled through change leadership and technology enablers (Hocknell, 2003).

In the Reading 3.1, “Making Solutions the Answer”, Foote el al describe the move away from marketing products to developing solutions for customers, and the process starts with a desired outcome for the customer. The writers also spend time talking about the organisation around solutions and customers rather than product based structures. The move from product based marketing and businesses to customer-centric businesses, is the customer centric strategy referred to in the above definition. This change requires leadership throughout the organisation, and the enabling of these tactics to support the strategy are reengineered business processes and technology (Hocknell, 2003).

McKenzie (2001) talks extensively about customer-centricity and puts forward this model about creating a "Relationship-Based Enterprise".



McKenzie (2001)

Discovery – The first three critical questions, grouped under discovery, are aimed at the continual profiling of customer.
Dialogue – The questions under dialogue focus on the evolution of the relationship between the enterprise and its customers.
Discipline – The questions under discipline focus on the management decisions and choices that must be made concerning those mechanisms that will enable continual discovery and dialogue.
McKenzie says that businesses must answer and address these questions for themselves to be customer-centric and a Relationship-Based Enterprise.

Reflection

Which business that you deal with do you think is the most customer-centric?

What makes the business customer-centric?

How does the sales force act that supports customer-centricity?

Do you think the "solutions" approach can also work for B2C?

Would the SPIN selling process work in a "solutions" business?

3.2 Mass Market

Reading Reading 3.2 – Spotlight on the Sales Force, Alldredge et al

The Mass Market is a generalisation referring to undifferentiated marketing when a business ignores the heterogeneity of buyers and instead focuses on what all or most buyers have in common (Mc-Coll Kennedy & Kiel, 2000:237). Most marketers would not accept that anything is really sold to the mass market these days, even milk is no longer marketed in an undifferentiated way, it is marketed under various brands and varying degrees of fat/calcium/omega3 content. Which effectively means the product is designed to attract a certain market segment.

However, fast moving consumer goods (FMCG) are one example of products that, generally, are aimed at the mass market focusing on what most or all consumers have in common.

Typically FMCG and any other mass market products will use either a push or pull strategy.

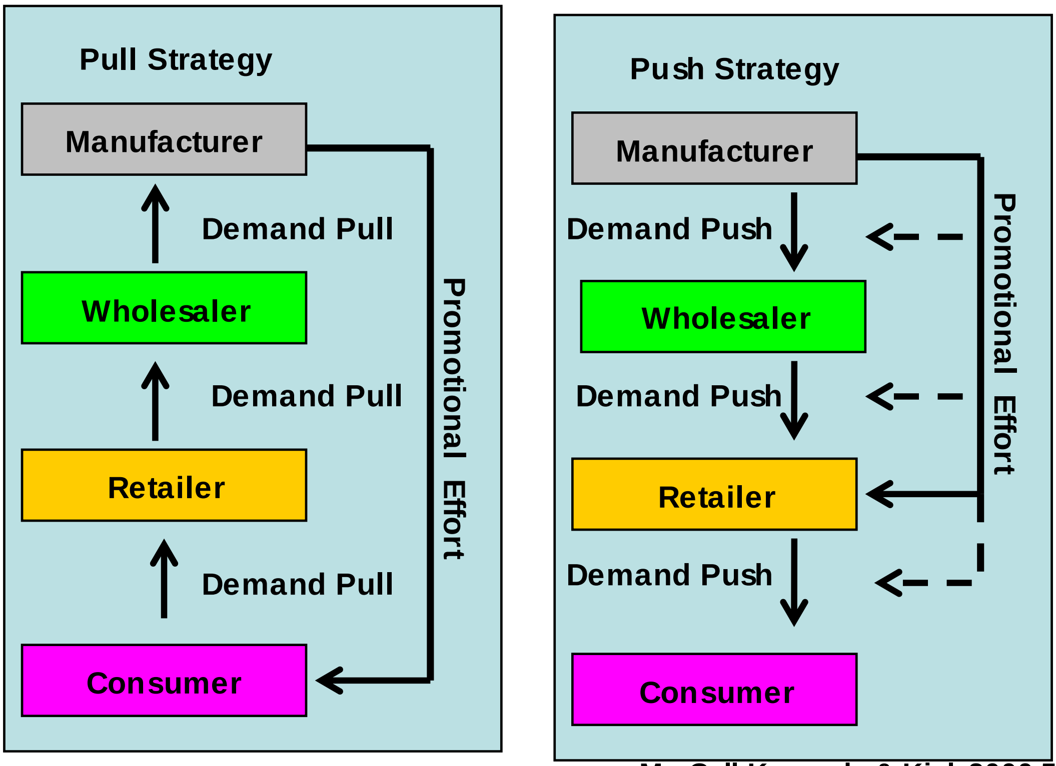
Push strategies exist where the bulk of the effort is directed at the members of the marketing channel to get them to push the products forward. Personal selling, advertising and sales promotions are directed at wholesalers, retailers to get them to handle the product. Intermediaries are encouraged to promote the product to the next channel or consumer (McColl-Kennedy & Kiel 2000:540).

Have you ever gone into a electrical appliance store to look at a particular brand of appliance and then find the sales person showing that product in another brand that you had never heard of? Sometimes manufacturers, without the large marketing budgets to create pull (or demand), will select distributors who already have the consumer traffic, and then put promotional effort into the retailer through sales campaigns or higher commissions.

Pull strategies involve the manufacturer directing the majority of its promotional effort towards the ultimate consumer in an attempt to get them to pull the products through the marketing channel. Creating a high degree of consumer awareness, interest and desire for the product, demand is created at the retail level, then at the wholesale level and eventually back to the manufacturer (McColl-Kennedy & Kiel 2000:540). In reality many programs may contain a mix of push and pull strategies, or deploy different strategies in different regions.

A common usage of the Pull strategy is the discount warehouse stores that have risen in the last few years. Based on the common ‘need’ to always find a bargain mass market pull is deployed to draw consumers into the warehouses full of bargains. McDonald’s and Hungry Jacks using the Pull strategy to allure hungry consumers into their stores with feel good advertising with delicious looking food. Once inside the store the Push starts with “would you like fries with that”, “how about a sundae with that meal…?”

Pull Verses Push Promotional Strategies



Mc-Coll Kennedy & Kiel, 2000:540

The Reading 3.2 describes the results of a McKinsey survey on the consumer goods companies showing the various factors having an effect on overall performance. The survey attempts to look at the way sales people in the FMCG market were engaged in their selling activities through the usage of innovation, pricing, trade spending (or promotions) and retail execution.

The findings provide some insight into the usage of push/pull strategies and the sales force.

1. Some top performing companies had consistently raised their prices (very marginally) then gained market share. Much of this was achieved through keeping the sales force fully informed about price changes, not only with their own products but the pricing also of their competitors.
   Here is a great example of the influence the sales force has, in either a pull or push strategy the sales people were able to sell more with a product rising in price due to the information they had and how they used it.

2. The research showed how the Wal-Mart "everyday low prices" was a successful pull strategy and accounted for more than 50% of industry sales. In the last couple of years we have seen the rise of the Bunning's warehouse stores based on a very similar strategy. These strategies still rely on the sales people once the consumer is in the store.

3. Top performers use menu pricing. The guarantee of the competitive pricing pulls the consumer in – then the fun begins. The sales force can then up-sell to products with more features, or cross-sell ongoing service arrangements

that reduce the cost and increase revenue for the business, and of course provides value choices for the consumer.

4. Poor supply chain management has an effect on the sales force and consumer. The end of the quarter sales, last model run-outs etc all go to complicate sales forecasting (eg 'bring forward') and push price expectations down. Fluctuations in supply can also de-motivate the sales force

5. Trade spending or promotions are now part of the normal way of promoting consumer goods and forms part of the price. In other words if that product or business that does not get involved in trade spending or promotions will be disadvantaged.

Reflection

- Have you ever gone into a large "Wal-Mart" style store and bought something you had not intended to buy?

- What role did the sales person play in this purchase?

- What was the last purchase you made from a store where you needed advice or help from the sales person? What was there approach?

- What examples of menu pricing can you think of?

3.3 Service Selling

Reading Reading 3.3, Creating a Service Selling System, Abraham.

Reading 3.3 talks about the development of sales culture in a service based organisation. These businesses are typically in the mature stage and in a mature market. The organisation has been successful in attracting a number of customers and is now involved in the ongoing servicing of the products and relationships. Many businesses have recognised the value that lies within the existing customer base and therefore use cross-selling and up-selling to increase profitability. Like CRM it is about customer management and this profitability generally comes from;

a) Increased product/holdings existing customers
b) Increased customer 'stickiness'
c) Increased customer tenure
d) Lower sales costs due to selling to existing customers.

In terms of Cox and Stevens (Reading 2.4) these service teams are the Captain and Crew. Implementing sales strategies through organisations like this can be difficult as Hocknell describes and change leadership is required. The leadership then becomes part of the sales management process in the service-based business – Strategy and Objectives, and tactics that reflect the strategy. Sales management in these organisations will be complex because, not only will the company be driving for new sales with newly acquired customers but also incremental sales from the existing base, and will require at least two types of selling skills.

Keith Abraham (1999), *Creating Loyal Profitable Customers*, talks about a "service selling system". The Reading 3.4 is chapter four from his book. Firstly he lists the benefits of service selling and then the high level sales process. Essentially Abraham is articulating a sales strategy, or how, the business will interact with its customers or prospects in a selling and service environment. The model he describes would most likely suit a SME, probably in a B2B environment and would also be most likely suit consulting roles.

Abraham (1999:58) states that he believes that it takes seven positive contact points of contact with a customer before enough trust is developed for the customer to make a big-ticket purchase. This is important from a sales management perspective as each business needs to understand what the number of positive contact points are relevant for that business and customers. Once determined it is integrated into the sales management process.

Loyalty programs are next in the service selling process and some businesses (such as airlines) have discovered that loyalty programs actually increase the cost base of the company without doing much to improve customer loyalty or profitability.

3.4 Customer Centered Selling

Reading Reading 3.4, Customer Centered Selling, Jolles (1998), pages 345-346 & 325-340.

In his book, Jolles (1998) describes the sales philosophy and process that was accredited for much of the success in the Xerox corporation for the last ten years or so. He says (1998:xii) that Xerox is known around the world as one of the leaders in sales training, and rightfully so. Xerox sells products that for the most part do just what the competition does, the only difference is that Xerox products cost more. The difference he says is that Xerox teach the sales force about the product *and* they teach them how to sell.

Customer Centered Selling is based on the belief that you must first center your selling process around the customer. That is, around their decision-making process, their needs and solutions to match. Pages 345-346 of the reading puts forward a summary of the Customer Centered Selling process, and whilst this is a selling process, for Xerox it became the selling strategy. It described the way the organisation would interact with their customers and therefore gave clear direction for the sales force. This clear and consistent direction was probably one of the key success factors for Xerox.

