

# Sales and Distribution Management

Course Code : MGMT4036

## UNIT – 3 : Sales Organization

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# Content

## Unit 3 : Sales Organization

- ☐ Sales Organization : Structure, quotas for sales personnel: procedure,
- ☐ Types of Sales Organization;
- ☐ Methods, Territories: Size; Allocation; Designing; allocating Sales Efforts.

## ✓ SALES ORGANIZATION :

- Sales organization is a department in company within logistics that designs the company as per the sales requirements.
- Sales organization is held responsible for the sales and distribution of goods and services.
- The selling unit is represented as a legal unit.
- The salesperson plays a crucial role in the sales company because he/she is answerable for many activities in the company.
- Some of those activities can be listed below:
  1. **Setting selling and profit objectives** – Salesperson is involved in setting the objectives of selling the product and generating the profit.
  2. **Marketing policies** – Salesperson has to set the marketing policies and plan accordingly.
  3. **Designing personal selling strategies** – Set up their own strategy to generate sales and to target and retain the customers.

They co-ordinate with other departments as well, for e.g. - **Advertising, Sales promotion and Distribution**, to chalk out a sales programme, which helps in generating sales. Also helps to find any loop holes and fix the issues

## ✓ Characteristics of a Sales Organization

- A sales organization subsists of a group of people who handle different activities like distribution, advertising selling etc.
- It works to achieve the sales objectives, like increasing sales volume and maximizing profit and market share of the company.
- It specifies the responsibilities and duties of the salesperson and also co-ordinates their activities with other departments.
- It helps to develop a relationship with the other personnel in the organization by setting up a sales programme.
- General Sales Manager is the head of the sales organization.

Thus, sales organizations help the company in achieving targets and building coordination with sales personnel. Now we shall see the importance of sales organization.

## ✓ Significance of Sales Organization

- **To plan purchase**

- Sales of the company depend on the sales anticipation.
- Sales will increase only when the consumer purchases the goods or services.
- Company has to plan the sales according to the consumer need and want, meaning where they want the product, what they want etc.
- Planning and development is done accordingly to satisfy the need of consumer.

- **To create pattern of demands for products**

- The demand of the product is created to lead to sell in the market.
- When a product is manufactured in the factory, it is not sold automatically. Salespersons push the product to consumers. But even they cannot force the consumer to buy the product.
- The sale depends on the consumer's need and perception. This need is created by the selling skills, promotions through advertisements, etc., which in turn help in creating demand in market.

- **To handle the orders received**

- This is an important step where the salesperson has to answer the calls and queries of the customers, receive orders and make the product ready as per the demand of consumers.
- Finally, the products are packed and dispatched as per the expectation of consumer; all these are imperative and effective tasks.

## ✓ Significance of Sales Organization Cont...

- **To collect the dues**

- Sales cannot always be done for cash.
- Bulk sales are made on credit. It's very difficult for an organization to perform only on the basis of cash sales; in this competitive market, credit sales play a crucial role.
- After the credit sales have been done, the organization has to collect dues. It is a very challenging task as the salesperson has to retain the business and still get the task done.

- **To handle the task of personnel management**

- Every organization wants best sales personnel to enhance the sales. This depends on training.
- The organization has to select, train, motivate, monitor and control its sales personnel. Here the company has to make an investment in sales personal.

In summary, we can conclude that there is an immense impact of sales organization on a company.

## ✓ Types of Sales Organization

- An organization is designed in a manner where we can identify the work or activity performed by an individual or group.
- The roles and responsibilities are defined, which helps in building relationships to enable people to work effectively and efficiently. This helps in achieving the goals of the organization.

