

Management of Field Sales
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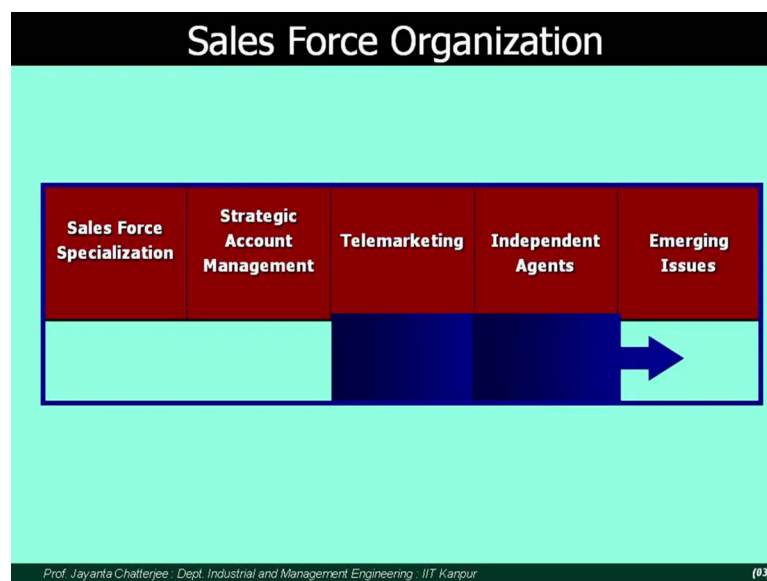
Lecture - 16
Sales Force Structure

Hello I am Jayanta Chatterjee from IIT Kanpur. We are discussing Management of Field Sales. This is our 4th week last week and this week I am going to dedicate most of the sessions to the different tasks and different expectations from a field sales manager.

So, earlier we discussed a lot of things which are applicable to like for example, negotiation or the different pricing processes etcetera, those are important for a sales person as well as a sales supervisor or a sales manager. But now this week I am going to discuss more with respect to the organizational aspects, the sales management aspects and the different additional tasks that are expected to be performed by somebody who is responsible for a large number of sales persons. Be it a supervisor or a regional manager or a national sales manager.

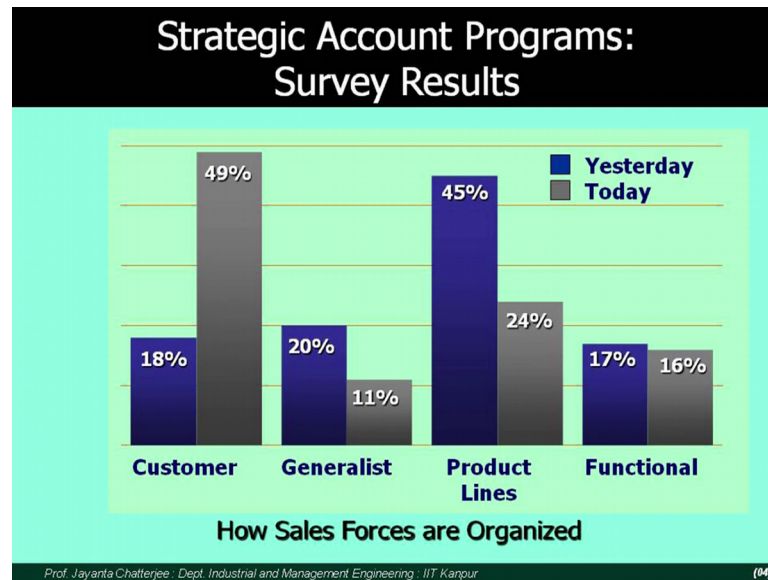
So, the topic for the first session today is the Sales Force Structure; that means, if you have a sales organization national sales organization, you can organize it in different ways.

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In incidentally we are discussing only these first two blocks the sales force arrangement and importance of specialization and strategic account management. These other issues like telemarketing independent agents these we will discuss towards the later part.

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Look at this diagram this is something very interesting the output of a recent research publication. It shows few things; the first thing it shows here you see that the these are the four different ways sales organizations are structured these days.

