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# UNIT 14 SALES ORGANISATION

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## Objectives

After reading this unit you should be able to:

- explain the need for a sales organisation
- describe the process of designing a sales organisation
- differentiate between the basic types of sales organisation b explain the process of development of territories
- describe the various kinds of specialisations in field sales force
- comment upon the role of sales executive in an organisation

## Structure

- 14.1 Introduction
- 14.2 Need for Sales Organisation
- 14.3 Developing a Sales Organisation
- 14.4 Centralisation vs. Decentralisation in Sales Organisation
- 14.5 Basic Types of Organisational Structure
- 14.6 Developing Territories
- 14.7 Field Sales Organisation
- 14.8 Specialisation in a Field Sales Organisation
- 14.9 Role of the Sales Executive
- 14.10 Summary
- 14.11 Key Words
- 14.12 Self-Assessment Questions
- 14.13 Further Readings

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## 14.1 INTRODUCTION

Once the sales plan has been formulated, the next logical step is to organise a sales force to achieve the enterprise objectives. Decisions must be made as to the type of sales tasks required to be performed and as to how the sales people should be grouped together to ensure effectiveness and efficiency. The scope of their sales responsibility, line authority and accountability must be defined so that the sales activities can be well coordinated. In this unit we shall discuss the basic types of organisational structures and territorial designs that are used to define work relationships between sales personnel and their superiors.

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## 14.2 NEED FOR SALES ORGANISATION

Through your exposure to MS-6, and the previous units of this block, you know that it is the sales organisation which bridges the gap between the market and the productive capacity of the firm. As the market changes, the sales function accommodates through adjusting its organisation and manner of operation. Shifts in size of market operation, market trends, competitive position and other environmental factors may necessitate changes in existing sales organisations. An effective sales organisation usually provides for growth and adaptability to such changes.

You can compare the role of an organisation to that of the skeleton in the human body-it provides a framework within which normal functions can take place. However while the skeletal system is uniform for all human, sales organisations vary widely over firms. This is because every enterprise has its own objectives and resources, and corporate plans to achieve those objectives. The structure of the sales organisation reflect this diversity. Apart from providing a basic structure to facilitate working, sales organisation has the following basic purposes.



**a) Defines lines of authority**

Any sound sales organisation defines the relationships between people in the organisation in terms of authority responsibility and accountability. It is important to define and identify the flow of authority, indicate where responsibility lies, specify who is to be held accountable and to whom. You are already familiar with the concept of line and staff authority. The organisation of the sales department should enable the sales personnel to identify whether their authority is line, staff or functional.

**b) Ensures that all necessary activities are assigned and -formed**

The process of organising presupposes identification of necessary activities which have to be performed to achieve the sales objectives. As companies grow, the tasks and performed within the organisation also multiply. One of the basic purposes of the sales organisation is to ensure that all necessary activities are specifically assigned to personnel, and that procedures are devised to supervise the performance of all these activities.

**c) Establishes lines of communication**

In the earlier days, because of relative simplicity of the organisation structure and the smaller size of the organisation in most cases, lines of communication were synonymous with lines of authority. Today, with growing complexity in business, access to much greater volume of information; increasing emphasis on staff assistance, the lines of communication may be more flexible and varied. The flow of information may be both horizontal and vertical. The organisation structure becomes a good aid in identifying the sources of information and recipients of data, and may also tell as who is responsible for generation of information.

**d) Provides for coordination and balance**

By clearly delineating formal relation between different positions in the sales department; the sales organisation reduces confusion about the individuals role and responsibility. Since you will have to identify the types of activities to be performed, group them together and make specific persons responsible for the various jobs, while organising your sales department, you will be able to generate information that is basic to function of coordination. The answers to the questions, who is responsible for what and when, provide vital inputs in developing the coordination programmes for sales effort.

**e) Provides insight into avenues of advancement**

The personnel *in* the sales department look at the organisational structures as one of the indications of the direction in which their future careers may grow. A good use of the organisatidn chart may be made by the management, in communicating to the subordinates, the possible avenues of advancement. As the organisation grows, or as the personnel become more experienced in their present assignments, you may sometimes feel the necessity of moving personnel horizontally or even giving lower level sales employees a vertical jump *in the* organisation depending upon their merit. The fact however remains that the organisation chart depicts the normal promotion route to the subordinates.

**f) Economises on executive time**

As operations and activities in the sales department increase in number and complexity, delegation of authority becomes imperative. A sound organisation design allows effective use of specialisation so that executives may spend less time in operations and more on planning. In growing organisations, the need for effective coordination often results in limiting the number of subordinates who report directly to a certain executive. This span of control, however may vary widely *over* organisation depending upon the management orientation towards delegation, superiors abilities of coordination, qualities of the subordinates etc. Improvements in the efficiency and reliability of communication systems also encourage wider spans of control. One of the main purposes of all delegation is achieving economies in the use of executive time.

**Activity 1**

Study any two sales organisations, including the one you work for. Try to evaluate how the organisation structure has helped in



a) Developing specialisation

b) Achieving coordination

c) Achieving better communication

### 14.3 DEVELOPING - A SALES ORGANISATION

Sales organisations develop in response to market and company requirements. Primary to the development of a sales organisation is the identification of the expectations that the top management has in respect of the sales function and the place, of the sales department in the total organisational structure. Figure 1 gives a step by step process of developing a sales organisation. The objectives of the sales organisation need to be defined in the light of the corporate objectives and may be both quantitative and qualitative. The step that follows is the identification of the necessary activities that need to be performed if these quantitative and qualitative objectives are to be achieved. The analysis of the type and volume of activities needed to be performed will lead you to an assessment -of how many executive and operating positions would be required, and how would these positions relate to each other. Though the general sales activities to be performed may be similar in most companies, the relative volume and the emphasis that a firm may put on a group of activities will differ. A good key therefore would be to move backwards from the objectives statement and identify necessary activities.