Jolles (1998:325-340) describes the management processes and support behind the success.

1. Ensuring senior management commitment to the system of selling, including attendance at the training themselves and adoption of the process. Redefining your process of selling and interacting with customers requires change, and this change must be led.
2. Consistent measurement and monitoring against the process.
3. Creation of action plans.
4. Incorporate job aids.
5. Dedicated follow-up.
6. Creating the cultural change.

On its own a sales training program or a selling process will not change anything. The sales strategy chosen by the organisation is supported by the sales training and process. Successful sales management does not exist in isolation of the company, the sales strategy philosophy must pervade the whole organisation and be delivered by the sales force, supported by the sales management process.

3.5 Account Management

Account management is a sales strategy used by many organisations in a B2B environment. Often organisational customers can account for a large percentage of the business profit, employees and management time. EDS Australia, an IT services outsourcing group, had revenues from its key account (the Commonwealth Bank) for 2001 of $743m and in 2002, $476.8m. As a sales strategy, account management is not only about maintaining and retaining the B2B relationship but also gaining additional sales and revenue through providing value-added service and advice. Additionally account management can play a part in keeping other competitors at a distance from customer.

So account management refers to the management of B2B relationships. Typically an Account Manager is assigned to look after a number of accounts or business customers. Typically they will be responsible for the ongoing management of the relationship, including service revenues and new revenues. Key account management is a term used to differentiate between the 'general' accounts that should be managed and the accounts that are 'key' to the success and profitability of the business.

Key account management calls for multi-level selling, it recognises that these major accounts are so complex that their management requires various levels of contact. This contact occurs between the supplier and customer organisation at a number of functions and levels. The sales manager needs to be able to guide the account managers and also play a role in the management of some of these key accounts as some executives may not want a 'sales rep' calling on them but want to deal directly with the sales manager (Rock, 2000:3).

Key account management is usually based upon differentiation – the products and services are seen to be different from competitors due to the account management process. It is a process, a philosophy for managing accounts and a discipline in planning and allocation of resources (Rock, 2000:209).

Rock (2000:209) describes the process of the account management cycle in the following way.

- The account management plans must be based on and be in harmony with the corporate strategic plans and marketing plans.
- At the account level the account manager must know everything about he client that might be helpful in management the account relationship. This includes knowing about the company operations and visiting a broad range of contacts within the company.
- Keep accurate and up to date information, centrally on a customer database, and remain within the company control.
- Conduct a SWOT analysis, identifying the strengths and weaknesses at the account level, as well as the opportunities and the threats to the relationship. Threats need to include detailed activity of competitors. Opportunities should reflect value add potential to strengthen the relationship.
- Identify relationship building activities outside the account itself, this is where the multi-level selling comes in across the organisation.

- Following this analysis write a specific account plan containing objectives, strategies, activities and results.
- Measure, monitor, and review.

There can be some issues with account management.

1. It can be expensive to maintain.
2. If account managers are focused on revenue building their behaviour can damage the relationship.
3. Often accounts managers are stretched for time and cannot effectively manage the accounts.
4. Poor analysis of customer information (or even poor data quality) may identify high value accounts and not the high potential accounts.

Strategies to address these issues.

1. Better analysis of customer value – current and future potential.
2. Segmentation or tiering of customer accounts.
3. Allocation of appropriate account managers to each value segment, depending on the skill required and the value return. This means the deployment of some account managers as relationship managers, and others as development managers.

Activity

Supermarkets in Australia have around 60% of the market share for bread, worth around $230m annually. Brumby's Bakeries have around 3% and plan to take more from the supermarkets.

What sales strategies could they deploy to help achieve this?

Would Brumby's need any account managers? If so what for?

Fantastic Furniture is a low-cost (but good quality) furniture manufacturer and retailer with 43 stores. Sales for Fantastic Furniture have been growing at a very strong rate for the last few years.

What sales strategies are they likely to be using?

How would you address the problem of increasing the sales volume even further?

3.6 Implementing Sales Strategies

Implementing sales strategies may not be as simple as it may seem from reading through the above information. Typically businesses will implement a range of strategies to achieve their overall corporate goals. Let's take a couple of examples.

Financial Services

a) **CRM**. At a corporate level the company should define the type of customer relationships it desires to create with its customers, retail, and business. This definition needs to be based on effective customer value analysis.

b) **Mass Market**. Whilst some targeting will take place, the group would go to the market with a broad range of brand building campaigns. These promotions would pull customers into their branches or call centre where sales people, using a sales process like the one from Module 2.3, would sell the products and service offerings to the customers.
Financial service groups also use push strategies. The selling of the mortgages through brokers pushes the mortgage choice onto the consumer who may not have chosen the financial services group independently.

c) **Service Selling**. As the financial services group acquires customers they will then be serviced through call centres and branches. Service based selling can be deployed through these channels to gain incremental value from the customer franchise. Many customers are also using the Internet as a service channel, which is also being used as a service based selling channel through the deliver of 'value-add' offers to customers.

d) **Customer Centered Selling**. This financial services group may be offering integrated services to clients. Here then the sales force would be using customer centered selling or SPIN to deliver the most appropriate solutions to their prospect/clients.

e) **Account Management**. Specialist relationship managers would be deployed to the high-value clients, retail or business. These people would likely be measured on retention as well as value growth.

Airline

a) **CRM**. The corporate level strategy to achieve market share and customer loyalty through repurchases. The airline will select a number of market segments, including corporate clients, and establish a culture for interacting with customers.
b) **Mass Market**. Through broad based advertising appealing to most users of airlines services (safety, comfort etc) they pull clients into their call centres to

sell the airline flights. Airlines also distribute flight tickets through intermediaries like travel agents.

c) **Service Selling**. Many airlines will utilise the time the plane is in the air to sell you something. Branded caps, jackets, duty free perfumes and after shave, all of these products are sold through service selling as the flight attendants provide great service in offering these products.

d) **Customer Centered Selling**. Offering solutions to corporate clients and sports teams is all part of the airline business. The competition for this business if fierce and only the airline with the best solution and the best relationship will win the deal.

e) **Account Management**. Specialist managers are used to manage the various industry group and clients within those groups.

Activity

Think of a business you know well.
What is its core sales strategy?

How has the business deployed the strategy?

What is the mix of strategies used the business?

What is the business approach to:

CRM?

Mass Market?

Service Selling?

B2B selling and account management?

References

Abraham, K. (1999), *Creating Loyal Profitable Customers*, People Pursuing A Passion Pty Ltd, Brisbane.

Alldredge, K.G., Griffin, T., and Kotcher, L.K., (2003), Spotlight on the Sales Force, *The McKinsey Quarterly*, Number 1 http://www.mckinseyquarterly.com/article_print.asp?ar=1270&L2=16&L3=&srid=69&gp=

Foote, N.E., Galbraith, J., Hope, Q., and Miller, D., (2001), Making Solutions the Answer, *The McKinsey Quarterly*, Number 3, pp 84-93, McKinsey and Company.

Hocknell, Mark (2003) *The Process of CRM Success*, unpublished

Jolles, R.L., (1998), *Customer Centered Selling*, Fireside, New York.

Lee, Sampson (2002), *Top 10 Predictions on China CRM*, www.gccrm.com

McKenzie, R. (2001), The Relationship-Based Enterprise, McGraw Hill Ryerson Ltd, Canada.

Rackham, N., (1988), *SPIN Selling*, McGraw-Hill Book Company, New York.

Further Readings

Heiman, S. E., & Sanchez, D. (1998), *The New Strategic Selling*, Warner Books, New York.

Rock, J. (1994), *Managing Key Accounts*, Longman Professional, Australia.

Web

The following websites supply useful information, articles and newsletters on CRM.
www.crm-forum.com

www.crmguru.com

www.gccrm.com

Module 4: Sales Management – The People

Introduction

Reading

Calvin, Chapters 3, 4 & 7
Reading 4.1, Kohn, A., (1993), Why Incentive Plans Cannot Work, *The Harvard Business Review*, September-October, pp 54-63.
Kohn, A., (1990), The Case Against Competition, *Noetic Sciences Review*, Spring, pp 12-19.

This module lays the foundation for people processes needed for the sales management process and builds upon the principles of GSN406, Human Resource Management.

Sales people are different.
Rock (2000:8) says, "*Sales people, unlike the rest of us in the office who reinforce each other's warm view of the world, are constantly being challenged by customers, threatened by the reported strength of the competition, and told that they have to do more for the customer. Sales people are particular types of people. They tend to be more emotionally labile, because if they are not, they will not be able to react to different customer situations. They also tend to be sensitive for the same reasons. As a result of all this, sales people go through wider swings of 'highs' and 'lows' than employees in other disciplines, and the sales manager has to be able to recognise and manage it.*"

Topics

- 4.1 Job descriptions
- 4.2 Recruitment
- 4.3 Training
- 4.4 Motivation
- 4.5 Remuneration

Objectives

To understand:

- The principles of HRM in sales management
- The correlation between motivation and behaviour
- Various reward structures,
- Salaries and commissions, bonuses, on-target-earnings and campaigns.

4.1 Job Descriptions

Each role needs a job description that illustrates the tasks, responsibilities and activities of the role. Typically they will define the place of the role within the organisation and clarify the contribution the role makes. The outputs from a role is a good place to start in defining the job description (Cornelius, 2001:39)

Sales job descriptions have the same objective as other job descriptions. They will vary based on the type of selling the person will do. In Module 2.5 we looked at the various characterisations of sales people, each of these characterisations will perform different selling roles and will need different job descriptions. In Module 3 we considered various sales strategies, each of the sales roles under different strategies will need a different job description.

"*The job description is the basis of the whole of sales management. Without defining the jobs that individuals are to do, how are we able to identify the right people?* (Rock, 2000:27). Job descriptions are certainly the cornerstone of the sales people management process.

Sales managers will need to have a very clear idea of the type of sales role.

- The type of products/services sold - discussed in Module 2 with reference to sales cycles and adoption processes
- Buyer behaviour and profile – refer Module 2
- Style of selling – B2C or B2B and considerations under various strategies
- Channel (eg door-to-door or telesales)
- Company culture
- Consumer or business buyer and the
- Level the decisions are made.

And include the following key sales activities.

- Sales duties
- Servicing functions
- Planning
- Reporting
- Data capture
- Administration.

The more detailed the job description is the clearer the expectations communication is between the manager and sales person. The job description should try to be kept to one or two pages and reviewed at the end of each year to ensure the role has not evolved through the influence of the market or company (Calvin 2001:16).

On page 17-18 in his book Calvin gives an example of a sales person job description. He provides these categories.

