Opening Example

When T. S. Krishnamurthy, General Manager (Sales and Marketing) of a new company, Saragam Aluminium Ltd., was preparing the marketing plan, he thought of focusing the company's marketing efforts initially on the four southern states of India. This was a logical decision because the manufacturing unit was located in southern India at Anekal, near Bengaluru, and the marketing and company headquarters were also located at Bengaluru. He thought that the logistics as well as sales and serving expenses would be less in southern region as compared to the expenses in other regions. Also, initially, for a new company like Saragam Aluminium, the production would be less than 500 tons per month, against the installed capacity of 1000 tons of aluminium extrusions per month. Krishnamurthy was informed by the company's Managing Director that the installation of extrusion presses and other equipment would be completed by June 2015 and that the production would commence from July 2015. Initial production would be about 150–200 tons per month, which would go up to 300–350 tons in one year and about 500 tons by the end of second year.

The major market segments for aluminium extrusions are building and construction industry (60 percent) with the main application being door and window frames. The automotive industry (for engine mounts, radiator frames and other applications), telecom industry (for telecom equipment) and solar power sector (for solar panels and mounting systems) are the other major market segments. The industrial applications account for the balance 40 percent of the total market size of 300,000 tons of aluminium extrusions. The industry is fragmented with 60 manufacturers of aluminium extrusions.

In order to improve the market coverage and control the selling expenses, Krishnamurthy decided to set up sales territories. For this, cities were used as control units. Based on 2011 census, there were three tier-1 cities and 16 tier-2 cities in the five southern states of India. Cities were classified based on their population. The market potential of southern region was estimated at 25 percent of all India market potential (or market size) of 300,000 tons of aluminium extrusions. This worked out to 75,000 tons.

Saragam Aluminium's sales potential was estimated at 4 percent of 75,000 tons, i.e. 3,000 tons for one year. However, for the accounting year 2015–16, since the company's production commenced in July 2015, for 9 months period, the company's sales potential was estimated at 2,250 tons. Krishnamurthy then calculated sales potential of each control unit by using the concept of multi-factor index, which is based on factors like population and income that influence sales of aluminium extrusions. Each tier-1 and tier-2 city has different multi-factor index depending on its population and disposable personal income. Thus, the sales potential of each city was estimated by multiplying the sales potential of the company by each city's multiple-factor index. Thereafter, Krishnamurthy estimated how much volume of aluminium extrusion each salesperson should sell so as to ensure profitable operation. Since this was a new company, there was no data available for the past sales, cost and profit contribution. Krishnamurthy, therefore, used his judgment to come up with a figure of 50 tons per month or 450 tons for 9 months' period of 2015–16 of sales goal or quota per salesperson. The sales territories were then made by collectively considering adjoining or nearby cities until the sales potential of each territory were equal or greater than the expected sales volume from each salesperson.

The next decision to be made by Krishnamurthy was the number of salespeople needed to achieve the sales volume goal. The most appropriate method for the new company to calculate the sales force size, as per Krishnamurthy, was sales potential (or break-down).

The following formula was used:

$N = S/P\ (1 + T)$

where,

N = The number of salespeople needed or the sales force size

S = The annual sales forecast for the company = 3,000 tons

P = The estimated productivity of the average salesperson = 50 tons per month × 12 month = 600 tons

T = The estimated percentage of annual salespeople turnover = 20 percent

Therefore, $N = 3000/600\ (1 + 0.20) = 6$ salespeople

Thus, company hired and trained six salespeople. They were assigned to the sales territories determined earlier based on the ability index of the salespersons and their social background. The ability index included factors like product and market knowledge as well as communication and selling skills of the salespersons. The social background included the salespersons' fluency of the local languages and whether they lived in urban or rural environment.

Thereafter, the sales goals or sales quotas for each salesperson were discussed and finalized by the sales manager to whom all the six salespersons reported. The sales quotas or targets included a combination of three elements, viz. the sales volume in tons and rupees; the selling expenses like travelling, lodging, food, customer entertainment and development of new customers (this was an important task since business development of aluminium extrusions involved industrial applications in automotive, telecom, solar power, and other industries). Yearly sales quotas were broken down to monthly and quarterly targets for the purposes of reviewing the performance and taking corrective actions, wherever required.

DEFINING A SALES TERRITORY

A sales territory consists of existing and potential customers assigned to a salesperson. The territory may or may not have geographical boundaries. However, generally, a salesperson is assigned to a geographical area consisting of present and potential customers. For instance, a salesperson is asked to look after the customers located in Mumbai territory.

