



Manual on sales practices

How to improve the efficiency of your sales force



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How to improve the efficiency
of your sales force

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What is Tacis?

The Tacis Programme is a European Union initiative for the New Independent States and Mongolia which fosters the development of harmonious and prosperous economic and political links between the European Union and these partner countries. Its aim is to support the partner countries' initiatives to develop societies based on political freedom and economic prosperity.

Tacis does this by providing grant finance for know-how to support the process of transformation to market economies and democratic societies.

In its first five years of operation, 1991-1995, Tacis has committed ECU 2,268 million to launch more than 2,200 projects.

Tacis works closely with the partner countries to determine how funds should be spent. This ensures that Tacis funding is relevant to each country's own reform policies and priorities. A part of broader international effort, Tacis also works closely with other donors and international organisations.

Tacis provides know-how from a wide range of public and private organisations which allows experience of market economies and democracies to be combined with local knowledge and skills. This know-how is delivered by providing policy advice, consultancy teams, studies and training, by developing and reforming legal and regulatory frameworks, institutions and organisations, and by setting up partnerships, networks, twinings and pilot projects. Tacis is also a catalyst, unlocking funds from major lenders by providing pre-investment and feasibility studies.

Tacis promotes understanding and appreciation of democracy and a market-oriented social and economic system by cultivating links and lasting relationships between organisations in the partner countries and their counterparts in the European Union.

The main priorities for Tacis funding are public administration reform, restructuring of state enterprises and private sector development, transport and telecommunications infrastructures, energy, nuclear safety and environment, building an effective food production, processing and distribution systems, developing social services and education. Each country then chooses the priority sectors depending on its needs.

Tacis works with 13 partner countries (12 NIS and Mongolia):

Armenia	Georgia	Moldova	Tajikistan
Azerbaijan	Kazakhstan	Mongolia	Turkmenistan
Belarus	Kyrgyzstan	Russian Federation	Ukraine
			Uzbekistan

Foreword

Since 1991, useful work, in a variety of different forms, has been done to assist partner countries through the Tacis programme. In particular, practical field work, with more visible benefits, has been conducted on a more systematic basis since 1993.

A number of projects were successful in developing and testing possible solutions to help partner countries adjust to a market economy. The impact of these projects is not limited to the narrow geographical area in which they were implemented. Results will also benefit organisations and individuals in other regions.

The above is the main aim of the Tacis technical dissemination project (TDP). TDP selects projects with results which are worth disseminating, and develops material to facilitate the replication of those useful results. The content of this document is one such action.

TDP produces and disseminates various types of material

- documentation on comprehensive actions successful in facilitating adjustment to a market economy
- tools to help individuals or organisations understand how they perform, and therefore better enable them to adjust
- training materials to facilitate quicker adjustment as part of the process of change.

Documents edited by TDP are not coloured by a particular ideology or political doctrine, and they do not intend to prescribe any one solution to a problem. What is reflected are merely the results achieved in a given situation, and the details of tools used to good effect by local people in adjusting to their changing environment.

Replication of these results is possible, provided readers make an effort to adapt the contents to their local environment. Situations can be similar, but are seldom identical.

This brochure was developed on the basis of the experience and results achieved by the project described hereafter.

Some information on the project

Title	Post-Privatisation Enterprises in the Urals (Tacis 94/PRRUS 9302)
Results	Complete turnaround and restructuring of three large pilot companies. Preparation of Western investments in the restructuring pilot companies. Creation of three fully equipped enterprise support centers in each of the three oblasts. Modular advice, training on profit plan developments to 1 640 managers from 184 companies. Twinning of 39 Russian companies with EU-companies. Implementation of roughly 30 mini projects.
Date	1995-1996
Recipient	Local administration of Chelyabinsk, Perm and Sverdlovski oblasts
Contractor	A.T. Kearney (Dusseldorf, Germany)

Some information on this brochure

Use	This brochure gives explanation of the major aspects characterising a strong and customer-oriented sales force as well as indications relating to practical tools for modernising a current structure.
Target	Managers of small and medium size companies - Sales departments of large companies - Training Institutes.

Tacis would be happy to receive suggestions and comments on this document. Please complete the questionnaire at the end of the document and return it to a TDP distributor (see addresses on page 40).

TDP's objective for SMEs

The privatisation and restructuring of enterprises are key elements in the transition stage now current in most NIS Countries. The importance of Small and Medium Enterprises, or Small and Medium Industries (SME/SMIs) is growing rapidly, in this context.

In view of the shortage of available information in NIS Countries on the development of SME/SMIs, the Tacis Technical Dissemination Project (TDP) has prepared an integrated set of documents that are relevant to the creation and management of SMEs.

These documents are presented either in the form of technical brochures (such as this one) or are available in the TDP E-mail library.

Set of subjects:

- ▷ **Setting-up an enterprise**
 - Business Plan
 - Legal form of companies
 - Strategic management
 - Be successful in your business relations with the West
 - Creation of Joint Venture
 - Business planning
- ▷ **Turnover management**
 - Market studies
 - Manual on marketing practices
 - **Manual on sales practices**
 - Pricing
- ▷ **Cost price management**
 - Cost management
 - Supply management (purchasing, materials management, storage)
 - Logistics
 - Maintenance
 - Energy saving
- ▷ **Finance management**
 - Cash-flow management
 - Book keeping
 - Source of finance
 - Taxation system
- ▷ **Human resources**
 - Human resources management
 - Recruitment
 - Motivation of employees
- ▷ **Promotion**
 - Advertising
 - Public relations
- ▷ **Juridical and regulatory aspects**
- ▷ **Administrative management**

Introduction

The Tacis project “Post Privatisation enterprises in the Urals” developed in 1995-1996 with the technical assistance of AT Kearney provided support to newly privatised companies in the Oblasts of Chelyabinsk, Perm and Sverdlovski. In this context, the project implemented a complete set of training documents mainly dedicated to large industries. The present “Manual on sales practices” is an adaptation to SME sector of the “Sales training handbook” prepared by the mentioned project¹.

This document aims to help NIS small and medium size enterprises to become more aware of:

- the importance of strengthening their sales force
- the need to develop a customer-oriented mentality
- the necessity to change the current structures and behaviours in order to be competitive in a developing market economy
- the means to set up and implement efficient sales force management.

This document attempts to simplify the task of NIS companies as they set up efficient sales force management by clarifying their ideas on the subject and by indicating methods for reaching their objectives.

(1) This brochure is based on the “Sales training handbook” submitted by AT Kearney to EC/Tacis in 1996.

What are sales?

Definition of Selling

Selling plays a vital role in the economic system, it can:

- introduce innovation to markets
- facilitate consumption
- convey information
- act as a communication channel
- help solve customer's problems.

Selling is a **marketing¹ task that usually involves face-to-face contact with a customer**. Unlike other components of the marketing mix, such as advertising and promotion, person-to-person selling means direct interaction between buyer and seller. This two-way communication means that the seller can identify the buyer's specific need and tailor the sales presentation in the light of this knowledge. Thus, effective sales force management can help a firm to make the necessary quantum leap from the current production-based management to a customer-value-based management by providing:

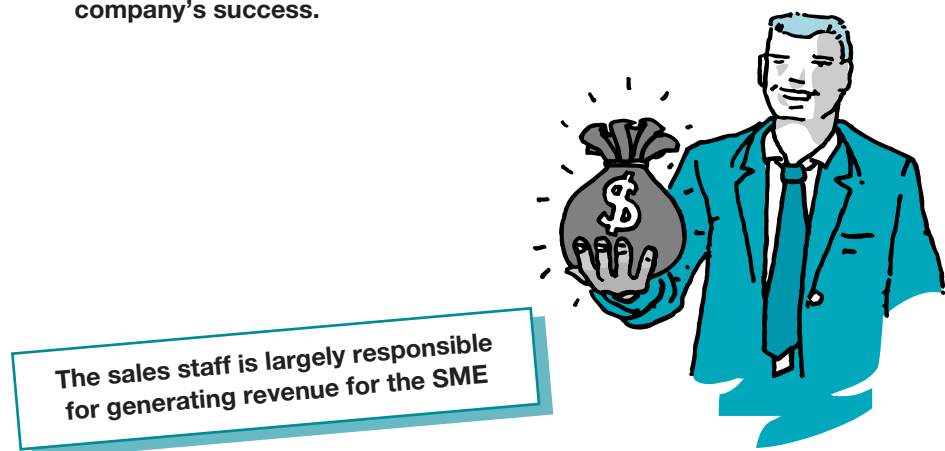
- a means of increasing customer awareness of firms' products
- a tool for discovering and reacting to customers' real needs
- an important communication channel between the firm and the market
- a vital source of information for marketing and derivative product development.

The current trend of increasing competition means that companies must face up to seven challenges where sales are concerned:

- the necessity to have a good idea of the customer's business
- the ability to put together groups of products to construct a business solution
- the ability to sell to educated buyers
- the need to master the art of consultative selling
- the ability to add value through service
- the need to capitalise on the advantages their own products have over the competition
- the ability to manage a team-based selling approach.

The salesman

Effectiveness and efficiency of the sales force have a crucial impact on the company's success.



(1) The TDP brochure "Manual on marketing practices" presents in details how to introduce marketing in SME management.

Sales people represent their company to customers and to society in general. Opinions on the firm and its products are formed on the basis of impressions made by these people in their work.

Salesmen operate with little direct supervision.

Many people's perception of a salesman is that of a slick, fast-talking confidence trickster forcing unwanted products on innocent customers. As usual, perceptions do not completely match reality, especially in view of educated consumers and professional buyers.

A salesperson's primary responsibility is to increase sales. In order to successfully generate sales there are six vital functions:





- prospecting
- maintaining customer records and feedback
- self-management
- providing service
- relationship management
- handling complaints.

To fulfil this large variety of requirements, the members of the sales force should show as many as possible of the following characteristics ("**indicators of sales aptitude**"):

- enthusiasm
- good verbal skills
- high level of persuasiveness
- good organisation
- obvious ambition
- sociability.

The salesman's task will differ according to the nature of the products, the complexity of the technology, the company's size, the existing distribution channels, (**Figure 1**). Selling a huge chemical plant obviously involves a far more complex approach than selling edible oil.