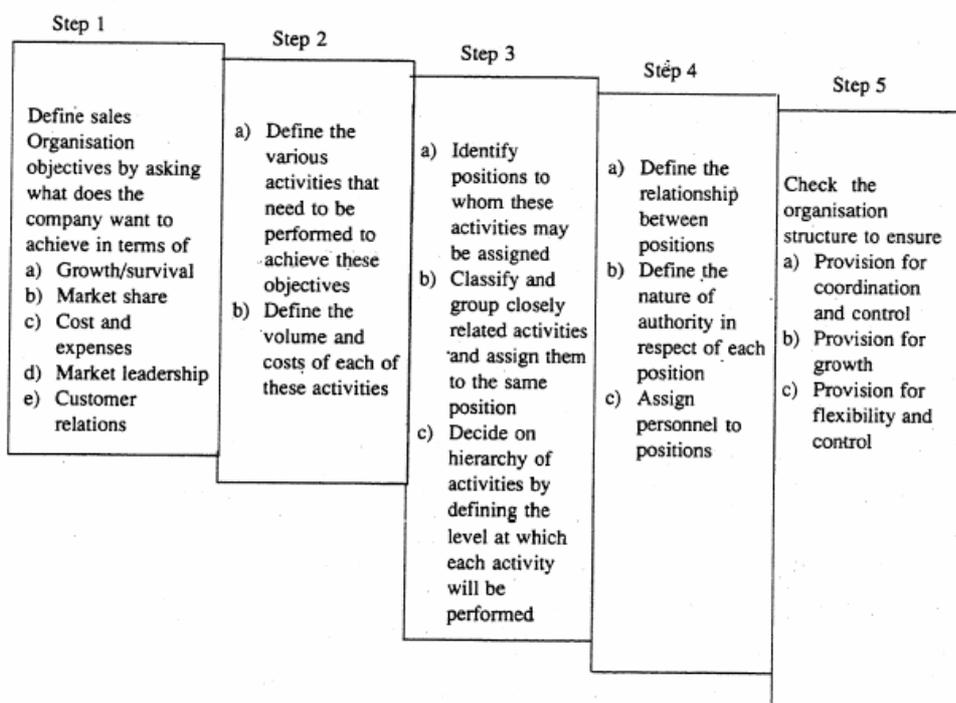


Fig. 1 : Process of developing a Sales Organisation



Next, you must define the positional levels at which these activities will be performed. Similar activities and tasks will have to be grouped together and assigned the positions, such that each position has adequate tasks to perform which are also varied enough to provide challenge and motivation. The number of the different classes of activities assigned to a single position would depend upon the degree of specialisation associated with each position. The place of an activity in the hierarchy would depend upon the relative importance of that activity for the sales department, for example, in an organisation trying to sell a new product through middlemen, dealer relations becomes a crucial activity and has to be assigned to positions- higher up in the sales organisation

Once the different positions and the activities associated with them have been decided upon, these positions have to be assigned to personnel. An interesting dimension in sales organisation exercises has been whether to build positions around individuals, to take advantage of the special capabilities of a particular individual or to recruit individuals specifically to fill in the identified positions. The practice in the industry has been ambivalent. Usually the job requirements are general enough and allow the possibility of many individuals having the requisite qualifications. On the other hand, the organisation may have, or come across an individual with such unique sales related qualities that it might be considered profitable to modify the job requirements to suit him or even create a position specifically for such an individual. Notwithstanding this, people charged with the planning of organisations prefer to let individuals adapt to, or acquire skills for particular position rather than building positions around individuals.

A decision that has to be taken along with the identification of positions, is that of the relationship between these positions in the organisation - how many individuals would a person have reporting to him, who shall be accountable to whom, which positions in the structure would have the authority to command and which shall only advise and guide. In other words, the delegation of authority, span of control and the lines of authority, both line and staff have to be decided upon. The span of control has direct bearing on the coordination responsibility of the higher level executives and care should be taken that it is not too wide to tax the capabilities of top management and lead to weaker coordination of subordinate activities.

Sales organisations have to be responsive to changing market trends, growth in both products and markets as well as to competitive requirements. While designing a sales organisation therefore a key consideration is the provision of flexibility, effective coordination procedures and defined lines of communication.

### Activity 2

Assume that you are a manufacturer of a new food product which is yet to get a foothold in the market. The food is a vital diet. supplement, with no direct competitors in the market. In trying to develop your sales organisation how would you,

- a) define the sales organisation objectives

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- b) identify the sales activities

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- c) decide the various positions

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## 14.4 CENTRALISATION VS. DECENTRALISATION IN SALES ORGANISATION

One of the key decisions in sales management is related to the degree of centralisation or decentralisation of the various sales functions. In centralised systems recruitment, training compensation and evaluation are all managed from the central headquarters; while in a decentralised system the field sales managers take up most or all of these functions. In organisations involving the use of a field sales force some decentralization would obviously result, though the extent of it tends to vary across firms. The degree of centralisation or decentralisation in sales organisation may depend on size of operation, costs, effectiveness and competitive necessity.

When firms are small and have only a few sales people, operating from the corporate office may be more efficient and effective. As the size of the operations increases, a system of branch offices gradually emerges, to allow sales people to be more responsive to local consumer needs. Travel and other expenses go down.

Decentralisation of operations in this case provides for greater freedom to the field sales managers allowing them to display initiative and managerial skill.

Most medium sized and large firms combine the advantages of both centralised and decentralised operations. Decentralised sales offices are utilized to ensure better customer service while training and part of recruitment function are centralised.

Managerial philosophy towards control and delegation is also an important variable affecting the extent of decentralisation of activities in sales organisation.

A recent development, which has affected the centralisation/decentralisation choice is the increased use of computers to process and handle sales data. As computers can process vast amounts of sales information at lower costs and much more speedily, the trend towards computerisation has encouraged centralised decision making.

