

# **UNIT 1 THE SALES MANAGEMENT GAME: THE NATURE AND SCOPE OF SALES MANAGEMENT**

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*The Sales Management Game: The Nature and Scope of Sales Management*

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## 1.0 INTRODUCTION

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Sales management as a concept has taken on a greater significance especially with the changes that have been taking place in the economy. This unit discusses the importance of sales management, the new concepts that have arisen, and some old ones that have assumed new dimensions in the context of globalization. Differentiating between sales and marketing, the unit goes on to explain the relationship between sales and other environment and marketing variables. Concepts like personal selling, sales control, and relationship selling are examined and the various roles of account management, sales force and the sales manager are delineated.

## NOTES

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## 1.1 UNIT OBJECTIVES

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After going through this unit, you will be able to :

- Differentiate between marketing and sales
- Understand the relationship of sales with other environment and marketing variables
- Learn the difference between sales management and personal selling
- Describe sales-related marketing policies
- Explain the changing role of personal selling
- Emphasize the importance of sales control in an organization
- Explain the advent of relationship selling and the role of key account management
- Highlight the key role of the sales force in an organization's marketing strategy
- Describe the role of a sales manager as an administrator

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## 1.2 SALES MANAGEMENT: MARKETING MANAGEMENT AND THE NEW ECONOMY

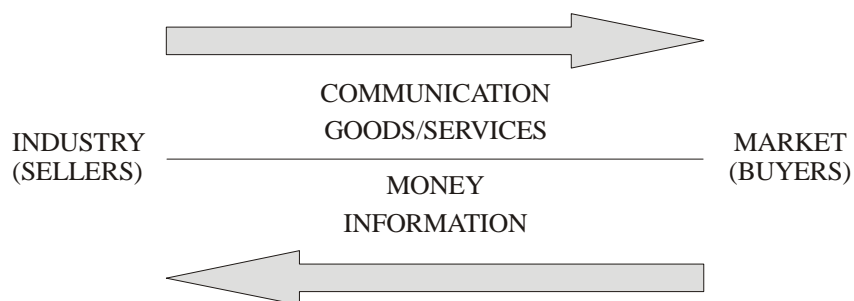
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Today it has become imperative to talk about the new economy. Businesses are operating in a global economy where markets face competition faster than ever before. Technology too is changing every day.

Present-day business has to adapt to the needs of the customer, who has tremendous buying power and a wide variety of goods and services to choose from.

Marketing deals with identifying and meeting human and social needs. It is also defined as the art of selling products.

A simple marketing system is shown in Figure 1.1.



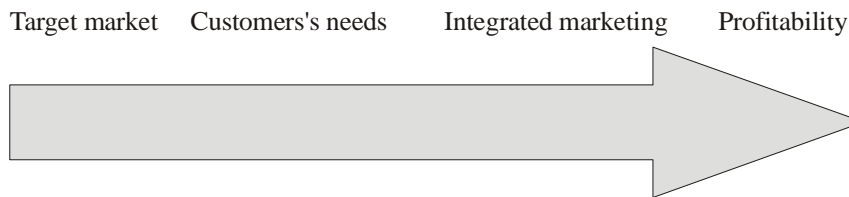
*Figure 1.1 A Simple Marketing System*

Due to competition in the marketplace, marketers are now building a mutually satisfying long-term relationship with key customers, including suppliers and distributors.

Sales management is a part of the marketing mix strategy. Sales management focuses on the need of the seller with the aim of making profit whereas marketing is devoted to the satisfaction of the needs of the customer.

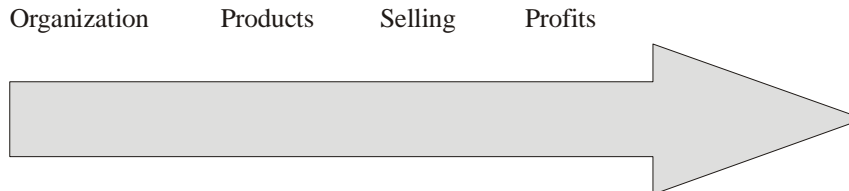
The marketing concept rests on the elements depicted in Figure 1.2.

## NOTES



*Figure 1.2 Elements on which Marketing Concept Rests*

The sales concept rest on the elements, as shown in Figure 1.3.



*Figure 1.3 Elements on which Sales Concept Rests*

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## 1.3 SALES MANAGEMENT

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### 1.3.1 What is Sales Management?

Sales management, apart, from the management of personal selling, encompasses marketing activities like advertising, sales promotion, marketing research, physical distribution, pricing, merchandising and so on. Sales management is defined by the American Marketing Association (AMA) as: ‘The planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks, apply to the personal sales force’. Sales volume, contribution to profits and growth are the three major objectives of the sales function. Organizational objectives are communicated to the marketing department which, in turn, passes on the responsibility to the sales department, as depicted in Figure 1.4.



*Figure 1.4 Objectives of Sales Management*

### 1.3.2 Sales Management and the Environment

Sales management in any organization is affected by environmental factors. Such factors affecting sales could be behavioural, technological or managerial in nature.

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### **Behavioural Factors**

The consumer today has become more conscious of the environment, and sales must adjust to a variety of influences. Like rising consumer expectations, expanding power of major buyers, customer avoidance of buyer—seller negotiations, globalization of markets, fragmented markets.