**There are Four types of sales organizations, they are following –**

**1. Functional Type**

**2. Product Type**

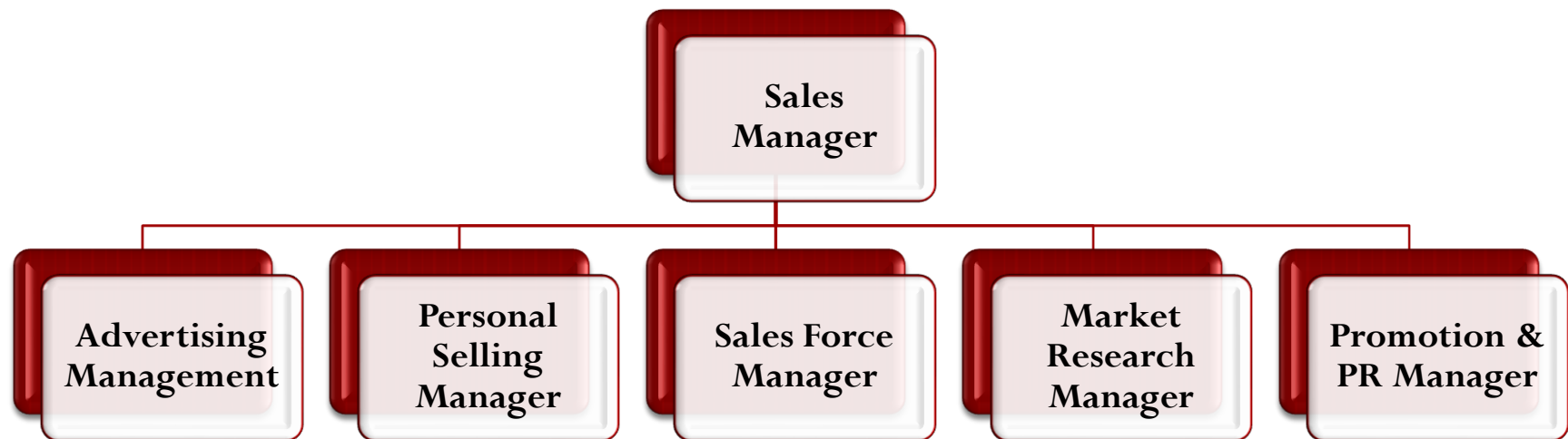
**3. Suitability of Product Type**

**4. Consumer Specialization Type**

## 1. Functional Type :

Functional type of organization is divided and classified on the basis of the functions performed.

The following illustration shows a functional type organization:



**Fig : Functional Type Organization**

This depicts the functional type organization.

functional type of organization is suitable where the organization structure is small having limited products.

We will now discuss the advantages and disadvantages of functional type organization.



## ❖ Advantages and disadvantages of functional type Organization :

| Advantages  | Disadvantages  |
|---|--|
| <b>1. Specialization :</b> In the figure, we can see the division has been made according to the functions.   | <b>1. Due Attention :</b> Each department is only specialized in their own activity; hence there is no attention focused on the product.   |
| <b>2. Flexibility :</b> The number of departments can be added or removed as per the requirements.  | <b>2. Delay :</b> There is delay in making decisions because of co-ordination between all the departments.   |
| <b>3. Decision making :</b> Decisions can be made quickly as the person would be an expert in his department and will be aware of the impact of his decision. | <b>3. Conflicts :</b> There is always conflict between departments due to being specialized only in one core area and lack of cross training.  |
| <b>4. Co-ordination :</b> The co-ordination between functions can be done easily  | <b>4. Co-ordination :</b> From the figure, we can see that all departments report to the General Manager. Therefore, In peak times, it may become difficult for the General Manager to maintain co-ordination between the departments. |

## 2. ProductType

This type of division is made according to the products. The organization divides the departments based on the products.

The following illustration shows the layout of the product type:



**Fig : Product Type Organization**

## ❖ Advantages and disadvantages of product type Organization :

| Advantages  | Disadvantages  |
|---|--|
| <b>1. Due Attention:</b> In the figure, we can see the division has been made according to the functions.   | <b>1. Co-ordination :</b> There would be problem of co-ordination between two product departments.   |
| <b>2. Specialization :</b> The salesperson is specialized in specific products; hence he/she has an advantage in handling the department.   | <b>2. Selling Cost :</b> the selling cost of product may increase due to the division according to the products.   |
| <b>3. Responsibility :</b> The responsibility can be easily assigned to a salesperson because all the salespersons are specialized in their product/department and are well acquainted with the product, which helps them to handle customers smoothly. | <b>3. Operational Cost :</b> Operational cost may also increase due to each product being treated differently.<br>.  |
|   | <b>4. Freedom :</b> There is no cap on the freedom enjoyed by employees because the salesperson is specialized only on his/her product/department and will not be able to handle other product/department. |