## 14.5 BASIC TYPES OF ORGANISATIONAL STRUCTURE

You are familiar with the concept of line, staff and functional authority through your exposure to MS-1 and MS-6. Among the designs of sales organisations that prevail in Indian industry, line and staff are more common forms, while functional organisation is relatively rare.

No two firms would have identical sales organisation as their needs and expectations, markets and products, company size and marketing channels differ from each other.

The line sales organisation is the most basic forms of sales organisation, characterised by a chain of command running from the top sales executive down to the level of the salesman. All executives have line authority over their subordinates who in turn are accountable only to their immediate superior. Since lines of authority run vertically in this structure, executives at each level are generally independent of all others at the same level. Through assignment of quotas or sales targets, responsibilities are usually, clearly delineated. Figure 2 gives the sales organisation of liquor division of Jagatjit Industries Ltd., designed as a line sales organisation.

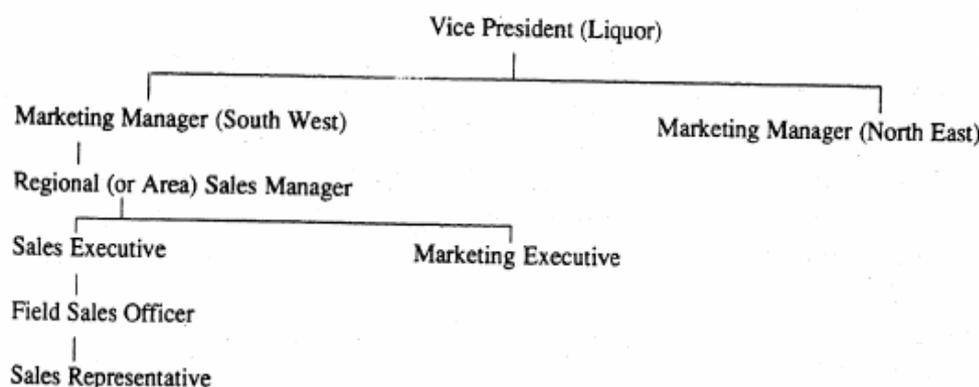


Fig.2 : Line Sales Organisation



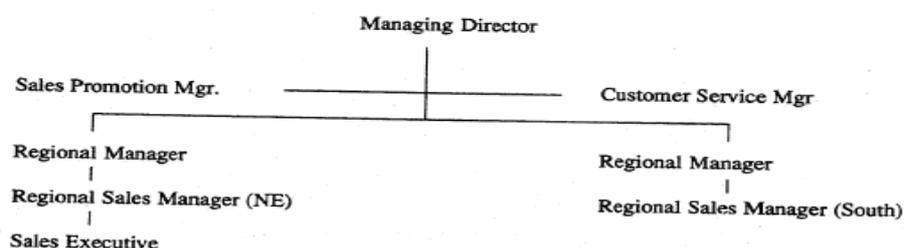
The liquor division is headed by the Vice President Marketing, who has two Marketing Managers looking after the South West region and North East region, reporting to him. The marketing manager has a line authority over a number of Regional and Area managers who in turn control a field staff of sales executive, field sales officer and sales representatives, each level connected to the subordinate level by scalar lines of command.

Line organisation is extensively used in smaller firms or those dealing in a narrow product line, or selling in a limited geographic area.

The line organisation places great demands on the time and abilities of the top sales executive. You can realise that with all field reporting finally coming to him through his subordinate/area sales manager, most of his time would be taken up by the task of sales supervision and direction leaving him with little time for planning and policy making. As the, line organisation has no subordinate specialists, the top sales executive needs to be a person with outstanding ability and all round knowledge of every facet of the sales function. Since operational details of managing the sales department take up a large part of the line executive's time, he is at times forced to take decisions without benefit of adequate planning.

Line organisation also becomes inappropriate in case of rapidly growing organisations or those with large sales staffs, as growing departments necessitate additional layers of executives to be added. Increase in vertical levels is often accompanied by distortion directions and reduced efficiency of communication, resulting in poorer results.

**Line and Staff** organisations usually result as the size of the operations grows. It is characteristically found in medium and large firms with sizeable sales staff selling diversified product lines. The line and staff department is differentiated by the presence to staff specialists or staff assistants to advise and assist the top sales executive. These specialists are experts in their own fields which could be sales training, service, sales analysis and planning, dealer relations, sales promotion, sales personnel development and so on. While staff executives and assistants do not have the line authority to command, they advise the line executives through recommendations and provide the benefit of specialisation in the organisation. The inclusion of the staff component frees the line executive from the burden of detail. By delegating problem involving in depth study or detailed analysis to staff specialists, the time executive gets more time for policy making and planning. A pool of experts becomes available for providing advice and assistance in specialised fields. The activity of planning can also be subdivided and assigned to staff specialists. More information is also made available for better decision marketing. Figure 3 gives the sales organisation of Prentice Hall of India Ltd. which has both line and staff components.



**Fig. 3: Line and Staff Organisation**

The organisation is headed by the Managing Director who has, reporting to him line managers called Regional Managers and staff managers who look after the staff functions of customer service and sales promotion. The Customers Service Manager is basically incharge of feeding in information and facilitating procurement of international editions for the organisation. He advises the line managers on the suitability of the various international editions and keeps them informed about the developments in this field. The sales promotion manager performs the advisory function with respect to the sales promotion activities of the organisation and coordinates with the Regional Sales managers as to the promotional needs. The Regional managers are the line executives who are accountable for the operating results in their territories and control their own field staff of sales executives and salesmen.



The problem that arises with line and staff organisation is basically one of the coordination. The work of the staff specialists needs to be actively coordinated with the operations of the line department. and generally a lag develops, as reports and recommendations take time to compile.

Line and staff organisation also sometimes generate problems of interpersonal relations. The staff executives tend to overstep their advisory authority and try to assume and sometimes succeed in assuming the authority to issue orders and directions. This presents difficulties of dual subordination and may create confusion. The fact that staff specialists do not share direct responsibility for results is also resented by some line executives. Experience has shown that, to a large extent these problems can be minimised if all areas in which line and staff executives have to share authority and responsibility are specifically written down as components of the job description.