Figure 1: Different types of salesman

Outside Order Taker	The Missionary Sales Person	The Sales Engineer	The Creative Salesman
			
<p>Little creative selling. Work generally involves going to an existing customer to receive periodic orders.</p> <p>Example: detergent salesman visiting retail supermarkets</p>	<p>Position intended to build goodwill, promote products, and provide information for customers. Usually not expected to solicit an order.</p> <p>Example: salesmen for pharmaceuticals, distillers</p>	<p>Position in which the main emphasis is placed on technical product knowledge.</p>	<p>Position involves creative selling to customers who may not be aware of their need for a product or of a product's potential benefits. Can overlap with "sales engineer" position when product is of a technical nature.</p>

Sub-contracting the sales process may be the right choice in many cases, if another company can do it better and/or more cheaply than the producing company. But it is essentially a matter of strategy.

Distribution channels

The choice of distribution channel will depend on marketing strategy and has to be evaluated with reference not only to efficiency aspects but also to the strategic approach.

A company must generally choose among three options for the outside sales of its products, these options can also be combined.

Direct sales

The usual method involves a sales force of generalists and/or specialists:

- “Generalists” sell a company’s entire product line to all types of customers
- “Specialists” cover only part of the market, e.g. only certain products, only to certain customers, or only in a certain sector.

Indirect sales

- Middlemen in distribution to end customers function similarly to wholesalers.
- Middlemen can be useful when:
 - access is sought to industry branches with high distribution rate, e.g. the catering trade or other consumer good industries
 - the company’s own selling and distribution capabilities and/or capacity do not fit market needs
 - individual sales are small
 - the buying process is not highly specialised
 - rapid delivery and local service facilities are required.

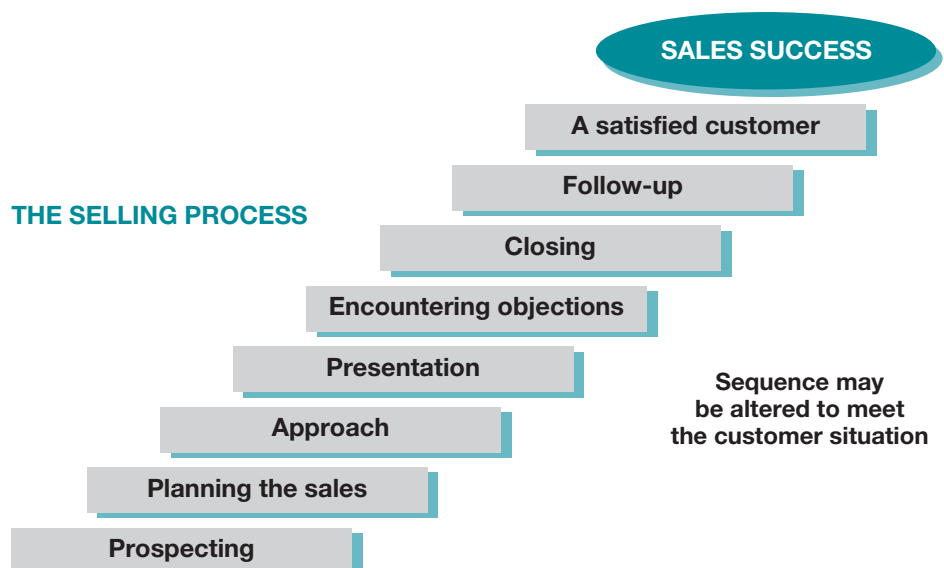
Other types of sales

- Independent sales agents
- Telephone sales
- Catalogues, etc..

The selling process

The actual selling process should be seen as a number of overlapping steps; each step must be completed successfully in order to secure an order (**Figure 2**):

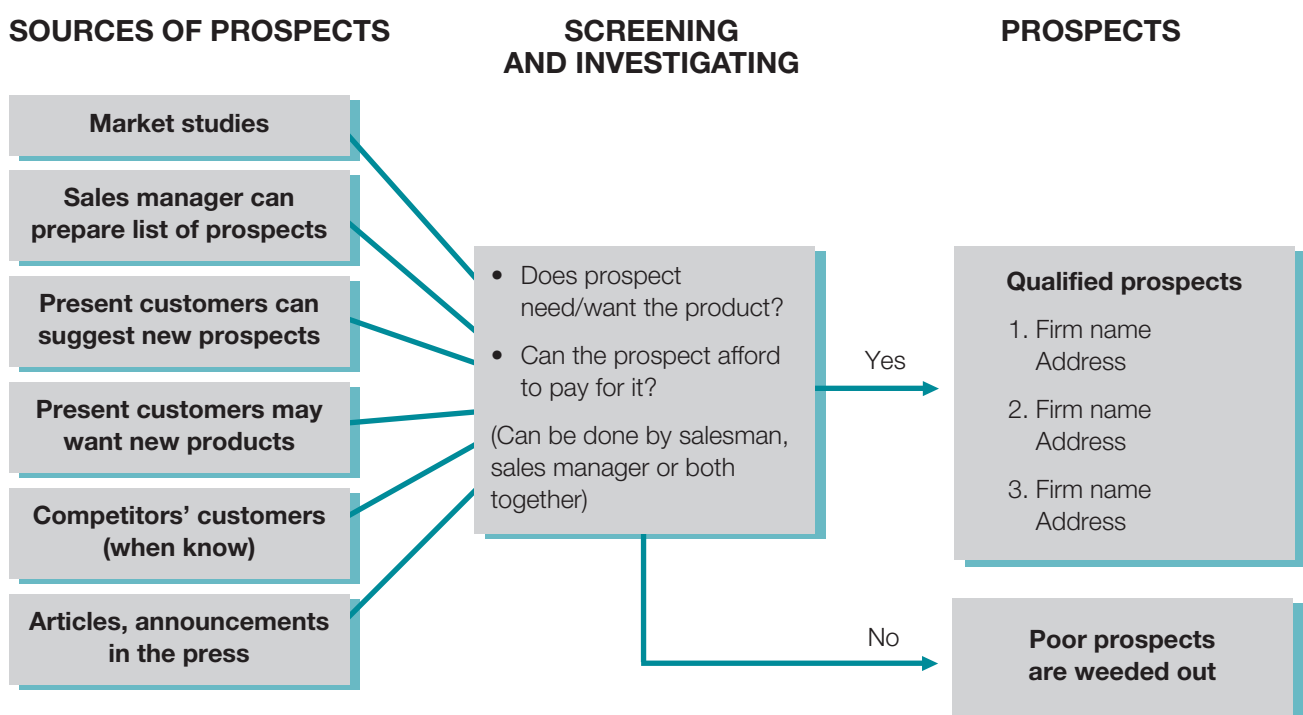
Figure 2: The overlapping steps in the selling process



Prospecting

Prospecting means searching for and calling upon potential customers. It is vital here to identify customers who need the product and can afford it (prospects); thus, **developing a system (screening and investigating) to identify prospects is an important part of the sales manager's job.**

Figure 3: Prospecting as a method to identify customers



Approach

Initially **information-gathering** is needed to learn relevant facts about the customer, about his requirements and situation in terms of recent problems or successes involving the firm, current purchasing practices, and background information on the people responsible for purchasing decisions. This research is a prerequisite for tailoring presentations to prospects, approaching decision-makers and increasing a salesman's confidence when approaching a prospective buyer. Six basic methods of approach, outlined below, may be considered and used.

SIX BASIC METHODS OF APPROACH

1. Introductory approach

- Salesman introduces himself and identifies the company he represents.
- Most frequently used, but also weakest approach: in no way does it guarantee a sale.
- Usually supplemented by another type of approach.

2. Assessment approach

- Used when prospect's need for product could not be fully quantified in advance
- Salesman asks for information or for permission to investigate the company's problem.
- Positions the salesman as consultant, provides an entrée for a subsequent full-scale presentation.

3. Product approach

- Involves handing product (or module or literature) to the prospect.
- If prospect has no need for product, salesman will be immediately informed.
- Useful when product is unique and can generate interest on sight.

4. Customer benefit approach

- Salesman selects benefit package likely to be of most interest to prospect.
- Packages selected are based on what is known about company's situation.
- Emphasises benefits product would bring to firm.

5. Referral approach

- Salesman gets permission from past/present customers to use their name as a reference.
- A short letter from satisfied customer may introduce the salesman as a friend to a prospect firm.
- May provide access to contacts not otherwise approachable.

6. Consultative approach

- Positions the salesman not as a seller, but as an expert, a problem solver.
- Opens the sale by encouraging the prospect to talk about his problems in the given area: "Tell me about your maintenance system. May be I can help you improve it".
- Utilises salesman's product knowledge.

Presentation

The salesman **presents the product and convinces the prospect about its advantages**. It should focus on **customer benefits** rather than actually on product features. Many firms have been successful in using prepared sales presentations, which provide the salesman with a step-by-step plan for a sales contact. The additional use of demonstrations allows the customer to see the product in operation and involves the customer in the selling process. They can be a means for moving the customer towards a purchase.

Objections

Prospects raise objections in nearly every presentation. The secret of dealing with objections lies in handling the emotional aspects. It is obviously necessary to have a substantial knowledge of the product and of the prospect's needs. To minimise the risks inherent to the emotional aspect, the salesperson has to listen without interrupting and should employ the "**agree-and-counter**" technique. Interruption denies buyers the kind

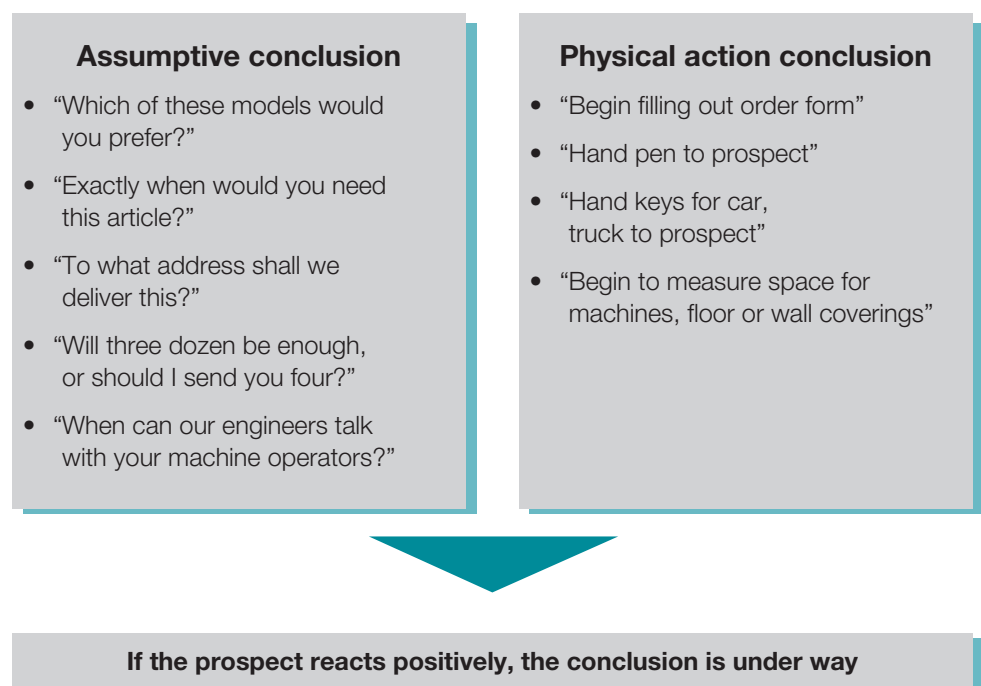
of respect they are entitled to receive and may lead to a misunderstanding of the real substance behind the objection. The buyer will appreciate the fact that the salesperson is taking the problem seriously and the salesperson will gain by having a clear and full understanding of what the problem really is. The “agree-and-counter” technique means that the salesperson agrees with the buyer’s viewpoint and then puts forward an alternative argument. The objective is to create a climate of agreement rather than of conflict, and to show clearly that the salesperson respects the buyer’s opinion, thus avoiding loss of face.

