

H.S. 2<sup>nd</sup> Year

Sub: Salesmanship and Advertising

Unit-1, Sales Organization

Introduction and Meaning

Whenever two or more persons join together to do activities for achieving some common objectives, the necessity of work distribution among them is felt and coordination among different activities is to be made. Organization originates from this necessity. Organization is the process of identifying and grouping the work, defining and delegating responsibility and establishing relationship for the purpose of enabling people to work together most efficiently in attaining objectives.

Sales organisation consists of persons working together for the purpose of selling objectives to increase sales, maximizing profits, expanding market share etc. It establishes coordination among various selling activities necessary for the achievement of selling objectives. Sales organization is concerned with the careful planning, effective coordination and efficient supervision of the various departments and functions essential for the marketing of products manufactured by the firm.

Definition:

According to **American Marketing Association**, “sales organization is the planning, directing and coordinating the activities of sales force for increasing organizational efficiency.”

According to **Still and Cundiff**, “ A sales organization is group of individual striving jointly to reach certain goals and bearing formal as well as informal relations to each other.”

According to **H.R. Tosdal**, “ A sales organization consists of human beings working together for the marketing of products manufactured by the firm or marketing of commodities which have been purchased for resale.”

### Characteristics of sales organization:

Following are the major features/characteristics of sales organization.

1. Sales organisation is a part of the total enterprise dealing with sales activities.
2. It consists of a group of people engaged in selling activities.:
3. It works for the attainment of common objectives of selling.
4. There exist formal and informal relationships between persons engaged in selling activities.
5. It defines the duties, responsibilities and rights of people in the selling jobs.
6. It establishes departmentalization of selling activities separately.
7. It is a means to the efficient execution of the sales functions and accumulation of resources to perform those functions.

8. The success of sales organisation depends on the unified and coordinated efforts of salespersons.
9. The selling organisation acts under the direct control the sales manager.
10. It accumulates resources to perform selling functions.

## **Objectives of Sales Organisation**

In the ideally organized sales department, duplication of effort would be eliminated, friction would be minimized and cooperation maximized. When sufficient attention is given to sales organization, personal selling efforts increase productivity.

**The basic purposes of sales organization as laid down by Cundiff and Stiff are as follows:**

### **1. To Permit the Development of Specialists:**

As a business expands, it becomes difficult to fix responsibility for performance of all activities on certain executives alone. At this stage re-organization of sales department is necessary to facilitate assignment of responsibility and delegation of authority by reshaping the structure of the sales organization. This includes fixing responsibility for specific tasks with specific individuals or groups. This is conducive to the improvement of specialists.

### **2. To Ensure that All Necessary Activities are Performed:**

When the sales organization grows and specialization increases, it becomes necessary to perform all activities according to schedule. As a company grows, its marketing channels lengthen marketing area expands geographically and the executives begin to lose their informal contacts with customers. If such contacts are essential, the responsibility for maintaining them should be assigned to any person specialized in customer relations.

### **3. To Achieve Coordination:**

Good sales organization achieves coordination smoothly. Total accomplishments of tasks are greater advantage when the sum of a combination of effort exceeds the efforts of individual effort. By getting people to pull together as a team rather than as an assortment of individuals; organization accomplishes more collectively than individual members could achieve. Motivating individuals to work together for achieving common objectives is important for coordination.

### **4. To Define Authorities:**

Sales managers should know whether their authority is line, staff or operation. Line authority carries the power to require execution of orders by those lower in the organizational hierarchy.

Staff authority is the power to suggest to those holding line authorities the method of implementation of an order. Functional or operational authority enables specialists in particular areas, to enforce their directives within a specified and limited field.

All executives should understand the nature of authority with respect to each aspect of the operation, otherwise friction develops. A smoothly operating sales organization has built in ways of achieving harmony, through free flowing communication system.

#### **5. To Economize on Executive Time:**

As the operations of sales department increases in complexity and number, additional subordinates are appointed. This facilitates the higher ranking executives to delegate more authority. It also allows for more effective use of specialization so that higher executives are relieved from devoting more time to operative functions. They can devote more time in planning and less time to operative functions.

