Sales and Distribution Management
Prof. Sangeeta Sahney
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture – 31
Sales Force Management: Evaluation (contd.)

[FL]. Now we will be beginning with our next lecture which is lecture 31. And is the first lecture in the 7th module of our course on Sales and Distribution Management. We shall be continuing with our topic of discussion on Sales Force Evaluation. If you recall in the previous lecture which is lecture 30, we had begun discussion on sales force evaluation. And we discussed you know how important performance appraisal or performance evaluation is for sales force.

Not only to assess their performance at the micro level or the individual level, but also to assess the company's overall performance at the macro level. And to ensure that you know things are going on as planned with the fact that targets would be attained you know within the time frame and with the prescribed resources.

Now, evaluation is important not only for sales force, but for the company. And it actually gives direction you know for further improvement of you know the marketing policies and the marketing programs and the selling strategies. And at the micro level or then dual level it has assesses persons performance, prepares him for the future you know through identification of training needs and through design of appropriate training programs. It also acts as a source of motivation because if a person has performed well you know it this would mean that he would be rewarded, he would be you know given some kind of monetary and non monetary incentives to keep him motivated that at the workplace.

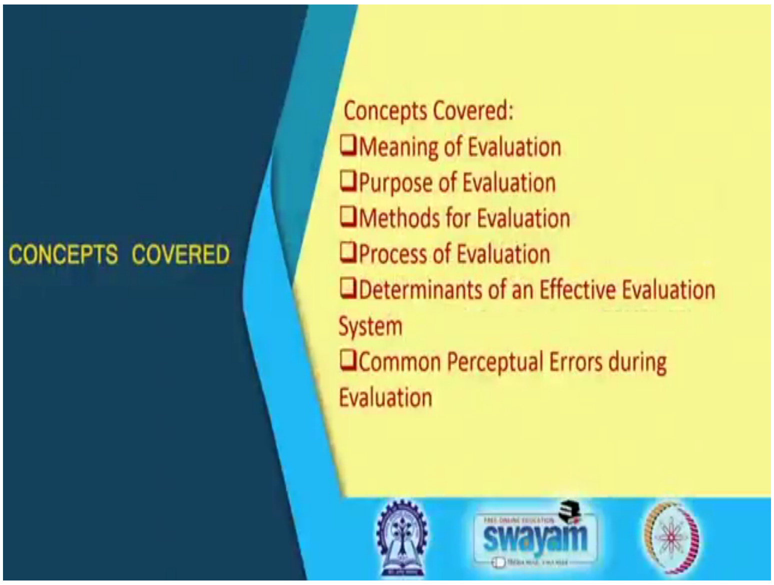
And those for underperformers it would mean you know again identification of training needs and design and development of training programs. For them so as to ensure that they can improve on their current jobs and they can get prepared for future jobs. Also so we also discussed about the role of evaluation in career development and the role of evaluation you know crucial decision with respect to the goal setting and the targets. We discussed that it sometimes may so happen that actual performance is not as per desired because the goals which have been set have been unrealistic or have been wrongly set and in those cases what becomes important is a revision in the goal or is in a revision in the you know sales targets.

Also in certain cases the sales job itself may need to be you know redesigned. So, as to bring in a motivational element with respect to the sales job make it more enriching make it more exciting you know; sometimes which would mean that transferring a sales person to another sales job or to another territory to remove the monotony and the boredom that may have set in if he has been selling a particular product in a territory and to a particular class of customers for years.

So, this is what we had discussed in terms of the relevance of sales force evaluation as a process. And while we were you know discussing on the various stages we discussed that the religious stages of sales force evaluation would mean setting targets recording performance or measuring actual performance and then comparing the actual performance with the desired and then you know taking action if required corrective action plans have to be made.

So, we started discussing the process in the previous lecture. And we completed the first stage or the first step which was setting performance standards. And we spoke about the different kind of quantitative and qualitative standards that need to be set and put in place you know and also to be well communicated to the sales force, who should be known what they have to sell you know how much and in what period and we discussed the different kinds of performance standards you know which are required not only for sales, but to keep sales profitable which were the selling expense ratio or the order to call ratio or the territorial market share ratios etcetera.