The **functional** sales organisation is aimed at utilizing the benefits of specialisation to its fullest extent, In the functional sales organisation, all sales personnel receive direction from, and are accountable to different executives, on different aspects of their work. Somewhat in contravention to the principle of unity of command, the functional organisational structure gives all executives, each a specialist in his own field, a direct authority to command and issue orders to his functional authority therefore, simply means that at any given time, a sales person could be under instruction from a number (depending upon the functional specialisations set up) of executives. The top sales executive has coordinating responsibilities in respect of the actions of functional heads e(as shown in the following figure each sales person is under direction of several executives) functional organisations have not been found to be a very appropriate structure for sales organisation. In larger firms where the size of the sales force is substantial, the degree



**Fig. 3 Functional Sales Organisation**

of centralisation necessitated by the functional organisational structure, renders the operation inefficient. Smaller and medium sized firms on the other hand find the system expensive because of the high degree of specialisation. Another weakness of the structure is that burden of coordinating the activities of highly diverse specialists is placed on a single individual. In case that individual is not capable enough in this regard, the whole structure is likely to become cumbersome and ineffective.

### Activity 3

Study the sales organisations of a few companies, including the one that you work for. Try to analyse the organisation structure in terms of whether it is line, line and staff or functional organisation. Do you think any changes In the present organisational structure of the sales departments in these companies would improve their effectiveness? What could these changes be?



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## 14.6 DEVELOPING TERRITORIES

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Designing sales organisation is incomplete till territories are formally defined, because a territory is a defined part of the company's sales potential from present accounts and prospective ones that can be specifically assigned to a sales person. These accounts and prospects may be grouped to form territories according to their geographic location, industry, product use, method of buying, or channel of distribution. As a result of territorisation, organisations can achieve better coverage because it permits better planning, proper coverage of potential markets, efficient call patterns, better customer service, clearer statement of responsibility and the opportunity to match representatives to accounts. Some services, such as insurance, stocks and mutual funds are sold on the basis of social and personal contacts and such firms prefer not to develop sales territories.

The companies which opt for territorial development, design territories on the basis of sales potential or sales representatives' workload. Though in practice territories may be established arbitrarily by assigning each person a few states or cities, most of the firms today develop their territories on rational bases to maximise market coverage and sales returns. The steps followed in developing territories are discussed below.

### **Determination of Basic Control Unit for Territorial Boundaries**

The first step in developing a territory is to select a geographical control unit to serve as a territorial base. Commonly used units are states, countries, cities, metropolitan areas, and trading areas. A typical territory may comprise several individual units. One person's territory may consist of one metropolitan area, another's may be of many districts. The unit should preferably be small because it aids the management in realizing one of the basic values of territories - the geographic pinpointing of potential. Further, the use of small control units makes it easier for management to adjust the territories.

If an organisation wants to add a little to one person's territory and reduce another's, a district unit facilitates the adjustment better than a state unit.

The political units (state, country, or city) particularly states are still used extensively as a basis for territorial boundaries. This is simply because of the availability of statewise market data. However, a marked change has occurred in their manner of use. Other market factors, such as customer buying habit and normal patterns of trade flow are also now considered in defining territories.

### **Deciding on Allocation criteria**

After the basic control unit has been determined, various allocation criteria may be employed by the sales manager in defining them into viable sales territories. These criteria may include basic factors like equality of opportunity, quantitative factors related to sales and potential or qualitative factors like the ability and preferences of the sales force. The idea of 'equality' in some measure appeals greatly to both sales managers and sales personnel, as it generates a sense of fair play. Further, approximately equal territories makes it easier for the sales executive to identify and reward outstanding performance.

Although equal opportunity territories are desirable, they are difficult to achieve in practice. A few firms deliberately create territories with varying workload and size, with the objective of keeping the smaller sized territories for sales trainees, a large number of middle sized territories for the experienced sales persons and a few large territories for the senior sales personnel.

There are two quantitative methods popularly used to design sales territories. One is based on the estimates of workload in the territories and the other on the estimates of sales potential. Using these methods, firms try to design territories which are either equal in workload or equal in terms of sales potential. Estimates of present rupee sales in a given area should not be used as a basis of defining territories as they do not furnish enough information on workloads and ignore potential.

### **Choosing a starting point**

The next step in designing a territory is to select a geographical location to serve as the organising point for the new territory. A common starting point is a large city; the sales person in an urban location has access to a large number of customers and needs less



transportation. Another alternative is to design the sales territory around the needs of Sales Organisation major clients, i.e. the location of the largest customer in an area might be selected as the house base for the sales person and other areas are then added to complete the territory.

### Combining of Adjacent Units

After the starting points have been selected, the next step is to begin combining basic control units to get viable sized territory. To do this effectively, the manager needs to keep getting the aggregate estimates of the allocation criteria for each new territory. If the number of customers per district is the criterion, the manager first combines the districts adjacent to each starting point and keeps a track of the total number of customers in each territory. Then he assigns districts in between different starting points to balance the number of customers across new territories. The process of assigning districts to starting points continues till all control units are assigned to individual sales people. After the initial allocation of control units to the starting points is completed, the sales manager then compares the territories in terms of other criteria. In our example, since the territories have been designed such that they should have equal number of customers, the manager would need to see how they compare in terms of size. If there is a marked imbalance, he would try to switch the border districts to improve initial allocation. Size, however is not the only criterion used. The new territories need to be balanced on several criteria i.e. number and dispersion of customers, sales potential, geographical and climatic conditions etc. You will read more about these aspects of territory management in Unit 9 of this course. The two quantitative methods of territory development, the build up method and the breakdown method have also been discussed in detail in Unit 9.

### Assigning Territories to Sales People

Having developed sales territories, management is in position to assign districts to individual sales people. One must keep in mind that in any given sales force, the sales people differ in their selling effectiveness. Representatives also vary in experience, age, physical condition, initiative and creativity. Still in assigning territories management aims at placing each sales person in the district where they will contribute the most to the company's profit over the long run.