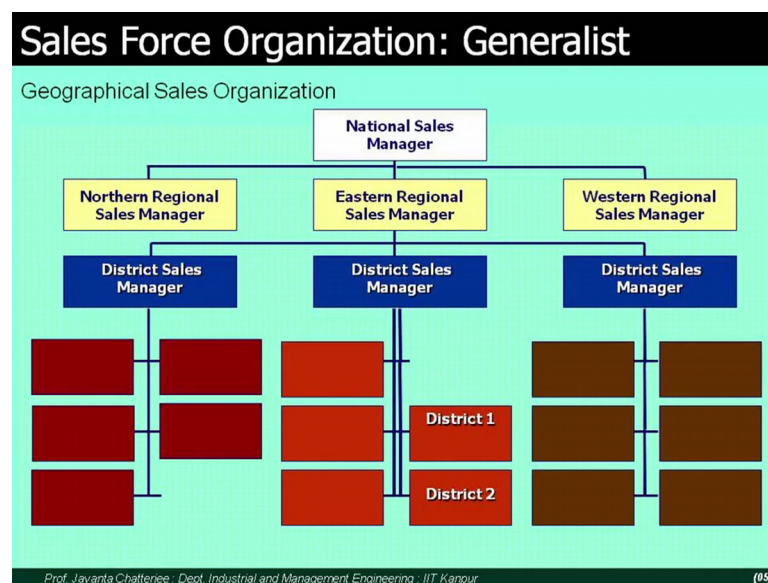
One is customer centric and the extreme left as you see, then comes generalist, third are product lines specialization based sales structuring sales organization structuring and functional structuring. These are the four different ways usually all sales organizations are structured and the one which is customer centric is most suited for a strategic accounts orientation, because today we are focusing more and more and trust based relational approach to selling.

Most organizations today as you see here we have two sets of bars; one is the blue bar, which shows how earlier in the previous year's maybe you know in the last century; that means, in the 1990s in the year 2000 and so on. Almost most organizations were structured with respect to this blue column and the grey column shows 49 percent of the organizations are structured on a customer centric sales organization as opposed to 18 percent.

On the other hand generalist 20 percent of the organizations earlier were generalist in a generalist structure, that has dropped to 11 percent. 45 percent of the organizations were product line based. This is a big drop that has dropped to 24 percent and 17 percent of functional has gone to 16 percent.

So, you can see all these reductions like 21 percent in the product line based or 9 percent in the generalist they have all gone to increasing the emphasis for the customer centric, customer focused, customer class oriented, sales organization structuring.

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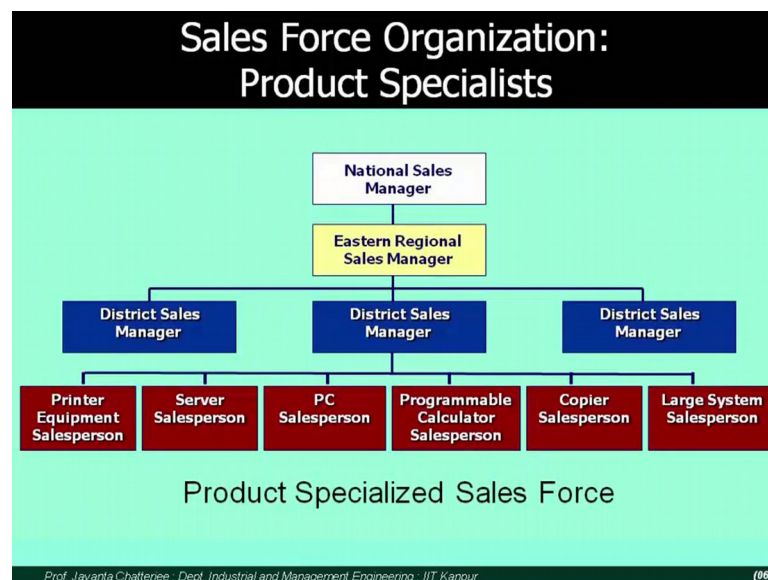
This is the generally structure, this is the structure we all know about. Here we have the northern regional sales manager eastern western and there could be another block of southern. Sometimes there is in India because its a large country there may be northern, eastern, western, southern and a central these are regional sales managers reporting to the national sales manager. And then below the regional sales manager we have the district sales managers.