- Overall purpose
- Major activities

- Time management
- Self-organisation
- Administrative
- Company Relations

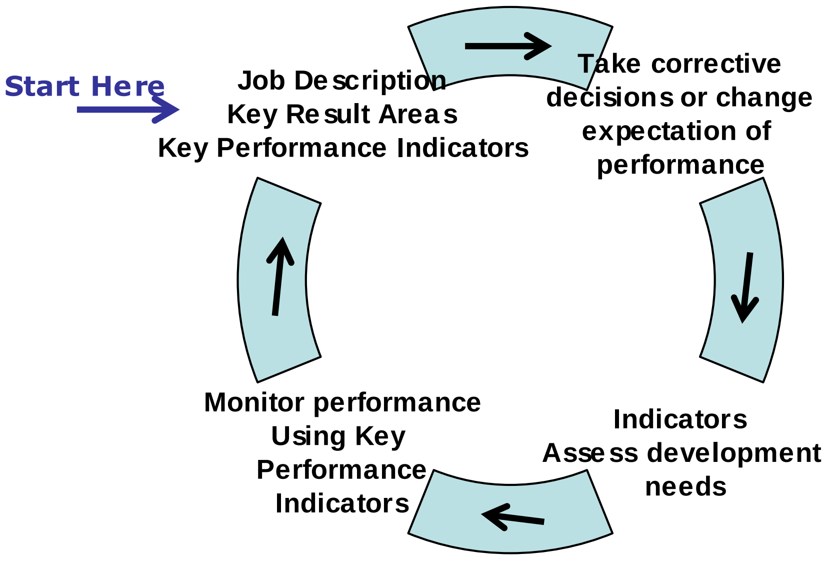
Accurate job descriptions not only help with the recruitment process but also with performance management. In the worst-case scenario the job description can even be a defence against wrongful dismissal or discriminatory hiring.

Job description should be accompanied with a measures document. These are typically called KRA's (key result areas) and/or KPI's (key performance indicators).

KRA's are directly linked to departmental business plans and for the sales roles are likely to include the development and actioning of account plans, making the sales calls etc that Calvin refers to as major activities (Cornelius, 2001:152).

Well developed KPI's are said to be SMART. Specific, Measurable, Achievable, Relevant and Time bound or restrained. KPI's are critical to the sales person as they describe the output required, which, for the sales person, acts as a key driver of behaviour to achieve these performance goals.

As Cornelius puts forward in this typical performance monitoring cycle, the job description, KRA's and KPI's are the starting point.



Adapted from Cornelius 2001:152

Activity

From looking at the job description on Calvin page 17:

Can you determine what is required from the sales person?

What are the Key Result Areas in this job description?

What would their KPI's look like?

Specific:______________________

Measurable:___________________

Achievable: ___________________

Relevant: _____________________

Time: ________________________

What information and support would the sales person need to succeed in the role?

Information:

Support:

4.2 Recruitment

Recruitment is arguably one of the most important parts of the sales management process. The sales force is really only as good as its people, they are the face of the company to its customers, they will finetune the product/service offerings and potentially open new markets.

The cost of a poor recruitment decision is enormous.

- Direct cost of recruitment and training that is wasted in hiring the wrong person.
- Lost time of the sales manager in managing the poor performer out of the business.
- Lost sales while the sales person is under-performing.
- Harm to the business through poor interactions with customer.
- Morale drop in the sales team through poor leadership and having an under-performer in the team.
- Performance management effort of the sales manager.

And more importantly there is a moral issue. Trying to place a 'square peg' in a 'round hole' is the mistake of the recruiter (sales manager) not the 'square peg'. Following their removal, their confidence, self-esteem and employability may be affected, so getting the right people into the right role is critical.

Rock (2000:37-45) puts forward eight steps to mitigate the risk of making recruitment errors.

1. Define the job to be done. Job descriptions, KRA's and KPI's as we discussed earlier.

2. Develop an employee profile.
   What are the skills, knowledge, attitudes required for the particular sales role. What type of candidate may be required to balance the team? Calvin refers to this as a Candidate Profile and there is an example on page 20.

3. Decide on how to locate candidates.
   Advertise directly, use a recruitment firm, or select from within the business. Perhaps customers or competitors may have people worth talking with. Refer also to Calvin pages 21-28.

4. Telephone screening.
   Essentially a process for eliminating those who do not come across well on the telephone and to screen out the inappropriate candidates early. The primary function of this step is to reduce the number of full interviews, saying the sales manager's time. See also Calvin page 30.

5. Applications and résumé's.
   Consider how the document presented, grammar, language, etc. Calvin (2000:29) says to watch for employment gaps, job-hopping, poor written communication skills, inconsistencies, misspelled words, lack of

completeness or accuracy. Refer also to Calvin pages 29-30.

6. The job interview.
   Following selection of a shortlist to interview, preparation for the interview/s is next with fully reading the résumé, developing a matrix of the skills, competencies and attitudes you are looking for, and prepared questions. The questions should be open allowing the interviewee to talk and the interviewers to listen. The questions should also contain behavioural based questions that ask for examples of situations you expect your sales people will be in with customers – how do they respond. Consider the cultural aspects of the candidate as well. Each sales organisation will have its own unique culture and 'feel' – will this person fit? Cornelius (2001:54) has a funnel questioning process, ask an open question, listen, probe a little further, listen, ask a closed question, listen, then check the response. This process is likely to be successful with sales people because there is an element of 'bravado' the interviewer will need to get through to see the true person. Calvin (2000:31) believes in setting up simulations, sales role plays and if presentations are part of the role, then make them part of the as well. On pages 36-7 Calvin provides a list a questions to consider.

7. Checking references.
   References are possibly more important for sales people than for the recruitment of other roles. "*If you don't check references, you might as well throw darts or flip a coin"* (Calvin 2000:41). Also the sales manager should do the checking themselves by making calls to the referees. Check accuracy of what the candidate has said, results on the job, reason for leaving etc.

8. Making the decision.
   A matrix should have been developed prior to the interview that categorises the skills, competencies, attitudes desired for the role. Give the candidates a score and prioritise the skill, competencies and attitudes that are most important. This process will help make the decision more objective and will protect the hirer from any claims of discrimination or favouritism later. At the end of the process a decision needs to be made and it is rarely easy.

Two further points of consideration are testing and equal employment opportunity (EEO).

Varieties of tests are available and are often considered appropriate for a number of key roles in business. There are test for personality preferences, learning and reasoning ability, verbal reasoning, language and the list goes on… The issue with tests is in the interpretation and what it actually means for this person and for this person in this role. If used tests should only form part of the process and should be followed by a second interview with questions probing around potential issues in the results.

EEO is a term used to encapsulate the anti-discrimination laws. In Australia some of the key pieces of legislation are.

- Commonwealth Racial Discrimination Act 1975.
- Commonwealth Sex Discrimination Act 1984.
- Affirmative Action Act (Equal Employment Opportunity for Women) 1986.

- Various State legislation.

Generally someone is regarded to have been discriminated against if they have been treated in an unfavourable way compared to another person in similar circumstances. It means an employer must make a hiring decision based on skill and merit, and not be influenced by race, colour, descent (national/ethic), sex, marital status, pregnancy, private life style, impairment, parental status, religious or political beliefs, to name a few.

Reflection

What are the risks with approaching customers or their employees as sales candidates?

What are the risks with snatching a sales person from the competition?

What could an employer do to ensure they do not recruit someone like them, ‘in their mould’?

What should be done to ensure a sales person is recruited with the appropriate skills for the type of selling, type of sales process…?

Think of a business you know well, other than the typical ‘advertise in the paper’, what alternative sources of sales recruits can you come up with?

4.3 Training

Reading Calvin chapter 3 – Training for Results

"*You should first pay sales people more than they are worth, then make them worth more than you pay them"* (Calvin 2000:50). This excellent opening statement from Calvin really describes the purpose of the induction and ongoing training for sales people.

Benefits of sales force training.

- Increases productivity and capacity through the creation of skilled resources.
- Improves the confidence and enthusiasm of the sales people.
- Motivation levels improve once the sales people see management investing resources into their development.
- Reduces turnover by focusing on the personal and professional development of the sales people. In turn the sales people then generally feel they can learn and develop their skills by staying.
- Increases tenure, see the above point.
- Establishing best practice through the constant practice and testing of skills and processes.
- Consistency of sales process delivery from the skilled sales people through to the customers.
- Establish performance standards for sales people to be measured and managed by.
- Industry, customer and product knowledge can be imparted to the sales people in an effective, consistent and cohesive manner (refer also to Calvin pages 66-70).
- Poor training can create an excuse from some sales people for poor performance. Once and effective training regime is established, with ongoing coaching, there can be no excuse for poor performance.

There should be four key objectives and areas that the induction training addresses (Rock, 2000:62-63).

1. Impart knowledge about the company, the market, the products and services, and the customers. Included in this needs to be information about the company strategy, values, principles, sales strategies, objectives, market potential. How the sales force is structured, regions, systems procedures etc.

2. Selling techniques, processes and customer management protocols. See also Calvin pages 70-72 and 75-78.

3. Establish good work habits. Time management, planning, account planning, customer record and data quality control, reporting, administration and management processes.

4. Create a positive, motivated and self-confident employee with the right attitudes towards the job, the company and its customers.

It is ideal that a company has a suite of short courses that can be used following the induction training to address any development needs of the sales people.

One of the most important parts of sales management comes not in the form of training, but coaching, which is covered later under performance management.

4.4 Motivation

Reading Calvin Chapter 7 – Motivating Salespeople

If you were to look in the papers for jobs advertising sales positions, most would ask for a common requirement – self-motivated. It is true, sales people need to be self-motivated, but it is the sales manager's role to create a working environment that motivates the sales force to consistently perform to the best of its ability. A motivated sales force will be cost-efficient, productive, proactive in the market and effective. It is often said that sales managers are always looking for new ways to motivate the sales force. This section looks at the theories of motivation and how they can be applied to sales management.

Theories of Motivation

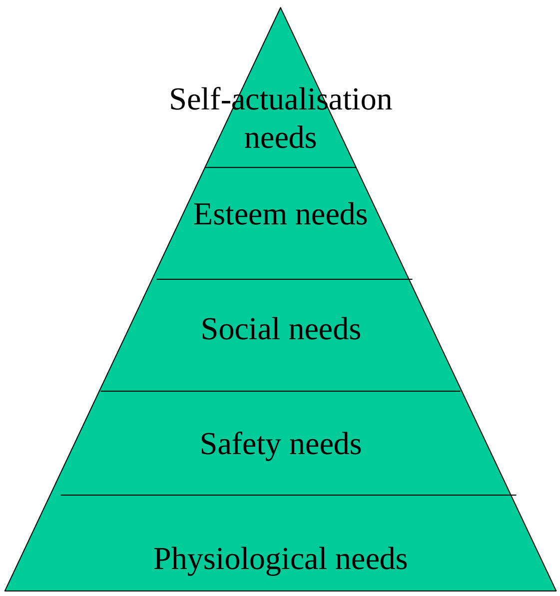
Goal-setting theory of motivation

The theory says that specific and difficult goals can lead to higher performance. It is the process of formally establishing targets, objectives, or goals, that employees are accountable for achieving. The goals themselves should be developed in a consultative and participate approach, with a focus on continually gaining feedback to monitor how the people are reacting to the goals. Three factors influence the success of goal setting as a strategy for motivation; (1) goal commitment from the employee; (2) adequate self efficacy or the willingness of an individual to produce output; and (3) the national culture of the people (Wood et al, 2001).

