
UNIT 12 MONITORING AND PERFORMANCE EVALUATION

Objectives

After studying this unit you should be able to:

- Explain the need and purpose of monitoring systems
- Explain the monitoring systems used for sales personnel
- Describe the various types of information sought through sales reports
- Discuss the quantitative and qualitative criteria used for performance appraisal
- Evolve a composite measures for evaluating sales performance.

Structure

- 12.1 Introduction
 - 12.2 Monitoring - Needs and Objectives
 - 12.3 Parameters used to Monitor Salesforce
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12.1 INTRODUCTION

Even the best organised sales department will not function effectively unless the sales effort is planned and controlled on a regular basis. Sales reports form the basis for the monitoring of sales personnel. Firms need regular sales information on effort by product line, customer type or by geographic segment for appraising their salesmen and analysing their profitability. Most organisations today have formal performance appraisal systems to aid them in evaluating their sales force. In this unit, you will learn about the processes for monitoring the sales effort and the procedures for performance evaluation generally used for sales personnel.

12.2 MONITORING - NEEDS AND OBJECTIVES

Once the sales plan has been put into action, it is important for the sales manager to know whether the sales effort is being operationalised in the way it was expected to be. Organisations depending upon their own needs, through periodic reporting or field visits, design a monitoring system, to keep themselves informed about the activities of the sales force on a regular basis. Monitoring has been explained as "keeping abreast of the salesmen's activities through a formal feedback system. It is a vital aid in controlling the sales effort, and by furnishing a wealth of data about the salespersons day-to-day activities the monitoring system becomes an input in the formal appraisal of the salesmen's performance. Sales reports are the basic tool used for monitoring sales personnel. The sales



manager uses the information from these reports to judge whether sales personnel are calling on and selling to the right people and whether they are making too many or too few calls.

A good monitoring system also helps the sales management in determining what can be done to secure more and larger orders. The data furnished by the sales reports is processed to gain insights in the type of direction and help that can be given to field sales personnel.

A well designed monitoring system also aids in the self improvement of the salesmen. Regular recording of their own accomplishments forces individuals to take a stock of their own work, compare it to their own past performance or their aspirations, and leads them to a periodic self-evaluation, which may become an effective motivating force. The basic purposes for which a good monitoring system is designed could be :

- a) to keep the sales manager informed, about all the sales activities of the sales personnel.
- b) to enable the sales manager to get data for evaluating performance; for example, details of prospects called upon, number of calls made, number of orders obtained, days worked, kilometres travelled, selling expenses incurred, displays arranged, missionary work performed etc.
- c) to enable the sales manager to detect deviations from standard performance and take timely remedial action.
- d) to help the salesperson plan his work e.g. in planning specific approaches for specific accounts; planning a travel schedule etc.
- e) to record consumers reactions and complaints in respect of new products, price changes and service policies.
- f) to record information on competitors activities e.g. new products, changes in promotion and pricing, changes in service and credit policy etc.
- g) to record information on local changes.
- h) to build a rich database of territorial information which can be put to a variety of uses.
- i) to furnish information requested by marketing research- i.e. data on dealers sales, productwise.

12.3 PARAMETERS USED TO MONITOR SALESFORCE

The monitoring of salesforce is closely related with the monitoring of sales. One depends on the other. The sales performance of a company and its salesforce is measured using a number of parameters on a continuous basis. Some of the commonly used parameters are :

- i) sales per salesman, per dealer, per product
- ii) expense to salesman, ratio for each dealer and salesman
- iii) calls per day
- iv) order call ratio
- v) average cost per call
- vi) direct selling expenses
- vii) profit contribution analysis
- viii) number of accounts
- ix) number of customer complaints.

The emphasis in monitoring is on gathering information on day-to-day activities with respect to the chosen parameters and taking a timely stock of deviation from expected performance. Monitoring therefore is a way of achieving day-to-day control over the sales effort.

As mentioned earlier, two of the most common methods of monitoring sales performance are through sales reports or through field visits by the field sales managers.

The details required in sales reports vary from company to company. A company with a decentralised large field sales organisation covering a wide geographical area needs more detailed sales reports than a company using a few salesmen covering a compact area. Generally, the greater the discretion the salesmen have in planning and scheduling their own activities, greater the details required in the sales report.