### 3. Suitability of the Consumer Specialization Type

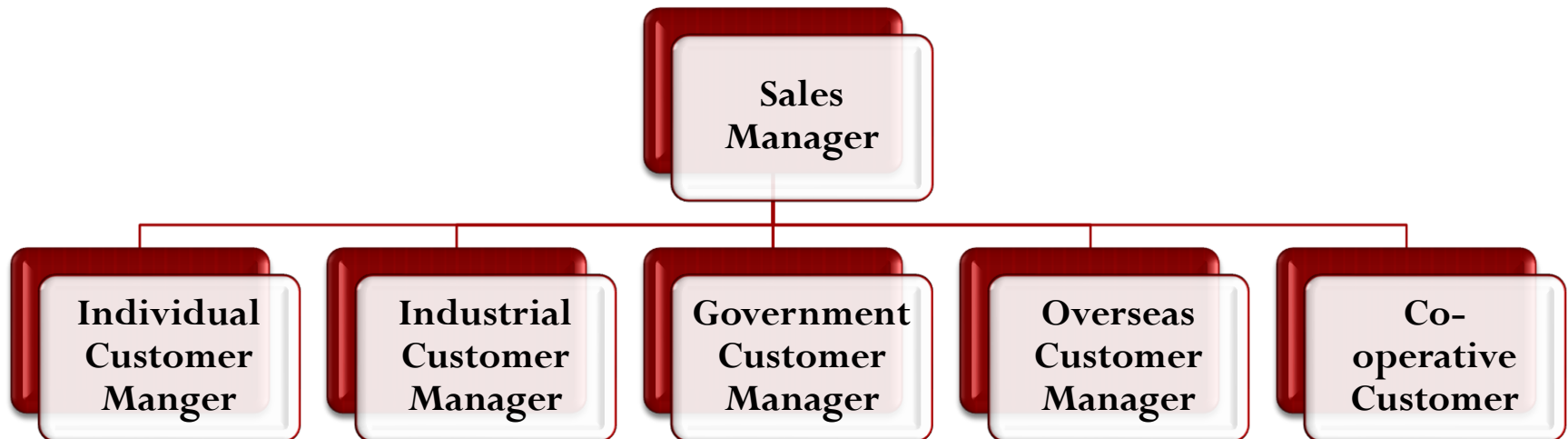
**Consumer type is suitable in the following cases –**

- When there is a large number of consumers who are looking out for special services.
- The costumer is ready to pay for the services offered. Here, the target is mostly premier customers.

### 3. Area Type

In this type of organization, departments are divided according to the attributes of areas. They can also be divided geographically.

The following illustration shows the layout of the area type organization:



**Fig : Area Type Organization**

## ❖ Advantages and disadvantages of Area type Organization :

| Advantages   | Disadvantages   |
|--|---|
| <b>1. Products :</b> Customers can be served with the latest products and customized products.   | <b>1. Costly :</b> It is costly as compared to other types and increases expenses of the company          |
| <b>2. Transport cost :</b> Transport cost can be reduced because the division has been made according to areas.  | <b>2. Markets :</b> It becomes difficult for co-ordination for the General Manager for different markets. |
| <b>3. Customer service :</b> Company can provide better customer services as the division is made according to area. Thus, the company can understand the customer psychology and perception better. | <b>3. Conflicts :</b> There may be conflicts regarding resource allocation between zones..                |
| <b>4. Sales performance :</b> The sales performance can be compared according to zones and steps can be taken to improve.  |   |

## ❖ Suitability of Area Type

**The area type of organization is suitable in the following cases :**

1. When the area or the territory for market is very large.
2. Where the market is different based on zone.
3. Where the product is differentiated depending on zone.
4. Where the sales volumes are high and generate more revenues

## ✓ SALES QUOTA

- Sales quota can be defined as the sales target, which is assigned to any sales unit for a particular duration of time; **sales unit can be a person, region, distributor etc.**
- It provides a target to be achieved in particular duration, which increases the productivity.
- Commercial firms set up sales quotas in order to improve sales volume and increase the net profit of the organization. It can be viewed as a standard to determine the effectiveness of sales unit.
- Determined by using various factors such as market potential, marketing method, past sales record etc.