For sales people this theory is applied to the setting of volume goals, and then incentives for the achievement of stretch targets. The volume goals can be either in dollar value, margin, or straight volume of units sold.

Hierarchy of Needs

Abraham Maslow (1943 & 1954) developed the popular theory of a hierarchy of needs, the higher order of needs being self-actualisation and esteem and the lower order being social, safety and physiological needs. The Physiological needs addresses the most basic of needs such as, food, water shelter etc. Safety then looks at the needs for security and protection in



the events of daily life. Social needs bring in the need for belongingness. The human need for love, affection, and a sense of identification with other people (Wood et al, 2000).

The next two Maslow refers to as the higher-order needs. The need for esteem of others, respect, prestige recognition, self-esteem and a personal sense of competence. The highest level is self-actualisation which is the need to fulfil one's self, to grow and use their abilities to the fullest extent (Wood et al, 2000).

Calvin in the third chapter of his book discusses a range of tactics for motivation. Most of these tactics can be aligned to the hierarchy of needs. He lists them on page 173 in this way.

- Praise and recognition
- Feelings of usefulness
- Challenge and achievement
- Authority and freedom
- Self-realisation and fulfilment through personal growth
- Esteem and status
- A sense of belonging
- Pleasant interpersonal relationships with management and peers
- Consistent, competent leadership
- Fair company policy and administration
- Job security
- Compensation, and advancement.

ERG Theory

Alderfer's theory states that there are three core needs, existence, relatedness and growth. Existence needs are about the desire for physiological and material wellbeing. The need for relatedness is the desire for satisfying interpersonal relationships. And growth needs are concerned for the continued personal desire for personal growth and development. Whilst Maslow's theory suggests that, as a person realises their first level of needs they look then to the next level, Alderfer contends that more than one need can be activated at one time. By having all the needs operating simultaneously, the ERG theory seems to be more reliable than the Hierarchy of Needs. The ERG theory should remind sales managers of the sales force have needs and motivational forces at three levels that relate to survival, personal relationships, and, personal growth and development (Wood et al, 2000).

X or Y?

Rock (2000:131-132), in the context of sales management, re-introduces McGregor's Theory X and Theory Y. The table below illustrates the theory in a persons attitude towards work.

Theory X	**Theory Y**
1. People dislike work and will avoid it if possible.	1. Work is necessary to people's psychological growth.
2. People must be forced or bribed to make the right effort.	2. People want to be interested in their work and under the right conditions, they can enjoy it.
3. People would rather be directed than accept responsibilities, which they avoid.	3. People will direct themselves towards an accepted target. People will seek, and accept responsibility under the right conditions. The discipline people impose on themselves is more effective, and can be more severe, than any imposed on them.
4. People are motivated mainly by money.	4. Under the right conditions, people are motivated by the desire to realise their own potential.
5. People are motivated by anxiety about their security.	5. Creativity and ingenuity are widely distributed and grossly under-used.
6. Most people have little creativity – except when getting around management rules!	

These theories should really be seen as the two ends of one continuum. However, from a sales management perspective, the sales force needs to be motivated and enthusiastic, feeling empowered to achieve their best. Under a Theory X style of management the people (over time) will respond with a Theory X style of behaviour. Therefore, so the theory says, the people should respond better under a Theory Y style of management.

Activity

Looking at Maslow's Hierarchy of Needs, which level of needs to you think the following tactics (discussed by Calvin in chapter 3) will correlate to?

- Praise and recognition
- Feelings of usefulness
- Challenge and achievement
- Authority and freedom
- Self-realisation and fulfilment through personal growth
- Esteem and status
- A sense of belonging
- Pleasant interpersonal relationships with management and peers
- Consistent, competent leadership
- Fair company policy and administration
- Job security
- Compensation, and advancement.

Have you ever worked under a Theory X manager? What did it feel like? Were you motivated?

Have you ever worked under a Theory Y manager? What did it feel like? Were you motivated?

4.5 Remuneration

Reading Calvin Chapter 4 – Sales Force Compensation

Rock (2000:140-1) says that salary is very important to the sales person and is a powerful motivation factor. However, salary tends to be a dis-satisfier rather than a motivator, it becomes an issue when it is not right, not when it is. Salary can be a disincentive when it is below market level, unfair against others within the company, and low when compared to what the person could earn in another company.

In the sales management the remuneration package is designed to:

- Attract the right calibre of sales people
- Avoid demotivation
- Reward contribution to the company
- Encourage current sales people to stay
- Allow movement within the company
- Maintain consistent costs.

Sales force compensation or remuneration can be made up from various types of consideration (Calvin 2001:101).

- Direct compensation – fixed pay or salary, performance pay or commission, and bonus or defered performance pay.
- Fringe benefits – medical/health insurance, life insurance, share/stock options, education support, discounts on products/services from the company.
- Reimbursed expenses – some sales people cover their own costs (travel, entertainment, communication, stationary etc), some companies pay all, or a portion.

Salary vs Commission

Australian research suggests that, in general, a straight salary plus car and the usual other benefits (superannuation etc), produces the least results and costs the least. The system that gives the highest volume of sales is pure commission, but it also costs the most. Salaried sales people are a fixed cost, commissions are variable and can create an element of risk in terms of expenditure (Rock 2000:142-3).

The problem with commissions is that everything is geared towards whatever the commission is paid on. If the company pays on volume – that will be what the company gets. No matter how the business tries to manage the non selling activities such as quality business or customer data, or customer management, if the company only pays for volume, then it can only expect volume.

Choosing the mix between salary and commission depends on the following (Calvin 2001:103).

1. Balancing the needs of the salesperson and the company
2. The type of sales person you wish to attract
3. the salesperson's influence in the sale
4. Type of product service sold
5. Rewarding the salespersons specific behaviour/actions/results most important to the company's success.

In the following pages (103-112) Calvin gives examples of ways to balance the requirements of the company and the sales person, address the issues of long sales cycles, and reward the behaviours desired by the company. On page 104 he provides a comparison of salary, annual incentive and a total cash compensation.

Bonuses are an excellent means of offering performance pay to reward positive action and results. Bonuses are very effective for small to medium sales that already have a volume, and given the non-selling activities are managed well and targets are met, then a reasonable bonus can be offered. Bonuses can be monthly, quarterly and/or annually. Bonuses can even be paid to sales people in a market with long sales cycles, and used to reward desired behaviours, or activities that eventually will lead to a sale.

On-target-earnings (OTE) this term usually refers to a remuneration package that has a base salary plus commission and/or bonus components. The OTE amount refers to the total cash amount a sales person will receive if 100% of the agreed targets are achieved. The variable portion of the remuneration is typically paid quarterly, but can be paid monthly or bi-monthly, depending on what is appropriate for the sales cycle. These OTE packages are often used for longer sales cycles to reward the activities that lead to a sale or even desired behaviour with clients. An account manager would likely be on an OTE with 65% salary and 35% commission/bonuses. Pure sales may only be on 35-50% salary with the remainder in bonuses and commissions. People on these packages often refer to their salaries in terms of "tall hills and low valleys…", so only particular types of individuals will perform well under an OTE.

Fees for services are becoming popular in North America with financial professionals. Rather than advising their clients and then receiving a commission from the wholesale provider of the product sold, they instead are providing advice for a fee, regardless of whether products are sold or not and which companies products are sold. The rationale behind this is that commissions relate to a sales environment not an environment where professional advice is given.

Example 1 - Retail Sales

Appropriate for a retail sales outlet.

Component	Value	Criteria
Base Salary	$27,000pa	Meet KPI's to retain salary
Bonus payment paid monthly	Up to 20% of salary Up to $5,400 per annum	Exceed monthly target by: 10% = $250 15% = $350 20% = $490

Example 2

Mortgage Broker.

Component	Value	Criteria
Base Salary	$35,000pa	Meet KPI's to retain salary $1.2m per month settled loans
Commission per loan disbursed.	$250	Loan Disbursed Quality Rating
Trail on total book value	0.2%	Loans retained No arrears

Example 3

Door-to-door sales, generally pure commission, what you sell is what you get.
For those selling cable or satellite TV it is around $80 per installation, paid when the install is complete. Educational book sales can earn around $200 per set sold.

Example 4

Telesales.

Inbound calls

Component	Value	Criteria
Base Salary	$32,000pa	Meet KPI's to retain salary
Bonus payment paid monthly.	Up to 20% of salary	Exceed monthly target by > 10%. Schedule adherence 95%
Commission	1% of $ value	Recognised paid sales.

Outbound calling

Component	Value	Criteria
Base Salary	$15per hour	Meet KPI's to retain work and hourly rate.
Bonus payment paid every 20 hours worked.	$50-100	Exceed tartget by: 10% = $50 15% = $75 20% =0$100 Maintain call rate.

Activity

Under example 1 – would you be motivated to sell more than you monthly quota?

Under example 2 – if the average loan size was $150,000, how much could this broker earn in a year? What does this make his fixed to variable cash rate?

Web

The following URL gives the deatils of commissions for Real Estate sales.
http://www.reiq.com.au/buySellRent/default.htm

Campaigns/Competitions

It is almost stereotypical of sales forces to be in competition with each other. Most sales forces have some form of annual awards for the top achievers and see this as a form of recognition.

Even in the high volume sales areas where a couple of sales can be made each hour, at periods where management want a little extra, they often run a campaign or competition for a month in an effort to gain additional sales. It is true that many sales people seem to like the idea of competing, and it can also create a sense of fun with people wining prizes and enjoying the game.

However, there can only be one or a perhaps few winners. Therefore there are always more 'losers' than winners and in this context, campaigns or competitions can be de-motivating. If campaigns are to be run, then they must contain elements for everyone to win.

Alfie Kohn has for some time been directly against competition and incentives in the workplace. Competition, he says, is always destructive and its absence is required for excellence. There are two of his articles in Reading 4.1 that put forward his argument quite forcibly. In summary he says:

- Pay is not a motivator. Salary is more a hygiene factor rather than a motivator, f you doubled the salary, you would not get double productivity.

- Rewards punish. Punishment and reward are two sides of the same coin. "Do this and you will get that", if not different from "do this and this will happen to you". To not receive the reward because the target was not met for example, it demoralising.

- Rewards rupture relationships. Positive relationships between a sales person and there manager and colleagues is a key motivator. When individuals are pressing towards their own goals for their own benefit, relationships are damaged and motivation therefore reduced.