### **Technological Factors**

The major technological factors that affect sales are sales force automation, virtual sales offices, and electronic sales channels.

Sales force automation includes laptop and palmtop computers, mobile telephones, fax, e-mail and more advanced sales software that aid account planning, and the recruitment, selection and evaluation of the sales personnel.

Electronic data interchange (EDI) provides computer links between manufacturers and resellers (retailers, wholesalers and distributors), allowing direct exchange of information. Technological innovations have facilitated desktop videoconferencing, enabling sales meetings, training and customer interaction without the need for people to leave their office.

Technological innovation leads to cost and time saving and enhanced job satisfaction for salespersons.

### **Managerial Factors**

Managers respond to the change in the environment by developing new strategies and tactics to enhance sales effectiveness. They employ direct marketing techniques, improve cooperation between sales and marketing, and look after the training and development needs of the sales people. Sales management responds to new challenges by recognizing the importance of professional qualifications. Sales organizations depute sales people for training as well to enhance their professional qualification to institutes like the National Institute of Sales in India to meet the challenges of today's competitive environment.

### **1.3.3 Sales and other Departments**

Sales personnel have to coordinate with the marketing departments like promotional activities and market planning. Sales people must also coordinate with distribution channels pre- and post-introduction of products. It is sales that has to balance the interests of trade and the manufacturer. Sales must motivate trade for joint promotional efforts. Coordination between sales and the overall marketing strategy is absolutely essential, especially where new product introduction is concerned.

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## **1.4 THE SCOPE OF SALES MANAGEMENT**

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Sales management directs the sales force. Therefore, it must know the art and science of personal selling. Personal selling is accomplished through salesmanship. The sales executive must know the activities of salespersons, including salesmanship and the problems faced by salespersons.

From the organization's viewpoint, there are three objectives of sales management: achieving sufficient sales and volume, providing ample contribution to profits, and experiencing continuing growth. The top management delegates to the marketing management, which then delegates to the sales management. During the planning phase

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that precedes this goal setting, sales executives provide informed estimates on market and sales potentials, the capabilities of the sales force and the middlemen.

The entire gamut of activities involved in sales management are depicted in Figure 1.5.

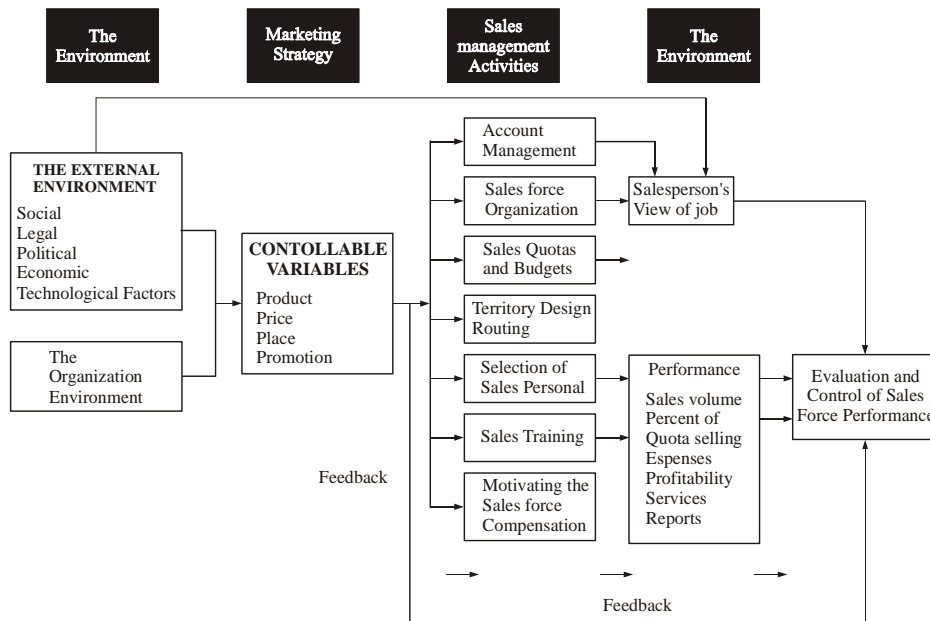


Figure 1.5 Flow of Activities in Sales Management

### 1.4.1 Characteristics of the Sales Job

There are several distinguishing features of a sales job.

A salesman is the ambassador of his company to the external world. He leaves a lasting impression on those with whom he interacts and who form an opinion about the company from his behaviour. A salesman needs human relations skill much more than others. As he interacts with a variety of people in diverse situations, he must show diplomatic skills and composure. He should also use tact and intelligence while dealing with his customers.

### 1.4.2 Categories of Salespersons

Selling jobs can be classified on the basis of the creative input needed to perform them. Thus we have several categories of salespersons, such as:

*Just delivery:* Here several sales people simply fulfill orders by delivering the product – a driver of a van of soft drink bottles, a milk vendor, or persons at the petrol pumps.

*Order takers:* The salesman behind the counter of a grocery store or a bookstore listens to the requirements of the customers and serves them the right products. These order takers may be found in the field as well, e.g., salesman selling hardware items.

*Missionary selling:* Here are persons who build an image of the organization and generate goodwill for it. For instance, those selling pharmaceuticals (medical representatives) are missionaries.

*Sales engineers:* These are sales people who have a good technical knowledge of the product.

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*Creative selling:* Salespersons use their creativity to sell tangible products, like computers or aircraft, as well as intangible products, like insurance, consultancy services, advertising services, etc.

