
UNIT 11 COMPENSATION AND MOTIVATION OF SALESFORCES

Objectives

The objectives of this unit are to enable you to :

- describe the importance of compensation
- explain types of direct and indirect compensation
- discuss compensation schemes used by different companies
- enumerate factors influencing design of compensation schemes
- explain the need for motivating salesmen
- discuss the different motivational techniques.

Structure

- 11.1 Introduction
- 11.2 Types of Compensation (Direct)
- 11.3 Types of Compensation (Indirect)
- 11.4 Case Studies on Compensation Schemes
- 11.5 Factors Influencing Design of Compensation Schemes
- 11.6 Criteria for Designing a Compensation Package
- 11.7 Motivation of Salesforce
- 11.8 Motivation and Needs
- 11.9 Salesperson and Motivational Technique
- 11.10 Summary
- 11.11 Key Words
- 11.12 Self-Assessment Questions
- 11.13 Further Readings

11.1 INTRODUCTION

The salesforce of any company needs to be compensated adequately to keep its morale high and to enable it to contribute to its maximum. The direct salary and allowances etc. are similar for all kinds of companies. However, the indirect benefits (such as incentives and perquisites) provided by each of them may differ. The general trend is towards increasing the indirect incentives of the salesforce.

A salesforce is the representative of the company's philosophy and business principles. It is the medium which builds the company's perception among its clients. The building of the salesforce is a phenomenal task but its maintenance, as you will agree, is also important. This is possible through proper compensation schemes including provision of indirect benefits in a planned manner. In this lesson we shall study the methods adopted by companies in designing their compensation packages and in keeping their salesforce motivated.

11.2 TYPES OF COMPENSATION (DIRECT)

As mentioned above, the direct compensation package for a salesman is more or less the same in all companies. However, as you must have also seen in your experience, a company employing technical person as salesman for selling, say, industrial or electronic products may offer a high basic salary. Sometimes, when the product is in the introductory stage the function of the salesman is to create new markets and make customers understand how to use the product as in the case of a new consumer durable product like Vacuum Cleaners or a new electronics products used by certain industries; the basic salary of the salesman may be on the higher side.



The direct compensation package of a salesperson thus consists of the basic pay + allowances covering all travel and entertainment expenses etc. In case, the salesman to stay overnight his boarding and lodging allowances are also provided for. All the me expenses needless to say, are budgeted and controlled as per the salesman's route into cycle of travelling. The salesman is normal'y required to present necessary vouchers to get his; expenses reimbursed.

The basic salary and other allowances are revised from time to time. They also increase with promotion of the salesman. More important than the basic salary are the other benefits available to the salesman. We shall discuss these in the next section.

Activity 1.

Given below are four different kinds of product market combinations. Rank them according to basic salary giving rank I to the combination which has a high basic salary; rank which has lower than that and so on.

	Product	Market	Rank
1)	Industrial	New	
2)	Consumer non-durable	Competitive	
3)	Consumer non-durable	Non-competitive	
4)	Banking/financial service	Competitive	

Study different types of companies you come into contact with respect to the travelling allowance given to the salesman. Using this, answer the following to rank the travelling allowances:

Type of selling activity	Travelling allowance
1). A medical representative covering four suburbs of a city.	
2). An industrial product salesman visiting 1-2 industries a day in a particular geographical area.	
3). A door-to-door salesman selling/demonstrating a new consumer durable product.	

11.3 TYPES OF COMPOSENSATION (INDIRECT)

These consist of financial as well as non-financial incentives. The financial incentives are again in more than one form:

- i) salary plus commission on sales above a certain amount:
- ii) Salary plus a share in profits.

i) **Salary plus commission on sales above a certain amount**

Herein, the salesman receives direct salary and a commission in addition to it. Every salesman is assigned a fixed quota, territorywise/customerwise to be achieved in a fixed period of time. The commission is awarded on achievement of the targeted quota. Again, a fixed percentage of sales achieved over and above the target is also set. This type of compensation scheme ensures a direct salary as well as an in-built motivation system through incentives.

This method for compensation with an in-built incentive scheme is adopted by most consumer non-durable as well as consumer durable companies. Certain industrial product companies and financial service companies, insurance companies, also are increasingly adopting this method.

ii) **Salary plus share in profits**

This is not a very prevalent method. It is generally suggested for a company stilling high value items with high profit margins. The incentive here is based on profits earned. Herein,



the selling expenses to sell a product may also be large and this is incorporated in the profit sharing scheme as acts as a control mechanism. Also salespeople working to obtain contracts are generally given a share in profits rather than awarded on direct sales.