- In a similar way rewards discourage risk taking by individuals and genuinely reduce their level of interest in their job.

Activity

How did you feel after reading the Alfie Kohn article?

How did you feel towards competition in the workplace?

Have you ever lost/won a sales competition – what did it feel like?

If you were a sales manager of a small team of sales people selling electrical appliances in a store with lots of traffic, would you have the team compete?

If not why?

How would you then motivate them?

If yes, why?

How would you structure the campaign to ensure there are no losers and teamwork maintained?

References

Calvin, Robert.J., (2001), *Sales Management*, McGraw-Hill, New York.

Cornelius, N., (2001), *Human Resource Management,* Thomson Learning Australia.

Kohn, A., (1993), Why Incentive Plans Cannot Work, *The Harvard Business Review*, September-October, pp 54-63.

Kohn, A., (1990), The Case Against Competition, *Noetic Sciences Review*, Spring, pp 12-19.

Maslow, A.H., (1943), 'A Theory of Human Motivation', *Psychological Review,* vol 50, pp370-96.

Maslow, A.H., (1954), *Motivation and Personality,* Harper and Row, New York.

Rock, J., (2000), *The Effective Sales Manager*, Business and Professional Publishing, Australia.

Wood, J., Wallace, J., Zeffane, R.M., Schermerhorn, J.R., Hunt, J.G., and Osborn, R.N., (2001) *Organisational Behaviour*, John Wiley and Sons Ltd, Milton.

Further readings

Collis, J. (1998), *The Great Sales Book*, Harper Business, Australia.

Crane, A., (2001) *Get Sales Focused, Rethinking and Revolutionising Sales Forces and Sales Results*, Pittwater Publishing, Victoria.

Donaldson, B. (1998), *Sales Management, Theory and Practice,* Macmillan Business, London.

Honeycutt, E.D., Ford, J.B., & Simintiras, A.C., (2003), *Sales Management: A Global Perspective,* Routledge, Taylor & Francis Group, London.

Jauncey, P. (2002), *Managing Yourself and Others*, CopyRight Publishing, Brisbane.

Module 5: Performance Management

Introduction

Reading Calvin, Chapters 6 and 8
Reading 5.1 Chapter 4 of, Dudley, G.W., and Goodson, S.L., (1992), *Earning What You're Worth? The Psychology of Sales Call Reluctance*, Behavioural Sciences Research Press Inc., Dallas.

This module builds upon the people processes in Module 4 and introduces performance management including the common difficulties that sales managers may have in managing performance issues. Performance management here also includes sales planning as without a sales plan the KPI's for sales people may be irrelevant to the performance of the company objectives. Therefore, sales plans are also one of the key starting points for the sales managers in monitoring the performance and effectiveness of the sales force.

Topics

- 5.1 Performance Management
- 5.2 Retain/Retire
- 5.3 Call Reluctance and other Common Difficulties
- 5.4 Sales Forecasting and Planning

Objectives

To understand:

- The principles of performance management
- The key activities of the sales manager in managing the performance of the sales force
- The key aspects of retaining top performers and processes for dismissal
- The common challenges sales managers will have in managing the performance of sales people
- The sales forecasting and planning process.

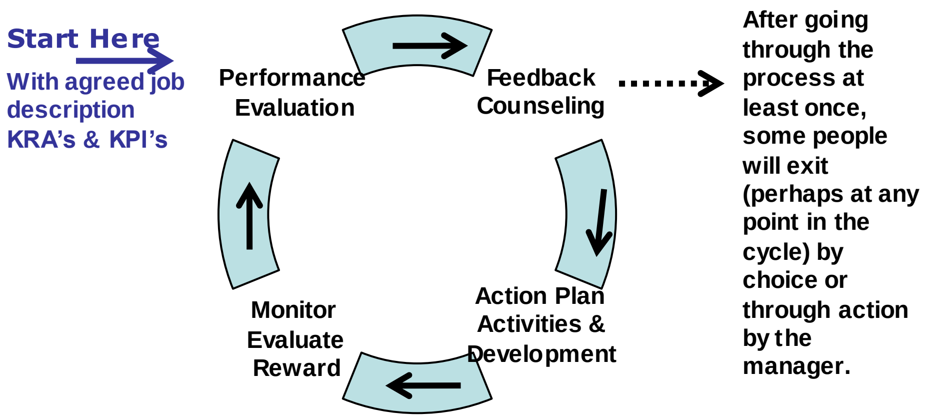
5.1 Performance Management

Performance management can have a negative connotation which is due mainly to the fact that many sales managers are reluctant to manage the performance of their sales people. Instead, it is perceived easier to go along with excuses and reasons for poor performance. This is because performance management involves confronting issues and may involve the dismissal of the poor performing individual. What good sales managers realise is that performance management is an ongoing process of evaluating performance, giving feedback, coaching and guidance to improve performance. If a sales person is genuinely trying to improve their performance, then they generally do. Those individuals who are not interested in the role or their performance will generally leave when they realise excuses and reasons for poor performance won't be accepted by the sales manager.

Wood (2001:151) describes the process in this way, "*performance management ensures that both the individual activities and goals of staff contribute towards the achievement of corporate objectives. Working towards the achievement of individual goals improves motivation of staff, but also monitoring progress towards goals helps management make more accurate predictions of business unit performance and more accurate and informed decisions. Performance management acts as an enabling process in motivating staff by providing them with opportunities to undertake specific tasks within broad parameters. Elements of supervision are therefore built into the way in which the process operates*".

The description is most accurate – executed well and consistently, performance management motivates sales people for the following reasons.

- Shows their sales manager is interested in their development
- Facilitates focused two-way discussion
- Provides opportunities to improve their skills and performance
- Allows for best-practice sharing.



Performance management is an ongoing process, as depicted above, and involves cooperation and communication between the sales person and their manager. The process begins with the development and agreement of the key activities of the role, key result areas and key performance indicators. The agreement of KPI's is the first part of the 'triad of the emotional contract' between the sales manager and the sales person (1) agree to the performance standards (2) two-way communication on the achievement of the performance standards (3) skill/knowledge development opportunities (Hocknell, 2003).

Once the sales person is given the skills required to do the job, their manager reviews performance through regular (weekly, fortnightly or monthly) feedback sessions. In these sessions the two people will assess progress towards the agreed goals and develop a plan of activities that will develop skills to improve performance. This is then assessed at the next feedback session and on the process goes. During this process, if the sales person is not achieving their KPI's there is a chance of three possibilities. (1) The performance of the individual improves; (2) the sales person decides "this is not what they want to do" and resigns; (3) the sales person is dismissed in accordance with HRM policy, endeavouring to maintain the self-esteem and respect of the individual. Throughout the process the focus is on behaviours, actions and outcomes (Hocknell 2003).

Phil Jauncey (2002:40) believes there are only four reasons why people do not perform:

1. They do not ***know*** what to do
2. They do not have the ***resources*** to do it
3. They do not have the ***skills*** to do it
4. They do not ***want*** to do it.

Jauncey (2002:40-5) believes that sales managers need to identify which of these four areas is causing the poor performance. In an endeavour to identify the problem, Jauncey says managers could avoid the "excuse game" by using the following techniques:

- ***Speak softly and slowly***. Speaking quickly or harshly demonstrates that the speaker wishes to control the situation, whereas the objective is to get the sales person to take ownership of the poor performance.
- ***Do not define the problem***. Opening with a neutral statement allows the listener to pinpoint the problem, therefore allowing the poor performer to own the issue and the two can then develop plans for resolution.
- ***Use pauses and silence***. If the sales managers uses pauses and silence, the pressure is on the poor performer to speak and take ownership of the performance problems.

Performance Evaluation

Reading Calvin, Chapters 8

Formal appraisals and evaluations will typically be conducted annually however, sales people will need more frequent evaluation and feedback. Calvin (2001:201) says the performance evaluations should take place each quarter, and for larger sales this timeframe is appropriate. For shorter sales cycles the evaluation could be done monthly. Calvin says the sales manager should not only formally evaluate the results, but also the activities, skills, knowledge and personal characteristics that drive the results. Performance evaluation is continuous and should be happening all the time, not just periodically.

Through the effective performance evaluation of each individual the sales manager will know how the sales force as a whole is performing, what issues exist, what the competition is doing, what is happening in the market, and what he or she needs to do to improve team performance. Additionally Calvin (2001:203) states that the performance evaluation process motivates sales people through the recognition of positive action and results.

On page 205 Calvin lists the 12 major categories of what to evaluate. On the following pages there is a list of the selling skills that also should be assessed and considered for skill development, and the self organisation and planning skills of the sales person. The evaluation process must also have an agreed rating system (Calvin 2001:211-2).

On page 222 Calvin lists the key measures that can be used in the evaluation process. This list is an excellent example of the various types of measures that can not only be used for KPI's and individual assessment, but also an evaluation of the productivity levels of the sales force itself (see more on this in section 5.4).

Feedback/Counselling

On pages 212 to 221 of Calvin's book he describes the evaluation interview, which is a relatively formal approach to appraisals. Feedback and counselling should occur on a regular basis to discuss performance, creation and actions form the sales person's development plan, coaching and generally allow for a two-way conversation about the job at hand and the business. If there are any issues Rock (2000:191) says, "*The goal must always be to correct the situation, for the sake of the company and the individual*".

The feedback/counselling meetings should be set up in advance and occur regularly so both parties can prepare for the meeting. The discussion is about the performance evaluation and the development plan actions, activities and progress. The development plan is created and maintained in the feedback/counselling sessions and needs to contain agreed actions and activities that the sales person will perform over the coming days/weeks. These communication sessions are for all sales people, not just those who need development. Even if the sales person is performing well, they should receive recognition and praise for this and still consider if there anything that can be done better, or what other development opportunities are they interested in.

The monitor/evaluate/reward step in the performance management cycle also takes place during a feedback/counselling session. It is in these discussions that the sales person and the sales manager discuss rewards and recognition, and also agree to proceed or not with the ongoing process.

5.2 Retain/Retire

The feedback/counselling session will provide opportunities for the sales manager to ensure the recognition of top performers and address issues with poor performers. Retention of top performing sales people is often seen as an issue for sales managers. Quite often the issue is a problem for the sales manager who feels they must continue to do more for the sales person, other times the sales person can feel satisfied being a successful sales person with no desire to move on.

Calvin in chapter 7 on motivation provides a range of strategies for sales managers and businesses to deploy in an effort to retain their top sales people. Essentially the issue is about motivation for top performers and ongoing satisfaction in their role with the company. This can be achieved through the deployment of the strategies that Calvin describes that are relevant to the needs of the individual, and in a solid relationship between the manager and sales person.

Rock (2000:195-6) describes four common situations where the feedback/counselling sessions become difficult and may lead to separation.