(Refer Slide Time: 04:38)

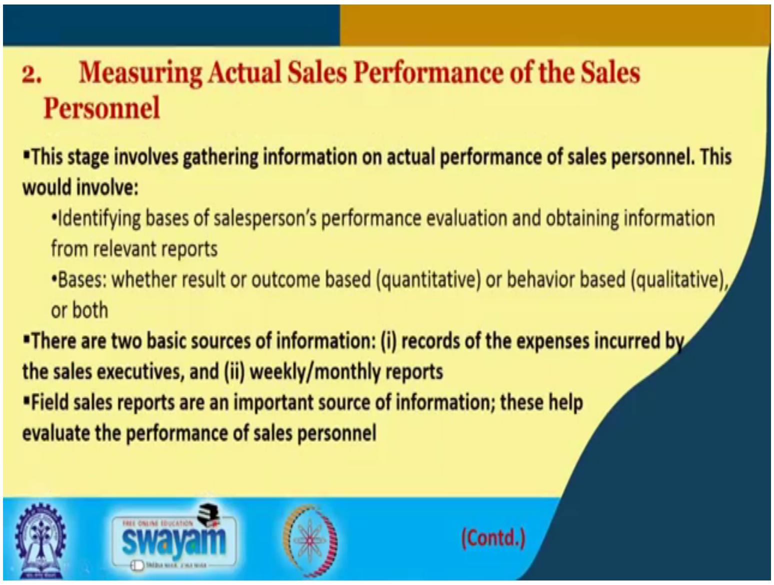


(Refer Slide Time: 04:39)

So, we discussed this in the previous session and now, we will move subsequently with the second stage which is measuring actual performance of the sales force comparing actual performance against the standards which would be stage 3 and stage 4 which will be identifying deviations and taking corrective action.

Now a performance appraisal again we all know as a recap I would like to add that it involves comparing the actual sales performance of employees with the desired performance of the sales personnel and taking corrective action for improving their performance. So, we have discussed the stage 1, now let us move to the subsequent stages.

(Refer Slide Time: 05:12)



So, the second stage here is to measure actual sales performance of the sales personnel. And this would involve gathering information on the actual performance of sales force. And it would involve identifying the basis of sales persons performance evaluation and obtaining information from relevant reports. Now when we talk about identifying basis of sales persons performance evaluation, you know what we are talking of here is are we going to be using quantitative measures or qualitative measures quantitative basis or qualitative measures for you know sales force evaluation or sales force performance evaluation.

And the second thing that we need to discuss is how would be obtaining, how would we be obtaining information, what are the kind of reports that would be with which we would be accessing or using to measure their actual performance. So, this particular stage involves gathering information on actual performance of sales force. And which would first involve identifying the basis of their performance evaluation you know which could be quantitative or qualitative or both.

And second would be to decide on the various sources of information which would be used as you use to you know assess how good they have been you, how good they have been at the field. So, what we are talking of is the kind of reports which the sales managers would be using to measure the sales performance of their sales force. Now the 2 basic sources of information here, one is the records of expenses in and the second would be the weekly and the monthly reports which are which would be prepared by the sales team and the sales personnel and reported to the branch and to the region or to the zone.

So, there are 2 basic source of information which will be used to measure the actual sales performance of the sales personnel. And this would actually contain both quantitative and qualitative measures. And these 2 sources of information are one the records of the expenses incurred by the salespeople the selling expense report which is compiled by the sales force or by the sales people sales team.

And individually for reimbursements and the second is the weekly or the monthly reports which are again generated individually or as a sales team at the branch which is again then reported to the region and to the zone. So, these field sales reports are an important source of information they help evaluate the performance of the sales personnel.

(Refer Slide Time: 08:04)

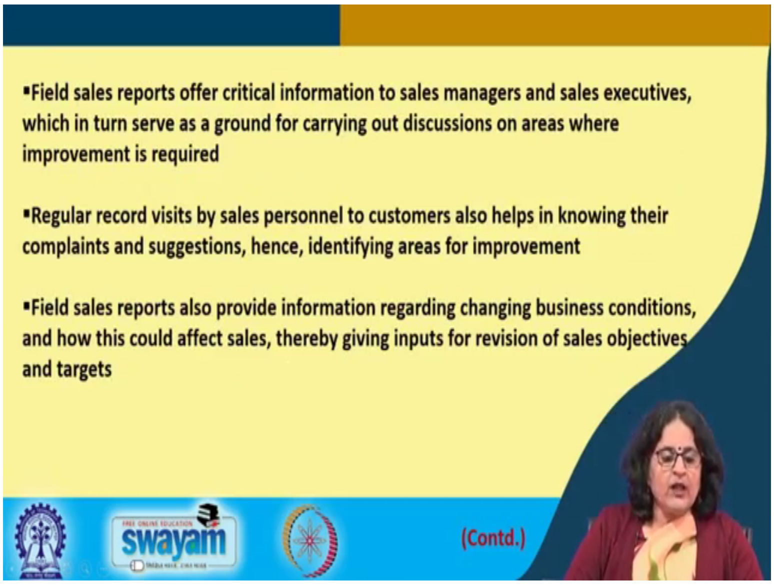
Now let us talk a little more about the field sales reports. Now, the field sales reports help the sales staff in planning their activities. They are detailed records on the kind of activities that they are into the kind of product they sell to the kind of clients to be to various in various territories. And the kind of dealers they are reporting to the customers and the clients they are they are handling, whether they are into service selling or developmental selling. So, these are very, very elaborate reports and they help the sales staff in planning their activities on a daily basis and on a weekly basis. So, if a field sales report is prepared today for week 1, it helps them plan again for week 2 and week 3 as well.