12.4 CONTENTS OF A SALES REPORT

Though the format of the sales report will vary across companies, some basic components are common to the sales reports in all organisations. Some of these components are:

- a) **Progress report:** This part of the report is meant to give information on the progress or day-to-day work done by the salesman. It may be prepared after each call, or commutatively for calls made during a specified period. This component furnishes valuable data on company's position in different territories and in respect of each account. Usually the progress report also records information on specific class or customers, extent of competitive activity, best time to call upon the competitor items which become valuable input in future sales planning.
- b) **Expense component:** Since all salesmen are reimbursed for expenses incurred or are given an expense account for which they have to account for, most sales reports have an expense component. The objective of incorporating this component is to keep a check on the nature and extent of salesmen's expenses.
- c) **Work plan component:** Usually for a week or a month in advance, salesmen are expected to submit a work plan or call schedule. The work plan may include details of prospective and present customers to be called upon, routes to be taken, the non-selling activities to be performed etc. The main aim is to help the salesperson in his planning and scheduling activities and keep a track of his whereabouts. This component also helps the management in process of control by allowing comparisons of salesman's plans and accomplishments.
- d) **New business or potential business component:** The report may require the salesman to inform on accounts recently obtained or those who may become sources of potential business. This component furnishes information on the prospecting capabilities of salesperson.
- e) **Lost business component:** As salesmen are required to sell under competitive conditions, they may at times lose prospects to competitors. This component of the report provides information on* the salesman's ability to retain customers. It can also be utilised to develop pointers for gaps in sales training changes in service and credit policy and product improvements.
- f) **Complaint and adjustment component:** This component is related to the specific complaints that a customer or class of customers may have in relation to the work of the salesman, the product or the company policy and the adjustment if any made by the salesperson. The information generated is useful in detection of needed product improvements, service improvements "and changes in merchandising practices.

Activity 1

Talk to the sales manager's of an organisation which has a field sales organisation. Study the monitoring system in use in the organisations to find out

- a) What are the parameters used in monitoring system ?

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- b) What is the frequency of salesmen's reports?

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- c) What are the major components of salesmen's report ?

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12.5 BASICS SALES REPORTS AND THEIR ANALYSIS

You are now familiar with the type of information sought through the sales reports. This section discusses the basic types of sales reports and explains how they can be analysed to monitor sales performance. (Some standard formats of reports used to monitor salesmen are given in Appendix.)

Weekly sales report: The basic sales report to be prepared by the salesman is a daily report or a weekly report depending upon again the type of product and its movement. This report forms a basis for estimating the future trend of sales of individual products/brands. It also assists in production planning, cost planning and product portfolio planning.

A summary of the daily/weekly reports for all the branches is made on a monthly basis to arrive at total sales for the month and to study its variance from estimated sales. The budgets for the next month may be revised accordingly. At times sales in a particular territory/area may be effected on account of stock-outs; as a result, more stocks need to be sent.

Weekly Sales Report—Format

Weekly sales report for week ending.....

Week	Tonnage		Comparison with last week	Comparison with last year	Remarks
	Current % change on last year	Cumulative			
Product A					
Product B					
Product C					

A study of weekly sales estimates reveals the seasonality of sales, if any. This enables proper production planning and monitoring of sales performance. Condensing of monthly figures into quarterly figures is used to establish sales estimates for the next quarter.

Apart from the basic volume analysis information on other parameters is also sought.

- i) The value of goods sold gives the contribution from each product. This contribution needs to be maximised.
- ii) Sales are broken down geographical area wise to assess the potential demand and monitor salesmen performance in the light of this information.
- iii) A customer wise break-up of sales indicates whether the right kind of customer is being serviced or whether the salesman is concentrating on a segment which is not a prospective buyer in the long run.

Regional sales analysis: The strength of sales region wise is indicated through this analysis. Variation in regional sales reveals the effectiveness of particular localised sales developments and the importance of competitors in different regions. The regional sales figures are adjusted for the area of the region as also the size of the population of that region.

The boundaries of the regions should be permanent so that trends over a long period of time can be watched. The unit upon which division will be based is the buying area. Depending upon the type of product the buying area will differ.