### 1.4.3 The Role of a Salesperson

Salespersons have key responsibilities, both to their employers and to those who buy and use their firm's products. The top management holds them responsible for: (i) obtaining sufficient sales volume, (ii) providing ample contributions to profits, and (iii) continuing business growth.

Sales managers are in charge of personal-selling activity, and their primary assignment is management of the personal sales force. Today's sales managers are responsible for organizing the sales effort, both within and outside their organizations.

Within the organization, the sales manager builds a formal and informal organizational structure that ensures effective communication not only inside the sales department but also in its relations with other organizational units. Outside the organization, the sales manager serves as one of the company's most important contact point with customers.

The sales manager is responsible for building and maintaining an appropriate and effective distribution network. Today's sales managers are responsible not only for using but for participating in the preparation of information critical to the making of key marketing decisions, such as those on budgeting, quotas, and territories. They participate in marketing decisions regarding products, marketing channels and distribution policies, advertising and other forms of promotion, and pricing. Thus, the modern sales manager is both an administrator in charge of personal-selling activity and a member of the executive group that makes marketing decisions of all types.

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## 1.5 SALES-RELATED MARKETING POLICIES

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### 1.5.1 Sales and Advertising

The personal-selling effort must be coordinated effectively with advertising, display, and other promotional efforts if the total marketing effort is to achieve the desired results. Synchronizing personal selling with advertising is particularly important. Advertising may prove uneconomical unless the sales force capitalizes upon the interest aroused.

### 1.5.2 Sales and Distribution

Sales executives are concerned with coordinating the personal-selling effort with the marketing efforts of the middlemen. Among the most important aspects of this coordinating activity are: gaining product distribution, obtaining dealer identification, reconciling business goals, and sharing promotional risks.

In furthering the chances that the personal-selling effort will succeed, the salesperson must ensure that final buyers know which local outlets stock the product. Even if the manufacturer's advertising succeeds in pre-selling the product, no sales will result if the final buyers are unable to find the outlets that stock it.

The marketing programme often calls for the manufacturer and the middlemen to use cooperative advertising. In these cases, sales executives ensure that the sales personnel make effective presentations designed to convince dealers to participate. It is not enough

#### Check Your Progress

1. How does the American Market Association (AMA) define sales management?
2. On what basis can you classify selling jobs?

## NOTES

for sales executives to know the techniques and problems of new-brand introduction. They must be capable of putting the plans into action, implementing them and skillfully executing the programme.

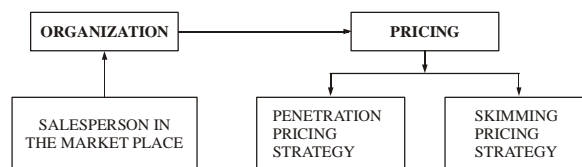
### 1.5.3 Sales and Pricing

Pricing of a product can be done with the help of two pricing strategies, via. penetration pricing strategy and skimming pricing strategy.

The penetration pricing strategy is used for products that are not very costly and are meant for the masses.

The skimming pricing strategy is used for expensive products.

A salesperson is the best judge of the marketplace as he is in touch with the customer and knows the pulse of the marketplace. An organization decides upon the pricing strategy to be adopted according to the need of the market and the customer's decision. This is depicted in Figure 1.6.



*Figure 1.6 Sales-related Pricing Strategy*

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## 1.6 THE SALES MANAGEMENT PROCESS

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Sales management programmes are formulated to respond effectively to an organization's environmental circumstances, and these must be consistent with the business's competitive and marketing strategies.

The effective management of a company's sales force involves three interrelated sets of decisions or processes.

### Formulation of a Strategic Sales Programme

The strategic sales programme should consider the environmental factors faced by the firm. It should organize and plan the company's overall personal-selling efforts and integrate these with the other elements of the firm's marketing strategy.

### Implementation of the Sales Programme

The implementation phase involves selecting appropriate sales personnel as well as designing and implementing policies and procedures that will direct their efforts towards the desired objectives.

### Evaluation and Control

The evaluation phase involves developing methods for monitoring and evaluating the performance of the sales force. The specific activities involved in these three processes, along with the variables that influence those activities, are summarized in the model of sales management shown in Figure 1.5 (p. 7).

**NOTES**

**1.6.1 Implementing the Sales Programme**

As with any kind of management, implementing a sales programme involves motivating and directing the behaviour of other people — the members of the sales force. To be effective, the sales manager must understand why the people in his or her sales force behave the way they do. The model of the activities involved in implementing a sales programme, shown in Figure 1.6 (p. 9) suggests the factors that influence a salesperson’s job behaviour and performance.

Regardless of how highly motivated or competent salespersons are, their ability to achieve a particular level of job performance is influenced by environmental factors. A salesperson must understand what the job entails and how it is supposed to be performed. The activities and behaviours associated with a particular job are defined largely by the expectations and demands of other people, both inside and outside the organization.

A salesperson’s ability to perform activities related to the job is also influenced by his/her personal characteristics, such as personality traits, intelligence, and analytical ability. A salesperson cannot achieve a high level of job performance unless motivated to expend the necessary effort. A person’s motivation is determined by the kind of rewards expected for achieving a given level of performance — such as more salary or promotion.