It also is a very detailed document which will provide information on the sales persons activities to the branch sales manager and to the senior managers and this would act as control element. So, field sale report helps the sales staff in planning their activities also helps provide information on salespersons activities to the branch manager and to the other managers in the organization.

And it helps the management assess as to whether the field sales executive you know has been able to perform his duties well, whether he is meeting the required prospective clients or not. Whether he is actually you know following up with current customers or not etcetera. So, it provides information regarding performance of sales executives like the sales volume obtained new orders secured, expenses incurred, number of calls made by them lead generation etcetera.

And it also provides the information on the activities of the competitor. So, it is a very, very exhaustive document which is used as an instrument for both planning and control. Planning for sales m sales force themselves and control it is a tool in the hands of these brands sales managers and the senior managers to assess and examine kind of efforts that are being made by individual sales persons.

(Refer Slide Time: 10:17)

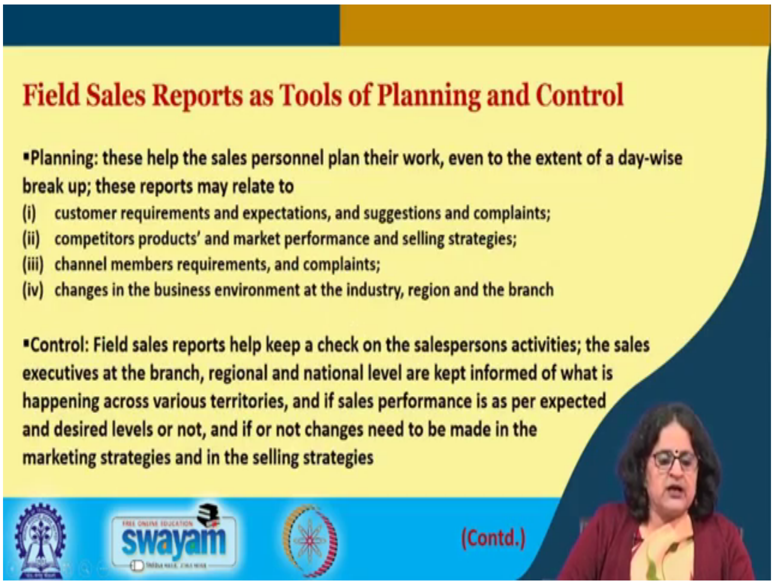


Now, the field sales report also offer critical information to sales managers and sales executive which in turn serve as a ground for carrying our discussions on areas where improvement is needed. So, because this document is a detailed account on you know sales volumes achieved selling expenses incurred, new you know clients earned you know customers lost as well and etcetera.

So, it gives an it can be analyzed into identifying the kind of problems that you know the sales team may be facing. And this would mean that it actually provides as a fertile ground on which discussions with respect to you know problems and challenges can be made and this would also mean you know discussions on areas where improvements are required. So, regular record visits by sales personnel to customers also helps in knowing their complaints and suggestions again identifying areas for improvement.

And field sales reports also provide information about changing business conditions and how this could affect sales there by giving inputs for revision of sales objectives and sales targets.

(Refer Slide Time: 11:31)



So, the field sales report is a very vital tool for both planning and control. Planning because it helps the sales personnel plan their work even to the extent of day wise breakup of activities and these reports may relate to customer requirements and expectations and suggestions and complaints. Competitive products and market performance and selling strategies, channel members requirements and complaints also changes in the business environment in the industry and at the region and the branch. So, all of this would you know help plan activities in future you know help the sales persons plan their you know day to day activities their weekly activities in future. And also have them plan you know they are the kind of selling methods that they should adopt and the clinic kind of selling styles that they should you know use with different kinds of customers at different points in time.

The sales field sales report also acts as an element of control. As it keeps a check on sales persons activities. The sales executive at the branch and the regional and national level are kept informed of what is happening across various territories and if sales performance is as per expected and desired levels or not. And if not changes need to be made in the marketing strategies or in the selling strategy. So, the field sales report acts as an instrument of control as it keeps a check on the sales persons activities.