#### **6. Other Objectives:**

- (i) To organize activities related with recruitment, selection, placement of salesman, and to implement policies relating to their promotions, wages and salaries, welfare, etc.
- (ii) To accumulate resources to meet with the objectives of sales department.
- (iii) To motivate the sales persons and to boost their morale.
- (iv) To impart training to sales persons to up-to-date their knowledge.
- (v) To maintain free flow of communication system between sales employees.
- (vi) To create peaceful and cordial atmosphere of work within the sales department.
- (vii) To organize sales forecasting and allotment of sales quotas to every salesman.
- (viii) To limit the sales expenses and costs at a minimum.

### **Steps in Setting Up Sales Organisation**

There are five main steps in setting up of sales organization.

#### **These steps include the following:**

1. Defining the objectives
2. Determination of activities
3. Grouping activities into job positions.
4. Assignment of personnel to positions.
5. Providing for coordination and control.

### **Step # 1. Defining Objectives:**

The first step in setting up a sales organization is to define objectives. The top management defines the long-term objectives for the company and from these, the long-term objectives for the sales department are derived. The top management sets the objectives keeping in view of long-run survival of business and to achieve industry leadership, through the use of outstanding technology, diversification of product lines, providing excellent service to customers, and so on. From such composite objectives, sales management determines its objectives such as personal selling objectives (qualitatively and quantitatively) to realize long-term growth in sales and profits.

### **Step # 2. Determination of Activities:**

A sound organizational design requires that all activities are being organized in a systematic manner. Along with determining necessary activities, estimation of volume of performance is also done so as to ascertain the requirement of executive positions. Executive positions determine their relationships to other positions, their duties and responsibilities, etc. Determination of necessary activities and their volume of performance are made by analyzing the qualitative and quantitative objectives of the sales department.

### **Step # 3. Grouping Activities into Job Positions:**

Next step in the process of organizational set up is to allocate different positions identified according to activities. It should be kept in mind that activities are aimed at achieving the set objectives for the sales organization. Activities should be suitably classified and grouped so that closely related tasks are assigned to the specific position.

Each position should contain not only a sufficient number of tasks, but sufficient variations to provide for challenge, involvement and interest. In a highly competitive field, product development and pricing etc. should be arranged to positions high up in the organizational structure. Activities of lesser importance should be assigned to lower level jobs.

When a large number of positions is being set-up, groups or related activities are brought together to form departmental sub-divisions. In such cases, a number of middle-level positions would have to be coordinated by top sales executives.

### **Step # 4. Assignment of Personnel to Positions:**

The next step in this process is to assign personnel to positions. This requires recruitment of special individuals to fill the positions or to see the personnel fit into the capabilities among the

organization. Assignment of personal to positions should be done carefully keeping in view of unique talents and abilities of the person concerned.

### **Step # 5. Providing for Coordination and Control:**

Sales executives with line authority require means to control their subordinates and to coordinate their efforts. They should not be so overburdened with detailed and undelegated responsibilities that they have insufficient time for coordination. Nor should they have too many subordinates reporting directly to them. This weakens the quality and control, and prevents the discharge of other duties.

### **Importance of the sales organization**

The need and importance of sales organization can be described under the following points:

1. **Increase Efficiency:** In the sales organization, jobs are properly distributed, duties are defined direction and control are properly provided. This helps to avoid duplication of work and to increase work efficiency.
2. **Promotes Specialization:** The sales organization divides and subdivides various sales functions. Suitable persons are appointed to handle their respective activities. Thus, the right person performs the right job.
3. **Facilitates Co-ordination:** A sound sales organization coordinates the efforts of different departments and sub departments, offices and employees for the attainment of sales goals and common objectives.
4. **Delegation of Authority:** A sales organization defines the rights and responsibilities of every individual. This helps in the delegation of power to discharge their job and responsibilities.
5. **Timely Contacts with Customer:** By assigning proper duties and by structuring the roles of employees, it is quite possible to make regular contact with customers. This also helps in obtaining valuable information relating to customers' problems and suggestions.
6. **Contributes to Success of Business:** A good sales organization achieves goals at the minimum costs. It helps achieve the desired success in selling as well as the other areas of business. The salesman can work at the optimum level. This contributes to the overall progress of the Enterprise.
7. **Promotes Innovations:** A good sales organization can contribute to the development of new ideas and innovations. It encourages salespeople to bring new changes in products by gathering information from salesmen. It promotes sales research, consumer survey, and market analysis. This helps to innovate products.