A sales manager can use several policies and procedures to influence the aptitude, skill levels, role perceptions, and motivation of the sales force. Implementing a sales programme involves designing such policies and procedures so that shaped the job behaviours and performance of each salesperson direct him/her towards the specified objectives and performance levels. The sales manager must decide what kind of aptitude is required for the firm’s salespersons to do the kind of selling involved and achieve the programme’s objectives.

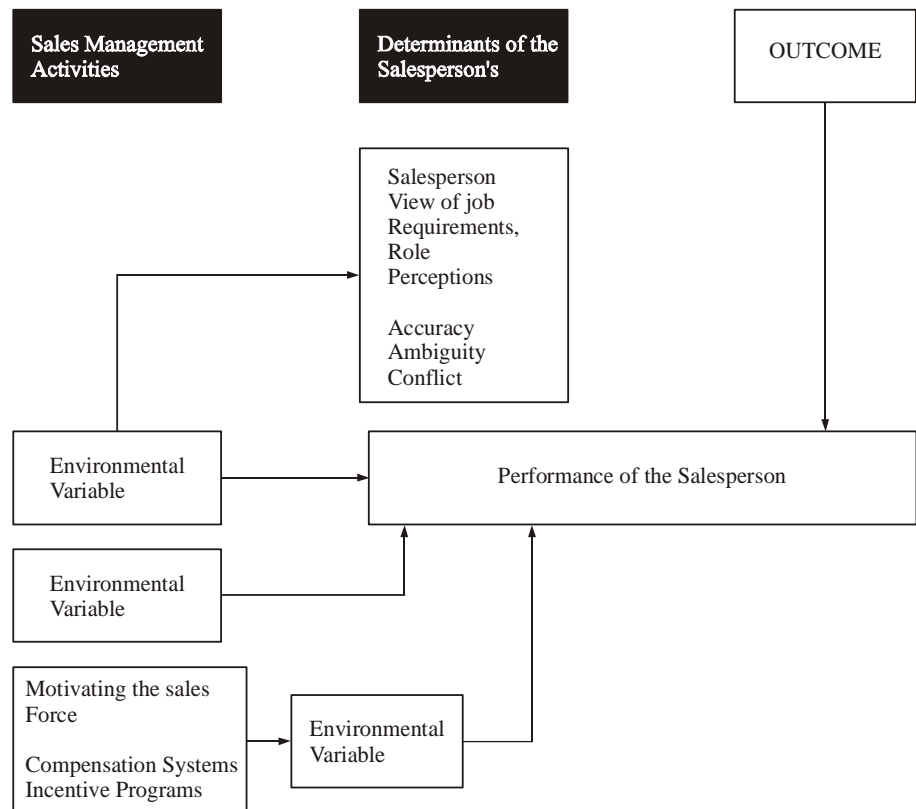


Figure 1.7 Implementation of a Sales Programme

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### 1.6.2 Evaluation Control of the Sales Programme

A company might utilize three major approaches in evaluating and controlling the sales force to monitor the performance of the sales programme. The first approach is sales analysis. The volume of sales can be monitored for each salesperson. In addition, sales figures are often broken up according to geographical district, each product in the line, and the different types of customers. The second approach is cost analysis. The costs of various selling functions can be monitored and examined across individual salespeople and districts. The third approach is behavioural analysis. A salesperson's ability to achieve a certain volume of sales is sometimes constrained by factors beyond his control, such as competition or economic conditions.

### 1.6.3 Sales Management and Control

Planning and control go hand in hand. Sales objectives are reviewed to examine where we stand today, how we travelled up to this point, where we are headed, and how to reach there. Sales plans are examined along with policies and procedures. The control process starts by setting performance standards. The actual performance is then measured. The results are compared with the standards set. Variations are deeply examined. Last of all, corrective action is taken to set the matter right.

Salespersons are responsible for controlling the personal-selling effort of the organizational units they head. The general purpose of this control is to assure that sales-department objectives are reached with as little wasted effort as possible. Salespersons start by reviewing the personal-selling objectives of the firm and ironing out the weaknesses. They set quantitative standards against which to measure performance.

Evaluation of performance consists of comparing actual results with standards. Departures from standards are classified and divided into uncontrollable and controllable variations. Variations outside the control of the person whose performance is being appraised include those caused by rapid and unexpected changes in economic conditions, changes in governmental activities, wars, strikes, floods, droughts, and other natural disasters. Variations over which the person held responsible has some control include such items as: failing to obtain proper sales coverage, neglecting to follow up leads, not selling a balanced line, not securing adequate credit information. Management corrects that part of the variation explained by factors within the control of the person whose performance is being evaluated. The amount of uncontrollable variation in the comparison indicates the relative need for making adjustments in sales plans.

### 1.6.4 Formal Control

An organization needs written sales and marketing policies to ensure substantial uniformity of action. Written policies also conserve executive time, a matter of great importance to sales executives. Because policies are written, more time can be used for planning and making decisions regarding problems not covered by existing policies. Estimating how much of a product can be sold in a specified future period is a prerequisite both for planning and control. Sales-volume performance is best appraised by comparing it with the potential sales volume. The 'sales or market forecast', therefore, serves as a standard for evaluating sales performance. Ultimately, formal control requires installation of sales budgetary controls and setting up of sales territories. Budgetary control represents an extension of control over margins and expenses, and hence over profits. When control reaches this stage, sales management can project individual profit-and-loss statements for such units as sales territories, products, marketing channels, and classes of customers.