(Refer Slide Time: 12:59)

Now what are the different kinds of field sales reports? We will discuss a few of these with a description. So, first is a progress or a call report. Now this is again a very, very important and a very common report which is generated. So, very you know useful in it is very useful. And so, it is something which is regarded to be the most important and widely generated report which is the progress or the call report.

Now a progress or a call report is a record of sales made daily or weekly by sales personnel to existing customers or to prospective customers. It also reports on the classes of customers handled and the product sold and the report is generally based, it is generally individual based. So, it is prepared individually by the salespeople or by a particular salesperson.

So, several sales persons in a branch would prepare their respective reports, which would be you know submitted to the branch sales manager. And the branch sales manager would collate these and then report to the region and to the zone. The second is an expense report now. We have discussed how the sales team or the sales person can contribute through the net profits in a company by bringing a control to the selling expenses. So, also we have discussed that sales persons are reimbursed you know partly or fully the various kind of selling expenses that they incurred be it on travel, on boarding, on lodging, on entertaining clients etcetera.

So, the sales personnel are reimbursed for their travelling travel and boarding and lodging. And the expense report has to be generated by them which is submitted to the branch for reimbursements. Now this expense report elaborates on the daily and weekly expenses incurred by the sales personnel. So, accordingly you know the branch sales manager and the managers at the region and the zone are kept informed of the kind of activities salesperson is into and the kind of expenses that he is incurring.

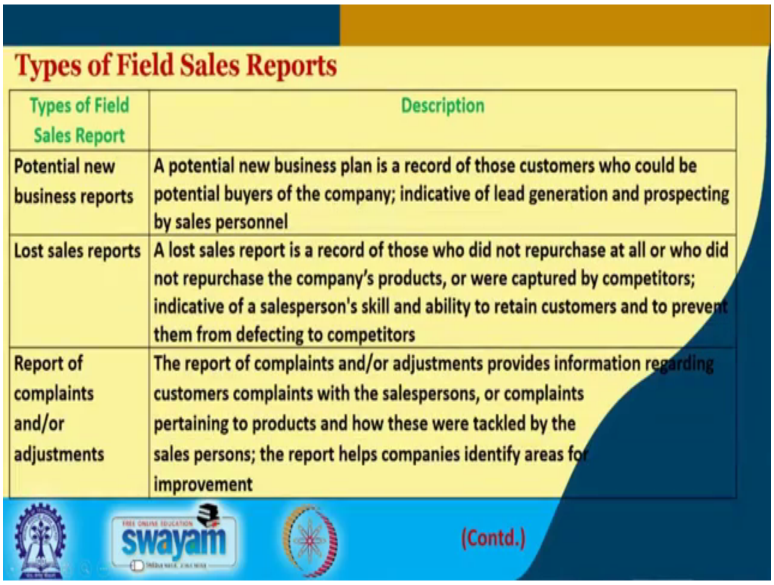
In a way it also would talk about the net profit that is generated per sales person. So, this again will help measure his actual performance. You know with respect to different kinds of activities that he is in to. The third is a sales work plan or the sales work plan is a statement of customers that a salesperson plans to visit in the upcoming week or in the month.

Now, we all know that sales people they generate leads and then go for prospecting and then they decide on the approach or the meeting with the prospective client. And so, this is with respect to you know developmental selling. With respect to service selling or which means dealing with existing clients. Again sales persons must visit their existing customers at periodic intervals not only to you know for goodwill, but also and for building relationships and for continuing relationships, but also to you know take constructive feedback from them, understand their problems and provide solutions.

So, they must plan their activities and the kind of visits they would they would make both for developmental selling and for service selling. And so, it becomes very important for them to endless to these activities which they do so as a part of their sales work plan. The third is a new the 4th is a new business plan report. Now a new business plan is a record of those customers who have recently become buyers of the company products. So, then you know.

So, in a way what we are talking of his developmental selling. The particular customer may be earning, sorry a particular sales person may be earning a new customer you know or new customers over a period of time. And these need to be reported which is done as a part of the new business plan, which gives an idea into which gives an idea to the brand sales manager and to the regional managers about the kind of you know developmental selling that is taking place in a particular territory or in a particular branch by a salesperson. So, the new business plan is a record of those customer of a customer or those customers who have recently become buyers of the company's products.