1. *The sales person disagrees with the sales manager's assessment of the facts*. In other words the sales person and their manager do not agree over the results or agreed actions. This should illustrate the importance of agreed KPI's, measures, written development plans and agreed actions. The sales manager must move from this situation of disagreement onto common ground that they can agree to. If the sales person is in denial or adversarial, the sales manager must then proceed with the measures, KPI's at hand and clearly spell out the consequences of denial for the sales person. If the issue is continued poor performance, then a dismissal could follow.
2. *The sales person does not accept that the behaviour questioned is outside the guidelines*. Again clear agreement on the role, key activities and outcomes is needed. If the issue of behaviour results in poor performance or breach of company values the sales manager must take the sales person through a process of development or dismissal.
3. *The sales person accepts that things are going wrong, but blames it on the company's systems, or on other people.* The sales manager must determine if there is an issue with the systems and people or not, if there is, then the sales manager should endeavour to resolve them, if not, them the sales manager needs to make it clear to the sales person that there is no issue or the sales person has to live with it and get on with the job.
4. *The sales person explains that there is a motivational hygiene factor operating.* If it is off the job, the sales manager needs to understand it, be supportive and do whatever they can within their role to help. If it is on the job, either it can be fixed or not. This situation may arise if the sales person has been passed over for a promotion. The sales manager's role then is to facilitate the process of discussion to help the sales person over the issue, if

the sales person cannot get on top of the issue, then they need to consider if they want to continue working with the company.

Dismissal (in this context) from the business can be due to (Cronelius, 2001:199);

- Misconduct – where the sales person consistently displays behaviour below the required standard, or displays an act or actions of gross misconduct.
- Capability – performance falls consistently below standard.

In theory if all the processes of recruitment, training, performance management and coaching have taken place properly, it should never come to dismissal. However, in the real world it does occur, how be it very occasionally, and sales managers should be prepared to move to the dismissal step if needed. The HR department of the business should have procedures in place to ensure consistency, no unfair dismissals occur, and adherence to appropriate legislation.

Activity

Does your company have a documented performance management process?

What does the appraisal rating process look like?

Can you develop a rating system that would be more appropriate? What would it look like?

Does the company have a dismissal policy/process? What are the details?

Is the process different for sales people?

If so, why?

Select a sales persons role in the company you work for (or have worked for) and conduct an assessment of their measures.
How relevant are they to the company's goals?

What measures could be more reflective of the company's goals?

How objective are the measures? Could they become an area for dispute?

Do the measures have elements of subjectivity?

5.3 Call Reluctance and other Common Difficulties

Reading Reading 5.1, *Making Personal Progress*, Dr Alec Dempster from, Collis, J. (1998), The Great Sales Book, Harper Business, Australia.

The purpose of this section is to provide an overview of the types of performance management or development issues a sales manager may have to deal with in their efforts to develop an effective sales force.

The four common patterns of difficulty for sales people identified by Alec Dempster and Jack Collis (1996:344) are:

1. Fear
2. Resistence
3. Reluctance, and
4. Stress

These basic patterns include subcategories

- Fear of rejection
- Fear of failure (including possible punishment)
- Fear of success (including fear of raised quotas or extra pressure)
- Fear of being seen as to be pushy

- Resistance to setting and achieving objectives
- Resistance to training and self-development
- Resistance to getting organised and reporting of progress

- Call Reluctance (including low self-esteem)

- Stress

The writers say that sales people are often too embarrassed, or too frightened to address these issues honestly and openly. Psychological insecurities occur in one way or another in all of us with various situations in work or peroneal life (Collis, 1996:345). The challenge for the sales manager is to try and get the sales person to openly look at the issues with the view to overcoming them and improving the effectiveness of the individual.

Fears are self-created imaginations which make negative associations of ideas. Fear is your projection about the future in your imagination. For a mature person fear is unhelpful as it causes problems with the nervous system, anxiety and eventually ill-health. It is very rare of course to find someone who is fearless, but the fears of sales people lead to avoidance behaviour, which would be affecting their performance. The sales manager may well see these issues before the sales person and can help them look at the behaviour and possible fears and then work with the sales person to ‘reprogram’ their thinking around fears (Collis 1996:347-8).

Resistance to change often arises from a tricky part of us called the 'ego' which holds much of our arrogance and associated negative attitudes and feelings. Exploring the mental blocks or resistances is an important part of overcoming personal limitations (Collis 1996:354). Much of the sales manager's role will be to,

- Set and achieve objectives with the sales person,
- Train and develop the sales person
- Help the sales person get organised and report on their progress.

If the sales person is resisting these activities them the sales managers role will be challenging and the relationship difficult. The sales manager then needs to coach the sales person through these issues focusing on building the existing strengths and positive qualities, with a balanced approach towards progressing efforts.

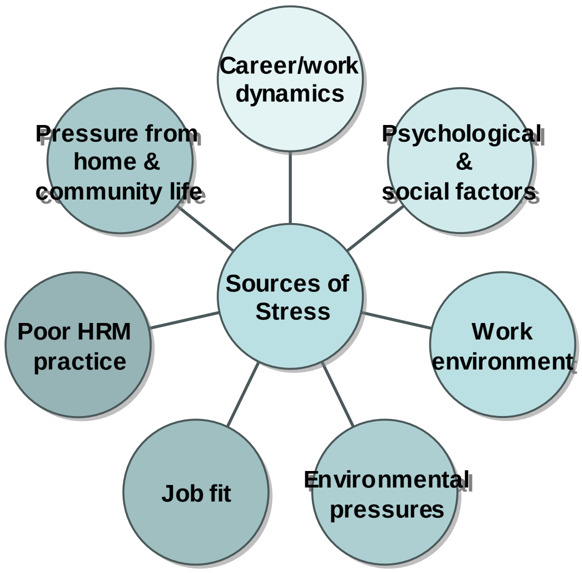
Reluctance to make sales calls is a common cause of poor performance and arises from an underlying negativity and half-heartedness or indecisiveness in some aspect of commitment. The call reluctance may be with any call, or repeated calls with particular clients or situations (Collis 1996:356-7). Dudley and Goodson (1992) have done extensive study on call reluctance and classify 12 'faces' or types of call reluctance.

Call Reluctance Types	Marker Behaviours
Doomsayer	Worries, will not take social risks
Over-preparation	Over analyses, under acts
Hyper-Pro	Obsessed with image
Stage Fright	Fears group presentations
Role Rejection	Ashamed of sales career
Yielder	Fear of intruding on others
Social Self-Consciousness	Intimidated by up-market clientele
Separationist	Fears loss of friends
Emotionally Unemancipated	Fears loss of family approval
Referral Aversion	Fears disturbing existing business or client relationships
Telephobia	Fears using the telephone for prospecting or self-promotional purposes
Oppositional Reflex	Rebuffs to be coached.

Dudley and Goodson (1992:166-169) provide an introduction to the solutions for these types of reluctance. Firstly there has to be admittance that there is a call reluctance problem, secondly there has to be a diagnosis of the type of reluctance problem, and thirdly, match up the reluctance problem with a solution and follow-up on the action plan. The solutions they say are divided into two categories;

1. Word-based procedures. Using words to explain, excite or extort, creating self-help opportunities for the individual.
2. Mechanical Procedures. Instructions and procedures that don't depend on words but adherence to activities to overcome the problems.

Stress can adversely affect the nervous system, which may come through in lowered performance and eventually the individual will cease to function effectively. The individual suffering from stress will, without realising it, become slightly less mentally aware, less clear-thinking, and less relaxed, sharp and intuitive. The susceptibility to stress arise from personal difficulties with fear, resistance and reluctance, as a result anxiety, fears, impatience, disappointment and other emotional disturbances occur (Collis 1996:359).



Cornelius 2001:322

Cornelius (2001:322) describes the sources of stress this way.

- Career/work dynamics – opportunities; challenges; disruptions, frustrations and disappointments; intensity of competition; dead ends.
- Psychological and social factors – negative group dynamics; employer-employee relationship.
- Work environment – the physical and psychological work environment.
- Environment pressures – uncertainties, change and turbulence in: the industry, sector, economy, social and political sense.
- Job fit – poor recruitment – ‘round peg in a square hole’.
- Poor HRM practice – poor work design, employee unfriendly practices.
- Pressure from home and community life.

When you consider that the sales person is constantly in front of customers, often away from the support of people in the office, and challenged by physical environment and competitive issues, they are potentially highly susceptible to stress.

Stress can be managed by carefully looking at the predicament, identify the important responsibilities and priorities, and allow time for regular reflection, self-organisation, quiet and physical and mental relaxation. Conserving energy and apply it where it is most needed and breaking the cycle of blaming others for stress will help (Collis 1996:359).

The sales manager then needs to play her or his part in this process of supporting the sales people and ensuring they are not affected by the stressful environment they are expected to perform in.

Cornelius (2001:323) says that managing stress is a shared responsibility and can be moderated by the following activities.

Cornelius 2001:323

- Professional counselling – employee assistance programs; face-to-face or 24 hour telephone support.
- Constructive supportive climate – EEO initiatives, HRM policy and practice, effective grievance procedures and appraisal systems.
- Career management by the company and the individual.
- Open communication lines between the manager and the employee.
- Promotion of health and well being within the company, supported by the sales manager and the sales force.
- HRM Policy and strategy – flexi-hours, child care support, sabbaticals, regular annual leave taking etc.
- Striking a balance between the demands of home and work.

Reflection

Sales managers will need to be on the alert for signs of problems with sales people. To do this they will observe the individual and the performance results. How do you think these common difficulties would manifest themselves in the individual's behaviour and performance outcomes?

Fear?

Individual's behaviour:

Performance Outcomes:

Resistance?

Individual's behaviour:

Performance Outcomes:

Reluctance?

Individual's behaviour:

Performance Outcomes:

Stress?

Individual's behaviour:

Performance Outcomes:

5.4 Sales Forecasting and Planning

Reading Calvin, Chapter 6

The objective of sales forecasting and planning is to establish achievable goals and plans for the sales force to achieve. Essentially these goals and plans will be around improving efficiency/productivity and effectiveness, that is reducing costs, relative to the increase in sales. Before considering the forecasting and planning processes we will look at the key measurements for the efficiency and effectiveness of the sales force.

Measurement

Donaldson (1998:318-319) identifies the key dimensions of sales and company performance that the sales manager and senior management should be concerned with.