#### Check Your Progress

3. Name the strategies that help in the pricing of a product.
4. What does the effective management of a company's sales force involve?

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## 1.7 KEY ACCOUNT MANAGEMENT

Key account management is a strategy used by suppliers to target and serve high potential customers with complex needs by providing them with special treatment in the areas of marketing, administration and service. In order to receive key account status, a customer must have high sales potential. A second characteristic is that of complex buying behaviour; for example, large decision-making units with many choice criteria are often found in dispersed geographical locations. The decision-making unit may be located in a different functional area. Third, key account status is more likely to be given to customers willing to enter into a long-term alliance or partnership. Such relationships offer buyers many benefits including reliability of supply, risk reduction, easier problem solving, better communications and high levels of service. Key accounts that are geographically spread are often called national accounts.

Key account handling requires a special kind of attention from the seller that may be beyond the capacity of the regular field sales force. Some of the key responsibilities of key account managers are: planning and developing relationships with a wide range of people in the customer firms, mobilising personnel and other resources in their own firms to assist the account, and coordinating and motivating the efforts and communication of their company's field salespeople in their calls on the various departments, divisions and geographical locations of the key account.

According to Hise and Reid, the six most critical conditions needed to ensure the success of key account management are:

- integration of the key account programme into the company's overall sales effort
- senior management's understanding of, and support for, the key account unit's role
- clear and practical lines of communication between outlying sales and service units
- establishment of objectives and missions
- compatible working relationships between sales management and field salespeople
- clear definition and identification of customers to be designated for key account status.

**Table 1.1** Distinctions between Transactional Selling and Key Account Management

	<b>Transactional Selling</b>	<b>Key Account Management</b>
<b>Overall objective</b>	Sales	Preferred supplier status
<b>Sales skills</b>	Asking questions, handling objections, closing	Building trust, providing excellent service
<b>Nature of relationship</b>	Short, intermittent	Long, more intense interaction
<b>Salesperson's goal</b>	Closed sale	Relationship management
<b>Nature of sales force</b>	One or two salespeople per customer	Many salespeople often involving multifunctional teams

## **1.7.1 Building Relationships with Key Accounts**

The importance of relationship building with customers is discussed in Unit 7. However, there are certain ways in which suppliers can build relationships with key accounts. Five ways of building strong customer relationships will now be described.

### **1. Personal trust**

The objective is to build confidence and reassurance.

*Methods:*

- ensure that promises are kept
- reply swiftly to queries, problems and complaints
- establish high (but not intrusive) frequency of contact with key account
- arrange factory/site visits
- engage in social activities with customer
- give advance warning of problems

### **2. Technical support**

The objective is to provide know-how and improve the productivity of the key account.

*Methods:*

- research and development cooperation
- before- and after-sales service
- provide training
- dual selling (supplier helps key account to sell)

### **3. Resource support**

The objective is to reduce the key account's financial burden.

*Methods:*

- provide credit facilities
- create low-interest loans
- engage in cooperative promotions to share costs
- engage in counter-trade (accept payment by means of goods or services rather than cash)

### **4. Service levels**

The objective is to improve the quality of service provision.

*Methods:*

- reliable delivery
- fast/just-in-time delivery
- install computerized reorder systems
- give quick and accurate quotes
- defect reduction (right first time)

### **5. Risk reduction**

The objective is to lower uncertainty in the customer's mind regarding the supplier and the products/services provided.

*Methods:*

## NOTES

- free demonstrations
- free/low-cost trial period
- product guarantees
- delivery guarantees
- preventive maintenance contracts
- proactive follow-ups
- reference selling

Suppliers should consult the above checklist to evaluate the cost/benefit of using each of the methods for building strong relationships with each account. A judgement needs to be made regarding the value each key account places on each method and the cost (including executive and management time) of providing the item.

Handling relationships with key accounts.

### **Key Account Dos**

Do work with the account to agree to an actionable account plan. Do understand key account decision-making:

- key choice criteria
- roles of decision-making unit
- how decisions are made

Do only ever agree to what can be delivered.

Do resolve issues quickly.

Do confirm agreements in writing.

Do communicate internally to identify unresolved problems (e.g., late delivery).

Do treat customers as 'experts' to encourage them to reveal information.

Do view issues from the customer's (as well as your own) perspective.

Do ask questions: knowledge is power.

### **Key Account Don'ts**

Don't let a small issue spoil a relationship.

Don't expect to win everything; giving a concession may improve the relationship.

Don't divulge confidential information from other accounts.

Don't view negotiations as win-lose scenarios. Try to create win-win situations.

Don't be afraid to say 'No' when the circumstances demand it.

Don't deceive: if you do not know the answer, say so.

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## **1.8 TACTICS OF RELATIONSHIP SELLING**

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Customer retention constitutes a prime objective of relationship selling. This can only be achieved in an organizational selling situation by giving full regard to customers' needs and by working to form long and trustworthy relationships. In such situations it can be seen that the length of time that individual salespersons stay in particular posts may well increase since buyers generally stay in their positions about twice as long as

## NOTES

field salespeople. This new tendency has given rise to the associated concept of internal marketing, defined by Berry as ‘the means of applying the philosophy and practice of marketing to people who serve external customers so that (i) the best possible people can be employed and retained and (ii) they will do the best possible work’.