In addition to value, volume, productwise and areawise categorisation of sales it is also important to study the volume of sales through different types of outlets such as sales through wholesalers or direct to retailers - which are further, classified into cooperatives; departmental stores etc. This has implication on the distribution channel effectiveness and proper monitoring of salesmen performance. A summary of monthly, quarterly and annual value sales by areas can be presented in the following format:



Value of sales for period ending

Area No.	Product A			Product B			Product C			Total		
	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change	Last Qtr.	This Qtr.	% Change

Sales by customer type

	No. of direct accounts	Product A	Product B	Product C	Total
Wholesaler					
Provision Store					
Chemists					
Retailers					
Independents					
Total					

Distribution of Accounts by Size

In this analysis, the total trade of different output types is divided as per the account sizes. The number of outlets which fall into each size are ascertained. This enables the management to decide whether the sales generated from the smaller size accounts are commensurate with the cost of running them. The format of this form is given below.

Area No. _____ Year : _____

Account Size	Number of Accounts					Total
	Wholesalers	Chemists	Provision Stores	Retailers		
Under Rs. 100	Rs. No.					
Rs. 100-Rs. 250	Rs. No.					
Rs. 250-Rs. 500	Rs. No.					
Rs. 500-Rs. 1000	Rs. No.					
Rs. 1000-Rs. 1500	Rs. No.					
Rs. 1500- Rs. 2500	Rs. No.					
Rs. 2500- Rs. 4000	Rs. No.					
Total						

The reports described above, in addition to supplying the regular information on the different aspects of marketing, reveal certain additional information also :

- i) What are the main competitive brands? On what system of distribution do they work - direct sales to retailers, through wholesalers only or both or otherwise?
- ii) How do services given by competitors compare with those given by the company?
 - Does any manufacturer supply goods on a "sales or return basis"?
 - What are the credit terms offered?
 - What are the discounts offered?



- Do the competitors give any specialised treatment to some traders?
- Are the in-shop displays supplied by the competitors regularly?
- What is the frequency with which competitors call upon their distributors as also the promptness in delivery? The above analysis seeks to point out the factors which contribute to the competitor's success and the policy the company must employ to counteract it.

iii) The perception of retailers with respect to the company's product and the competitor's product is very essential. The reasons to which retailers attribute the success or failure of the leading brands is very essential to determine. The retailers serve as a vital link between the company and the consumer and it is his opinion which generally forges the link. Also, technical faults in the product, if pointed out as detrimental to sales by the retailers need to be rectified.

Activity 2

With respect to your own organisation, or any other organisation that you are familiar with, try to analyse the sales information from the weekly/monthly sales reports in terms of:

- a) Sales generated per month.
- b) Productwise/Customer wise sales.
- c) Variation in volume of sales over the last period.

12.6 PERFORMANCE APPRAISAL EVALUATION

Every sales manager is engaged in the task of appraising and evaluating his salesmen continuously, in an informal way. Informal evaluation however is not enough to arrive at realistic and astute assessment of the worth of a salesman in absolute or relative terms. The ultimate goal of any evaluation programme is to make a salesman more valuable to the company. In order to achieve this the evaluation programme must involve :

- a) A study of the salesman himself - his skills, habits, aptitudes and attitudes.
- b) A study of his selling record - his efforts and accomplishments.
- c) An analysis of the direction the development function is to take.

Evaluating salesmen's performance is a complex task not only because salesmen are required to perform a variety of activities, but also because different types of selling situations require different kind of selling skills, which may not lend themselves to equitable comparisons.

In addition, salesmen differ in terms of selling acumen and personal qualities, then territories differ and they are required to spend a large part of their time away from their immediate supervisor. A good monitoring system, as you have learnt in the preceding section, becomes a basis for developing an appraisal system and for evaluating sales performance.

Performance evaluation consists of setting performance standards, both quantitative and qualitative and then periodically comparing them with actual sales performance to judge salesmen in terms of their contribution to the sales objective. The concept of productivity is relevant here. A salesman is considered to be productive only when the results achieved by him offset not only the costs incurred by the company on his account, but also show some contribution towards the corporate profit. Appraisal and performance evaluation systems besides enabling the sales manager in judging the contribution of his sales team and improving its efficiency have also been found to be useful in :

- a) Developing salesmanship as an interpersonal influence process.
- b) Motivation of salesmen and supervisory leadership.
- c) Identifying the need for continuous training and development of salesforce..