This general principle however is not simple to follow in practice. There may be situations where territories of equal size or approximately equal workload may vary in potential. Conversely, if management has been able to design territories with equal potential, the members of its sales force may differ in their relative sales abilities.

Another situation may be where Management does not feel inclined to relocate sales personnel in order to prevent the disruption of established customer relationship. In still other cases certain personnel are not transferable but others can be freely relocated from one territory to another. This would mean that in certain cases the territories are redesigned to fit the ability levels of non-transferable personnel while in others sales persons are assigned to territories considered suitable to them. Coming back to the general rule however, the sales management will try to achieve optimum territorial arrangement which would result when the incremental sales per rupee of sales expenditure are equated for all territories.

Let us try to understand, through an illustration, how, in different situation, redesigning relocation may have implications for profit contribution.

**Consider Situation 1:** Where the sales potential of the territories is equal but the salesmen differ in their abilities

Territory	Sales potential	Salesmen to be assigned	Ability index	Expected* sales	Expected profit contribution (20% of sales)
1	Rs. 20,000	X	1.0	20,000	4000
2	Rs. 20,000	Y	0.7	14,000	2800
3	Rs. 20,000	Z	.65	13,000	2600
Total	Rs. 60,000			47,000	9400

\* Expected sales per territory are obtained by multiplying the sales potential with the ability index per sales person.

**Now consider Situation 2:** Where the management in order to improve profit contribution redesigns sales territories and allocation, so that, the sales potential of the



territories varies directly with the abilities of the sales personnel. The total potential still remains the same.

Territory	Sales potential	Sales person assigned	Ability index	Expected sales	Expected profit contribution (20% of sales)
A	25530	X	1.0	25530	5106
B	17870	Y	.7	12509	2501.8
C	16600	Z'	.65	10790	2158
Total	<u>60000</u>			<u>48829</u>	<u>9765.8</u>

We see that redesigning territories so that territory potentials are proportional to the abilities increases the profit contribution from Rs. 9,400 to Rs. 9765.80. We have made an assumption that the ability index of sales personnel remains the same regardless of the territory in which they operate, which may not be true. Sales personnel have different effectiveness in different territories depending upon their adjustment to the environmental conditions in the territories. In case the change, in effectiveness, with different relocations is appreciable, the management may find the relocation task considerably more complex, trying to arrive at an assignment pattern which would maximise total profit contribution. Linear programming and computer programming is then utilized to solve the assignment problem.

**Routing the Sales Force**

After management assigns territories, a formal pattern has to be established for sales representatives to follow as they go through their territories. This pattern is usually reflected on a map or list that shows the order in which each segment of territory is to be covered. It does not mean that routing is done only at some executive level, often firms ask its sales people to prepare their own route schedules as part of their job.

**Activity 4**

Analyse any two sales organisations which have developed sales territories and try to find out

- a) What *are* the basic control units and how were they determined?

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- b) How was the sales potential in these units estimated?

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- c) What method was used to determine basic territory?

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- d) How were territories assigned to sales personnel?

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## 14.7 FIELD SALES ORGANISATION

In most companies utilizing direct selling to retailers or consumers the development of a field sales organisation, sooner or later becomes a necessity. A field sales organisation consists of all sales personnel working away from the head office, and would include the travelling salesman, the sales supervisors, the branch and Area Managers as well as the support staff in these branch and area offices. The major purposes of setting up a field sales organisation are more adequate market coverage control of sales expenses. Better coordination with regional requirements, and in case of new products, more vigorous market cultivation.

## 14.8 SPECIALISATION IN A FIELD SALES ORGANISATION

The field sales forces are typically organised on the basis of geographic, customer or productwise specialisation, with many sales organisations combining customer and product specialisations with geographic territories.

**Geographic Specialisation :** The most common pattern of organising a sales force is by geographic territories where sales personnel are assigned to a specified geographic area, and will sell only to customers in that area. For example Figure 4 shows the field sales organisation of Food Specialities Limited, where the whole of the country has been divided into four areas and put in charge of Area Sales Managers. These areas representing North, South, West, and East regions are Delhi, Madras, Bombay and Calcutta. These major divisions are further divided into smaller geographical territories which are covered by Area Sales Officers. The area sales officers have in turn reporting to them area sales representatives who look after customers in the specific area assigned to them.

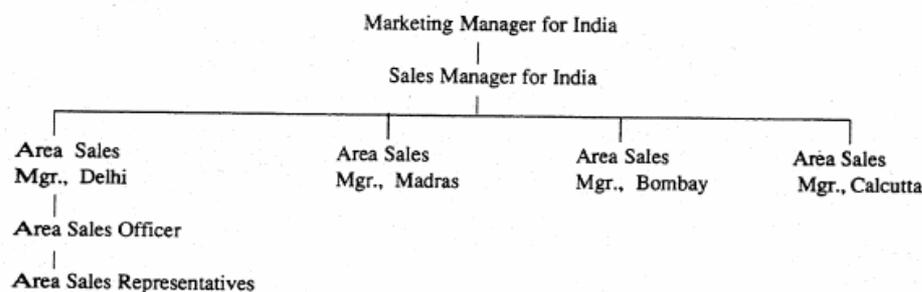


Fig. 4 : Geographic Specialisation of field sales organisation

A major advantage which characterises the geographic organisation is that the sales personnel usually have a smaller area of operation than in the other organisational schemes and over a period of time get to know their customers and markets intimately which can lead to intensive market cultivation. The organisation becomes more responsive to local needs. The geographic organisation is generally a flat rather than tall organisation and the shorter lines of communication make for greater effectiveness of supervision and control. Another advantage that follows is that travel time and expenses can be reduced if call patterns are properly devised. On the other hand, because of multiple offices being set up, administrative expenses and the burden of coordinating the sales activities of a widespread organisation become heavy. Geographic organisation is generally more effective when the product line is not too wide or consists of relatively simple, non-technical products.