## ✓ SALES QUOTA Cont...

### • Objectives of Sales Quota:

Sales quota is imposed in an organization to fulfill various objective required to increase the sales of product and maximize profit:

- They provide a standard to measure the performance.
- They help to control sales expenses for customer acquisition.
- They help define a target; this further facilitates motivation and enhanced performance.
- These help to identify and monitor the performance of salespersons.

These are some of the primary objectives of sales quota for an organization.

### • Types of sales quota:

Sales quota is divided into four different categories according to the difference in forecasting and cost allocation procedure, management goals, selling issues and executive decision



**Fig : Types of Sales Quota**

## ✓ **SALES QUOTA Cont...**

### **1. Sales and volume Quota:**

- It is allocation of sales quantity for salesperson, geographical regions, distribution outlets etc.
- This quota can be implemented according to sales performed or revenue earned by respective units.

### **2. Financial and Budget Quota:**

- It is used to determine and restrict expenses on sales to attain desired net profit planned.
- It is implemented on various segment of sales organization to control the expenses accordingly.
- The aim of these quotas is restriction of expenses for making sales so that profit can be increased.

### **3. Activity Quota:**

- Organizations set up activity quota for sales force for efficient results. These can be performed by allocating sales target to salespersons.

#### **The following activities listed under sales quota-**

- Number of A/Cs opened through the salespersons.
- Number of sales calls made to potential customer.
- Number of demonstrations made to show the product.
- Number of maintenance activities performed.



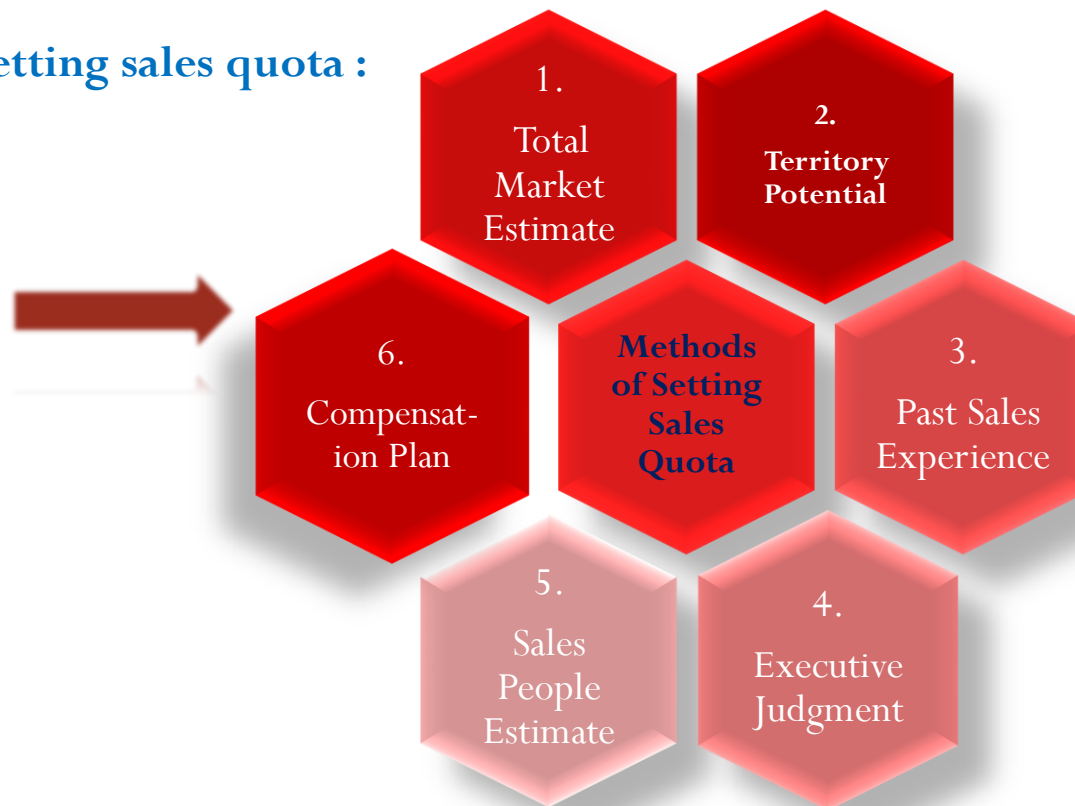
## ✓ SALES QUOTA Cont...