- d) improving selling aids like demonstration materials, working documents etc.
- e) Determining and restructuring salesmen's territories and work assignments.
- f) Improving sales planning for example, planning call cycles routes and visits, job preparation etc.
- g) Introducing sound compensation and incentive systems supported by a national evaluation system.

12.7 SALESMEN'S EVALUATION - SOME BASIC ISSUES

There are some basic issues involved in all performance evaluations systems for salesmen, which require consideration while the system is being designed. You will note that unless adequate attention is given to these issues they might result in discontentment of these being evaluated. Some of these issues are :

The first issue relates to evaluation based on qualitative vis-a-vis quantitative data. It is obvious that in any qualitative assessment, personal bias and subjective value judgement may vitiate evaluation. On the other hand evaluation based entirely on statistical data may not give entirely valid results as certain important determinants of a salesman's effectiveness (for example personal effectiveness of a salesman in handling consumer relations problems) do not lend themselves to quantitative definition. In addition selling skills are broadly determined by one's ability to impress, influence or persuade prospects as well as an alternation between aggressiveness and submissiveness depending upon the situation. It therefore is evident that sales managers, based upon their own set of circumstances, would have to evolve a judicious mix of qualitative and quantitative criteria on which to base the evaluation of their sales personnel.

Another issue relates to the comparisons between salesmen on the basis of the results of evaluation. Such comparisons can never be on a "man to man" basis since a great deal of human element is involved and different salesmen have to work under different geographical and environmental conditions; and may handle different set of products or customers.

The third issue is related to the problem of determining standards of performance. The whole evaluation exercise rests on the comparison of actual sales performances against predetermined standards or norms. If these norms or standards are not realistic, the whole exercise would become self-defeating

Another issue worthy of consideration is the periodicity of evaluation. Evaluation based on very short-term results may not be very correct as it ignores the value of some criteria which are of long-term value to the company. A small example is the effectiveness of particular salesman in cultivating good customer relations, which may give the company an added acceptability when it introduces a new product. On the other hand, evaluation based on very long-term results is not desirable because if the results are unsatisfactory, it will have a great impact on the operating results of the company for a longer period. Periodicity of evaluation has been found to vary with the type of product sold, industry practice and management's outlook towards control. Yearly evaluations are a very common practice though longer periods are also prevalent, especially in case of capital goods and industrial goods companies.

The last issue here refers to the accounting system or the database of the company as a basis of developing the evaluation system. Actual data taken from typical sales records are not adequate to provide precise comparison of salesmen or salesgroup performance. For example, if the product mix sold by different salesgroups differs, it will be difficult to compare the performance of the salesmen in the two different groups merely on accounting data.

You will realise that unless adequate attention is given to these important details, evaluation may not be very effective. The above issues also underline the need for developing an evaluation system involving multiple criteria to make data more comparable.



12.8 SETTING PERFORMANCE WITH NORMS

As noted earlier it is important to decide on a judicious mix of quantitative and qualitative standard against which performance of salesmen can be realistically compared. Standards must be reflective of the company's analysis of its own market situation vis-a-vis its competitors. As sales-effectiveness is a function of both quantifiable and non-quantifiable criteria, let us discuss both, the quantitative and the qualitative standards that are used by companies. Some of these criteria have already been mentioned earlier as criteria for monitoring sales performance. Though all companies use some quantitative standards, the past tendency of using sales volume as the only yardstick of performance is no longer prevalent. Sales managers today realise that it is possible to make unprofitable sales, or to generate high present sales at the expense of future sales. Each company today selects a combination of quantitative standards that are best suited to its marketing situation. Some of the important quantitative criteria are:

Sales quotas: Sales quotas are quantitative sales targets assigned to a specific salesman expressed absolutely either in terms of rupee value or units. They are the most widely used performance standards. If we assume that the management is being realistic while setting quotas, this standard can specify desired levels of accomplishment for sales volume, gross margin, net profit and expenses. If quotas are based upon valid sales forecasts where the probable strength of demand has been realistically considered, they represent good performance standards. However, when they are chosen mainly to inspire or are based on guesses, they lose meaning as performance standards. -