Concluding a sale



Throughout the selling process the salesman has one goal in mind: to secure the order. The key to **concluding a sale** is to look for specific verbal buying signals. These can be statements by buyers giving indication on their interest in buying, such as: “That looks fine”, “When could the product be delivered?” or “I think the product meets my requirements” (Figure 4):

Figure 4: Effective conclusion of sale



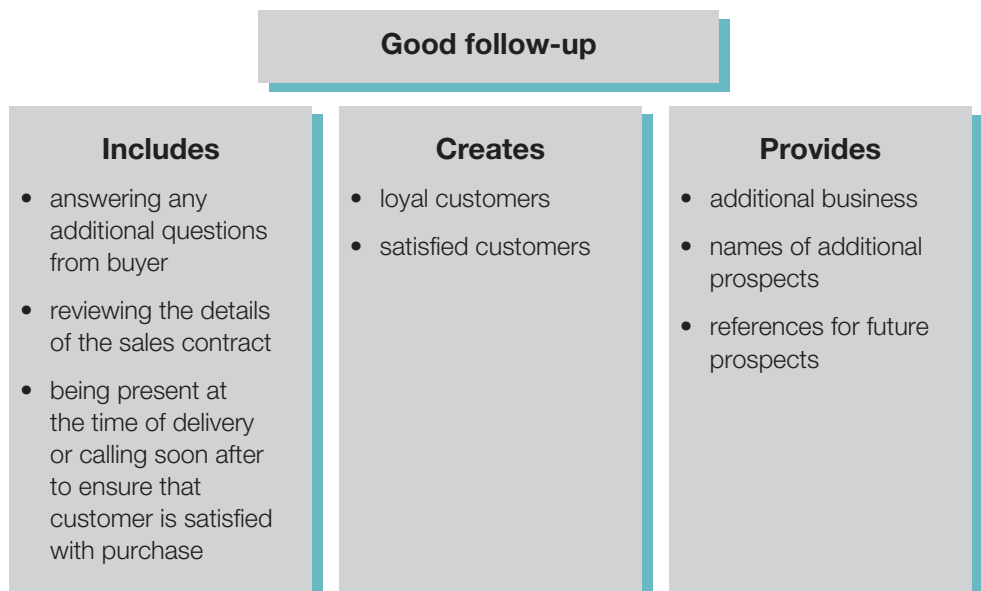
To successfully conclude the sale, a variety of closing techniques can be used:

- **Asking for the order:** a direct question such as “Would you like that one?” may be all that is needed.
- **Summarise and then ask for the order:** with this approach the salesperson reminds the buyer of the main points of the sales discussion in a manner which implies that the time for decision-making has arrived and that buying is the natural next step.
- **Concluding concession:** by keeping a concession back to use at the conclusion, a salesperson may convince an indecisive buyer to place an order: “I am in a position to offer you an extra 10% discount on the price if you are willing to place an order now.”
- **Agreement concerning the action(s) to be taken:** in some situations it is inappropriate to try to conclude the sale. To do so would annoy the buyer because the sale is not in his hands but depends on a decision-making unit. Here, it may be suitable to use an agreement concerning the action(s) to be taken rather than to try and conclude the sale. This technique has the effect of maintaining the relationship between the parties and can be used as the starting point for the discussion when they next meet.

Follow-up

Once the order has been placed, sound follow-up is **the next prerequisite** in order to ensure satisfied customers and additional business. By checking that there are no problems with delivery, installation, product use and training, the follow-up can show that the salesperson is motivated for customer satisfaction. Follow-up is the sine-qua non condition for developing additional business in the future.

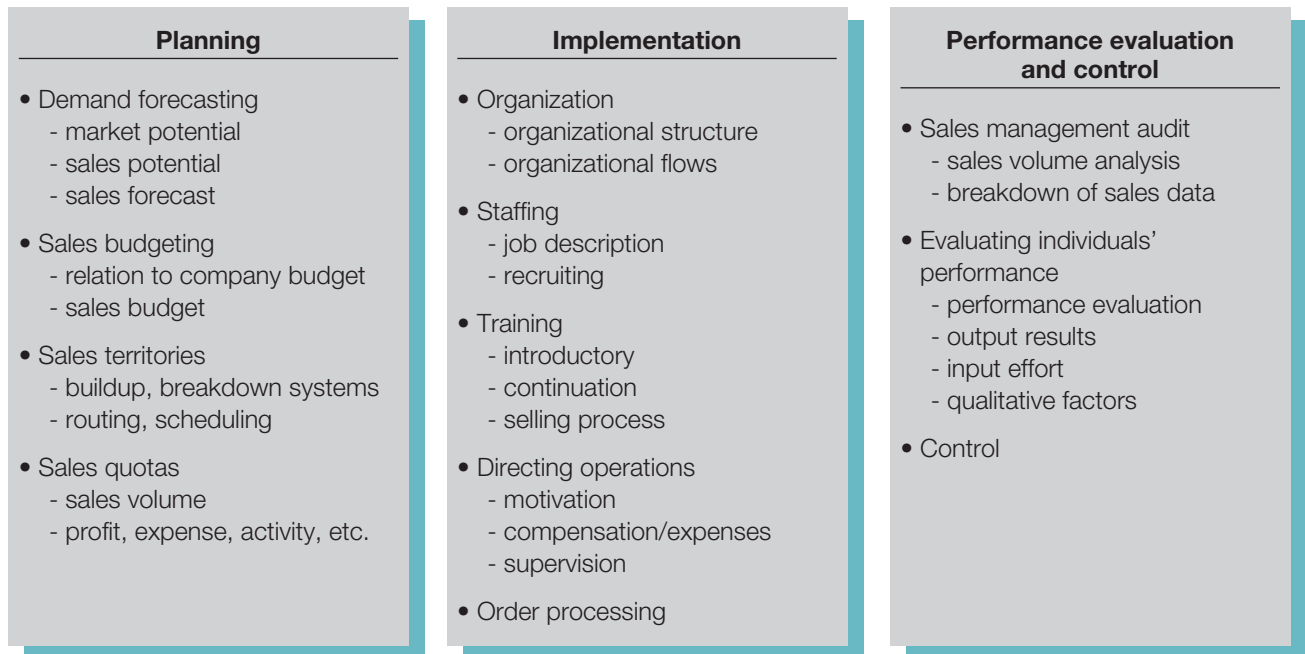
Figure 5: Follow-up as key to customer satisfaction



Sales force management

The sales management process is divided into three main components: Planning, Implementation, Performance Evaluation and Control. These components have to be seen as a continuous and interdependent process.

Figure 6: Three components of sales management process

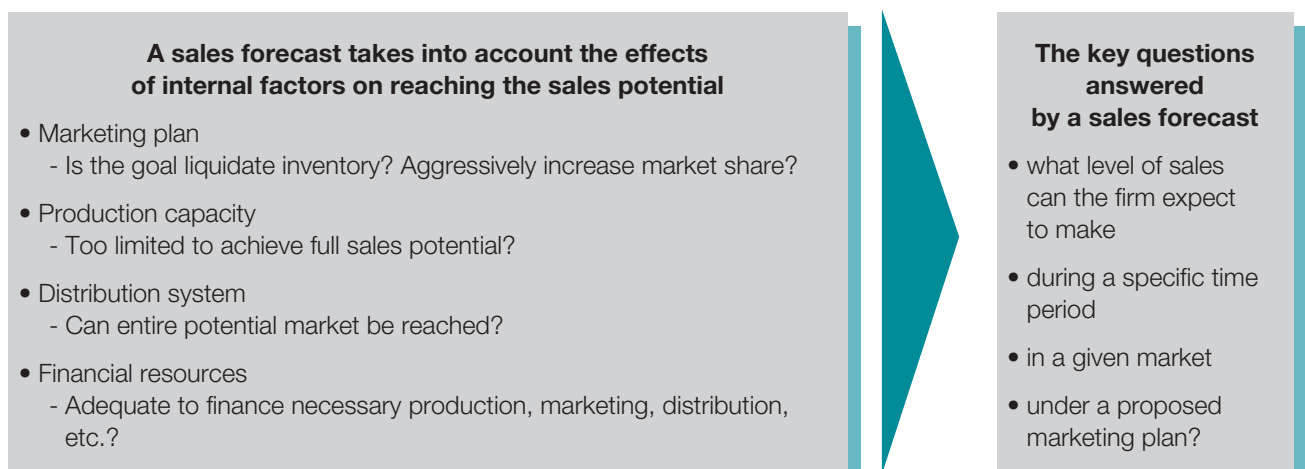


Planning

Sales planning

All planning must begin by **forecasting market demand**. The level of sales a company can expect can only be derived from an analysis of the market as a whole: the achievable sales potential must be compatible with the company's goals, capabilities and resources.