8. Increase Morale: A good sales organisation helps in building the morale of sales employees. Every person engaged in the selling activities has a clear knowledge about his position, rights and responsibilities.
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## Factors Affecting the Size/ Structure of Sales Organisation

1. Nature of the product: Nature of the product plays an important role in determining the structure of sales organization. For example, in the case of consumption goods like soaps, oil, rice, cosmetics etc., the size of sales organization may be bigger to handle a large number of consumers.
2. Scale of production: The volume of production and the quantities involved in each sale will also **affect the structure of the sales organization**. If the scale of production is big and the number of products and the quantity involved is too many, the size of the sales organization will be large and complex.
3. Market Area: Market area is also considered as an important factor in determining the size of sales organization. If the product is sold locally, sales organization will be small. On the other hand, if the product is sold nationally or internationally, the size of sales organization will be big.
4. Size of Business: Size of business has direct relationship with the structure of sales organization. Large businesses have large sales organisation, and small businesses have small sales orgnsisation. For example, Reliance telecom has large sales organisation.
5. Number of Products: If the enterprise is dealing with large number of products, it needs large sales organisation. For example, Hindustan Unilever selling many products like Surf Excel, Lux Soap, Sunsilk Shampoo, Vaseline etc., will have large sales organisation, while company which is selling few products will have small sales organisation.
6. Level of Competition: High level of competition leads to large sales organisation. If the level of competition is high in the market, many salesmen have to be appointed to attract the customers so the size of the sales organisation become large.
7. Distribution Policy: Different companies follows different distribution policies for their products directly to the customers by opening their own shop or through their personal selling.
8. Sales Policy: Every business has its own sales policy, if the business unit adopts the aggressive sales policy, then it will require more salesmen for achieving higher sales level. The business unit who sales goods on credit, installment system, hire purchase system will have to hire more salesman for collecting dues and installment from customers.

### Departments in Sales Organisation

Sales organisation may have following departments:

1. **Physical Distribution Department:** This department performs the functions of storage, packing, dispatching and transportation. This department has various sections like storage section, packing section, transportation section etc., and each section is headed by persons having specialization in his field.
2. **Advertising Department:** All the activities related to advertisements are performed by advertising department. The department has to plan advertising campaign, to select media of advertising keeping in mind nature of products, nature of customers, availability of funds, media cost, media circulation; and to implement advertising programmes etc. It helps in increasing sales volume by informing people about the goods and services, and convincing them to buy the same.
3. **Personnel Department:** This department performs the function of recruitment and selection. After selection a proper training is given to the salesmen and motivating them to give their best effort in the workplace. And if they go in a wrong direction, some corrective measures are taken to bring back to the right direction. Hence, this department solves the problem related to human element in the sales organisation.
4. **Public Relation Department:** This department performs the function of knowing public opinion about the firm. It establishes contacts with customers, suppliers, employees, bankers, political leaders, social organisation, other competing and non-competing organisations. For the success of business in the long run, good public relations are must, hence, this department works to create and maintain a good public relations.
5. **Sales Department:** Sales department is very important part of sales organisation. Sales manager is the head of sales department. All the activities in sales department are headed by sales manager. In a big organisation, he is considered as next to the top authority in the chain of command. The main function of this department is to manage and control the selling activities.
6. **Market Research Department:** The main task of this department is to conduct research about consumer behaviour, to measure the level of consumer satisfaction and dissatisfaction, to measure the existing demand and supply in the market, to explore new markets and to find the products which are mostly purchased by customers.
7. **Debt Collection Department:** The main function of debt collection department is to collect dues and installment in time to time so as to avoid risk of bad debts. This department see the transactions which are made on credit basis, it also tries to reduce debt collection period without disrupting relations with customers.
8. **Statics and Record Department:** this department is divided into two section:
  - (i) **Statistic section:** Statistic section collects data and information from present consumers, intermediaries, suppliers etc., It collects information about the sales, quantity demanded, sales of competitive firms, percentage change in market share etc.,
  - (ii) **Record Section:** This section maintains and preserves the collected data and information in such a way that it can be made available at the time of decision making and sales forecasting. The data is store in the form of papers, files and other electronic devices.