Activity 2

Given below are certain types of selling jobs. Give a compensation plan which will be the most appropriate in each case.

Compensation plan

- 1). Medical representative selling 2-3 formulations and tablets of a pharmaceutical company.
- 2). Salesperson employed by a construction company to get building contracts.
- 3). Salesperson employed overseas by an export agency to develop overseas market for the product.
- 4). Salesperson selling soaps of a reputed company in a particular district in a competitive market.
- 5). Salesperson selling refrigerators to company dealers.

Non-financial incentives

The trend these days is to provide other non-financial incentives like :

- a) Training programme
- b) Awards, recognitions and prizes.

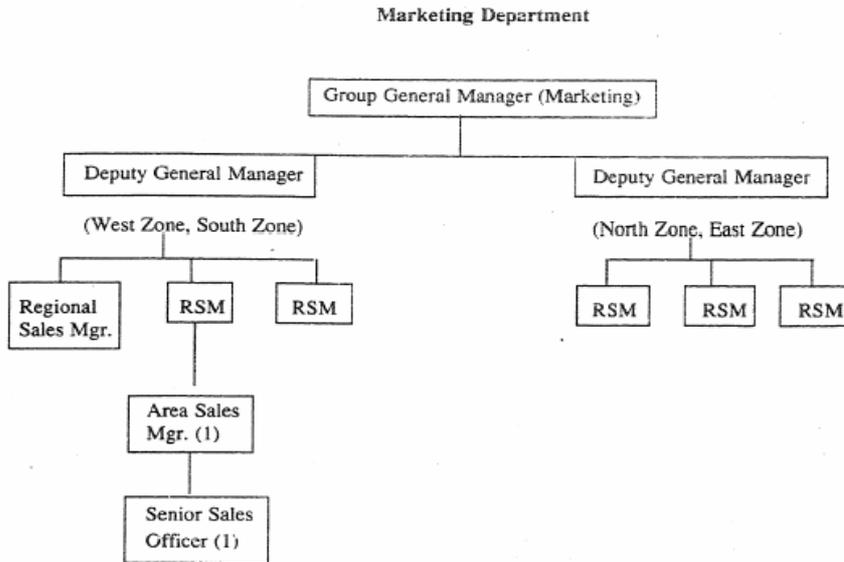
Most companies offer training programmes for their salesmen. On an average a salesman has to undergo a training course every one or two years. These programmes enable interaction between salesmen of different territories as well as provide them with latest developments in the field. These training programmes are viewed as an indirect benefit by the salesmen. They may be held in the company premises or preferably at an outdoor locale. They break the monotony of the salesman's job as well as make him feel a part of the company team. A sense of belonging is cultivated which also motivates him. Certain companies with foreign holding companies may also send their salesmen for training abroad providing them with good opportunities to learn about their field.

In addition to training programmes the award ceremonies for outstanding achievements in sales are held in exotic locales like hill stations or five-star hotels. The awards are presented through foreign dignitaries or important people in the field, thus providing the salesman with the much needed recognition.

11.4 CASE STUDIES ON COMPENSATION SCHEMES

Let us now take a look at the salesforce compensation scheme followed by Videocon International Ltd. This company markets Televisions, VCRs, Washing Machines and Audio products. The organisation structure of its marketing and sales department is given below.

The group general manager for marketing is responsible for overall sales and marketing of all the products of the company. There do not exist any separate product marketing managers for the different products. The group marketing manager is assisted by the deputy general managers who are two in number for all the four sales zones. The deputy sales manager is in turn assisted by the regional sales manager. An area sales manager reports to the regional sales manager. The field force under the area sales manager consists of the senior sales officer who controls and directs a battery of 6-25 sales officers depending upon the size of region allotted to them which is generally a state. Thus, for example, Maharashtra has 25 sales officers, whereas Delhi has about 6 sales officers.



The function of the sales officer is to follow on the dealers; look orders; look after sales and service; report competitors activity, stock position with dealers etc.

Given the greater popularity of the company's products, the salesmen territorial quotas are fixed on the basis of the production and supply capacity of the company rather than the demand in that particular area. The demand for the product, according to the company services is adequate in most regions and selling is more a function of production rather than the selling skills or promotional tools employed by the company. As such, there exists no reward system for compensating the salesmen on achievement of targets although it is an important criterion in the evaluation exercise. Every salesman has to report on the basic activities performed by him as a daily routine.