(Refer Slide Time: 17:34)



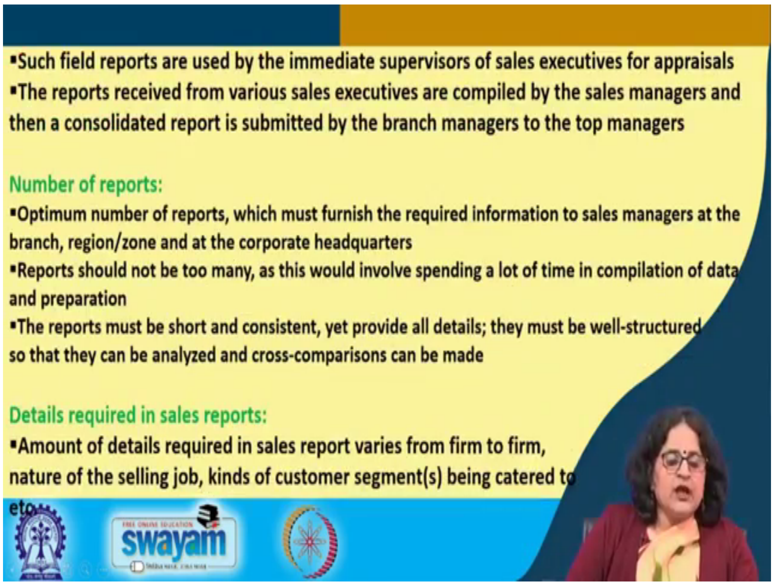
The 4th is the potential new business reports. Now potential a new business a plan is a record of those customers who could become potential buyers of the product. So, it is actually illustrative of lead generation and prospecting by the sales personnel. We all know how important lead generation and perspecting is and sales persons it is the salesperson responsibility to actually report on potential new businesses on prospects which could be converted into customers you know shortly.

So, these leads and the prospects are also reported in the form of reports as a potential new business report. The next is a lost sales report; now a lost sales report is a record of those who did not repurchase the product at all or he did or who did not purchase the company's products or they were captured by the competitors now. This is indicative of a salesperson skill and ability to retain customers and to prevent them from defecting to competitors.

So, this is a very, very crucial report which needs to be carefully assessed. Because it is not at all feasible and we know not at all feasible that a company loses it is customers. We were discussed earlier and seen earlier that retaining customers is much easier than earning new one. So, in no way should companies lose out on their customers. And if the lost sales report you know illustrates huge numbers it can be a cause of concern for the organization or for the company. So, the loss sales reports is a should be very carefully assessed also people who are found to have been defected to competitors must be called upon and reasons must be assessed as to why they have actually switched over to the competitors products.

Then we have the report of complaints and or adjustments which actually provides information regarding customer complaints with the salesperson or complaints pertaining to products and how these were tackled by the salesperson. So, the report helps companies identify areas for improvement either with respect to you know the sales persons skills and abilities and interpersonal skills or with respect to product design and delivery.

(Refer Slide Time: 19:59)



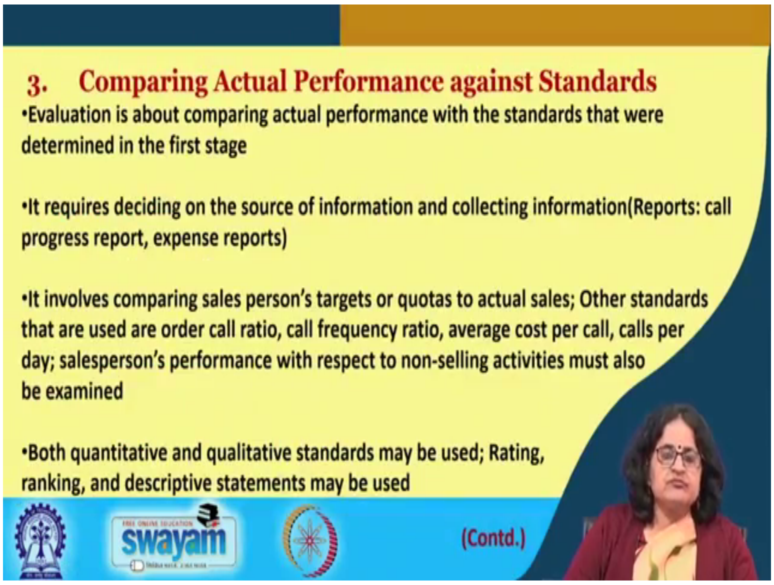
Now the reports which are received from the various sales executives are compiled by the sales managers and the consolidated report is submitted to the branch by the branch sales manager to the top managers at the region and the zone or at the corporate. Now such reports are used by the immediate supervisors of sales executives for their appraisals.

So, it is a very very important you know activity that the field sales reports are generated. You know carefully they must be prepared and compiled very carefully. Because they are used by the immediate supervisors of sales executives for their appraisals and the reports received from the various sales executives are compiled by the sales managers and a consolidated report is submitted by the branch manager to managers at the regional and the zonal and the corporate office.