So, this is actually a geography based generalist oriented structuring sales organization structuring, it is still in practice because for example, for staple products, convenience products, for food grains, for many products of regular consumption in the domestic setting the sales organizations can be structured still using this format. Because they are the product variants and customer variants are not easy to discern or rather insignificant. So, the geography versus geography based organization is fine there.

Of course other thing is that it does not mean that this district sales manager in north will be same as the western district sales manager because the districts in the west may be far more potential than I mean just as a hypothetical example could be with respect to; say there will be with respect to northern region. So, there will be more people working here there will be bigger organization under the western regional sales manager as opposed to the northern region sales manager.

So, geography based no specialization particularly within the sales force and number of people allotted according to the current and potential sales volume.

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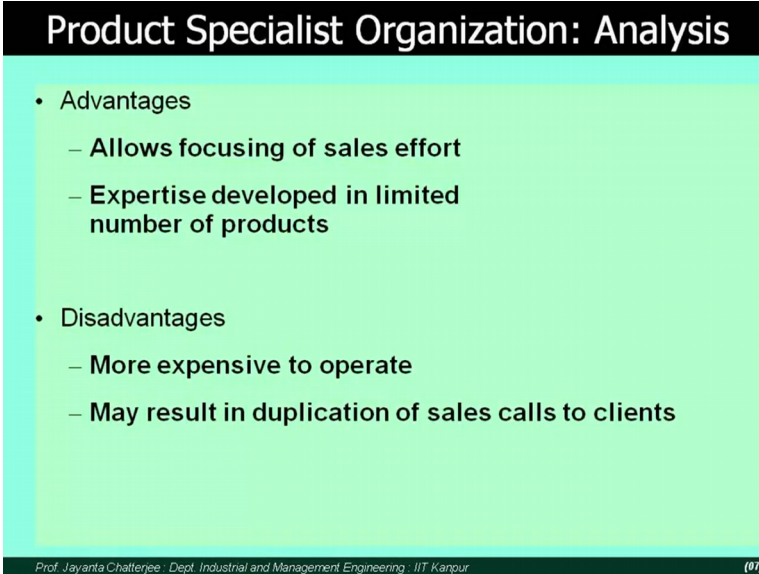


Then comes this one which is product specialization, I mean here I have taken example of an organization like HP or other a company which manufactures PCs and manufactures laptops and high function calculators and printers and copiers and so on.

So, you see here we have national sales manager and this is under the eastern regional sales manager, there are district sales managers, but the product specialization is there at the sales force level. So, there are people who are specialized for printer, there are people who are server, computer server PC, high function programmable calculators large system salesperson.

So, you see therefore, the emphasis has shifted here at the ground level at the field level, where we have people with different product specialization reporting to the geographical heads.

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Product Specialist Organization: Analysis

- Advantages
 - Allows focusing of sales effort
 - Expertise developed in limited number of products
- Disadvantages
 - More expensive to operate
 - May result in duplication of sales calls to clients

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The advantages are that it allows us to focus our sales effort on a particular type of product. This is very suitable when we introduce a new product where lot of nurturing is needed to establish the functionalities and superiorities of the product with respect to the current existing solutions.

And also the salesperson can be very deeply trained and therefore, can become an expert and can therefore, create better trust in the mind of the buyer and the consultative selling that we have been talking about, where the salesperson is seen as an adviser to the buying person buying organization will be a good system where this can play this product specialization base sale structure can play an important part.

The disadvantages are, it is kind of expensive because the same customer may receive a visit from somebody who is selling printer and can also be getting a from somebody who is selling a server or a PC. So, there may be a duplication of sales calls and as a result it can be expensive. And also it increases the number of people depending on the product variety in the within the sales force. So, the even the fixed cost by way of salaries and commissions etcetera of the salespeople will be more here.

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The alternative which is most practiced today the majority of the organizations today are shifting to this structure is what we call the customer specialists. Here you see again the emphasis is at the field level. So, we have salespersons again we have taken the example of the HP type of organization. So, we have sales persons focusing on educational institutions who buy lot of computers and other IT stuff then we have salesperson catering to retail outlets you know all the distributors etcetera who may be selling this.

Then salesperson for manufacturing organizations because they also use lot of computers and so on. The salesperson for government agencies salesperson for wholesale customers the whole salesperson for bank customers or different other institution could be hospitals could be hotels. And so, you have different sales persons focusing on different types of customers; obviously, the advantage here is that these sales people can go deep into the nature of their target customers requirements specialities special emphasis that should be brought into the product positioning. Those can be done very nicely in this. At the upper level it can still remain geographical you know this eastern region.