Just as in the case of external customers, there is a strong body of opinion that internal marketing should focus on long-term relationships and employee retention within company departments. Thus it is anticipated that under relationship selling circumstances the time individual salespeople spend in a particular post will move towards that of their purchasing counterparts. Why should this be the case? It can be postulated that buyers, because of the type of role they fulfill, have what may be termed a more ‘sedate’ occupational lifestyle than that of the traditional salesperson whose lifestyle ‘on the road’ can be quite hectic. Buyers are thus more ‘settled’ and stay in post longer. As buyers become more proactive in the marketplace under the system of reverse marketing, their lifestyle will become more akin to that of the field salesperson. Although there is pressure to purchase effectively, it is different from the pressure to sell in terms of reaching sales targets and quotas in a given period.

At the same time, the role of the field salesperson will also experience a different kind of work pressure under reverse marketing. The pressure will focus on the long-term goal of customer retention rather than sales targets and quotas. In fact, it is even contended that in such circumstances the traditional sales commission system might well disappear to be replaced by a higher basic salary plus bonuses shared by the expanded sales team whose ranks have been swelled by the concept of the part-time marketer. This might include production, quality and finance people, amongst others.

In their proposal of the ‘virtuous circle’, Reichheld *et al.* advocate that the emphasis of this approach is placed on mechanisms that motivate employees to achieve as highly as possible. Hence, support mechanisms such as training programmes that enable employees to do their jobs to the best of their abilities are becoming primordial.

Different qualities will be required of field salespeople in relationship selling situations. The importance of features such as determination, self-motivation, resilience and tenacity, whilst still important when establishing long-term relationships, might well be overtaken by the greater relevance of features such as acceptability, attention to detail and a general ability to ‘get along’ with people on a long-term basis. To a certain extent, the ‘cut and thrust’ that one traditionally associates with field selling positions will be supplanted by a calmer environment of working together as a team that includes members of both the salesperson’s own company and the buyer’s company.

Additionally, the attitudes of the buyer or customer towards the salesperson will also need to be taken into consideration. For instance, liking a specific salesperson will positively affect a buyer’s attitude towards the products recommended by that person. However, caution must be exercised when interpreting selling relationships. Research by Kinniard has shown that the sales role is attracting empathetic people who are not always successful because they mistake friendliness as meaning that a relationship has been established and naively anticipate that business will flow automatically.

Sales visits to individual customers are likely to be longer in duration and this will result in less individual sales calls being made. In fact, in some situations it can even be envisaged that there might well be somebody from the supplier’s company permanently in place at the customer’s company. This is already being practised by some high technology companies, for example, those providing computer software and hardware to large retail organizations.

### Check Your Progress

5. Define the term key account management.
6. State some key responsibilities of key account managers.
7. What should be done to achieve customer retention?

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At a more practical level, the two activities that currently tend to be regarded as ancillary to the task of selling — information gathering and servicing — will become more important.

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### 1.9 SUMMARY

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Sales management revolves around a number of activities, the first being contribution of profit. The other activities include achieving sales targets, satisfying customers, identifying the sales strategy, and defining the personal selling objectives. The formulation and control of a sales policy and implementation of the sales programme are all responsibilities of the sales manager.

Thus sales management today is of greater significance and includes marketing activities, like advertising, sales promotion, research, distribution and pricing. Sales alone cannot bring profits to an organization; today, with competition in the marketplace it is of relationship selling that brings success to any organization.

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### 1.10 KEY TERMS

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- **Personal selling:** It refers to person-to-person communication towards needs of the prospect.
- **Environmental variables:** They refer to social, legal, economic factors that affect the functioning of a salesperson.
- **Missionary selling:** It is the art of selling, that is, persuading the customer to buy the product.
- **Marketing mix:** It refers to the elements of four Ps of marketing, namely product, price, place and promotion.
- **Sales programme:** It refers to sales management activities, including the role of the salesperson.
- **Sales control:** It refers to the techniques used to monitor activities of the salesperson and the sales management activities.
- **Sales analysis:** It is continuous monitoring of the volume of sales.
- **Behaviour analysis:** It is analysing the ability of the salesperson to achieve sales volume.
- **Cost analysis:** It is judging the profitability of various products and customer types.

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### 1.11 ANSWERS TO ‘CHECK YOUR PROGRESS’

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1. Sales management is defined by the American Marketing Association (AMA) as: ‘The planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks, apply to the personal sales force’.
2. Selling jobs can be classified on the basis of the creative input needed to perform them.

## **NOTES**

3. Pricing of a product can be done with the help of two pricing strategies, via. penetration pricing strategy and skimming pricing strategy.
4. The effective management of a company's sales force involves three interrelated sets of decisions or processes.
5. Key account management is a strategy used by suppliers to target and serve high potential customers with complex needs by providing them with special treatment in the areas of marketing, administration and service.
6. Some of the key responsibilities of key account managers are: planning and developing relationships with a wide range of people in the customer firms, mobilising personnel and other resources in their own firms to assist the account, and coordinating and motivating the efforts and communication of their company's field salespeople in their calls on the various departments, divisions and geographical locations of the key account.
7. Customer retention constitutes a prime objective of relationship selling. This can only be achieved in an organizational selling situation by giving full regard to customers' needs and by working to form long and trustworthy relationships.

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## **1.12 QUESTIONS AND EXERCISES**

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### **Short-Answer Questions**

1. Why is there a change in the role of sales management from just selling to relationship selling?
2. If you are a salesperson for a cosmetic company, what, according to you, are the essential qualities required for a salesperson?
3. What is the role of sales control and how is it done?