The company has set aside certain budgeted entertainment allowances for its salesforce to maintain and develop good dealer relations. These entertainment allowances are generally very liberal and go a long way in providing the sales officer with the additional incentive or indirect benefits which he expects. A direct reward system is replaced by such an indirect system to keep the sales officer motivated.

A 6-month performance evaluation exercise is carried out to aid in promotion as well as streamlining of salesforce. The parameters used are allotted a total of 1000 marks which are allotted to :

- Target achievement
- Utilisation of material
- Personality
- Merchandising
- Dealer relations
- Integrity
- Loyalty
- Rapport with Top Management

Target achievement is allotted a maximum of 250 marks followed by the last three parameters which are subjective in nature. Thus both personal relations as well as expertise in selling are considered important by the company.

From this case study we can see that the company being in a sellers market as of today can afford to have a less complicated compensation structure with no direct incentive system. The salesforce is motivated by providing them with a good life style through entertainment allowances as well as treating them as a part of the Videocon family, The human relations



Form the basis of motivation rather than just comprehension in terms of money in this company.

Activity 3

Critically evaluate the composition scheme adopted by videocon .Is a change required or is the present system adequate?

.....
.....
.....

11.5 FACTORS INFLUENCING DESIGN OF COMPENSATION SCHEMES

Although the basic structure of a compensation plan may be similar across the companies, some factors do predominantly shape the structure of the company's compensation plan.

i) The Relation with product life Cycle

The amount of selling effort is directly related with the stage at which a product is in its life cycle. The compensation structure is a function of selling effort. So, in effect, the compensation structure is an indirect function of the selling effort.

When the product is in the introductory stage the company needs a dynamic salesforce which can establish the product in the desired market. The salesforce must be enterprising, willing to travel, take criticism easily, have a good knowledge of the product, have good communication skills and last but not the least, have tremendous stamina to work. To keep such a salesforce motivated, adequate compensation is the basic need. So, in the introductory stage of a product, the direct salary may be on a higher side but indirect benefits may not be introduced at this point.

In the growth stage, the motivation of the salesforce has to be sustained to exploit all the opportunities available in the market. They have to approach the market with renewed vigour. At this point indirect compensation schemes which are incentive linked play an important role. Incentives linked with achieving targeted quotas; giving adequate feedback on market and competitor activities will keep the salesforce happy and the same time help the product in its growth.

When the product has firmly established itself, the salesforce also needs a break from the monotony Other indirect benefits like training programmes in good environmental locales ; foreign trips for training and understanding markets; promotions to much responsible positions are the requirements at this stage. These programmes not only enhance their knowledge but lend a new direction of looking at things.

With the break in monotony, certain problems with the product which may have started emerging get due consideration. Schemes for sales promotion and dealer promotion which are inevitable at this stage can be designed with a fresh outlook. The basic increase in salary and incentives, however, are made as per schedule.

When the product is in the decline stage some fresh incentive schemes may be introduced in the compensation scheme to generate fresh interest in the product. The number of people involved with the product has also to increase marginally. The existing product managers who may be concentrating on a more successful product at this stage would require added incentives to revive the declining sales of the product concerned.

You are already familiar with the PLC curve. Incorporating the discussions we have had above a PLC curve in relation to changes in compensation over time would look like Fig. 5.1