Figure 7: Sales forecast as a basis for planning - Benefits of Sales Forecast



Thus budgeting provides a tool with which a company plans for profits by anticipating revenue and expenditure in order to enhance predictability:

- Management attempts to guide operations to a given level of profit on a certain volume of operations.
- A budget forces planners to confront reality:
Can the strategic and operational plans be financially quantified?
Can the plan be profitably realised?
- If expenses are kept within planned levels, final operations will come out as planned.

Establishing sales territories is a key element of the segmentation process!¹

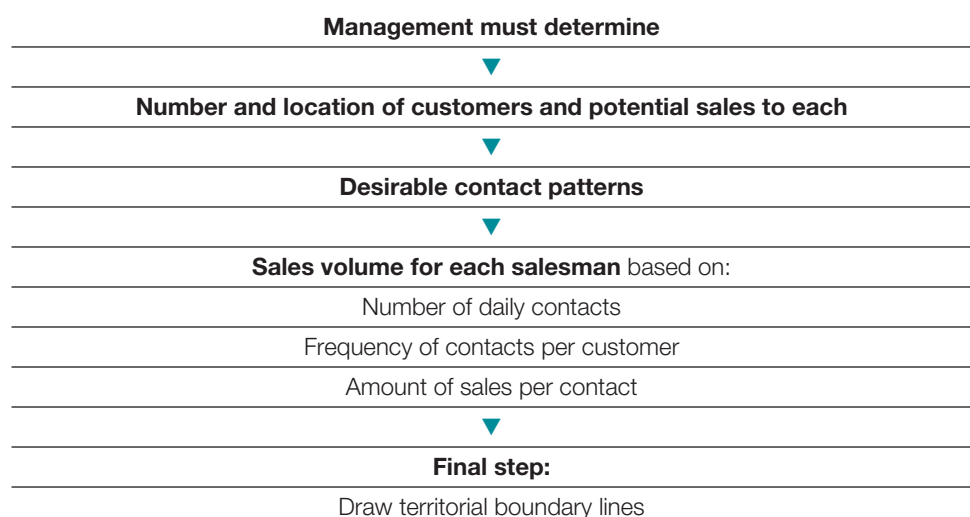
Sales territories



Establishing sales territories and providing for their effective coverage is a key part of strategic sales planning for large and medium-sized firms. The benefits derived from established territories include accurate coverage of the potential market, improved customer relations and service level, reduced selling costs (through minimised travel time), and improved opportunities for control and evaluation of the sales force.

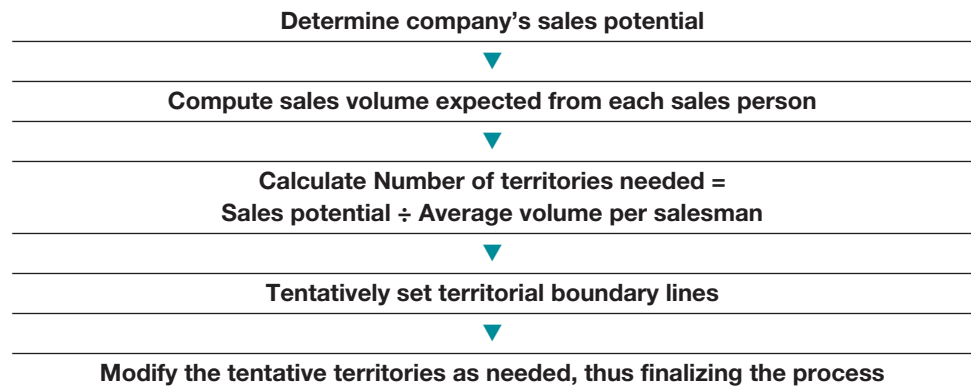
The sales potential in a territory is more important than its geographical size. In designing sales territories, the ideal goal is to achieve equality in both sales potential and salesmen's work load. The build-up and breakdown methods are two common approaches to fulfil these requirements (**Figures 8, 9**):

Figure 8: Territorial build-up for intensive distribution



(1) For more information on segmentation process, please refer to the TDP brochure "Manual on marketing practices".

This method is especially common among products of **consumer goods**.

Figure 9: Breakdown method of territorial design

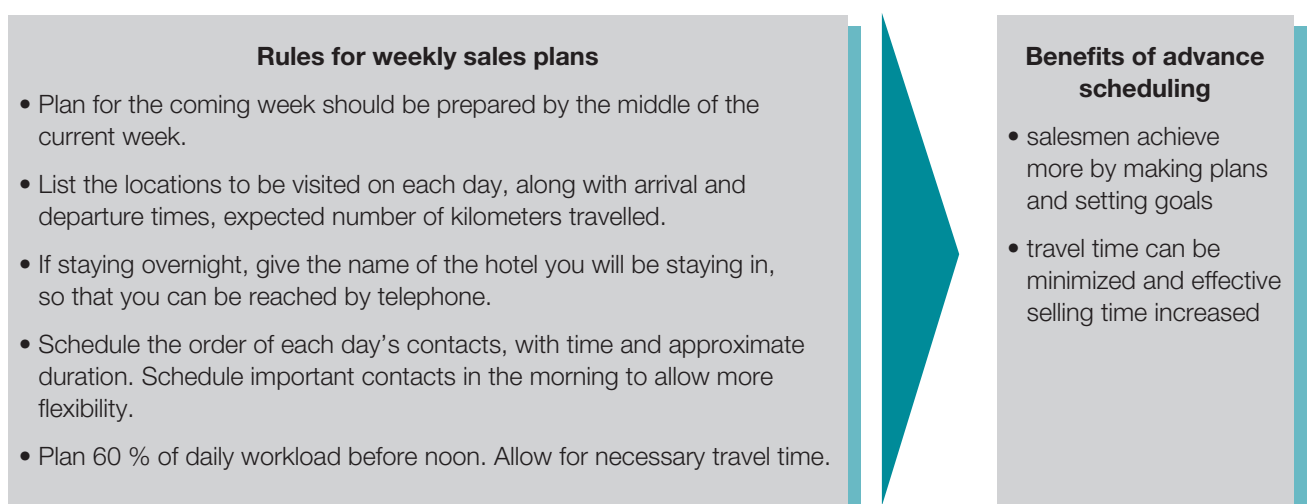
This method is especially popular with manufacturers of **industrial products**.

Implementation

Scheduling/routing

**Save time,
save money !**

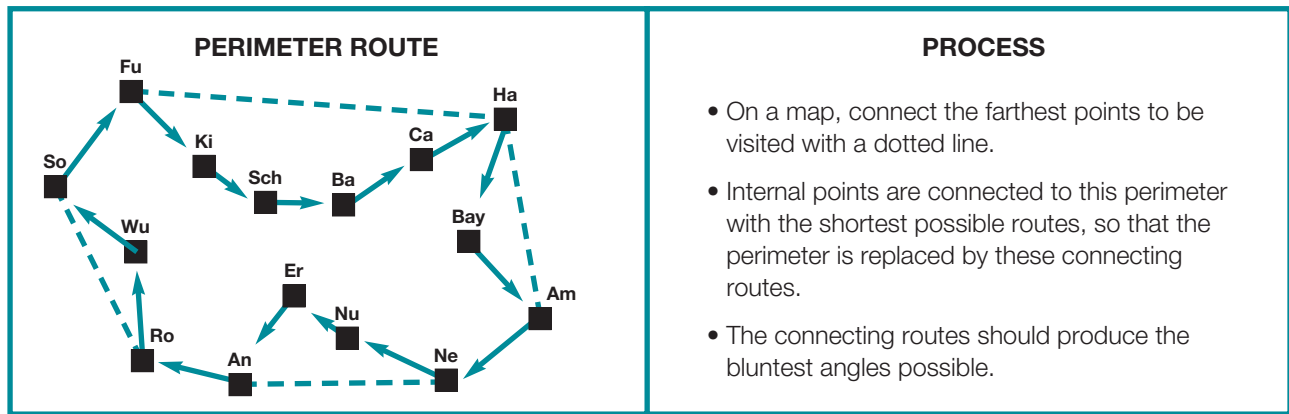
Management of territorial coverage also involves routing the sales people and managing their time. With **scheduling**, the firm sets up a system to aid in planning, executing and reporting on sales contacts to make more effective use of a salesperson's time. **Routing** helps to reduce travel expenses by ensuring orderly and thorough cover of the market.

Figure 10: Planning sales visit in advance

Efficient routing can be a decisive factor in a salesman's performance. Salesmen should follow **three rules for routing (Figure 11)**:

- Plan routes logically and try to avoid coming back the way you came (round trip).
- Do not cross routes which have previously been covered. This occurs when the salesman neglects to visit nearby prospects.
- Travel routes along an **outer perimeter**. Customers located near a section of this perimeter can be combined and visited in a special tour.