The disadvantage with geographic specialisation is that the sales persons need to be responsible for the entire product line in their territory and they may not be equally knowledgeable about all products. Further within the territory, they may choose to concentrate on products and customers that are easy prospects.

**Product Specialisation :** Product specialisation is usually called for when the product line is large and diverse or when the products are technical enough to warrant specialised



applications knowledge, or when adequate technical knowledge an important determinant of successful selling. Product specialisation is generally combined with geographic territorisation at the higher levels, while at the level of the field operators, different salesmen may be assigned to specific product lines. Instead of selling the entire product line in a specific territory, a salesperson assigned to a particular product/product group, will sell only that product to the customers in that area. Given below is the example of a company selling office equipment ranging from typewriters to computers. The initial geographic division is followed by product specialisation at the field personnel level.

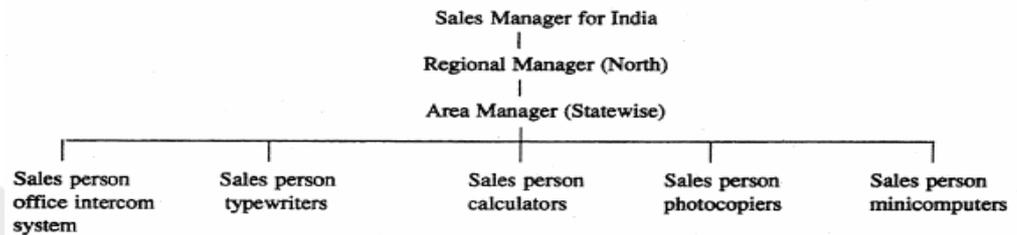


Fig. 5 : Product Specialisation of the Field Sales Force

In the above example since the product line is both technical and diverse, it is not possible for one sales person to acquire enough technical knowledge to sell the entire product line successfully. Product specialisation, as shown above would allow the sales personnel to specialise in their respective product lines which in turn would result in more effective sales performance. Customer queries and sales resistance can be handled more effectively on account of intensive product knowledge. On the other hand, each salesman in the above example would have to tour the entire state, which would result in higher travel time and expenses.

Even when the product line is not too technical but the product range is wide enough, organisations find splitting the sales responsibility productwise a more effective arrangement. At Dabur, which produces a very wide range of health and personal care products the sales organisation has initially been divided geographically but the field operators have been given charge of different product groups. The company has divided its product line into two major product groups i.e. health care products and family use products. Even though two salesmen may be assigned to the same territory, each will be responsible for only the product group assigned to him. The sales organisation is given below in Figure 6.

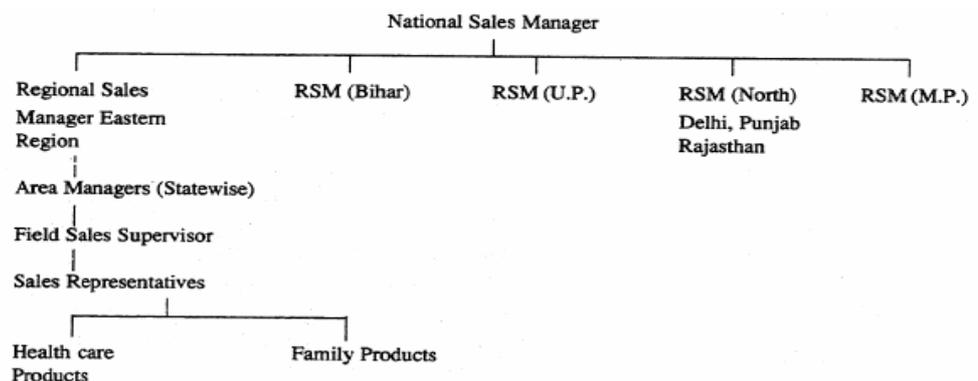


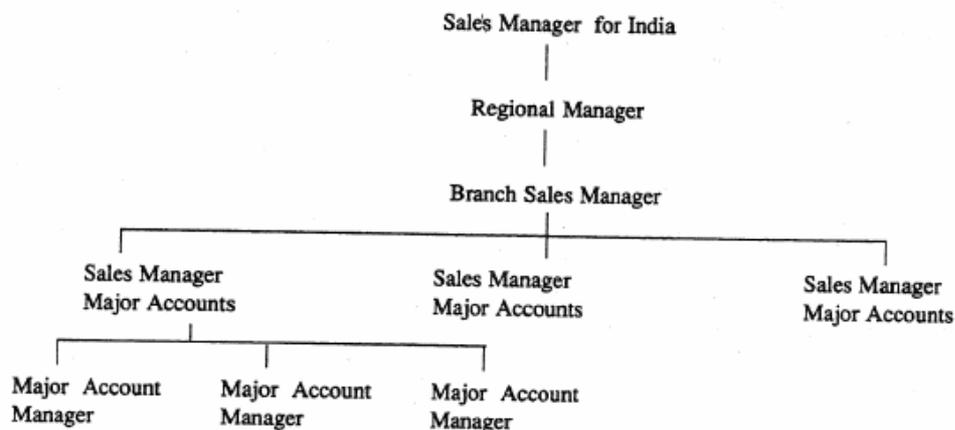
Fig. 6 : Product Specialisation in Sales Organisation

Organising the sales force by product specialisation generates additional expenses which should be carefully weighed against the benefits of such a structure. There is an obvious increase in travel and administrative expenses. There is some duplication of effort also as two salesmen from the company selling different products in the same territory may call on the same customer to which many customers may object.

**Customer specialisation :** Customer specialisation is practiced in situations when almost identical products are marketed to consumers each of which may present a



different set of selling problems. In this kind of organisational scheme each sales person sells the entire product line to the selected buyers. The sales organisation of Modi Xerox, a manufacturer of photocopiers is organised by customer specialisation. As the figure below shows, each Branch Sales Manager controls 3 Sales Managers - Major Accounts who in turn have reporting to them Major Account Managers. Each Major Account Manager is given the charge of a certain number of customers (accounts) and is supposed to service all their requirement with respect to the company's products.