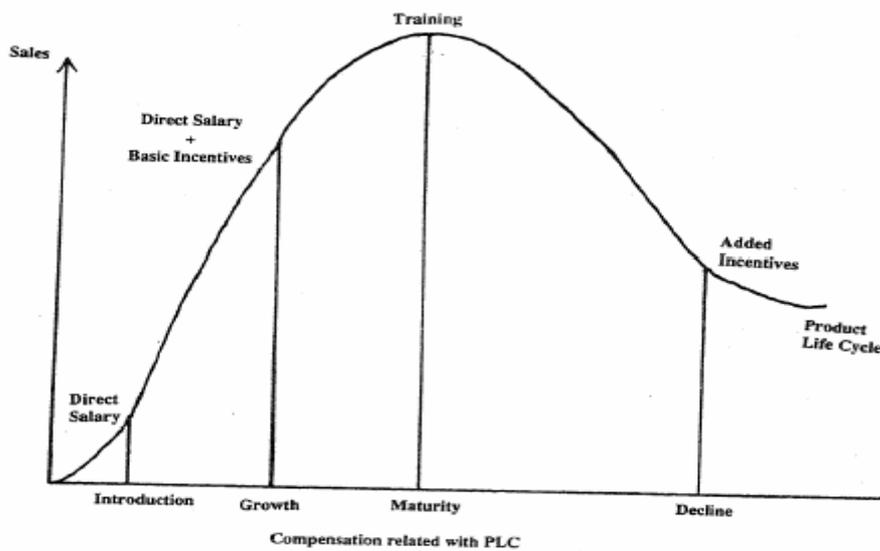


Fig. 5.1 : Compensation during stages of product life cycle

ii) **Compensation Related with Demographic Characteristic**

You might be slightly surprised to know that in practical situations the compensation package preferred by the salespeople depends upon their demographic characteristics also. Their age and size of family or number of dependents play an important part in the preference for a basic salary and/or incentives. However, this cannot be generalised and depends largely on the individual. The table below classifies the preference according to demographic data.

	Salesman	Preferred Job	Preferred Compensation Style
Age	Family size		
20-28	Bachelor	High risk High reward Aggressive Company	Straight Commission or Incentive
28-35	Married with one-two young children	Established company stability	Intensive plan Basic + Incentive—preferably with higher basic component
35 & above	Married with growing up children	Stability and steady job	Preferably straight salary basis

Source: Marketing in India by S. Neelamegham.

iii) Role of selling in Marketing strategy of the company.

iv) Competitor's practices.

Activity 4

A multi-product company is introducing a new product in a new market. Its existing sales-force is managing the existing products which are in various stages of the PAC. What are the alternatives available to the company with respect to the salesforce for the new product? Given the salesforce what are the compensation scheme alternatives available ? In the light of the factors discussed above, list all possible alternatives.

.....

.....

.....



11.6 CRITERIA FOR DESIGNING A COMPENSATION PACKAGE

We can now set a few important criteria which must be kept in mind while designing a salesforce compensation package. These are primarily:

- i) The budget set for the compensation of salesforce;
- ii) A proper study of job requirements is the second step followed by a concise job description;
- iii) Defining the organisational hierarchy of the salesforce the role and function of each responsible person in the structure;
- iv) The current trend in the competitors selling similar products in the similar markets;
- v) The company's policy of motivating salespeople whether through an in-built incentive system or through provision of indirect benefits like entertainment allowance/liberal travelling allowances, other out of pocket expense reimbursements;
- vi) Formal and compulsory training programmes for all sales personnel to make them feel a part of the company as well as to develop their skill and provide them with the necessary break from the monotony of daily routine sales reports;
- vii) Human resource development programmes to create a feeling attachment towards the task at hand and imbibe the culture of the organisation.

The present day trends lay greater emphasis on the last two mentioned considerations along with a direct compensation programme inclusive of direct salary. With selling having become more and more difficult a satisfactory compensation package is a must to avoid high turnover within the salesforce.

11.7 MOTIVATION OF SALESFORCE

Motivation is generally regarded as the process of getting people to work towards the achievement of an objective. Ideally it should go beyond the achievement of company objective, plans forecast or targets and help the company win commitment of salesforce to the company.

Salesforce is primarily responsible for achieving the sales targets and as already mentioned the salesforce cannot be controlled, administered in the way factory workers or office staff can be monitored. The salesforce is required to be self starters, highly ambitious, result oriented and go-getters. All the sales situations cannot be predicted and preplanned in view of the dynamics of the market place.

Effective selling, therefore, requires creative skills. Thus, the salesforce has to be kept highly motivated and committed both externally as well as internally.

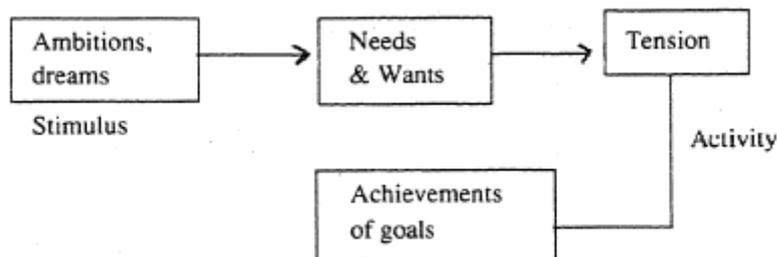
Attracting and maintaining a well motivated salesforce is a challenging task. The confidence and motivation of a salesperson get worn out by the inevitable rejections he suffers from customers as part of his everyday activities. In some situations such as selling office automation products (Electronic typewriters, Computers, Xerox machines), consumer durable (television, refrigerators, scooters etc.) rejections may greatly outnumber successes. Thus motivation of salesperson poses a major challenge to the management. The challenge of motivation is magnified by the fact that the salesperson and supervisor are normally geographically separated, as a result the salesperson may feel isolated and even neglected. He is prone to frustration of success and failure coupled with extra working hours. He requires extensive travelling, many days of separation from family and with sense of risk involved in travelling. Above all he has to live in the environment of competitiveness with his own colleagues to meet his targets. In market situation characterised by keen competition he is constantly exposed to the offerings of the competing manufacturers - in terms of their sales compensations packages, working conditions, etc.