Now, what are the number of reports that must be generated well optimum number of reports must be generated which must furnish the required information to sales managers at the branch region or zone and at the corporate headquarters. The report should not be too many as this would involve a lot of time in compilation of the reports and preparation of the report; so, which would mean losing out on the selling time.

So, it is not at all feasible that you know these reports are very long so that you are spending a lot of time on them that should not be there. The report should not be very long they should not be too many. And the report should be short and consistent, yet they should provide all the details they must be well structured. So, that they can be analyzed and cost comparisons can be made. And with respect to the details which are required in the sales reports this would vary from firm to firm and from you know across nature of the selling job and you know across the customer segments that are being catered to.

(Refer Slide Time: 21:51)



Now, this brings us to the third stage in the evaluation process which is comparing actual performance against standards. Now evaluation is all about comparing actual performance with the standards. And this is something which are the standards are something which are determined the first stage itself and we have discussed this in great detail in the previous lecture. Now comparing actual performance against standards requires deciding on the source of information and collecting the information. Of course, we have seen you know that we have to rely heavily on the reports, whether it is the call you know progress report or whether it is expense reports and that is the stage involves comparing salespersons targets or quotas to actual sales.

Other standards that can be used either order called ratio called frequency ratio, average cost per call, calls per day etcetera. And the salesperson performance with respect to non selling activities must also be examined and both quantitative and qualitative measures must be used.

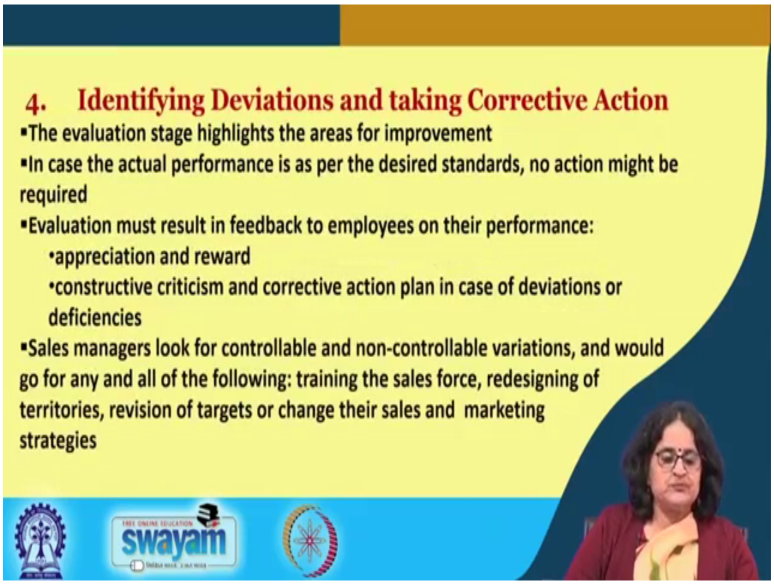
We have discussed earlier rating scales, ranking scales and descriptive statements may be used to finally, you know assess and evaluate the performance of the salespeople by comparing the actual performance against the standards.

(Refer Slide Time: 23:06)

Now, evaluation often requires judgment by the appraiser. And it is very important that the appraisers empathize with the sales personnel. The same standards cannot be universally applied in entirety to all the sales personnel appraisals. Appraisers must take into account the fact that there is always you know a diversity with respect to market conditions, you know there are differences across sales territories the nature of the sales job and the selling strategy is required to sell different products and different territories you know a something which takes needs to be taken care of.

Past sales and potential selling expenses also need to be accounted for and existing customers and prospects also the kind of competition that is existing needs to be examined and accordingly concessions need to be made. So, that same standards cannot be applied in entirety to all the sales personnel. Appraisers must take into account the market conditions. The differences across territories the nature of the sales job and the selling strategies required to sell different products and different territories. The past sales and the potentials the selling expenses, the existing customer base the prospect base and the competition that exists etcetera. All of this has to be taken care of and accordingly concessions must be made.

(Refer Slide Time: 24:21)