But we can now have a new position created which we call national accounts manager. Because for example, a hospital a salesperson who is attending to a particular hospital chain in say Calcutta must be coordinating his or her sales effort with the same hospital chain as operating in Bombay or Chennai or Delhi and say for teas.

So, a HP sales representative serving for teas or apple o group; must be in touch with his or her counterparts in all other cities and to coordinate their efforts for some new projects coming up for new kind of medical systems requirement, you may need to have a national accounts manager. This is a new position customer centric, customer specialization oriented position which will be operating in parallel to the field sales chiefs.

So, you can see here we have a national accounts manager eastern regional sales manager and manager of export sales all at the same level and the district managers are therefore, often reporting to the sales manager directly, but also will be influenced. So, they will have dotted line responsibilities to the national accounts manager or the export manager. So, this becomes somewhat of a matrix structure.

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Customer Specialist Organization: Analysis

- Advantages
 - Consistent with market driven strategy
 - Salespeople become customer experts
 - Customer segments receive appropriate resources
- Disadvantages
 - May conflict with marketing organization
 - Product expertise may be lacking
 - More expensive

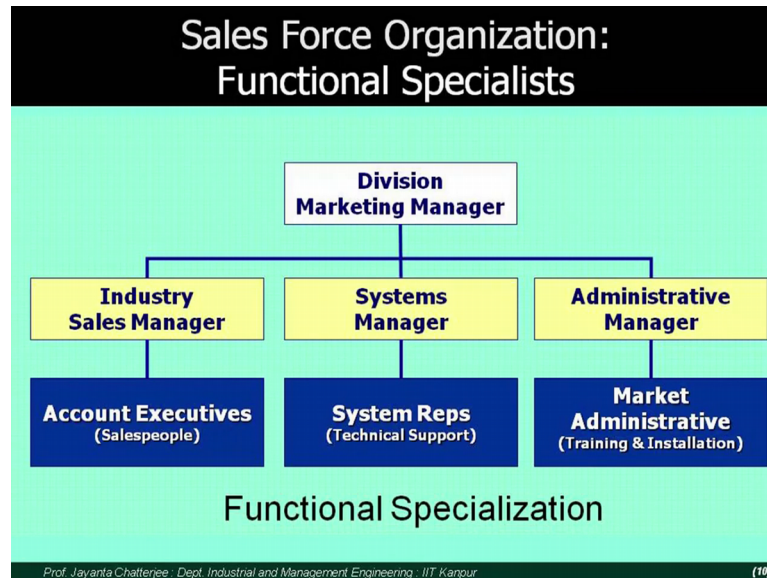
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Advantages are its very market driven customer expertise can be developed in depth as I was mentioning and different customer segments will receive different kind of resource allocations sales resource allocation.

The disadvantages that the product expertise, they may not get enough time to develop product expertise. So, you may need an additional block at this level where the from the previous level where you have this product specialists. So, some product specialists may have to be brought in here to assist the customer focused sales persons.

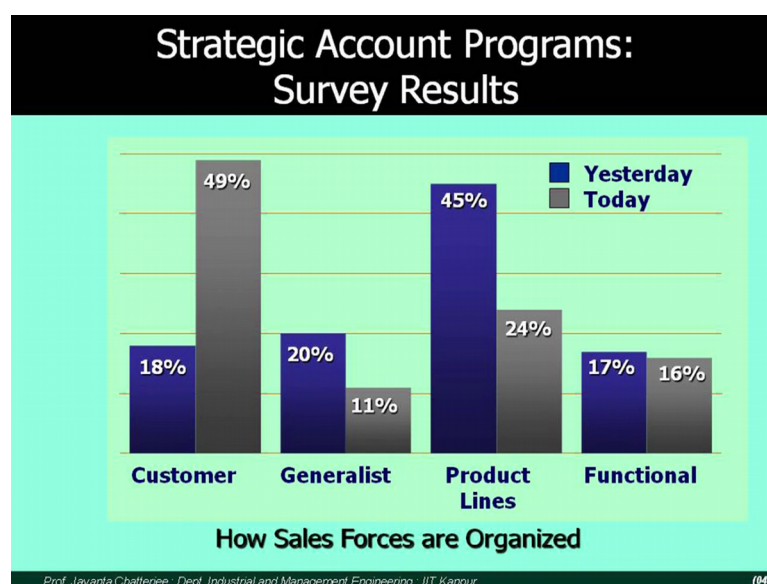
So, here therefore, it becomes a little bit more expensive structure and sometimes the product marketing and product sales specialists may be in a conflicting situation.