All these peculiar conditions, therefore, require an understanding of the motivational needs of salesperson by the management.



11.0 MOTIVATION AND NEEDS

While studying motivational theory, behaviour research studies have revealed that motivation can be created if needs can be studied, evaluated and predicted and fulfilled. We know that various types of needs arise out of ambitions/dreams and all needs create tensions leading to that extra bit of effort and activity which help fulfil these needs and achieve the goals. Hence to study the motivational pattern of salespersons/sales executive we need to study the process of creating ambitions, leading to arousal of needs and hence to that extra activity.



Every salesperson has different types of needs, goals, and problems of his life and the leader i.e. sales executive has to understand these needs of each individuals salesperson of his team before applying the principles of motivations.

According to A.H. Maslow needs can be classified into five categories.

- 1). **Physiological Needs** Food, clothing, shelter are primary needs which are ordinarily satisfied.
- 2). **Safety Needs** Protection ITOM threat, danger and deprivation etc.
- 3). **Social Needs** Need to feel that everyone belongs to a relationship, to feel as being accepted as part of the society.
- 4). **Ego Needs** Needs which satisfy the enhancing of self-image, self-esteem, self-respect and achievement. Salespersons in general has high level of ego needs.
- 5). **Self-Actualisation Needs** These are the desires of self-development, self-fulfilment and self-growth.

As you all know that level of the needs and understanding of the sales personnel do not remain stationary. As the sales personnel grows in life, in age and career, his needs shift and to keep the motivational level high, the supervisors and sales manager must be able to foresee such changing needs and desires and must manage for these needs.

11.9 SALE PERSONS A MOTIVATIONAL TECHNIQUE

The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a salesperson's job.

The non-financial incentives, thus, become an important component of the motivation mix of a company. These are especially relevant as Dawson has pointed, "business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management."

Two Surveys

A study was conducted to analyse the factors which motivate salesperson employed in the pharmaceutical industry in India and to examine the extent to which they perceive their need -fulfilment their job. More specifically its objectives were to find out



- a) The kind of needs of salesmen which according to them must be fulfilled as per their jobs and relative importance.
- b) Salesmen's perception of their need fulfilment, and deficiency.
- c) How the level of motivation of the salesforce could be improved.

The study is based on a sample of salesmen taken from 30 pharmaceutical companies registered with DGTD, India. In order to measure the extent of motivation, a list of need factors that a salesman was expected to satisfy through his job were selected. The results of the investigation are summarised in the tables given below.

Table 1 : Average Scores for the Motivational Perceptions of the Salesmen

(Sample Size = 116)

S. No. Need Factors	Medium Score for the			Importance of the Needs	
	Need Fulfilment	Need Expectation	Need Deficiency	Average	Rank
1) Job Security	5	7	2	2.98	1
2) Financial Earning	4	7	2	3.45	2
3) Relations with Fellow Salesmen	6	7	1	8.51	10
4) Confidence of Supervisors	6	7	1	6.49	7
5) Prestige of Salesmen's Position	6	7	1	7.31	8
6) Recognition for Good Work	5	7	2	4.0	3
7) Control over Means of Accomplishment	4	7	2	7.74	9
8) Supporting Help from Superiors	5	6	1	9.31	11
9) Feeling of Self-esteem	4	7	3	5.77	6
10) Prospects for Promotion	3	6	3	4.88	4
11) Opportunities for Personal Growth and Development	4	7	3	5.20	5
Average Across All Needs	5	7	2		

Source : Marketing in India : Cases and Readings by S. Neelamegham

Table 2 : Level of 'Need Fulfilment', ' Need Deficiency' and 'Need-Importance' of the Salesmen