**Fig. 7 : Customer Specialisation in Sales Organisation**

Customer specialisation enables the sales persons to become more knowledgeable about the unique problems and needs of each group of customers. A customer oriented sales force is consistent with the marketing concept with its increased emphasis on consumer satisfaction. The greater market specialisation developed as a result of constantly working with the same set of consumers imparts a degree of professionalism to the sales task and has been found to result in lower turnover of sales personnel.

The main disadvantage of this form of specialisation is that geographical territories may typically overlap. There may be a number of the company's representatives covering the same geographical area, but serving different customers, often resulting in higher costs.

Geographic, product and customer specialisation present the basic approaches to organisation structure. As is evident from some of the examples given above quite a high proportion of organisations use a combination of these basic types, in order to achieve a sales organisation that most efficiently serves the needs of their target customers.

### Activity

Study one sales organisation each with product specialisation, geographic specialisation and customer specialisation. Analyse and discuss.

- a) Which factors resulted in the choice of this particular type of specialisation in each case?

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- b) What are the specific benefits that the firms derive from their respective sales force specialisation?

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## 14.9 ROLE OF THE SALES EXECUTIVE

After going through the section on sales organisation, you are now aware that within the marketing organisation, the sales operations are usually put under the charge of a sales executive. Depending upon the organisation practice this position may be given different nomenclatures viz. Vice President Sales, Sales Manager, Corporate Sales Manager, National Sales Manager or Sales Executive. This section on role of Sales Executive is designed to give you an understanding on the type of responsibility the sales executive is expected to undertake in an organisation.

Sales management function in an organisation is mainly concerned with the attainment of goals related to sales volume, contribution to profits and sustained growth of the company. The sales executive who is in charge of the sales operation carries the major burden of this responsibility and is expected to make a significant contribution to these general objectives.

The American Management Associations definition of sales management given below, gives a fair idea of the scope of the role the sales executive is expected to play in an enterprise, with respect to the sales force management.

"Sales management is the planning, direction and control of the personal selling activities of a business unit including recruiting, selecting, training, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force."

Present day sales managers however have considerably wider responsibilities than merely personnel related ones. Within and outside the organisation, they are responsible for managing the entire sales effort and coordinating it with related marketing activities as well as the overall marketing strategy. Internally, the sales executive is expected to structure formal and informal relationships to ensure effective communication within the sales department as well as with other organisational units.

Outside the company he is expected to develop and coordinate effectively with distribution network, and serve as a contact for external publics and customers.

As a line executive in charge of a vital operation, the sales executive is responsible for timely preparation of information critical to marketing decisions related to budgeting and cost planning. Depending upon the corporate policies which may vary over organisations, sales executives are also expected to participate in decisions on promotion planning, distribution channels and pricing. A sales executive therefore acts both as an operating manager and a member of the strategic planning group in the organisation.

The role and functions of the sales executive have undergone a marked change over a period of years. Through your exposure to Unit 1 Block 1 of MS-6 you are familiar with the changes in marketing orientations vis-a-vis the stages of economic development. With the changing orientation to marketing, the top management's conception of the sales job has undergone a change and accordingly the role of the sales executive has also been shifting. Some of the factors, apart from the changing marketing orientation, affecting this trend are greater concern over personal development of salesmen, a higher degree of professionalism in personal selling and the greater use of computers in sales management. Table 1 gives a representation of the changing emphasis in sales management in this century.

**Table 1 : Changing Emphasis in Sales Management**

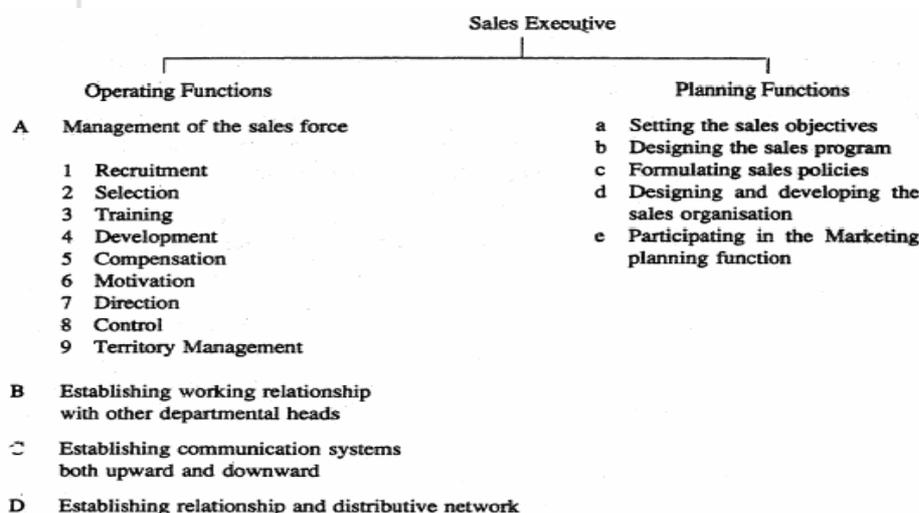
	1910-1930	1940-1950	1960-70	80 onwards
Business response to perceived dominant environmental conditions	Production orientation	Sales orientation	Beginning of marketing orientation	Marketing orientation
Emphasis in management's conception of the sales job	Personality art	Systematic salesmanship (also referred as scientific) salesmanship	Professionalism	Personal fulfilment coordination with total marketing task
Emphasis of sales management	Tight supervision and control	Broadening responsibilities	Strategies and profits	Total human resource development

Source : Adapted from Leslie M. Dawson "Towards a new concept of Sales Management in Modern Marketing and Sales Management" ed. M.K. Singh, Anant Mahadevan, Discovery Publishing House, 1989.