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Then way you have functional Specialization; functional specialization means you may have a sales service department or what we call sales commercial and then we may have a technical side, we may have normal account executives. So, this is a structure that at one time was popular.

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But now as you see here only 16 percent of the organizations are using functional and even just next to the generalist level which is the lowest. So, most organizations are today either operating in this customer centric organization structure or the product line based organization structure.

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Comparing Sales Organization Structures		
Organizational Structure	Advantages	Disadvantages
Generalist (Geographic)	<ul style="list-style-type: none"> •Low cost •No geographic overlap •No customer overlap 	<ul style="list-style-type: none"> •Limited product line knowledge •Limited customer knowledge •Lack of management control over product or customer emphasis
Product	<ul style="list-style-type: none"> •Product knowledge •Control over product emphasis 	<ul style="list-style-type: none"> •Low geographic efficiency •Customer duplication •Geographic duplication
Customer	<ul style="list-style-type: none"> •Deeper customer knowledge •Control over customer emphasis 	<ul style="list-style-type: none"> •High cost •Less product knowledge •More geographic duplication •Difficult coordination with product managers
Functional	<ul style="list-style-type: none"> •Effectiveness in performing selling activities 	<ul style="list-style-type: none"> •Coordination •Geographic duplication •Customer duplication

This chart gives you a summarization of what we were discussing just now. That the generalist has these advantages low cost no geographic overlap, no customer overlap, disadvantages limited product knowledge limited customer knowledge and lack of management control over products or customers.

Then we have product based organization structure, these are the advantages these are the disadvantages we have discussed it just now. So, you just go through this to this summary and that will give you in one shot the comparative understanding of the pros and cons of the different types of organization structure.

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Strategic Accounts: What is Different about Strategic Accounts?		
	Previous Approach	New Strategic Account
Business Plan Duration	▪ 3 – 6 months	▪ 2 – 3 years
Structure of Business Plan	▪ Tactical promotional program	▪ Strategic business plan focused on growth and profitability
Personnel Involvement	▪ Sales reps and purchasing agents	▪ Senior management from both companies

Changes in Joint Account Planning

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Now, the strategic accounts I mentioned a little while back are structures I mean these specialists the strategic account specialists at the field level as well as the natural accounts manager they are they bring in this long term approach, relationship based approach. So, from it that recency and frequency dominated model of the past, here looks at a bigger picture looks at a longer term picture. So, instead of the horizon being 3 to 6 months these people look at that 2 to 3 years potential.

So, typically speaking you know if you are dealing with a very large organization likes TATA Steel or TATA Motors, the selling organization like Siemens will perhaps take this approach by employing the strategic account management team. So, organizations like say Larsen Toubro electrical automation business, they have a number of people looking at strategic accounts management, operating side by side with their field salespeople who may be geographically or product oriented structures.

Because sometimes organizations today make a mix as I showed at the upper level it will be still geographic, but at the field level will be product specialization, but in many cases these product specialized product specialists will be working hand in hand with strategic account focused customer focused people. And even the senior management in, organizations can actually play sometimes the role of a strategic account manager because somebody who was earlier say sales person, then rows to sales managers

position, then became maybe the natural sales manager may still retain his or her deep relationship with some large customer he or she nurtured.

And therefore, the customer will be comfortable with such a person and therefore, in many cases the senior management of both companies may be involved in this account. Because just on the buyer side some people who were young professionals they will be rising through the organization, on the sales side they will be rising through the organization and if these two organizations have retained or have developed good relation that relation is actually translated often in a person to person relation. So, that is why we see that some very high level sales management people still do some kind of account management function because of their long term relationship.