Net profit ratio or gross margin rates per territory : In this case target ratios of net profit or gross margin to sales, are decided upon for the sales territories. Each sales territory is considered as an organisational unit that should make a contribution to the corporate profit. The positive impact upon the salesforce is that the sales personnel try to meet the ratio by attaining a higher sales volume and by reducing expenses. On the other hand, this approach may lead the salesman to concentrate on more profitable products and accounts. The shortcoming of both net profit and gross margin ratio is that sales personnel pinpoint the more lucrative accounts in their territory and may not spend enough time in soliciting new accounts and may overemphasise high margin or high profit products at the expense of new products which might prove profitable in the long run.

Sales expense ratio: This performance standard is used to control the selling expenses relative to sales volume. As many of the factors affecting sales expenses are uncontrollable for salesmen, target selling expense ratios should be carefully set, considering the factors which are likely to affect the expenses. The salesman can manage this ratio by either controlling expenses or by making sales or both.

The major weakness of this performance standard so that it does not provide for variation in the profitability of different products. A salesman may meet the sales expense ratio and yet show disproportionately low profits. In times of declining business conditions, this ratio has been found to inhibit salesmen from exerting efforts to generate higher sales volume.

Companies show different practices as far as defining selling expenses is concerned. Some companies feel that both indirect and direct selling expenses should be included while developing this standard. This, however, means that the salesmen are held accountable for some expenses (the indirect expenses) over which they have no control. Some companies use the concept of direct expenses i.e. expenses incurred and controllable by salesmen to define norms-for selling expenses.

This performance standard tends to be used more by industrial companies than by consumer products companies.

Sales coverage effectiveness index : This measure evaluates the thoroughness with which a salesperson covers and cultivates his territory. The index is calculated by getting the ratio of the number of customers to the total prospects in the assigned territory.

Call frequency ratio: This performance standard is calculated by dividing the number of sales calls on a particular class of prospects by the total number of prospects in that class. By defining different call frequency ratios for different classes of customers, an effort is made



to direct sales effort to accounts which would lead to profitable sales. While defining call frequency ratio it must be ensured that the interval between calls is proper. It should neither be so short that only small orders are possible, nor so long that competitors take away, the sale.

Calls per day: In case of consumer products, salesmen may be required to contact large number of customers or prospects. Calls per day in such cases become a criterion of judging whether a salesman is making too few or too many calls a day. Establishing a norm regarding calls per day also helps the salesmen in scheduling their activities on a day-to-day basis. Territorial variations are taken into account and different call norms are individually set for different territories.

Average cost per call: Target cost per call standards are set to underline the importance of making profitable calls and reducing expenses associated with calls different norms may be set for different classes of customers if the cost in relation to different customers is significantly different.

Multiple quantitative measures: In practice the companies rarely use a single parameter to judge the effectiveness of its salesforce. A combination of factors, weighted according to their relative importance in the organisational set-up, is generally used to arrive at a composite measure. A simple example listed below (and successfully in use in two companies) shows a multivariate approach to evaluation. The author of this simple model suggests a list of twenty factors, out of which a suitable number of variable which are relevant in a given case may be chosen to evaluate salesman.

These variables are:

1. Market share-proportion of actual sales in quantity to the total sales of the product in the market or the size of the market.
2. Sales quantity.
3. Sales value.
4. Number of calls.
5. Number of orders.
6. Value of orders booked.
7. Value of order per call-this is also called the batting average. (In industrial marketing, the expression hit ratio is used to indicate the percentage of business obtained against a tender.)
8. Gross margin or contribution and also PN ratio (contribution on sales).
9. Direct selling expenses.
10. Direct sales margin (contribution minus direct selling expenses).
11. Average inventory (average being calculated on the basis of opening and closing inventory figures).
12. Average outstanding receivables.
13. Average credit enjoyed from suppliers.
14. Working capital locked up (item nos. 11 t 12 -13).
15. Marketing R.O.I.-Direct sales margin (item no. 10) as a percentage on working capital (item no. 14).
16. New product performance (comparison between actuals and earlier projections).
17. Number of accounts obtained.
18. Number of accounts lost.
19. Number of customer, complaints.
20. Information about competitors' plans and strategies.