### **Long-Answer Questions**

1. 'Today it is important for a salesperson to be a marketing man too.' Support this statement with examples from the market.
2. Explain the role of environmental factors in sales activities.

## NOTES

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# CASE STUDY: TUPPERWARE

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## What is Tupperware?

Tupperware India Pvt. Ltd is a wholly owned subsidiary of the US-based Tupperware Corporation, the world's leading manufacturer of high-quality plastic food storage and serving containers. Tupperware started its operations in India in 1996 and has been growing steadily over the years.

Tupperware Corporation, parent company of Tupperware India, is a \$ 1.1 billion company and one of world's leading direct sellers of premium food storage, preparation and serving items reaching consumers in more than 100 countries. Tupperware Corporation is based in Orlando, Florida and started operations in 1946. In partnership with more than one million independent sales consultants worldwide, Tupperware reaches consumers through informative and entertaining home parties, retail access points in malls and other convenient venues.

Tupperware has manufacturing facilities in 17 countries. Of the global net sales of \$1.1 billion, nearly 85 per cent of the company's sales are generated outside the US.

Tupperware Corporation's product range also includes premium beauty, skin care and nutritional supplement products through its BeautiControl brand, primarily in North America. Its website addresses are [www.tupperware.com](http://www.tupperware.com) and [www.beauticontrol.com](http://www.beauticontrol.com), and its stock is listed on the New York Stock Exchange (NYSE:TUP).

Tupperware uses a modern approach to form and function to create convenient solutions to everyday life. The company offers rewarding business opportunities to all women with a dream and desire to become successful.

## Classification of Tupperware Products

### Durable Products

Tupperware products fall under the durable goods category. They do not perish like cereals or grains. They are made of plastic and hence are durable and long lasting.

### Unsought/Speciality Products

Tupperware products come under the unsought goods category, as they are not exclusively available in the market. People have to make an effort to find these products. Also, not many people are aware of these products. Hence they have to be made aware of them. However, as awareness of TW products is increasing day-by-day and accessibility is limited, it is turning into a specialty product.

### Products Range of Tupperware

Tupperware products are pioneered to provide versatility and convenience. The products are made from 100 per cent food grade virgin plastic and promise a lifetime guarantee against chipping, cracking or breaking under normal non-commercial use. Till date, 88 products (from Tupperware's International range) have been introduced in the Indian market and are available in 41 cities across the country. The product mix comprises Dry Storage, Food Preparation, Food Serving, Refrigeration and Freezer Range as well as some specifically designed products to suit the needs of Indian homes. The product offerings are such that they cater to the entire family's needs.

## NOTES

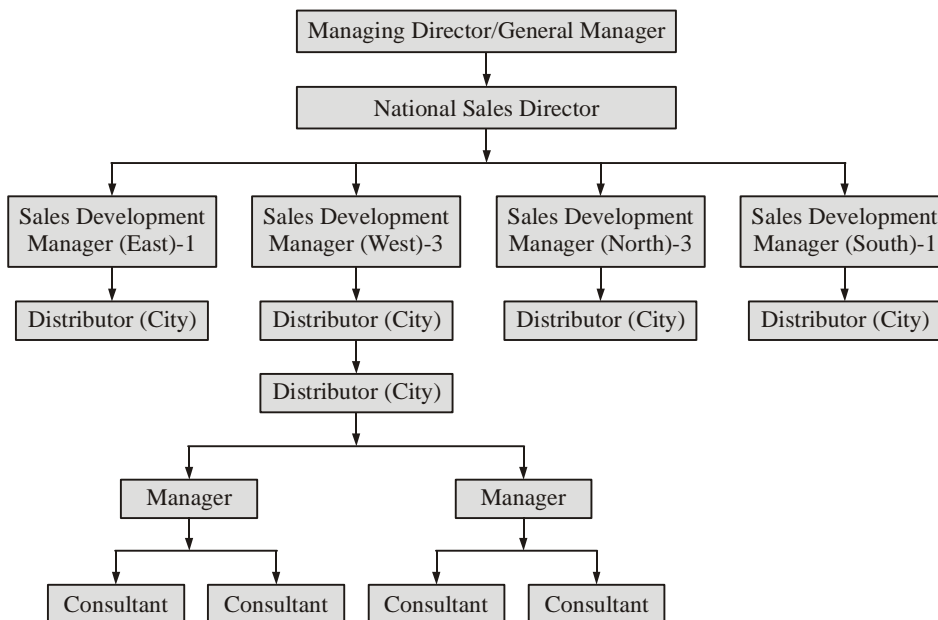
Tupperware aims to enrich the home, health and life of all consumers. The entire Tupperware range of products provides a one-stop solution for all food storage, food preparation and serving requirements in any household. They are elegant, lightweight, non-toxic, odourless and come in beautiful soothing colours. Tupperware products also have special airtight and liquid tight seals, which lock in freshness and flavour.

Tupperware products can be classified into the following categories:

- Dry storage
- Food preparation
- Microwave
- Serving
- Refrigerator
- Freezer
- Canisters
- Classics
- Lunch and outdoors

### The sales Organisation Structure of Tupperware

The sales organization structure of Tupperware is geographic in nature. TW was earlier headed by Managing Director Mr. Kanwar Bhutani. However, after he left, his place was taken.