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Sales Force Organization: Scope of Telesales	
Activity	Description
Customer Service	Companies provide customers with a number they can call if they have questions.
Prospecting and Lead Qualification	Firms are taking a proactive approach to prospecting by having telemarketers call prospects or qualify them for face-to-face selling.
Account Management	Selling secondary product lines or service small customers by phone, thereby freeing their salespeople to concentrate on larger customers and strategic product lines.
Promotion Support	Develop newspaper and magazine ads that feature either a local or an 800 number to get additional product information or place an order.

The Scope of Telemarketing Activities

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I am now going to discuss in the next 3 4 slides some of the other types of sales persons who operate in a very flat horizontal structure like the telesales people. So, the telesales people you know do today in most organizations functions like customer service; that means, when customer has some kind of a problem often those problem, calls are attended by customer service people operating on the telephone then there are prospecting or you know this point about prospecting we discussed earlier.

So, where actually you are qualifying the leads collected during a trade show or leads collected during a road show, can be done that prospecting can be done through telephone interactions. And by qualifying some of those data through the telesales

approach can create lesser number of calls by the salesperson because; obviously, a warm call or a hot lead will be far more remunerative and far more productive than a cold call. So, if there are out of 10 call cold calls only one leads to a sale, 4 hot coals will lead to four sale.

So, therefore, lead qualification is an important function performed by telesales personnel and of course, telesales people can be used to manage important accounts to keep regular tab of what is happening if there is any problem. So, there can be a proactive approach to account management; that means, you do not wait for the customer to call if there is a problem you call regularly to assure and to ensure that everything is in shipshape and also as promotions with respect to new products new offerings can be done using telesales.

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**Sales Force Organization:
Telemarketing Advantages and Challenges**

Advantages

- Low cost per sales call
- Profitably serve small to medium customers
- Speed/time saving of telephone ordering

Challenges

- Acceptance by field salespeople
- Management
- Role of the Internet

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So, these are; obviously, the advantages and some challenges. Advantages are the sales call cost will be significantly lower in telesales or internet based email based sales communication. So, you can much more profitably the sales cost can be reduced and therefore, your costs to serve will be down.

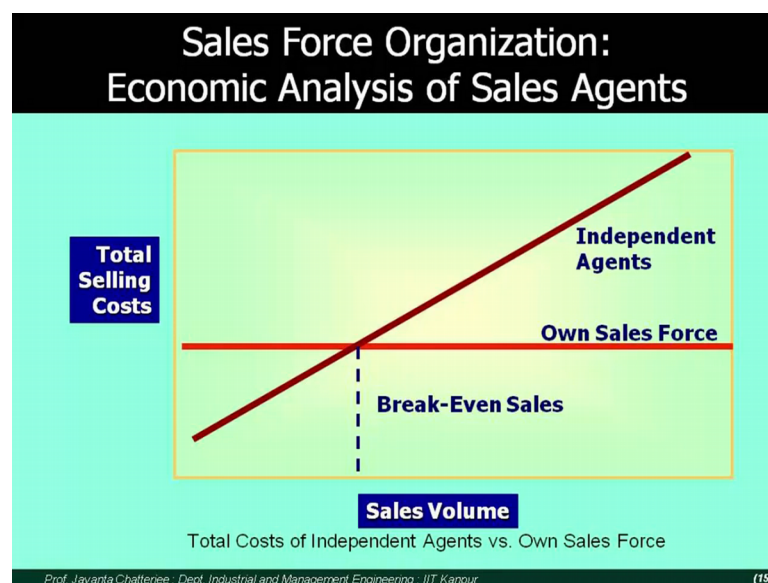
So, small customers or medium customers are often served better through telesales and also you can save time because a telesales person can get directly connected to the central computer system. So, an order placed through the telesales can be activated

immediately without waiting for the paperwork that is often generated in the field representative and buyer interaction.

Of course nowadays many of the field sales people have a handheld gadgets like a tablet, which can directly communicate to the selling organization central computer. So that time advantage are avoided, but still telephone ordering is often encouraged in certain types of organization, but it can have some conflict with the field salespeople.

So, they may feel there is some intrusion, they may feel that some good case was spoiled by the telesales person and such conflicts are often faced by the sales manager such internal squabbles and the role of the internet is evolving so fast. So, we do not know whether the telesales as standalone functionality will survive it may actually get all blended into an internet based multiple types of interaction.