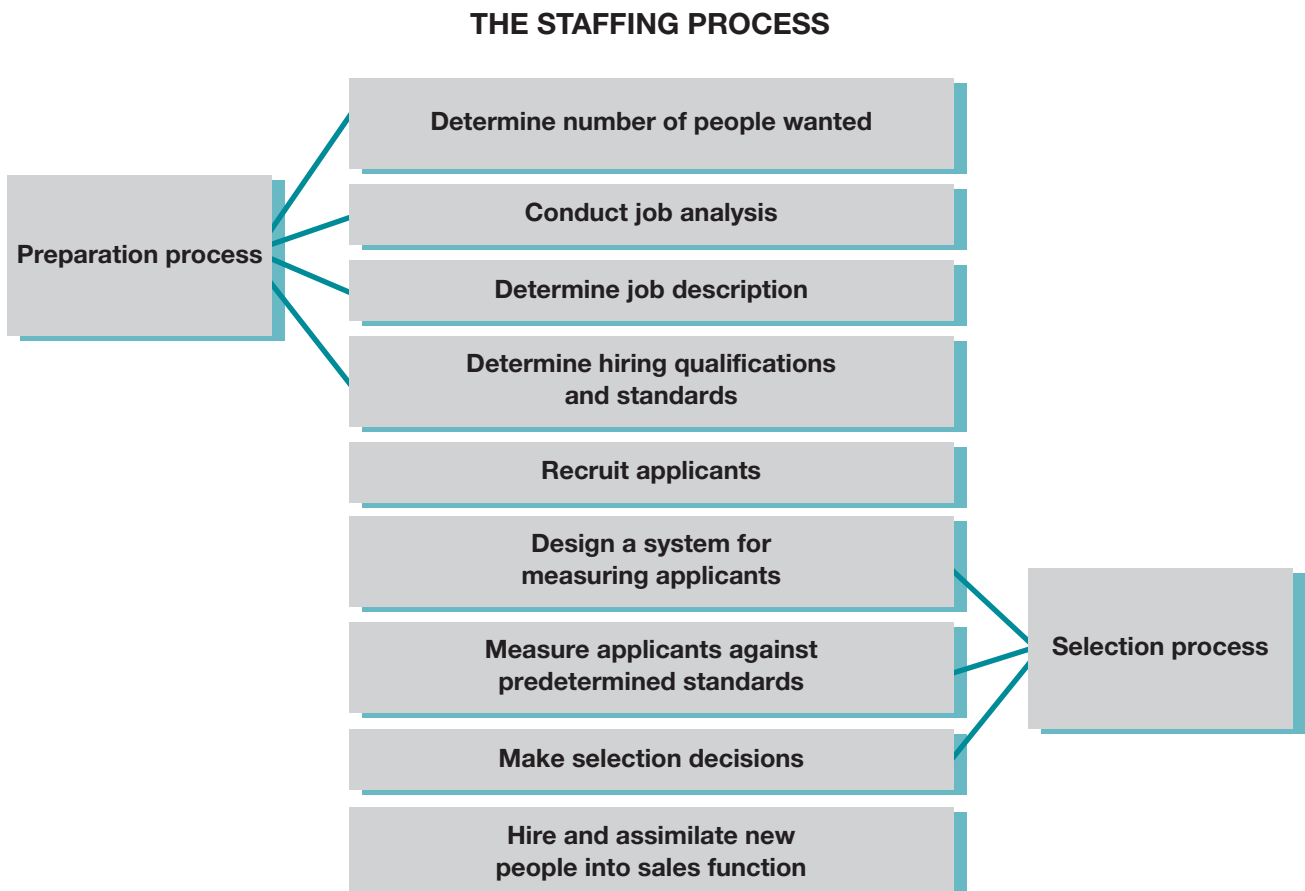
Figure 11: Perimeter routing, a rational method to plan routes



Staff selection, training and management

Implementation of the strategic marketing plan will depend to a large degree on **the choice of sales personnel**. A good selection improves sales force performance, promotes cost savings and facilitates other management tasks (**Figure 12**):

Figure 12: Major activities when selecting sales people



The processing of applicants seeks to match the applicants' potential with the company needs as expressed in the hiring specifications. Widely used processing tools are application forms, personal interviews, references and other tools such as psychological testing (most firms use a standardised interview evaluation form to facilitate the comparison of candidates). Personal interviews enable managers to scan an applicant's background, as well as to gain insight into the candidate's abilities and personality.

Don't think of your sales force as a cost but rather as a resource to be developed!



Sales training
is indispensable!

Sales training can bring a variety of benefits such as **improved time management**, **lower selling costs** and **improved customer relations**. Although the content of training programmes will vary, all programmes generally have two goals in common:

- to ensure that trainees have a proper understanding of the nature and importance of the selling job and of their role in the company
- to develop in trainees basic knowledge and skills essential to their job, including knowledge of the company's and the competitors' products, understanding of the customer's business, and selling skills (ability to communicate successfully, ability to be persuasive).



You are never too old to learn!

A **training programme** should plan to transmit complete knowledge of the company (its objectives, strategies and organisation), its products (features and benefits), its competitors and their products, selling procedures and techniques, work organisation including report preparation and relationship management. Salespeople also need to be trained in the management of long term customer relationships as well as context-specific selling skills. The sales force manager should develop an individual skill building programme for the members of the sales force in relation with their existing strengths and weaknesses and his or her target skills.

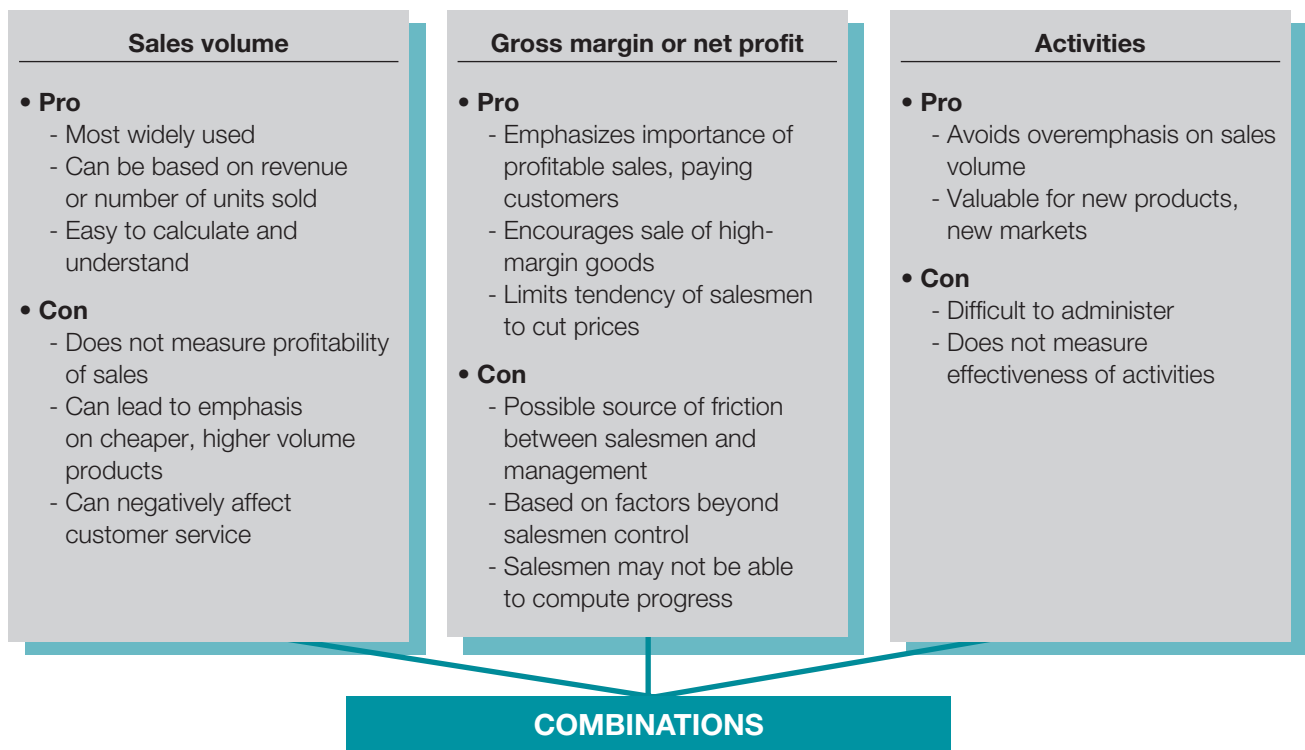
It is important not only that salesmen be motivated, but that their efforts be channelled in a way that is consistent with the strategic marketing plan. The three conditions to motivate and enhance performance are **value**, a **transparent remuneration system** and **attainability**. Effective motivation is also based on **a good understanding of sales people** as individuals, their personalities and value systems. In a sense, sales managers do not motivate sales people: they ensure the conditions for sales people to motivate themselves.

Quotas

Sales quotas translate planning activities into work planning goals and assignments. Three general approaches are usually used to set quotas.

1. Quotas are set in conjunction with territorial potential.
2. Quotas are set in relation to the company's forecast or market potential estimate for the total market. Territorial estimates have not been prepared.
3. Quotas are set independent of any consideration of sales or market potentials:
 - on the basis of past sales
 - by "executive judgement" alone
 - in relation to compensation plan
 - by sales people themselves.

Figure 13: Quota type chosen by strategy criteria



Ensuring that a quota plan is **realistically attainable, objectively accurate, flexible and fair** will increase effectiveness, as well as ensuring its acceptance by the sales force.



Incentives are not gifts. They represent the integration of the salesman in the company's project.

The structure for sales force incentives contains **financial incentives**, subdivided into direct payment of money and indirect payment such as company-financed insurance, and non-financial compensation, such as the opportunity to advance in the job or other benefits. A firm must determine both the level and the method of paying its sales force.

The job description should serve as the starting point for designing a **sales compensation plan**: what services and abilities is the company paying for?

Although plans will be different for individual firms, four broad objectives should be common to all plans:

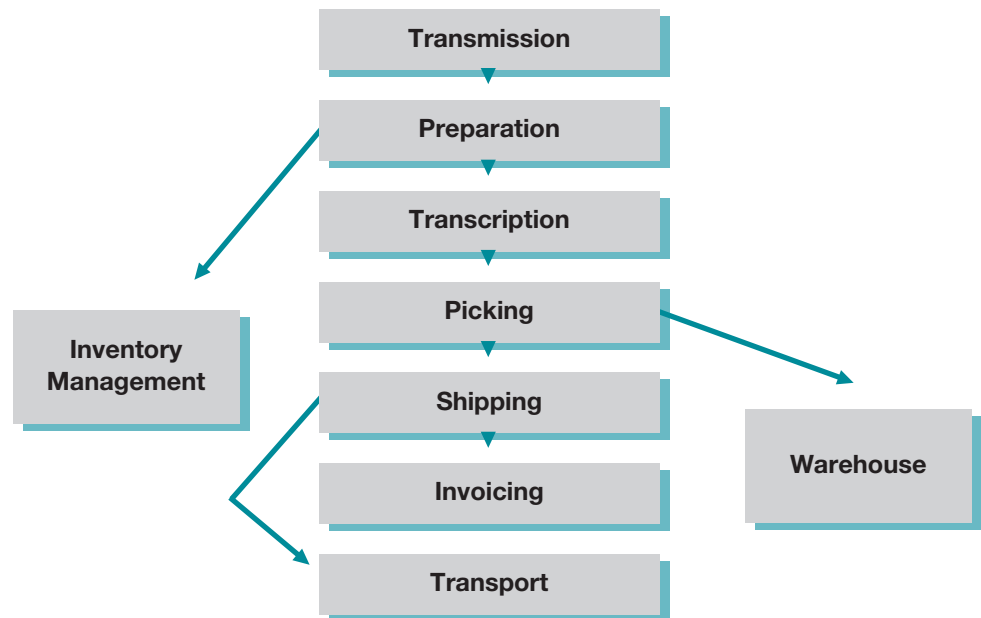
- attract and keep competent sales people
- control sales people's activities
- correlate rewards with results
- ensure proper treatment of customers.