Asha Gupta and this office was rechristened as General Manager.

The GM is followed by the National Sales Director, Ms Meeta Chaudhary. Under her are eight Sales Development Managers or SDMs (East -1, West -3, North - 3 and South -1).

Each SDM has distributors assigned to cities (one city, one distributor).

Each Distributor heads her distributorship which consists of managers who are further followed by dealers or consultants.

SALES FORCE TRAINING

## NOTES

**Consultants:** The new consultant is given training by the distributor. This is known as NDO (New Dealer Orientation). In this training session, the new dealer (consultant) is inducted into the policies of the organization, way of working and suggestions for success in TW.

**Managers:** The distributor trains managers in a session known as DWD (Day With Distributor). In this session, a prospective manager is made to understand the benefits of becoming a manager, how to deal with her sales force and how to achieve her targets.

### Sales Meeting

Sales meetings are held on a weekly basis every Monday. This meeting is known as **Assembly**. In an Assembly, targets are given to dealers as well as managers. Each target is accompanied with an incentive. This incentive can be cash bonus, free gifts from Tupperware India / International or even a company-sponsored foreign trip. The gifts can also be lifestyle products such as a microwave, stereo system or an electric iron.

Every month there is a managers' meeting, known as **Managers' club meeting**. This meeting is zonal in nature. In other words, separate meetings are held in different zones. This meeting consists of discussions pertaining to increasing and retaining of the sales force.

The **Distributors' meeting** is held every month at the head office (Gurgaon). It is presided over by the General Manager. The major issues discussed in this meeting are: how to increase awareness, set targets, monthly feedback and product performance.

The annual **Managers' and Distributors' Conference** is held in any part of India. Unlike meetings, which last for a day, the duration of such conferences is three days. The lodging and boarding expenses are born by TW if the targets are met. Otherwise it is self-sponsored.

### Marketing Channel

Tupperware is a women's organization. It was started to give a new identity to women who have always been confined to their homes. To follow this philosophy, TW products are not available in any shop, mall or store. They can be displayed (with the permission of TW), but cannot be sold directly.

Any intermediaries fail to exist in such a set-up where all the sales are done through personal selling.

#### Head Office ... Distributor ... Manager/Dealer ... Customer

As the above diagram suggests, the distributor receives the goods from the head office. She passes them to the manager/dealer. These managers or dealers provide the products to the customer.

### Distribution Channel

Tupperware manufactures its products in Hyderabad.

It has its head office in Gurgaon.

Once the manufacturing has been done, the goods are dispatched according to the instructions of the head office.

## **NOTES**

After the order has been placed by the customer, the following process takes place :

The goods are sent to the distributor from the head office. Then the distributor further gives them to the manager or the dealer under her. Now the manager/dealer provides them to the customer.

However, if the customer has directly approached the distributor, then the role of the manager/dealer is automatically eliminated.

**Mfg Plant ... Head Office/Regional Office ... Distributor ... Manager/Dealer**

### **Competitors**

Tupperware has become an established name in the market. It has the pioneer advantage in the airtight plastic containers industry.

Following TW, many small and new players joined the market. Some of them were Homeware and Signoware. In the overall plastic containers industry, PearlPet is an old name.

Besides these names, there are numerous local players in the unorganized market.

Despite the presence of all these players, Tupperware enjoys first position in the market. Many of its competitors have already shut down their operations and the remaining have a meagre share.

### **Promotion**

Tupperware uses various measures to promote its products.

Some of them are:

#### **Press Releases**

Recently, Mr Kanwar Bhutani, Managing Director of Tupperware India, talked of future plans and targets of TW India in a press release. It was covered by various media giants such as *The Times of India* and *Aaj Tak*. Mr. Bhutani's vision was to achieve sales worth 206 million by the year 2006.

Such press releases are used to promote the products of the company.

#### **Sales Promotion:**

To achieve sales targets, TW gives various promotional schemes for dealers and customers. This increases sales and also strengthens confidence in TW.

#### **Public Displays**

TW organizes roadshows in various cities. It has alliances with leading shopping malls such as Ebony and Ansal's Plaza, where its products are displayed for increasing sales and awareness.

#### **Personal Selling**

TW believes in personal selling. Hence its products can never be found in shops and stores. Its dealers provide the products to the customer personally.

## **NOTES**

### **Online Assistance**

If a person wishes to join Tupperware or buy its products, he or she can locate the nearest distributor in his area through its website. Also, every new product is available on its website, [Tupperwareindia.com](http://Tupperwareindia.com).

### **Conclusion**

The Tupperware Party Plan method of selling is a unique and extremely successful model of selling adopted by Tupperware. Through this unique selling method, Tupperware has recorded remarkable acceptance and success in India. Tupperware India understands the pulse of the consumers and their need to experience the product in its true essence. Tupperware realizes that demonstrations are an effective way of communicating product benefits. Tupperware also provides an appealing business opportunity for women. Today the company has a vast network of sales force, comprising 50,000 women across 41 cities in India. The company has touched the lives of several women and will continue to spread the Tupperware experience.

Tupperware has carved a niche in the market. Currently no other company enjoys the position enjoyed by Tupperware.

### **Questions**

1. Explain the process of selling Tupperware products.
2. What, according to you, should be the right strategy to sell Tupperware products in India?
3. What qualities are required in a salesperson to sell these products?
4. Comment on the role of selling that has changed over the years in the light of the above case.

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