1. ***Sales Volume.*** Not only the absolute volume or value level but also to sales against budget and sales relevant to market potential and share growth. Loss of sales force competitiveness will result in market share loss and reduced profitability.
2. ***Profit.*** The key performance dimension in management is profitability. Management analysis has to focus on ways of increasing profits, with considerations to long-term growth. Customers, products, sales people and regions with higher costs and lower revenues must be examined with a view to improve performance.
3. ***Number and size of orders.*** Related to the profit factor; total sales volume may be achieved by a high proportion of relatively uneconomic sales per customer or by a disproportionate level of sales from selected customers, or sales areas. Most companies operate from a basis of strength in their own locality, the worth of low-volume territories and customers must be assessed in terms of current and future plans.
4. ***Call rates, orders, hours worked.*** Most sales managers cannot afford a casual approach to calling schedules, especially with large teams. Performance dimensions on these activities are important measures of motivation and performance.
5. ***Expense control.*** Records and trends need to be kept of salespeople’s expenses against sales and activity. Total expense levels, variances and comparative assessments are a management responsibility and need to form part of the measurement of the effectiveness of the sales force and the planning process.
6. ***Time and territory management.*** Returning again to identifying ways of improving sales productivity necessitates management appraisal of comparative sales performance across territories and channels.
7. ***Customer satisfaction and relationship building.*** Possibly the most critical dimension of all and can be measured by customer satisfaction surveys, customer service indexes, customer tenure and repeat purchases.

Calvin (2001:222) identifies some the key measures for establishing the effectiveness of the sales force, they are:

1. Revenues per salesperson, per order and per account

2. Margins/profits per sales person in dollars and as a percentage of revenues
3. Costs per sales person in dollars and as a percentage of revenues
4. Costs per order or per call.

By using measures such as these the effectiveness of a sales force is determined. For example these measures do not allow the sales manager to increase the number of sales people to increase sales. The sales manager must manage the ratio between costs and sales to remain effective and efficient. A prudent business will benchmark the sales force performance, using a combination of measures identified by Calvin, and look for subsequent improvement of time.

Planning

As Calvin says in his opening statement on page 151, '*planning makes good things happen, bad things happen by themselves*'. And other maxims like, '*if you fail to plan, you plan to fail*', all seem like good common sense. Sales forecasting and planning is no different. It is one of the key drivers for good performance management in the context that you must have a plan and set of objectives to manage to. Once the sales force has a forecast or budget, it then has a plan and the sales manager can delegate the pieces of the plan and targets to the sales people to form their KPI's.

Calvin (2001:151) says that effective sales forecasts and plans involve a blending of objective and subjective material, and a balance of top-down and bubble-up (in Australia the term is more commonly, bottom-up).

The objective material required for the forecasts and plans is.

- Sales results (past and current trends)
- Sales activities
- Cost control
- Cashflow planning.

The subjective material Calvin refers to is the 'market intelligence' from the sales force and other sources. This includes information about competitors, customers, the market and the economy

Pros and cons of bottom-up plans.

Pros	Cons
Sales force ownership	Could be over estimated
Potentially more accurate, realistic	Could be under estimated
Qualitative and quantitative information from the 'coalface'	Too close to the action
Facilitates a solid internal review of the sales force (job, activities, etc)	Resistance to setting and achieving objectives
Reality check for sales force	Inability to obtain market potential data
Creates early warning system for sales force	Inaccurate or insufficient product forecasts
	No buy-in from senior management

Planning Process

At the end of the process there will be a number, a dollar figure that is the sales budget for the year. This sales budget needs to be divided into monthly or quarterly targets, split into regions and channels. Using a combination of a bottom-up and top-down planning processes can help define the parameters of the sales budget.

Bottom-up

The first step, Calvin (2001:151) says, is to for the sales force to create a micro plan and forecast based on;

1. Past and present territorial sales trends
2. Changes inside the firm
3. Changes at competitors
4. Changes at customers, and
5. Changes in the general business environment/market.

Generally sales managers will develop this through the sales force a few months prior to the start of the financial year. It is important for the sales manager to collect the information in a format that can be more easily collated. For example provides a list of statements/questions on page 157.

Rock (2000:202) adds that these five questions must also be answered.

1. ***Where are we now?*** An analysis of the current situation, as far as possible expressed quantitatively.
2. ***Where are we going?*** A forecast of where we will be if we carry on doing the same things as we are doing now.
3. ***Where do we want to go?*** A set of specific goals or objectives that define the end results we want. They are achievable, quantified wherever possible and times.
4. ***How will we get there?*** The overall strategies or ploys we will use, and the detailed action plans in a sequenced set of steps, stating who will do what by when, and which when all carried out will lead to the end results defined above.
5. ***How will we know whether we are getting there?*** The control mechanisms that need to be implemented to make sure that the action plans are on target.

Essentially the forecast should be in two parts.

1. What the sales force can achieve given current resources and market conditions for the coming year – in units and dollar value.
2. What could be achieved as incremental growth - articulating a range of initiatives and plans to achieve the increase.

The example of page 167 of the reading will help with area or territory planning. If the sales force is more account management based, or in a B2B environment, then the templates Calvin puts forward on pages 159, 160 and 161 will provide substantial support to the bottom-up planning process in the sales force.

Top-down

At the same time the sales force is preparing their micro-plan and forecast, senior management will also prepare their own plans and forecasts. Using their own criteria the objective of the Top-down plan will be to meet corporate profit goals and targets.

The Top-down plan will also include objective and subjective information based on qualitative and quantitative data. Such as;

- Product plans and targets
- Current market share and future goals
- Economic data of future potential
- Industry information and trends
- Historic data and trends.

Most likely the Top-down plan will be allocated at a region and channel level. Sometimes the Top-down plan could just be a blanket 15% increase across al regions and channels with a question them for the sales force of, '*how to?*'

The Top-down and Bottom-up plans will meet at a management committee where there is generally some *argy-bargy* (a technical term that the Collins dictionary describes as a '*wrangling argument*'). At some point during this professional debate the committee will agree on the sales forecasts or budgets which will include expenditure targets, which may then include budget for the approval of some initiatives or resource changes to achieve the budget.

The key to successful forecasting is using a variety of techniques that combine top-down, bottom-up, quantitative, qualitative with objective and subjective approaches, and then running the results through a variety of checks and balances (Calvin 2001:164).

The role of the sales manager is to take the sales forecast and plan, and then turn it into actionable and achievable KPI's for the various sales people.

Activity

For a business you know well, what are the examples of these types of data that can be used to formulate the sales forecast?

Quantitative.

Qualitative.

Subjective.

Objective.

Find some sales people in the company you work for and ask them;

How they feel about the setting and achieving of objectives?

How do they feel about reporting on their progress?

What subjective information is collected by the company from them for sales planning?

<u>Find a finance manager or marketing manager and ask them;</u>

What do they think of bottom-up planning from the sales force?

Do they think that sales people will set low targets to look good next year?
Or will they set high targets to appear like heroes now…?

Do they think the sales force knows what is going on in the industry?

How good is the company at collecting industry and competitor information?

What are the sources of industry and competitor information?

References

Calvin, Robert.J., (2001), *Sales Management*, McGraw-Hill, New York.

Collis, J. (1996), *The Great Sales Book*, Harper Collins Publishers, Australia

Cornelius, N., (2001), *Human Resource Management,* Thomson Learning Australia.

Dudley, G.W., and Goodson, S.L., (1992), *Earning What You're Worth? The Psychology of Sales Call Reluctance*, Behavioural Sciences Research Press Inc., Dallas.

Jauncey, P. (2002), *Managing Yourself and Others*, CopyRight Publishing, Brisbane.

Rock, J., (2000), *The Effective Sales Manager*, Business and Professional Publishing, Australia.

Further readings

Kaplan, R.S. & Norton, D.P. (1996) *The Balanced Scorecard*, Harvard Business School Press, Boston Massachusetts.

Wood, J., Wallace, J., Zeffane, R.M., Schermerhorn, J.R., Hunt, J.G., and Osborn, R.N., (2001) *Organisational Behaviour*, John Wiley and Sons Ltd, Milton.

Module 6 : Sales Management Process

Introduction

Reading

Calvin, Chapter 9
Reading 6.1 Elling et al (2002), Making more of pharma's sales force, *The McKinsey Quarterly*,
Reading 6.2 *How to improve Sales Manager Effectiveness*, Growth Solutions LLC (2003)
Reading 6.3 Anatomy of a World Class Sales Organisation, Sales Executive Council, 2002.

This module completes the sales management unit and as such it brings together the components of sales management to a complete process. Sales Force Automation discusses the future of the sales force through the automation of key tasks by browser based technologies that are readily available. The sales management process is summarised over the unit and epitomised in the role of the sales manager. Section 6.4 introduces a diagnostic tool to facilitate the development of a world class sales organisation.

Topics

- 6.1 Sales Force Automation
- 6.2 Sales Management Process
- 6.3 Role of the Sales Manager
- 6.4 Creating a World Class Sales Force.

Objectives

To understand:

- The principles and opportunities for sales force automation in sales management
- A high level summary of the sales management process working together as a whole
- Through the use of recent research the role the sales manager plays in the sales management process
- The parameters of a diagnostic tool that describes the anatomy of a world class sales organisation.

6.1 Sales Force Automation

Reading Calvin, Chapter 9

In Module 3.1 we talked about CRM as a business strategy that was enabled through change leadership and technology. What CRM technology does for the customer strategy, Sales Force Automation (SFA) does for the sales force.

As Calvin (2001:224-5)says SFA will not improve a weak sales force. The principles of good sales management still need to be in place, SFA will improve the opportunity for increased productivity and capacity of the sales force. The SFA technology should be implemented like any other sound IT project, driven by the sales force with robust measures of effectiveness and benefit realisation. On page 226 Calvin describes some of the activities and metrics for SFA. He lists the key benefits and improvements as.

1. Controls and management feedback
2. Sales performance productivity
3. Access to timely and accurate data
4. Faster response times to customer and decisions
5. Additional selling time
6. Precise customer targeting
7. Improved communications
8. Professionalism
9. Revenues and
10. Competitive advantage.

Another advantage is the motivation and morale lift that the sales force will feel when the company invests in systems that actually helps them do their job better and improves their work environment.

Of course all these potential benefits need to be defined by the business before implementation and on page 227 Calvin spells out some common applications for SFA. The SFA tools can vary from a full corporate wide CRM or SFA system that is fully integrated into business and sales processes, through to a predictive dialler for an outbound telemarketing team and even a palm pilot for a mobile sales person. The extent of SFA needs to be cost justified by the business using some or all of the potential benefits listed above.

Many companies that distribute their products through intermediaries use the Internet as a method of providing SFA tools to their intermediaries. In this context a strong SFA tool can create competitive advantage. For example, an insurance business that sells through multi-agents, or independent agents that sell products offered by a variety of companies, by offering an easy to use quoting and product origination system when its competitors are not, has competitive advantage.

The Internet can not only be utilised well by sales people and intermediaries, but also customers themselves. Potential customers can come onto a company portal and look at the potential benefits the products/services have to offer. Some websites allow for purchasing and others allow for the customer to request someone to contact them with more information. The Internet as a sales channel needs to be a conscious decision made by the business on the opportunity the channel presents, market readiness, competitor activity and suitability of the product/service.

As Calvin mentions on page 240, most companies in the 1990's developed in-house SFA tools and today the tools are readily available from a number of software vendors and most companies now will use a vendor. There are typically two models available, (1) purchase software licenses from a SFA vendor, or (2) use an Application Service Provider (ASP) which essentially is a leasing model.