Order processing

The following information is vital for accurate and timely order fulfilment:

- order number, delivery date and address
- product name and number, quantity and unit price of product
- customer number, address and industry branch
- sales conditions and credits
- seller and sales territory
- means of transport, freight costs
- special instructions, where necessary.

A company's order processing system should seek to avoid unnecessary written documents and repetition of the same information processing activities. Moreover, it should achieve a rapid flow of information to the point from which the flow of goods is released. All stages in order processing must be reviewed to ensure accurate and timely order fulfilment.

Figure 14: Order processing steps

Order processing includes several steps:

The **transmission** of an order depends largely on the method of order placement employed. A typical method is to fill out standardised, pre-printed forms with the customer. Long term, repeat customers may be supplied with pre-printed order forms, on which only the number of units ordered needs to be filled out. Not using or altering order forms necessitates an extra transcription step. This creates additional processing costs and an additional potential source of errors.

Once received, the transmitted order must be adapted to the selling company's internal requirements. Here **preparation** means checking for missing or incomplete information, checking price conditions, delivery modes and the customer's paying ability. Preparation also comprises planning concerning the logistic system: it is necessary to check whether the requested product is available in stock. Within the **transcription**, order information is used to prepare order confirmation and internal processing documents, including order delivery and shipping papers.

The preparation and transcription of the order is followed by the **selection** of the required units in the warehouse and their **shipment**. Selection includes the organisation of products for shipment according to order information (product number, number of units, delivery date, etc.) contained in the transcribed document. These documents can be supplemented with additional information after selection, such as weight, positioning and packaging. Shipping comprises the completion of shipping papers with freight, transport and time data, and the subsequent loading and transport of products triggered by this step.

Invoicing may be completed either after shipment preparation or in parallel with preparations for shipping. The most important factors here are that the invoice should reflect the correct type and number of units selected and shipped, so that orders may proceed without delay to the warehouse, and that the time required for the paperwork should not be so long as to delay shipment. Sending the invoice along with the shipping goods

saves time and postage costs. **Transport** can be done either by the company's transport system or can be subcontracted to a haulage firm.

The time required for order processing is a significant portion of delivery cycle time. Thus **rationalisation of order transmission and order processing can provide substantial opportunities to reduce costs and delivery times.**

Performance evaluation and control

The past will only teach you part of the future: you have to be able to make use of lessons learnt from the past.

Planning and performance evaluation are strategically interrelated and interdependent. Effective evaluation informs management whether its plan has worked, to what degree it has been successful, what the reasons for success or failure are and how future planning must be altered. Inadequate evaluation can negate the value of strategic planning. A sales management audit is used to evaluate the sales organisation, its policies, personnel and performance. **Sales volume trends are important indicators of sales performance.**

Figure 15: Study of sales data

Trend in sales is far more important than sales volume in a given year

Two trends are particularly important:

- trend of company sales over a period of years
- trend of company share of total industry market

A systematic breakdown of sales data makes analysis more meaningful

Widely used subdivisions include:

- breakdown by sales territories
- breakdown by sales people
- breakdown by product
- breakdown by customer class
- breakdown by order size
- breakdown by profitability

Where are the problem areas?
What are the causes?
Why are strong areas doing well?

"Iceberg Principle" - figures on total sales may not disclose problems lurking beneath the surface

The ongoing **evaluation of individual sales performance** is a vital component of a sales management audit. It should combine qualitative and quantitative aspects. The **quantitative aspects** can be subdivided into output- and input-oriented results.

Output results

- Sales volume
 - value and units
 - per products and customers (or customer groups)
 - by mail, telephone and personal sales contact
 - as a percentage of quota or market potential
- Orders
 - number of orders
 - average size of order
 - success rate (ratio of order per contact)

- Gross margin per product line, customer group and order size
- Accounts
 - percentage of accounts sold
 - number of new and lost accounts

Input results

- contacts per day (contact rate)
- days worked
- selling time versus non-selling time
- direct selling expenses
 - in total
 - as percentage of sales volume
 - as percentage of quota
- non-selling activities
 - telephone calls made to prospects
 - number of meetings held with dealers or distributors
 - number of service contacts made

The evaluation of qualitative aspects assesses the salesmen's personal effort concerning time management, planning and preparation for contacts, quality of sales presentations and the ability to handle objections and close sales. Furthermore, **qualitative performance evaluation** comprises sales people's knowledge of own and competitor's products, customers' needs and the company's policies and strategies. Their customer relations, personal appearance and health and their personality and attitudinal factors, in terms of cooperativeness, resourcefulness and analytic skills, should also be considered in effective performance evaluation.

Once the salesman's performance has been evaluated, the results should be reviewed in a private conference with the sales manager to determine reasons for potential performance variations and to establish goals and an **operating plan for the coming period**. Here the sales manager should try not to lose sight of salesman's strengths by over-criticising minor faults.

How to improve SME sales force efficiency

Typical cost drivers to struggle against

They are manifold in a sales organisation:

- poor time management: the effective selling time spent with customers is generally much too low, often under 25% of the outside sales force capacity. The rest of the time is spent on meetings and training, office time and travel time.
- high sales force expenses
- un-targeted customer service: a large share of selling expenses is often expended on servicing unprofitable or low volume customers
- high personnel turnover: a high rate of personnel turnover can create both direct costs such as recruiting, training and supervision, and indirect costs such as lost sales, poor morale and damage to customer relations
- poor sales force morale: sales force morale is an intangible factor which can have a significant dual effect on a company's performance, as it increases selling costs and decreases sales volume.

Profit improvement means to develop

Most cost drivers can be turned into **profit improvement levers**:

Time management

To improve time management, companies can introduce measures to optimise the time available for customer visits such as frequency of customer visits, customer differentiation by account value, routing and scheduling, and introduction of report systems.

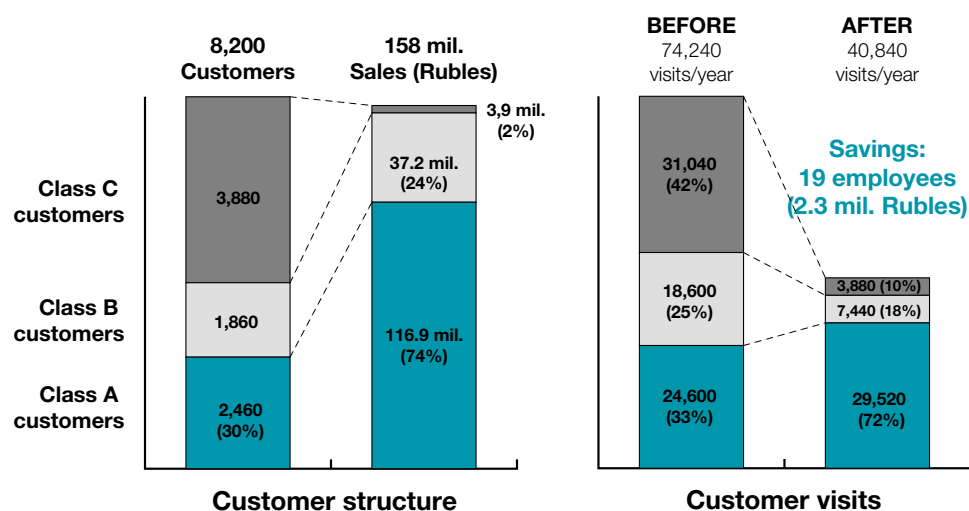
Control of selling expenses

Fixed selling expenses can often be reduced by an improved combination of communication, supervision and enforcement:

- **Internal communication:** company policies should be communicated in detail in writing
- **Establish selling expense budgets:** salesmen must learn the actual costs of field selling
- **Set up routine auditing system:** control through sales managers rather than accounting department
- **Enforcement:** it must be clear that expense account violations will not be tolerated and that repeated abuse or open expense account fraud will result in dismissal.

Rationalisation of customer follow-up

Customer classification helps set priorities for customer service and determine the necessary frequency of sales visits. It improves the customer orientation towards major purchasers and leads to cost reduction and improved competitiveness, as shown in the following diagram.

Figure 16: Customer structure analysis

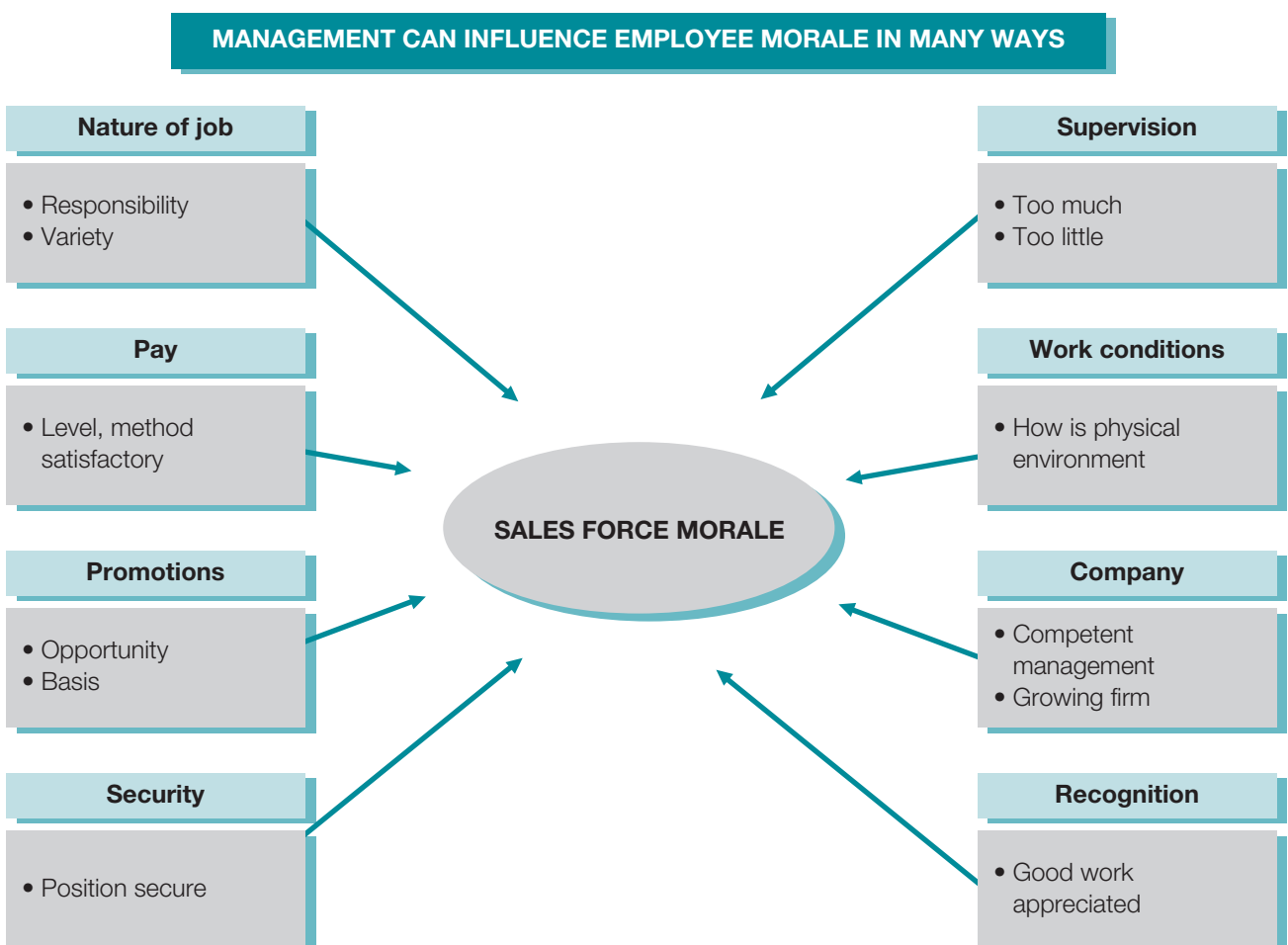
The **customer structure analysis** (ABC analysis) uses the following potential criteria:

- current sales volume
- size of orders
- combination of size and frequency of orders
- level of competition for the customer
- potential sales volume
- frequency of orders
- profitability/ability to pay

After this analysis, it can be decided that “A” customers (highest priority) will receive the most visits and highest level of service, whilst “C” customers (lowest importance for the company) will receive far fewer visits.

Human factors

Reducing personnel turnover and improving sales force morale are also typical levers for profit improvement.

Figure 17: Reducing personnel turnover as a lever to keep costs down**Figure 18: Sales force morale as lever to improve sales**

Links with business processes and organisational structure

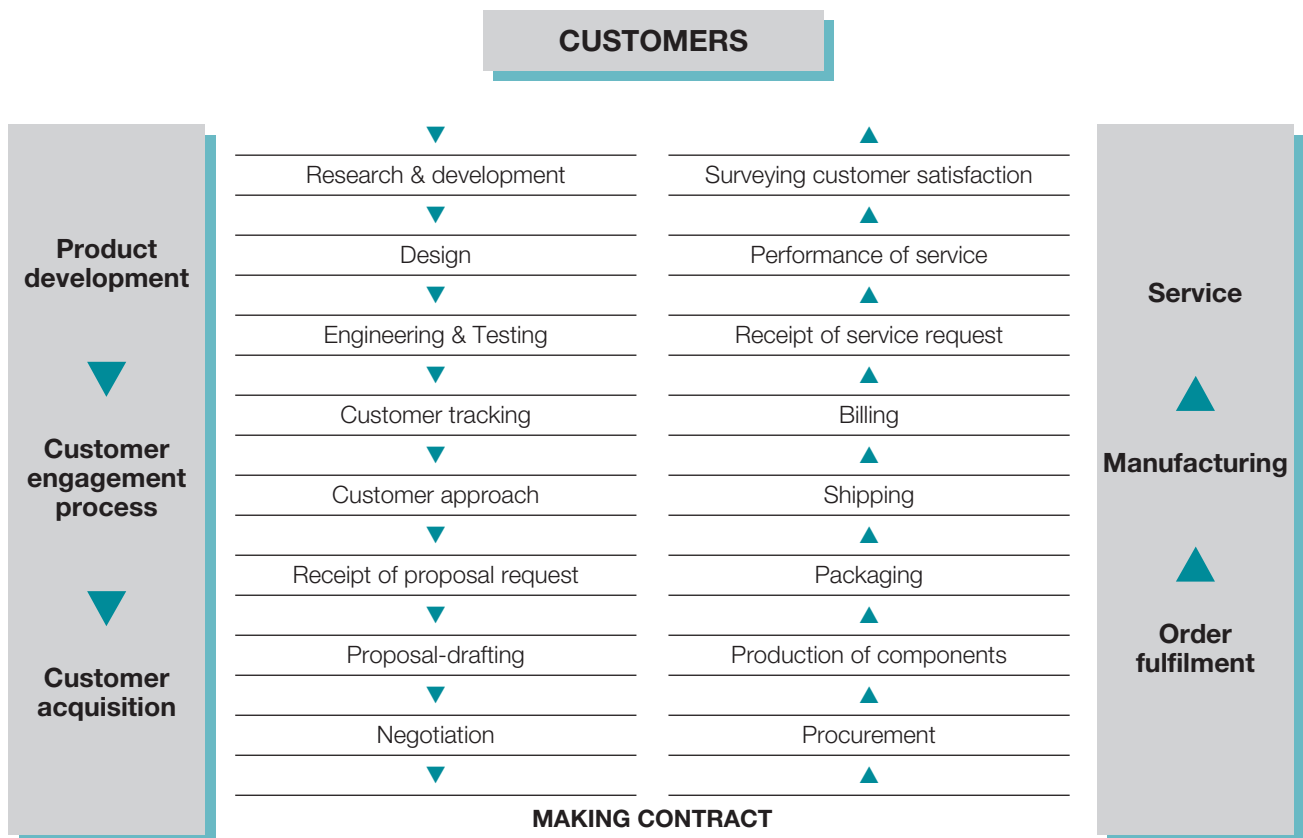
Introduction

Generally the activities of companies that manufacture products or offer services can be subdivided into six core business processes:

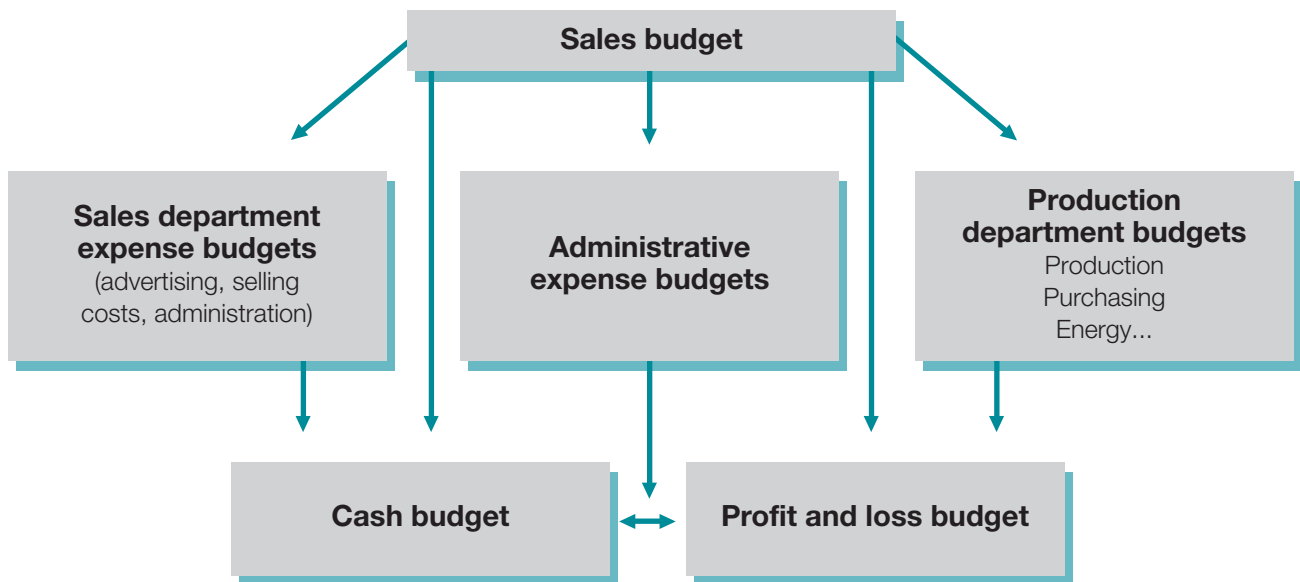
- **Product development:** taking a new idea for a product through to the prototype stage
- **Customer engagement process:** from targeting a customer through to obtaining a proposal to deliver a product or service
- **Customer acquisition:** ranging from generating a proposal to obtaining contractual commitment
- **Order fulfilment:** from receiving the order to receiving the corresponding payment
- **Manufacturing:** from procurement to shipment
- **Service:** from receiving a customer enquiry to answering it satisfactorily.

Sales activities are involved in several of these core processes. They interact with all business processes as a necessary source of information for improving the processes.

Figure 19: Sales as an integral part of processes serving customers



The sales forecast serves as the basis of all planning and budgeting in the company. For instance, the production plan, cash management, and the purchasing plan must be elaborated on this basis in order to determine the requirements for a given period.

Figure 20: Information flow as basis for cash management

Organisational structure

The organisational structure of a sales department has to follow the development strategy selected by a company.

The most common way to divide sales responsibilities is on the basis of sales specialisation. The key strategic question is the basis for the orientation on the first level to be used. There are three specialisation options which can also be combined if hybrid customer structure implies a custom-made specialisation mixture:

- geography
- market-based divisions
- key account.