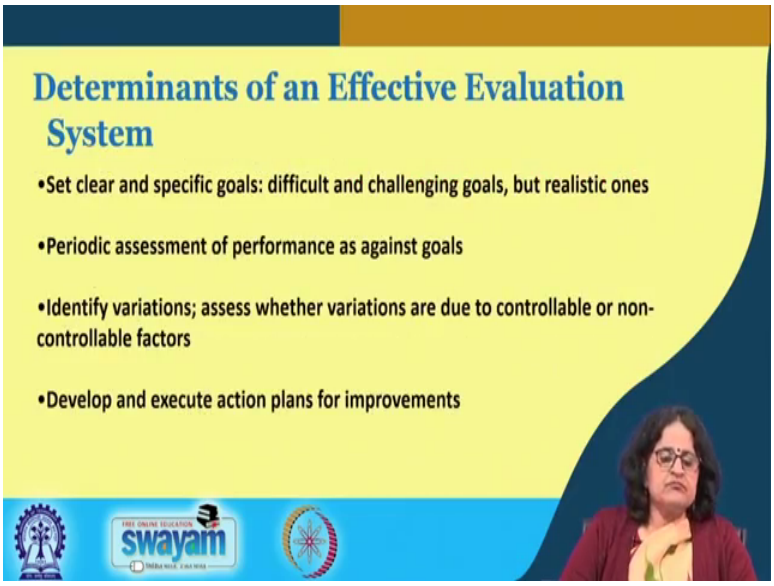


Now, the 4th stage is identifying deviations and corrective action. Now when a comparison is made between the actual and the desired, what we would be able to identify would be the gap. Now if the actual is something which is more than the desired, it is a very healthy sign and you need take any action except for the fact that the sales manager may decide or and at the branch or at the zone may decide to increase the targets or the goals for the subsequent appraisal period.

However, if the gap between the actual and the desired is huge and negative which means that the desired or which means that the actual performance is not as per desired. In that case it is a cause of concern and this would mean you know highlighting areas for improvement. So, in case the actual performance is as per desired standard no action is required, but in case the actual performance is not as per standards definitely there has to be some action which needs to be taken. So, evaluation must result in feedback to employees on their performance either as an appreciation and reward if actual performance is as per the desired and even more. Ok, but in case not then there is to be constructive criticism and corrective action plan in case of deviations and in case of deficiencies.

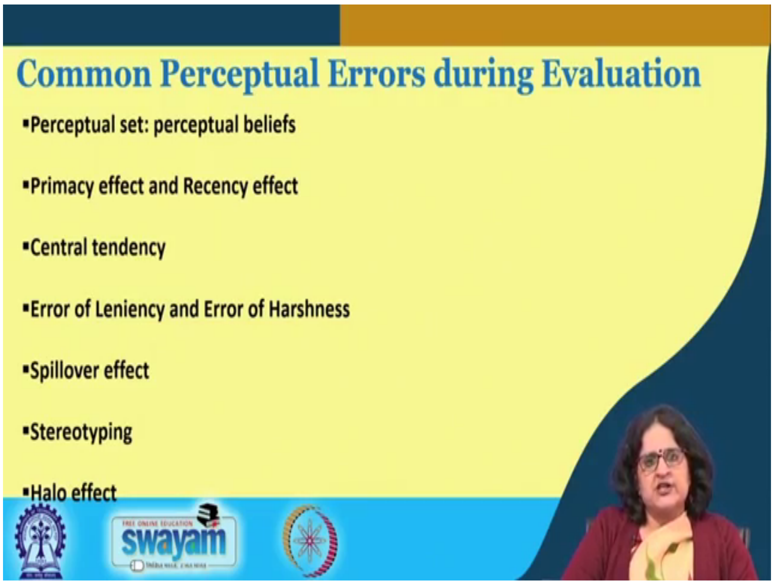
So, sales managers look for the controllable and non controllable variations. And would go for any and all of the following, you know they could go for training of the sales force they could go for redesigning of the territories, they could go for revision of the targets or change their you know sales and marketing strategies. So, these are the different kinds of actions that they may have to take.

(Refer Slide Time: 26:14)



Now, let spend a little time on the determinants of an effective evaluation system. You know we have seen how important the evaluation system is in sales force management. So, it is very important that clear and specific goals are set. A goal should be difficult challenging, but they should be realistic in nature. Periodic assessment of performance must be made as against goals and this must become you know the feedback must be given at regular intervals. The sales executives and the scene management must identify variations, assess whether the variations are due to controllable or uncontrollable factors. And then they must and execute action plans for improved.

(Refer Slide Time: 26:58)



Now, we come to the last part of our discussion which is you know discussing certain perceptual errors which are made during the evaluation process. Now while performance standards can be quantitative and qualitative. The overall assessment made by the appraiser or by the manager is something which is always you know subjective in nature. And preconceived notions, biases, prejudices may always creep in. Now these lead to a perceptual errors and we will be discussing some of these errors which are made during evaluation.

The first of these errors is a perceptual set or you know based on ones own perceptual beliefs notions you know etcetera. People make assessments about others and people others performance. So, this is a kind of an error which often is made by people who evaluate others. The second error is the primacy effect and the recency effect in the primacy effect and the performance of a salesperson in the first few days of an appraisal period is what you know creates an image in the mind of the appraiser yeah the salesperson is very good. And the sales and then the appraiser disregards the performance of the salesperson over the rest of the period. So, the initial performance by the salesperson is what actually determines his overall assessment in the appraisal period.