The list is by no means exhaustive. It is neither practicable nor desirable to use all of them together. Depending upon the needs of the organisation, a few of these criteria might be chosen. Norms can then be established for each of these criteria, and their respective weightage in the total evaluation score can also be assigned. There are certain criteria (for example those listed in no. 19 and no. 20) for which norms cannot be easily established. Past experience of the organisation could become a guideline in these cases.

After norms have been fixed, the periodicity of evaluation can be decided upon. The following table shows a hypothetical situation using six of the above variables, and gives a comparative evaluation of six salesmen.

Table 1: Monthly Evaluation Criteria, Weightage and Norms Product:

Sl. No.	Evaluation Criteria	Weightage	Norms	Basis of Score: Maximum 12 for each. (6 points for achieving the norm; + or - for deviation as given below)
1	Market Share	30	25%	+ (-) 1 for increase (decrease) by every 5% or part.
2	Value of Orders	15	Rs. 10 lakhs	- do - by every Rs. 1 lakh or part.
3	Batting Average	10	Rs.. 25,000	- do - by every Rs. 5,000 or part.
4	Sales Value	10	Rs. 10 lakhs	- do - by every Rs. 1 lakh or part.
5	PN Ratio	15	40%	- do - by every 5% or part.
6	Marketing R.O.I.	20	20%	-do- -do-
	Total	<u>100</u>		

Source: Marketing Management: A Finance Emphasis by Dr. B.K. Chatterjee, Jaico Publishing House, 1982.

Qualitative Performance Criteria

As noted earlier, certain aspects of the sales job are not easy to quantify and measure. Use of some qualitative criteria therefore is unavoidable in evaluation of sales personnel factors like effectiveness in dealing with customers problem. Contribution to the teamspirit of the sales team, building up goodwill in the territory, establishing cordial dealer relationships, affect sales results in the long run, but their degree of excellence can only be judged subjectively. Most sales executives do not precisely define the desired qualitative criteria and prefer to arrive at informal conclusions regarding these criteria. Some prefer to have a detailed check-list, with subjective factors scaled on a five-point or seven-point scale on which salesmen can be formally rated.

Individual discretion of the sales executive has a major role to play in qualitative evaluation. Written job descriptions become an input in deciding what combination of qualitative criteria should be used to evaluate sales personnel at different levels and in different kinds of sales jobs. The manner in which these criteria are applied would depend upon the needs of management in a specific organisation.

Activity 3

Study two organisations which have field sales operations. Find out:

- a) What are the criteria used to evaluate sales performance?
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- b) In case multiple criteria have been used together, how has the composite measure been derived?
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- c) What are the qualitative criteria that have been used for evaluating performance? Discuss, with the concerned sales manager to find out how these criteria are applied in practice to arrive at decisions regarding these variables in respect of the individual salesmen's performance.
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12.9 COMPARING PERFORMANCE WITH NORMS

The most crucial and also the most difficult step in the evaluation process is the comparison of actual performance with the defined norms. The difficulty arises because evaluation requires an exercise of discretion. The same standards, indiscriminately cannot be applied to all salesmen as the sales territories assigned to them differ in terms of sales potential, level of competition, personalities of sales personnel and their customers. Though variations in territories may be adjusted by setting territory wise norms, personality variations cannot and therein judgement of the executive has to be exercised.

Similarly, there may be varying results in respect of the same salesperson, on quantitative and qualitative criteria. A salesman who does not quite meet his quota may be making compensating qualitative contributions by developing excellent dealer relationships, which have long-term implications. Again executive judgement is called for to arrive at an overall assessment of performance.

The performance of the sales personnel results from many variables, some of them beyond the control of either the salesperson or the sales management. It is, therefore, important that while comprising actual performance with the defined norms, the effect of the other variables that affect performance should also be kept in mind.

Activity 4

Study the case problem given below and answer the question at the end of it.

12.10 CASE STUDY - MONITORING AND PERFORMANCE APPRAISAL OF MEDICAL REPRESENTATIVES

Background: The pharmaceutical industry is characterised by a number of 'Me-too' products manufactured by a number of different companies. The success of any particular company depends upon the doctor prescribing the product of that company. This, in turn, is largely dependent upon the selling effort put in by the salesforce of the company. The medical representative forms the nucleus of the salesforce. The function of a medical representative is critical to the success of the company. At the same time, the company has to spend a huge amount of its marketing budget on its medical representatives. The monitoring and performance appraisal of the medical representatives becomes all the more essential. In this context, we had visited Glindia Ltd., one of the leading pharmaceutical companies today, and studied the system used by them for monitoring and performance appraisal of its medical representatives.