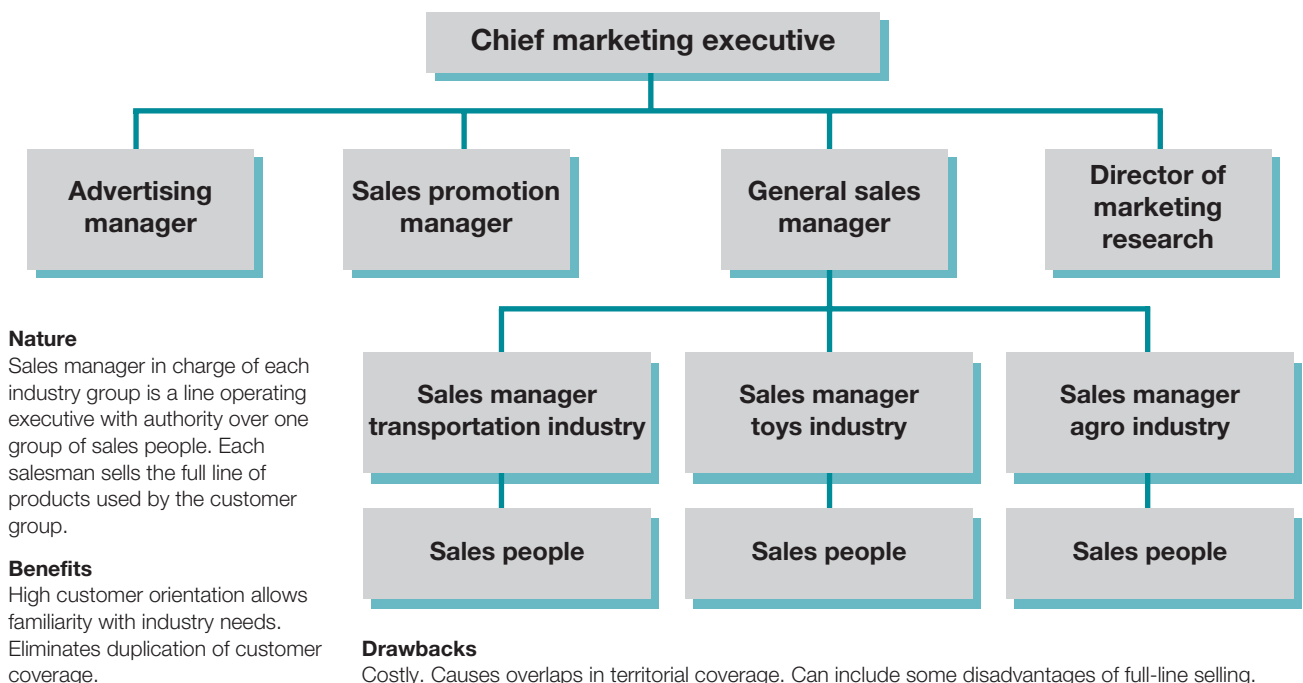
Management must consider many factors in the decision, including sales force abilities, market and customer considerations, nature of product and the demands of the selling job. Every method of attributing responsibility has its benefits and drawbacks.

Geographical specialisation

The most widely used system for attributing responsibility and line authority for sales operations is geographical specialisation.

Figure 21: Geographical specialisation**Market specialisation**

The use of market specialisation has increased in recent years, in keeping with the trend towards customer orientation.

Figure 22: Market specialisation

Key accounts

An increasing number of firms employ specialised sales organisation structures to service “key accounts”. Key accounts generally represent a disproportionately large share of a seller's sales volume and profit. Such customers are often differentiated by a complex buying system. Three commonly used approaches for ensuring better treatment to key accounts are:

- a separate key accounts sales force
- the use of executives for major account selling
- a separate division for key accounts.

A number of advantages are claimed for a key account structure:

- close working relationship with the customer: the salesperson knows who takes what decision and who influences the various players involved in the decision
- improved communication and coordination: the customer knows there is a dedicated salesperson: it is clear whom to contact when a problem arises
- better follow-up on sales and services
- more in-depth penetration of the decision-making unit: there is more time to cultivate personal relationships.

Practical tools

This chapter presents tools that can be useful for your daily business. Well-used, these tools can help you to improve your sales force. The following forms and examples are intended as an implementation guideline.

Job description

A well-prepared job description can be used in hiring, training, compensating, motivating, supervising and evaluating a sales force

Job description

Primary function: To achieve assigned sales operating plan objectives by: prospecting new accounts, developing and maintaining customer rapport, identifying customer requirements for office equipment, matching customer requirements to existing equipment via written proposals, demonstrating equipment, signing orders for equipment, resolving customer problems, ensuring proper installation of equipment, training customers on the proper use of equipment, and performing care calls to ensure customer satisfaction.

Source of supervision: Regional sales manager

Job duties and responsibilities:

Conducts customer prospecting contacts

Conducts customer contact follow-up

Develops written sales proposals

Performs product demonstrations

Negotiates close of sale

Completes paperwork to place customer orders for equipment

Assists in installation of equipment (if necessary)

Trains key operators and equipment users

Maintains rapport with customers

Participates in quality improvement activities

Job prerequisites: Must possess a bachelor's degree or have 2 to 3 years of relevant sales experience. Must pass all parts of the qualifying test battery for the Marketing Representative position regarding organization skills, presentation skills, listening ability, problem-solving ability, mathematics/finance skills, and customer relation skills.

EXAMPLE

Introductory training session

A well-planned introductory training session is an important first step toward developing an effective sales force

EXAMPLE

Training plan of a manufacturer in the agro-industry

First day	10:00 - 10:45	Training goals.
	10:55 - 11:20	The importance of sales in the agro-industry.
	11:30 - 12:45	What is sales psychology?
	14:00 - 14:50	Self-Image. Character.
	15:00 - 15:30	First impressions. Clothing and its importance. Behavioral influences.
	15:45 - 16:45	Motivators. How does one motivate?
	16:50 - 17:30	Group discussion. Question and answer.
Second day	10:00 - 10:45	Review of previous day's material. Is specialized knowledge necessary?
	11:00 - 12:45	Negotiating techniques.
	14:00 - 15:45	Speaking skills.
	16:00 - 17:30	Sales techniques I
		- Making contact - How to win trust - How to arouse the customer's interest.
Third day	10:00 - 10:45	Review of previous day's material.
	10:50 - 12:00	Sales techniques II
		- Problem analysis
		- Questioning techniques
		- Purchasers' motives.
	12:10 - 13:00	Sales techniques III
		- Argumentation, offering solutions
		- How to be convincing.
	14:00 - 15:00	Sales techniques IV
		- Meeting objections
		- Handling complaints.
	15:15 - 16:00	Sales techniques V
		- Preparing to close
		- Making the close.
	16:15 - 17:00	Closing discussion.

Sales reports

Standardized forms for sales reports fulfill information gathering requirements as well as control functions

EXAMPLE

Sales contact report

Customer number:

Customer name, address:

Customer group:

Classification:

Salesman:

Date of visit:

Product(s) discussed:

Result of visit:

<hr/>	order
<hr/>	promise to order
<hr/>	purchase from competitor
<hr/>	competitor
<hr/>	reason

Other subjects of visit:

<hr/>	employee training
<hr/>	customer complaint
<hr/>	new product introduction
<hr/>	other

Next visit:

WEEKLY OR MONTHLY SALES REPORT USED TO SUMMARIZE

- Number of customers visited
- Number of sales made
- Number of deliveries completed
- List of new prospects qualified

Complete customer data base

An up-to-date, complete customer data bank sales eases planning and makes custom-tailored customer service possible

EXAMPLE

A pre-printed customer data sheet should include the following information:

Customer number:

can reflect customer group,

classification, territory, etc.

Customer name:

Address:

Telephone, fax:

Sales territory:

Salesman responsible:

Delivery address:

Means of delivery:

Billing address:

Delivery conditions:

Customer group:

Membership in purchasing comparative:

Customer classification:

Visit frequency (from classification):

Contact person:

Credit limit:

Payment terms, history:

Purchasing habit:

Date of last visit:

Result of last visit:

► **ONE COPY SHOULD REMAIN WITH THE SALES MANAGER,
THE SECOND WITH THE SALESMAN RESPONSIBLE**

Standardized market observation report

Outside salesmen can also serve as excellent observers of market trends and competitors' actions, supplying important information for marketing and product development



Standardized market observation report

Salesman:

Seen/heard at/from (customer, contact person):

on: (date)

Product - related activities:

competitor

products

activities

example attached

Price/condition - related activities:

competitor

products

activities

example attached

Services activities:

competitor

products

activities

example attached

Technology:

competitor

customers

equipment

activities

Advertising activities:

competitor

products

activities

example attached

COMMENTS/REMARKS:

Order processing form

EXAMPLE

ORDER TRANSMITTAL

BOLD TYPE FOR COMPANY USE ONLY

SALES CODE

Order Date: _____ Job No.: _____ Warehouse: _____

Sales Person: _____ Customer No.: _____ Destination: _____

Sales District: _____ Date required: _____

SOLD TO:

Customer name _____

Address _____

City _____

State of Province _____

Country _____

Zip or Postal Code _____

CUSTOMER NO. _____

CUSTOMER TYPE _____

SHIP TO:

Name _____

Address _____

City _____

State of Province _____

Country _____

Zip or Postal Code _____

Ship Via _____

END USER:

End user name _____

Address _____

City _____

State of Province _____

Country _____

Zip or Postal Code _____

END USER NO. _____

END USER TYPE _____

Special Instructions: _____

Quantity	Model	Product Code	Part Number	Unit Price

Credit Items:

Installation Credit	Material
Misc. Products	Freight
Freight Credit	Tax
Total Credit Due	Installation
Other comments	Misc. Expense (explain below)
	Total Invoice

☐ New sales ☐ Repeat Business

Sales volume analysis


 EXAMPLE

Sales volume analysis: Total sales volume

- Fill in the following information:

Year	Company sales volume (in million rubles)	Industry sales volume (in million rubles)	Company's share of market
1995			
1994			
1993			
1992			
1991			

- How has sales volume developed in absolute terms?
- How has industry volume developed?
- How has the company's performance developed relative to the market (market share development)?

Sales volume analysis: Sales volume by territory

- Four-step method analyzing sales volume by territory:
 - Select a market index that indicates with reasonable accuracy what percentage of total sales should be obtained from each territory - for example, a firm may use retail as an index. If the firm sells in 5 regions, then the total retail sales in the 5 regions would be equal to 100%. If 22% of total retail sales were recorded in region B, then 22% of the company's sales should also come from region B
 - Determine the company's actual total sales in monetary terms or in units during the period being studied
 - Multiply the territorial index by the total sales figure to determine the goal in each district
 - Compare actual regional sales with regional goals to see how much variation has occurred.
- Identify the weak territories. Where can improvements be made?

Sales volume analysis: Sales volume by territory (model)

EXAMPLE

- Example: Russian sausages producer active in 5 regions of the Russian Federation.

Territory	Market index (percent)	Sales goals (‘000 rubles)	Actual sales (‘000 rubles)	Performance percentage	Variation (‘000 rubles)
A	27	1,215	900	74	- 315
B	22	990	1,230	124	+ 240
C	15	675	828	123	+ 153
D	20	900	852	95	- 48
E	16	720	690	96	- 30
Total	100%	4,500	4,500		

- Conclusions:
- Territories B and C did much better than expected
 - Territory A has the greatest need for improvement.
- Next Steps:
- Why are B and C apparently so successful?
 - Can this information be used to benefit A?