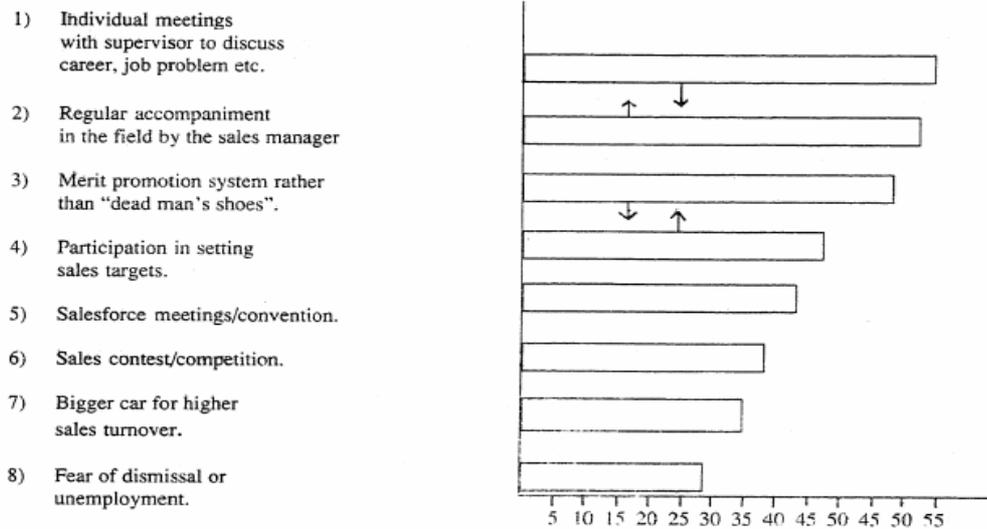
(Samples Size = 114)

S. No. Need Factors	The Level of Need Fulfilment	Need Satisfaction	Importance of the Needs
1) Job Security	Medium	Medium	High
2) Financial Earnings	Medium	Medium	High
3) Relations with Fellow Salesmen	High	High	Low
4) Confidence of Supervisors	High	High	Medium
5) Prestige of Salesmen's Position	High	High	Low
6) Recognition for Good Work	Medium	Medium	High
7) Control over Means of Accomplishment	Medium	Medium	Low
8) Supporting help from Supervisors	Medium	High	Low
9) Feeling of Self-esteem	Medium	Low	Medium

S. No.	Need Factors	The Level of Need Fulfilment	Need Satisfaction	Importance of the Needs
10)	Prospects for Promotion	Low	Low	High
11)	Opportunities for Personal Growth and Development	Medium	Low	Medium

Source : Marketing in India : Cases and Readings by S. Neelamegham.

Institute of Marketing (PA Consultant, 1979) conducted a study into the salesforce motivational practice by asking the sales managers to rank eight factors excluding financial benefits (i.e. salary, bonus, commission) which could be effective in motivating their sales-force to improve upon their usual performance.



The findings of the study showed that individual meetings between sales manager and salesmen were thought to be the most effective of the eight factors taken. Sales contest and competitions were ranked only sixth in importance, although a more detailed analysis of questions revealed that this form of motivation was ranked first among the consumer goods companies replying to the questionnaire.

Some of the unconventional factors that make a special mark on salesforce motivation are discussed below.

1) Meeting between Manager and Salesforce

These are highly regarded by sales managers in the motivation of their sales teams.

This provides opportunity to managers to meet their salesforce in the field, at head office and at the sales meetings/conventions. This provides a number of opportunities for improving motivation.

These meetings allow the sales manager to understand the personality, needs and problems of each salesperson. The manager can then better understand the causes of demotivation/frustration in individual salesperson and respond in a manner which takes into account the needs, problems and personality of the salesperson. Sales techniques can be improved and confidence boosted. According to Likert, when the sales manager encourages an "open" style of management, salesmen are encouraged to discuss their problems and opportunities so that the entire sales team benefits from the experience of each salesman. This results to a greater sense of group loyalty and improved performance. The success of the marketing learn can be easily attributed to the open door policy adopted by companies in India. As one manager put it, "I know all my team of 166 sales representatives personally, by name and make it a point to keep in touch with all of them. They can walk in any time with their problems and they have got the confidence that most of their problems will be handled to their satisfaction."



2) **Clarity of Job**

Clarity of job and what is expected from the salesperson is a great motivator. The objectives when duly quantified and well defined properly connected and linked with the reward and recognition serve as source of motivation to the salesperson.