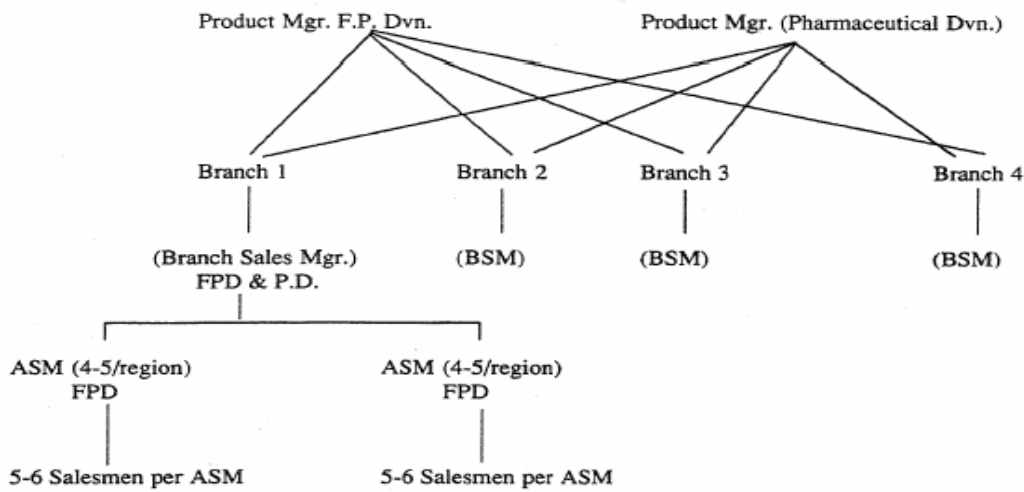
The Company: There exist two divisions (i) Food Product Division (FPD) and (ii) Pharmaceutical Division (PD). The total number of products handled by the salesforce is 110. The organisational structure of the salesforce is as follows:

While the FPD functions like any ordinary consumer product marketing salesforce dimension the pharmaceutical division has a different approach

Setting of Budgets : The budgets are set quarterly. Regression analysis of the past 4 years' sales is used, with a weightage of 30% assigned to the previous two years and 20% assigned to the earlier two years. The sales figures so obtained are broken down into sales quotas for the medical representatives with a range of $\pm 10\%$ used judgementslly.

Monitoring of Performance : The daily coverage of a medical representative consists of making 10 doctor calls and 5 chemist calls a day. In these visits he not only has to make them aware of the company's product and its benefits but it also has to check stocks with

chemists and observe competitors activity. These findings are then sent in a daily report to the Area Sales Manager. A 45-day cycle has been assigned to each representative. A summary report areawise is presented to the branch manager after the completion of each cycle. The branch manager presents a summarised report to the product manager to develop the marketing strategy further accordingly.



BSM: Branch Sales Manager, ASM : Area Sales Manager, FPD : Food Products Division and PD : Pharmaceuticals Division.

The field control measures exercised by the Area Sales Managers consist of insisting on completed daily reports on time. The method of working with stocks, merchandising ability of the medical representatives are also reviewed continuously.

Performance Appraisal

The evaluation of Medical Representatives is done by the Area Sales Manager concerned. A more or less objective evaluation is adopted with subjectivity involved in certain parameters. The evaluation is done on an annual basis.

A total of 150 marks is assigned to each salesman. The weightage given to different parameters is as under:

Primary sales	50	(sales to stockists)
Redistribution	30	
Collection	20	
Merchandising	15	
Stock Rotation	10	
Reporting	10	
Market Servicing	5	
Market Information	5	
Film Checks	5	
	<u>150</u>	

Subjective Judgement is exercised towards parameters like attitude towards job; integrity, representatives development on the job ; analytical ability, initiative and adherence to company guidelines.