A decision for SFA tools or a software provider should not be made hastily and should be made after fully investigating the benefits, implementation issues and costs.

Web

Go to your favourite web search engine – perhaps www.google.com.au , and enter "Sales Force Automation". Many of the responses will be from software vendors that offer SFA solutions.

Have a look at the product features.

Have a look at how the vendor describes the benefits and advantages for businesses, what business benefits are they targeting their product towards…do they align with Calvin's list of the key benefits?

Activity

What sales force activities are automated in the company you work for?

What issues will a sales force that is out in the field have with automation?

List three issues you think could arise from the sales force and the adoption of a new SFA tool?

1.

2.

3.

How could a sales manager address these issues?

6.2 Sales Management Process

The sales management process was introduced in Module one. The purpose here is to pull the pieces together and provide an overview of the sales management process as a practical working model.

Strategy and Objectives

- Structure follows strategy
- Tactics reflect strategy

In Module 1 we presented the placement of the sales management function within the organisation and looked at a few examples of sales force structure within the company structure. Sales process and strategies were considered in Modules 2 and 3. The sales manager supports the company strategy through the implementation of sales processes and strategies or tactics. In terms also of strategy, ethics was covered in Module 2.2 as a way of ensuring the sales force was aligned with the ethics and values of the company. Sales force effectiveness measures were discussed in Module 5.4.

Hiring

- Job description, candidate profile, sourcing, interviewing, reference checking, decisions.

In Module 4 we went into some detail about these processes and issues for sales managers. As the starting point of the people side to the sales management role and process, hiring or recruitment is a critical first step to get right.

Training

- Product, competitor, customer knowledge
- Selling skills
- Field coaching, sales meetings, initial training

Training as a subject was covered in Module 4. The selling skills are developed from the implementation of sales processes and then the ongoing coaching and development from the sales manager. The next section (6.3) actually discusses the role of the sales manager and recent surveys have identified that managers need to spend more time in the field coaching and mentoring their sales people.

Compensation

- Total dollar level
- Fixed versus performance pay

Likewise discussed in Module 4 with some examples. We noted here that the North American experience is more along the lines of 50/50 commission to salary, whereas in Australia roles with those ratios of commission to salary are rarer. Australia seems to have either a pure commission structure, or a salary/commission ratio of around 70/30 with the exception of OTE. Each business needs to make its own decisions about compensation, guided by the sales manager who needs to understand the behaviours the remuneration will drive.

We even presented the non-competition point of view. Sales managers that decide to implement sales competitions as a regular form of compensation need to be aware of the negative consequences to competition.

Organisation

- Channel choice – direct/indirect
- Geographic, product, customer, or functional architecture
- Territory boundaries – deployment and sizing
- Time management within territory

These issues were considered under the as the strategic choices made by an organisation. In the next section under the Role of a Sales Manager there are two readings that put forward models for the span of control for a sales manager. In determining territory or area boundaries, considerations should be made to the number of channels or direct reports the sales manager will have, as Reading 6.2 makes some precise recommendations. Time management was also identified as an issue in that survey and the work in Reading 6.1. Time management is not in the scope of this unit.

Forecasts

- Bubble-up versus top down
- Format
- Sales plan – actions that drive forecast numbers

Sales force measurements, forecasting and sales planning were considered under performance management in Module 5. The sales manager's influence in forecasts varies from one business to the next. However, if the sales manager can show the sales force can add value to the planning process in the development of effective and relevant bottom –up plans, the influence of the sales manager can be more profound within the company.

Nonmonetary motivation

- Different sparks light different peoples fires
- Recognition, usefulness, challenge, achievement, belonging, personal growth, leadership

Various strategies and tactics were considered in Modules 4 and 5.

Sales Force Automation

- Systems applications
- Ecommerce/Internet
- Implementation

Considered in earlier in this Module. CRM (Module 3.1) can also include SFA tools within the technology set. Sales managers need to be aware of the advantages that SFA can bring to an effective sales force. Once the sales manager identifies the potential for the automation of key sales activities a formal project management process should be actioned to take the concept to implementation. One of the issues for sales managers is the use of their time and being drawn into 'head office' projects. A project for SFA would likely need some full time representation from the sales force that needs to be planned for.

Performance Evaluations

- Results, activities, skills, knowledge, personal characteristics\Self-evaluation
- Quarterly
- Goal setting, development plan
- Measuring productivity

Module 5 was devoted to performance management and in conjunction with the Calvin text covers the subject. The performance management process is where both the surveys in this Module suggest sales managers should spend more of their time. The definitions of sales managers in the next section likewise identify an effective sales manager achieves through their sales force, which is improved through performance management.

6.3 Role of the Sales Manager

Reading

Reading 6.1 Elling et al (2002), Making more of pharma's sales force, *The McKinsey Quarterly*,
Reading 6.2 *How to improve Sales Manager Effectiveness*, Growth Solutions LLC (2003)

The role of the sales manager is clearly to manage the foregoing sales management process. However this may need a little clarification.

Sales people are out there in the selling world, not under the scrutiny of sales managers and need to be their own managers. Additionally sales people that feel good about themselves produce good results. The role of a sales manager then is to equip the sales person with enough skills so they can manage themselves and provide a supportive environment to build their self-esteem so they feel good and produce good results. This description could actually be a summary of the sales management process.

Calvin on page 193 whilst talking about motivation of the sales force describes the consistent, motivated, competent leadership that is required and lists five common traits of a successful sales manager.

1. The sales manager realises that their job is to get work done through others; their success depends on the success of the people who work for them.
2. Their styles, techniques and policies are consistent. They don't switch between autocratic and democratic, or persuasive and consultative styles.
3. They believe in what they do, which creates strong contagious personal motivation, and they communicate this strong personal motivation to the sales force, who display it to customers.
4. They realise they are agents of change, and they manage change, take advantage of change, and modify people's behaviour.
5. They set standards, are critical, and sit in judgement.

Said in another way by Rock (2000:1):

"The role of the sales manager is to produce agreed results for a specific area of operation through a productive, effective and satisfied sales force."

With the key words perhaps being, "through a sales force". The role is to manage the achievement of results through the sales force and by using the sales management process.

As the next two subsections will show, a sales manager must keep a tight focus on the overall objectives of the role to be effective.

Activity Based Management

Some believe a large portion of a sales manager's role is to manage the activities that lead to sales. Modules 4 and 5 focused on the people side of the sales manager role and the fears, resistance, and reluctance of the sales force. These issues generally arise through sales managers using activity based management techniques. Activity based management means the manager will keep a close management eye on the activities that lead to the results.

Sales is often said to be a 'numbers game'. And, in the context of saying a sales person needs to make 50 calls per week to get 20 orders then it may be alright to say numbers play a large part, but sales is essentially a 'people game'.

The sales manager needs to identify the key activities in the selling process and understand the relationship between these activities. For example, let's take a Business Development Manager for an accounting software firm that selling its product to SME's. The BDM may need to make 50 telephone calls on Friday to establish 15 business visits or calls the following week. From the 15 businesses he calls on, let's say she can make 3 sales. The relationship between the numbers is: Telephone Calls to Visits = 30%; Visits to sales = 20%; Telephone calls to sales = 6%. All these number might seem quite okay in isolation; however, another BDM might be getting 10% telephone calls to sales. So the sales manager asks, 'what are they doing differently'?

Much of the sales manager's role then is assessing the activities that lead to sales, understanding the numeric relationships between activities and then managing the process across the sales people and the numbers. And this is managing the sales management process.

Surveys

There are two articles that are the readings for this module. In the McKinsey's article there is an assessment of the pharmaceutical sales force and the general lack of effectiveness.

One of the issues raised is that sales managers need to be more focused on the segmentation issues and their direct sales people. All too often companies can drive more and more administration tasks down the line until the effectiveness of the sales manager is affected. Coaching the sales people in selling, product and customer relationship management are the key to the sales force becoming more effective. When the skill level is at a more self-reliant point, the sales manager should then spend more time managing the markets and understanding the area or region.

With a similar result Reading 6.3concluded that these were the most common issues in sales management practice today.

1. Ineffective allocation of time.
2. Poor data capture.
3. Lack of institutionalised sales management process.
4. Unfocused roles that are too broad.

Each of these issues can be mitigated with the implementation of an effective sales management process like the one we have discussed so in these modules.

Activity

Talk to a sales manager (area or regional manager) in a company you work for or know.

Ask them to define their role.

How does this compare with the definitions presented earlier?

What are their core tasks?

How does this compare with what we have discussed in this module?

What are their top three frustrations?

1.
2.
3.

Would the sales management process we have studied overcome these frustrations?

How?

Do you think Australian sales managers face different issues to North American sales managers? If yes, what are they?

6.4 Creating a World Class Sales Force

Reading Reading 6.3 Anatomy of a World Class Sales Organisation, Sales Executive Council, 2002.

The 6.3 reading is a document created by the US based Corporate Executive Board's Sales Executive Council (SEC). The SEC are a subscriber based council that collates sales best practice and disseminates it among its members. The Anatomy of a World Class Sales Organisation is a diagnostic tool of 20 questions that can be used by any organisation to benchmark the effectiveness of its sales force.

The SEC have dissected the Anatomy of a World Class Sales Organisation into four components;

1. ***Sales Talent Management***. This section looks critically at the sales people themselves and the company's people management processes.
2. ***Strategic Customer and Channel Management***. This step in the diagnosis assess the company's approach to segmentation, customer accessibility, ability to create a single customer view, and relationship building skills and capability.
3. ***Sales Process, Design and Productivity.*** Reading 6.2 identified a weakness in organisations that did not have a rigorous, consistent sales process. The tool, with these seven questions, assesses the strength of the company's sales process, its applicability to the sales cycles, customer etc.
4. ***Performance Measurement/Rewards.*** These last three questions examine the reward and remuneration systems of the company.

Activity

Go through the 20 questions of the Anatomy of a World Class Sales Organisation and correlate them back to parts of the sales management process.

SEC Question Number	**Sales Management Process**
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	

References

Calvin, Robert.J., (2001), *Sales Management*, McGraw-Hill, New York.

Collis, J. (1996),

Cornelius, N., (2001), *Human Resource Management*, Thomson Learning Australia.

Elling, M.E., Fogle, H.J., McKhann, C.S., and Simon, C., (2002), Making more of pharma's sales force, *The McKinsey Quarterly*, http://www.mckinseyquarterly.com/article_page.asp?ar=1219&L2=12&L3=62 , Accessed 13/8/02.

Rock, J., (2000), *The Effective Sales Manager*, Business and Professional Publishing, Australia.

How to improve Sales Manager Effectiveness, Growth Solutions LLC (2003)

Anatomy of a World Class Sales Organisation, Sales Executive Council, 2002.