3) **Sales Targets or Quotas**

If a sales target or quota is to be effective in motivating a salesperson, it must be regarded as fair and attainable and yet offer a challenge to him. Because the salesperson should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salesmen's quotas must be altered in a manner consistent with this objective.

Variations around this average figure will arise through the sales managers knowledge of individual salesperson and changes in commercial activity within each territory; for example, the liquidation of a key customer in a territory may be reflected in a reduced quota. Quotas can be set on Rupees sales, unit volume, margin, selling effort or activity and product type. The attainment of a sales target or quota usually results in some form of financial benefit to the salesperson.

4) **Sales Contest**

The sales contest is an important tool to motivate salesperson. The purpose of the sales contest varies widely. It may encourage a higher level of sales in general, to increase the sales of a slow-moving product or to reward the generation of new customers. It provides an incentive to show better performance and secure more satisfactory results. However, sales contest have a few disadvantages, one such disadvantage is that it can encourage cheating. For example, in one company which used a sales contest to promote sales at a series of promotional events around country with its dealers salesperson "stored up" orders achieved prior to the events in order to increase the apparent number of orders taken at the events. Also, contests, by pitching salesperson against salesperson, militate against the spirit of mutual help and cooperation which can improve salesforce performance.

5) **Sales Conventions and Conferences**

These are the devices of group motivation. They provide opportunities for salesperson to participate, gain social satisfaction and express their views on matters directly affecting their work. They promote team work, dissolve social barriers, inspire and raise salesperson's morale. Most of the companies in India are now-a-days adopting this method to motivate their salesforce.

6) **Positive Affect**

The positive affect method is also an important techniques for motivating the salesforce to their best.

The proper application of praise, positive feedback, and human warmth and understanding can impel others to perform up to their capabilities. This must be done in a genuine way and not be perceived as overtly-self serving.

Another form of motivation through positive affect occurs via small group and peer relations. Friendship, support and comradeship frequently serve as vehicles for creating positive feeling towards the company and job.

7) **Leadership Style of the Manager**

Leadership style of the manager plays an important role in motivating the salesperson. Inspirational leadership, which refers to influence through referrent power, identification or charismatic charm is an important tool in the motivational strategy of the management. It infuses the images and expectations for extremes of effort, sacrifice, achievement and in general "the right stuff". It is practiced through the use of professional speakers special audio tapes and video tapes designed to arouse and stimulate salesperson. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivates salesperson to perform at their best.

8) **Freedom to Work**

In order to perform the onerous duties and responsibilities, the salesperson must be given a reasonable amount of freedom and discretion in performing their job.

Likert in



his studies has mentioned that lack of enough discretion has a negative impact on employees job satisfaction. Discretion and freedom may be accomplished by allowing salesperson to develop their own call patterns, more control over the types of promotional packages that are offered to their customers etc.

Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of salesperson more important in the organisation.

9) Reward and Recognition

Although sales quotas, sales contests, conventions and conferences have positive carry over effects, these are short lived techniques of motivating salesmen. On the other hand reward and recognition on salesperson accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to salesperson include conferment upon the title of "salesman of the month/ year." Congratulation telegrams from members of top management, sales trophies, offering membership of social clubs, mention in company newsletter, certificate etc. Recognition and honour satisfy salesperson's need for self-esteem and self-respect. These are like status pay - a public acknowledgement of the value that management places upon an individual.

10) Persuasion

One of the more common and recommended forms for inducing high levels of to convince salesperson that it is in their own best interests to act in a preferred way. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will. This leads to higher levels of self direction than reward or coercive modes of influence where one perceives he or she acts more as a function or external compulsion than internal volition.

Financial Incentives

Now we come to the financial aspects of the motivational technique.

Financial incentives are definitely a motivating factor, but it varies at the hierarchical level of the salesperson. The need is great at lower end of the salesperson. It not only keeps sales-person on the company rolls but also motivates them to contribute to the growth of the company and thereby get grown individually. It is also important managerial tool to control and direct salesforce to attain the sales objectives.

A poorly developed or administered financial plan may invite unions to organise salesforce as happened in some of the pharmaceutical companies in India.

Therefore in the management and motivation of salesforce, a fairly reasonable financial incentive plan plays a very important role and "a salesforce cannot be considered soundly managed unless there is a well developed and well administered compensation plan".