Incentives offered : An achievement of 105% over budgeted targets entitled the medical representative to certain incentives in the form of awards given by the company. Each year the company felicitates 25-50% people for achievement of targets. Certificates, medals and gifts are awarded at a grand award function held in a hill resort in the presence of foreign dignitaries. This gives the necessary encouragement to future medical representatives. In addition, the company also holds training programmes for on-the-job training. Each representative has to undergo a 2-week compulsory training at the company's training centre. In spite of these efforts the turnover rate of the medical representatives is high and the company has to live with this industry phenomenon.



Question

Critically evaluate the monitoring and performance appraisal system followed by Glindia Ltd. State the criteria used for evaluation of the system.

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12.11 SUMMARY

In this unit we have discussed the importance of monitoring salesmen and appraising their performance. Different parameters are used by different companies depending upon their product-market portfolio. Sales reports generated by salesmen give information on many decision-making areas for the top management. Every company in accordance with its requirements sets standards of performance for specific criteria and develop a reporting system for comparing actual performance with the norms. Both qualitative and quantitative criteria are used to arrive at proper evaluation of sales performance.

12.12 KEY WORDS

Call Planning: A specific planning sequence with which the sales representative defines the objective of the call devices a selling strategy to achieve his objectives and rakes the payments.

Contribution Margin per Salesman: The amount that a salesman contributes to the firm's fixed cost and profits.

Evaluation: A comparison of planned and actual results identifying reasons for deviations.

Evaluation Frequency or Periodicity: The timing of salesforce evaluation.

12.13 SELF-ASSESSMENT QUESTIONS

- 1). Describe the importance of monitoring and performance appraisal of salesforce.
- 2). Consider an industrial product company. What should the reporting system of its salesforce be? State reasons for the same.
- 3). Mention some of the parameters used to monitor salesforce.
- 4). What are the different reports generated to monitor sales force? How are they used ?

12.14 FURTHER READINGS

Albert H. Dunn and Eugene M. Johnson, 1980. *Managing Your Sales Team*, Englewood Cliffs, N.J. Prentice Hall.

Robert F. Hartley, *Sales Management*, 1979, Boston: Houghton Mifflin.

Joseph P. Gultinan and Gordon W. Paul, *Marketing Management Strategies & Programmes*, 1982, New York: McGraw Hill, 1982.

APPENDIX

MONITORING AND APPRAISAL FORMS (A) Activity Monitoring

Date		Prepared by	
Territorywise Variation	Weightage	Salesmen Activities	
1) Size		1	Growth compared with national average
2) Market Segments		2	Selling costs/enquiries
3) Transportation Facilities		3	Selling costs/orders
4) Delivery Service		4	Selling costs/sales
5) Local Promotional Media		5	Sales costs to marketing costs
6) Competitive Activities		6	Number of calls made
7) Territory Cultivation		7	Number of enquiries received
8) Political Environment		8	Number of orders obtained
9) Strength of Local Economy		9	Cost per call
10) Pricing Policies		10	Cost per interview
		11	Average value of orders
		12	Average gross margin per order
		13	Local advertising against competitors
		14	Number of accounts to service
		15	Average value of accounts
		16	Ratio of customers to prospects
		17	Number of new accounts opened
		18	Number of accounts lost

(B) Productwise Monitoring of Sales Volume

Date		Prepared by										
Salesman	Product Group A			Product Group B			Product Group C			Total Product Groups		
	Standard Performance	Actual Performance	Deviation from norm	Standard Performance	Actual Performance	Deviation from norm	Standard Performance	Actual Performance	Deviation from norm	Standard Performance	Actual Performance	Deviation from norm
A												
B												
C												
D												
E												

Adapted from : How to Prepare a Marketing Plan, "John Stapleton Gower Publishing Company Ltd., England, 1989.

(C) Performance Appraisal of Salesmen (Composite Measures)

Date		Prepared by						
Performance	Weightage	Specification			Remarks	Total Rating		
		Above	Par	Under				
Customer Relations General Prospects Complaints Objections								



performance	weigthage	specification			Remark	Total Rating
		Above	Par	Under		
Selling Skills Approach Presentation Closing the sale Product- demonstration Technical and Product Knowledge General Industry Product Pricing Benefits Personal Planning Reporting and paperwork Maintenance of records Catalogues brochures Planning of time Customer records Journey planning Personality characteristics Appearance Manner Health						