### 4. Combination Quota:

- It depends on product type and market condition, issues related to sales of product and the challenges faced during the sales of a product.
- Organizations set up quota with combination of sales volume and activity quota in order to increase sales.

### • Methods for setting sales quota :

There are  
following methods  
of setting the sales  
quota :



## ✓ Territories:

- A sales territory consists of a group of consumers or a geographical area assigned to a particular salespersons.
- The area allocated to the salesperson contains the present and the potential consumers of the organization. After the allocation of sales territory, the sales manager can be in a position to contest between sales efforts and sales opportunities.
- It would be very difficult for sales manager to monitor the total market as it is too large and unmanageable by one person.

Hence it is divided as per territories to manage effectively and efficiently and control the sales force.

- **Reasons for establishing territories**

The main motive of establishing sales territories is to simplify the planning and controlling of the selling function.

There are Following reasons to establishing sales territories:

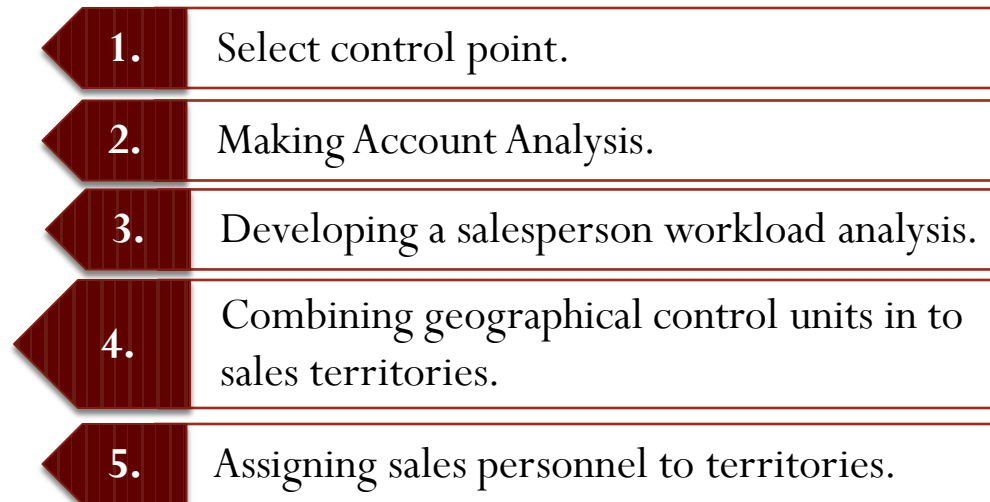
1. To obtain thorough coverage of the market.
2. To establish the salesperson's job responsibilities.
3. To evaluate sales performance.
4. To improve customer relations.
5. To reduce sales expenses.
6. To improve control of the sales force.
7. To co-ordinate selling with other marketing functions.

## ✓ Territories Cont...

- **Procedure for designing sales territories:**

- At the time of designing the territory, the manager has to keep in mind the size of the territory that is going to be assigned to the salesperson. It should be neither too small nor too large.
- If the territory is geographically too small, the salesperson would keep calling the same customers repeatedly.

The procedure of designing sales territories is the same for all companies, whether setting the territories for the first time or revising the existing territories.



**Fig : Procedure for designing sales territories**

**THANK YOU**