We shall not concentrate more on the financial aspects of the motivational strategy because salient features of the plan has already been discussed in MS-6 dock 6.

Activity 5

A chart of some basic motivational needs is drawn here. Make a team of your friends or colleagues and attempt a rating on the scale to identify the stronger needs within each individual in the team. The rating scale 1-8 gives the weightage points in ascending order, 8 being the highest rating.

Motivational Need Audit

	Rating								Notes
	1	2	3	4	5	6	7	8	
Survival Need for income to meet more than minimum requirements.									
Health Physical and mental well being of self and family.									
Security Need for stability of income, employment, homelife and environment.									



	1	2	Rating					8	Notes
			3	4	5	6	7		
Acceptance Need for acceptance by family, friends, peer groups, colleagues, supervisors.									
Respect Need to receive or show respect in home, social or work environment.									
Dependence Need for support and supervision.									
Consolidation Satisfaction with present role/status.									
Activity Need for physical and/or intellectual activity beyond minimum job inputs.									
Recognition Preference for public recognition rather than obscurity.									
Responsibility Need to have and seek responsibility rather than avoid it.									
Status Need for a feeling of self worth or recognition of status.									
Power Need for power through position or knowledge.									

Source : Sales Management, The Complete Marketers Guide by Chris Noonan.

11.10 SUMMARY

In this lesson we have studied the various dimensions a compensation scheme for a sales-force can assume. Both direct and indirect compensation play a vital role. However, indirect compensation is assuming greater importance, of late. Factors like the PLC, demographic characters of the salesforce; sales strategy, competitors practices, company policy on motivation and retention; budgeted amount for compensation etc. A case study on Videocon Appliances, a growing consumer durable company, indicates the strategy adopted in the introductory stage. We can say in the conclusion that maintenance of salesforce through adequate compensation schemes is imperative for the growth of any company. A salesforce compensation plan should be simple enough for every salesperson to understand and fair enough for every salesperson to remain motivated.

Motivation of salesmen which forms the other aspect of this chapter is among the most important responsibilities of salesmen. It is not something a manager adds after the organisation has been set-up and is in operation. It involves basic relationship that are built into the organisational structure.

Behavioural scientists have classified motivational needs. According to them each individual is a different entity and hence to understand what would motivate the salesperson, individually the nature, character and needs of individual have to be understood. Within the available resources of the organisation and the limitations these have to be fulfilled to achieve the results with high productivity. The sales manager/supervisor plays an important role in motivating his salesforce as he interacts most with his salesforce and can understand empathise closely with the salespersonnel. His role as a primary source of understanding his team and motivating his team is of great importance. In order to be a good motivator, he has to be a capable leader with the leadership style suiting the particular environment and conditions.



11.11 KEY WORDS

Bonus: A payment made at the discretion of management for a particular achievement.

Combination plans: A compensation plan that uses salary, commission and/or bonus.

Commission: A payment based on performance.

Financial incentives: Direct monetary payment such as salaries and wages.

Fringe benefit: Indirect rewards such as paid vacations, pension plans, medical reimbursement and insurance payments.

Motivation : The how-to aspect of getting salespeople to do their jobs well.

Non-financial incentives : Incentive techniques used for specific, special efforts situation. Sales convention and meetings, sales contests honours and awards, special privileges and favourable communication are the major forms of non-financial incentives.

Varied commission plan: A compensation plan where higher commissions are given for selling products with high profitability and lower commissions for products with smaller profitability.

11.12 SELF-ASSESSMENT QUESTIONS

- 1). Why is it necessary to have an adequate compensation package for the company sales-force?
- 2). How does the compensation package differ between the companies selling different types of products ?
- 3). What are the basic components of a compensation package?
- 4). Describe your views on training programmes as an indirect incentive to salesmen?
- 5). How do factors like PLC and demographic characteristics influence the compensator scheme offered?
- 6). What are the factors affecting motivational needs of salesmen?
- 7). Comment upon the non-financial incentives given to salesmen?

11.13 FURTHER READINGS

S. Neelamegham, *Marketing in India, Cases and Readings* Vikas Publishing House Pvt. Ltd.

Richard R. Still, A.P. Govai, Edward W. Cundiff, 1988. *Sales Management, Decisions Strategies and Cases*, Prentice Hall of India Pvt. Ltd.: New Delhi.

Philip Kotler, 1988. *Marketing Management, Analysis, Planning, Implementation, and Control*. Prentice Hall of India Pvt. Ltd.: New Delhi.