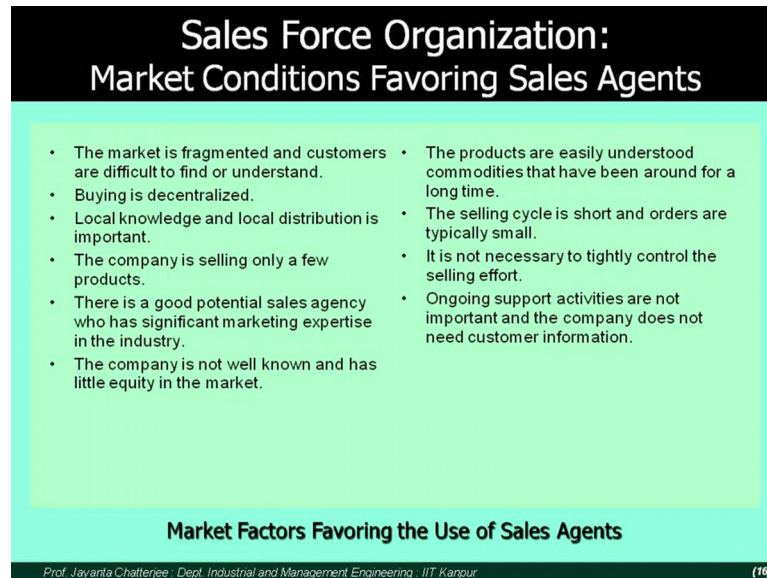
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This is a good chart to show that up to a certain point that, breakeven point is where actually you should use the own sales force the face to face interaction. And beyond that one can use telesales and more regularly these days what we call independent sales agents. So, small and medium customers; particularly small customers can be served better by localized independent agents, who will be who will not need to travel long distances will be available almost within walking distance for contact and they can actually serve those customers quite well.

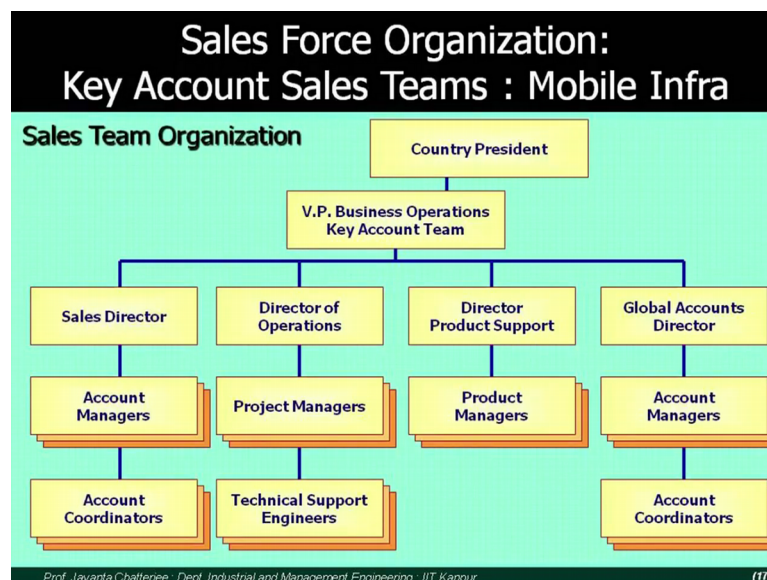
So, therefore, you can distribute your allocation of sales responsibility from between your people and outside independent agents by looking at this particular chart.

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That means beyond the breakeven point this is what we are brought out in this particular summarization which you can read at ease.

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And then we have this final depiction of something that is taken from a mobile infrastructure company like say Nokia or Ericsson. So, it shows a total structure, so, you have the country president or ECO of the country then within under him or her you will

have the vice president for business operations and key account team. And below that person you will have sales director of operations director of product support global accounts director and then you have these account managers product managers in combination technical support people.

So, you see here what it shows that it in a modern complex high tech product sales organization we are creating a fusion between the customer focus and the product focus and we are also combining often the post sales functions under the sales chief.

So, not only the order booking will be under him or her the order execution and completion fulfilment. So, the need generation to finally, the need fulfilment and after sales care everything will be put under one umbrella with good product expertise and technical expertise blended into the team. So, complex sales organizations are more and more becoming a fusion of the best advantages of product expertise and customer expertise. So, there we end today's session.