## Functions of the Sales Manager

This changing emphasis in the role of the sales manager has implications for nearly all the aspect of his personnel related as well as other responsibilities. Let us briefly discuss the functions performed by a sales executive. The sales executive basically performs two distinct kinds of functions the operating functions and the planning functions. Figure 8 below gives the list of these functions.



**Fig. 8 : Functions of a Sales Manager**

The relative emphasis given to the operating and planning function by a sales executive varies across organisations. Some of the determinants of the allocation of his time between the two types of responsibilities are the size of the company, the type of product and the top management's expectations from the sales executives. Generally the smaller the size of the company, the greater the tendency on part of the sales executive to devote more time to the operating function. In case of industrial products, operating functions take up a greater part of the sales executives time while the trend is reversed for consumer goods. Again, the extent to which the top management expects the participation of the sales executive in the strategic marketing planning also affects the time spent on the planning functions.

You will study the operating and planning functions of the sales executive in detail in Units 4, 5 and 6 of Block 2 of this course. Here let us discuss the role of sales manager as a coordinator, which is one of the important aspects of his position in the organisation.

### Sales Manager as a Coordinator

In order to be effectively discharged, the sales function needs to be closely coordinated with related functions like pricing, promotion and distribution. An important responsibility that the sales manager has is to coordinate personal selling with the functions so that the overall marketing programme may be made more effective. Let us briefly discuss the coordination function of the sales executive.

### Coordination with Promotion Management

Though sales managers are not directly responsible for designing the promotional policies, they provide valuable inputs in their formulation. Coordinating the promotional functions with the activities of the sales organisation is imperative because not only are the two functions interdependent, the sales executive is also responsible to quite an

extent for the implementation of the promotional programmes. Sales personnel have to be responsible for coordinating dealer effects with advertising programs and for getting their cooperation for point of purchase displays.

The sales executive must also ensure that sales personnel are fully informed about the latest advertising and other promotional campaigns so that they can maximise the total promotional effort. Further, the role of personal selling, an important ingredient of the promotional mix needs to be coordinated with the rest of the promotional mix elements



in terms of total promotion cost and the expectation from personal selling. In particular, advertising efforts needs to be synchronised with personal selling, to enable the latter to capitalise on it.

### **Coordination with Distribution Channels**

You have already read about the interdependence of sales and distribution function in Unit 1 of this Block. The important areas of dealer activities which need to be coordinated with the sales effort are: gaining distribution support and overcoming obstacles to product distribution, ensuring dealer identification, reconciling sales and distribution goals and sharing promotional tasks with the dealer. Even if advertising of the product has been successful in creating a pull for the company's products, no sales will result if final buyers do not have information on the local outlets that stock the product. Dealer identification becomes even more crucial in case of new products.

The perception of business goals may differ between the channel members and the manufacturing organisation and this may lead to conflict between the two entities. Through coordination between the activities of the dealer and those of the organisation, sales executives can prevent this conflict to a certain extent. Regular sharing of information with the middlemen regarding the company programmes and policies, goes a long way in reducing disharmony. Similarly, by making the information about dealer activities and needs available to the organisation, the sales executive can ensure that the organisation will be in a position to render promotional and other assistance to the middlemen.

### **Coordination with the Pricing Function**

Though the sales manager's role in formulating pricing policies is only advisory, he is responsible for the implementation of the pricing policy. As price is an important variable affecting sales, all price changes need to be coordinated with sales policies as well as with related areas like distribution. The sales executive because of his intimate knowledge of the market and market behaviour, becomes an important source of information when changes in pricing policies are being planned. On the operational side, compensating changes in the marketing mix need to be made to offset the negative impact of the price change: the advertising campaign may need to be changed, sales presentations may need to be altered, even packaging may need to be changed to justify the price rise. In order to make it a coordinated effort, however, the sales executive would need to coordinate the personal selling activities with the pricing changes and its resultant effects.

### **Activity 5**

Talk to sales executives of five organisations, at least two of them manufacturing industrial products, and study them to find out

- a) What are their operating and planning functions?

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- b) Does the proportion of time executives seem to allocate to planning and operating functions differ with their organisations? If yes, what do you think are the determinants. of this variation?

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- c) what is the nature of the coordinating responsibility that the sales executive has in these organisation?

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## 14.10 SUMMARY

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Sales management performance depends in part on the effectiveness of the sales force organisation. The organising process seeks to accomplish three basic tasks.

1. Identifying sales force goals and objectives
2. Assignment of specific tasks and responsibilities
3. Integration and coordination of these activities with other functions in the firm.

In this unit, we have discussed the need for sales organisation and the process of developing it. The basic types of sales organisations and the different specialisation of the sales force have also been discussed. The unit also gains an exposure to the design and development of sales territories. The last section deals with the role of the sales executive in a sales organisation.

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## 14.11 KEY WORDS

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**Span of control:** The number of employees who report to an individual at the next higher level in an organisation.

**Line organisation :** The simplest form of organisation structure where every superior has an authority to command his subordinate.

**Line and staff organisation:** The organisation structure which is characterised by some line executives who are given the authority to order and some staff executives who have an advisory role to play.

**Functional organisation :** An organisation structure where an individual receives instruction from different specialists on different aspects of his job.

**Territory :** The geographical area a sales person is assigned to cover.

**Routing :** Deciding the formal pattern of travel the salesmen are expected to follow.

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## 14.12 SELF-ASSESSMENT QUESTIONS

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1. Discuss the process of developing a sales organisation. What are the factors which affect the size of the sales organisation?
2. Analyse the factors that favour centralisation of sales activities.
3. What are the relative advantages of a line sales organisation and line and staff sales organisation?
4. What are the bases used to design sales territories?
5. How can redesigning territories or reallocating territories affect total profit contribution from sales territories?



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## 14.13 FURTHER READINGS

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Richard R. Still, E.W. Cundiff, N.A.P. Govoni 1998. *Sales Management: Decisions, Strategies and Cases*, Prentice Hall of India Pvt. Ltd.: New Delhi.

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