So, if it is a quarterly appraisal and the salesperson has actually been doing very well in the first 2 weeks of the appraisal period, you know the manager would have an impression that here is the salesperson is very good he is very committed he is very hard working. And based on that you know the manager would give his assessment. Disregarding what happened in the subsequent weeks and in the subsequent months of the quarter. The recency effect is converse where in the first 2 months the salesperson may not have done it anything at all, but because he is done wonderfully well in the third month and the in the third month and in the last 2 or 3 weeks of the appraisal period.

You know the he is rated very high and he is given a very good assessment. The fact maybe so that in the first you know 2 months the salesperson has hardly done anything and he is lost out on a huge number of opportunities, but very fact that he is worked hard in the latter half or in the last 2 weeks or 3 weeks or last one month of the assessment period is what actually accounts when it comes to his assessment.

The third is the central tendency where it is a tendency on the part of the manager to rate his employees as average. So, if it is a rating scale which is used he would somewhere always and always try to rate a person anywhere between a 2.5 to 3.5 if it is a 5 point rating scale; so maybe 2.5 and 3 or maybe a 2.4 and 3.2. So, somewhere you know in the middle range of the 5 point scale. The error of leniency is when he rates very high towards 5, the area of harshness or severity is some is when he rates a person towards you know very low maybe 1 or 2 he is very strict and harsh in his ratings of this of the subordinate.

Spillover effect is when you know certain wrongs done by the salesperson sometime you know get continued to have an impact on his ratings and that he is always and always continue to be rated low because of some misdoing of his past. Stereotyping happens when sales team and sales personnel are you know you know categorized on the basis of the group they belong to or the region they belong to or the culture or the religion or the age or the gender. So, here in stereotyping you basically you know evaluate or assess a person based on the group to which he belongs.

And here, the group here could be something which could be you know you know the age or the gender based or it could be religion based or it could be state based or culture based so any of these. So, it is like you know a person just below because it belongs to a you know a particular state is assessed in a different manner. Just is he belongs to a particular culture he is assessed in you know the whole the person himself gets branded as a person belonging to the group to which he belongs.

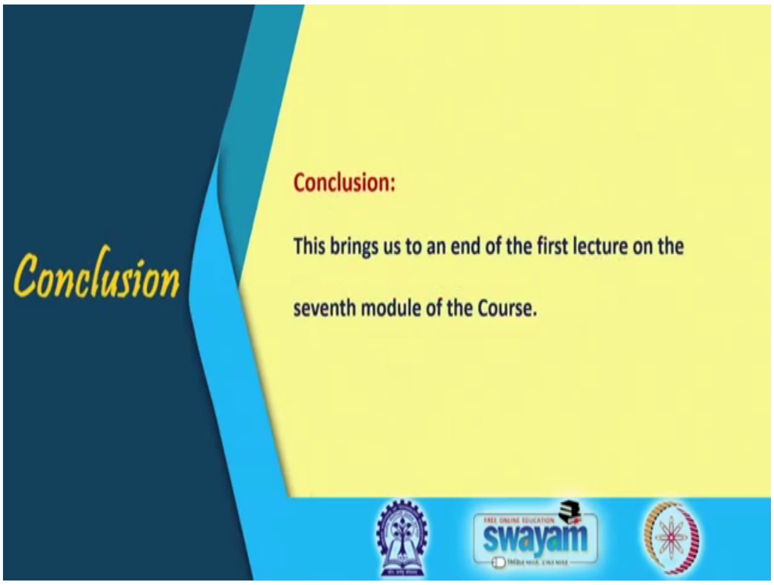
So, it is felt that you know all the qualities associated with others also get associated with him. And then we have the halo effect where one you know good doing or one good characteristic or one good you know trait in a person overrides all others and he is a praised or evaluated on that based on the basis of that trait rather than on the others. So, just because he has one good quality you know that good quality overrides all others and he is able to gain a very favorable impression and a very favorable rating and evaluation as compared to the others.

So, these are different kinds of perceptual errors and perceptual you know mistakes which appraisers make because anywhere all the time there is some kind everywhere. In fact, there is some kind of subjective assessment which always creeps into the evaluation system. It is very, very important that appraisers actually discard such notions, such beliefs and such perceptions and when during evaluation period and during evaluation time. And whatever evaluation is done is something which is done on objective facts and it is something which is very unbiased and very, very true and impartial.

(Refer Slide Time: 33:04)

So, we have the references for this particular lecture.

(Refer Slide Time: 33:10)



And with this we come to an end of our first lecture on the 7th module of the course.

Thank you.