The basic concept of a sales territory is that a territory or a market is made up of present and potential customers, rather than a geographical area. Hence, in defining a sales territory, the keyword is customers, instead of geographical area. For example, in selling life insurance policies, salespeople sell mainly to relatives, friends or known people, without thinking of their geographical locations. Similarly, small companies do not use geographical divisions. Such examples of not using geographical territories are very few.

In most companies, it is beneficial to assign salespeople to geographical territories, consisting of present and potential customers. In many companies, salespeople are assigned to sales territories that are not properly designed. Research has found that more than 50 percent sales territories are not designed correctly, resulting in lower sales. It is, therefore, an important task of a national sales manager, who is responsible for supervising regional or zonal sales managers, to design sales territories properly. The national sales manager or the head of a sales function is also responsible to increase or decrease the number of sales territories as well as to change the geographical boundaries of sales territories. Another research has shown that firms with correctly designed sales territories have higher sales volume, more productive salespeople and better market share.

REASONS OR BENEFITS FOR SETTING UP SALES TERRITORIES

There are many reasons for setting up and subsequently reviewing or revising sales territories. Some of the major reasons or benefits for companies to establish sales territories are**: (i) increased market (or customer) coverage, (ii) reduced selling expenses, (iii) better sales force performance evaluation, (iv) improved customer relationship, (v) increased salespeople's effectiveness, (vi) improved coordination, and (vii) benefited salespeople and company**. All these benefits have been explained in detail in this section.

Increased Market or Customer Coverage

A well-designed sales territory allows salespeople to spend sufficient time with present and potential customers. The salesperson can identify and classify customers based on their sales potential. Proper market or customer coverage is possible, if the company sets up the territories intelligently and assigns its salespeople carefully. Sales territories should be large enough to ensure reasonable workloads to salespeople, but small enough to see that all existing customers and prospects are visited adequately as needed by the customers. The field sales managers can control the activities of salespeople, if the sales territories are set up properly. Well-designed sales territories allow salespeople to cover existing and potential customers economically and adequately.

Reduced Selling Expenses

By setting-up well-designed sales territories salespeople spend less time on the road, fewer nights away from home, resulting in less cost of travelling and less expenses on lodging and food. Not only the selling expenses are reduced, but the sales volume goes up as the salesperson spends more time with the customers. The result is reduction of selling expenses as a percentage of sales revenue. With no geographical sales territories, the salespeople would crisscross each other as they travel to and from their customers, spending more time and money in travelling. With proper sales territories, there is a reduction in the selling expenses of the salespeople.

Better Sales Force Performance Evaluation

The sales manager can evaluate the performance of each salesperson in a better way, when the salesperson is assigned to a specific sales territory. Each sales territory's market potential can be estimated. Sales quotas (or sales goal) for each salesperson can be decided on the basis of the company's share of the market potential of the territory. With the use of computers, the actual sales performance can be measured on a weekly, monthly, quarterly and yearly basis, and the same can be compared with the respective sales goals of the salesperson. The performance evaluation of the salesperson assigned to a specific sales territory can be done not only with respect to sales, but also in terms of selling expenses, customer service, customer satisfaction levels, as the salesperson's responsibilities can be clearly defined.

Improved Customer Relationship

When the salesperson spends adequate time with the present and the potential customers to understand their problems (or needs) thoroughly and to find solutions to their problems or satisfy their needs, their relationships improve. The customer relationship is developed over a long period of interactions between the salesperson and the buyer. These interactions and regular visits are possible because each salesperson is assigned to a group of customers. Some salespeople develop collaborative or partnering relationships with a few high sales and profit potential customers, for mutual benefits of the buying and the selling firms. The selling firm becomes a sole or preferred supplier, as a result of a long-term, mutually beneficial relationship between the buying and the selling firm. The salesperson is the basic building block of such a partnering or collaborative relationship.

Increased Salespeople's Effectiveness

When the sales territory is properly designed, the salesperson's workload is reasonable and the conflicts are minimum as specific customers are assigned to them. A salesperson is responsible to maintain good relationship with specific customers. All these positive factors contribute to improve the salesperson's performance and effectiveness in terms of consistently achieving and exceeding the sales goals or quotas.

Improved Coordination

The company's sales performance improves substantially, if the salesperson is involved in coordinating the various elements of marketing communications (or promotion). For instance, distribution of sales promotion materials [like coupons, point-of-purchase (POP) displays, and samples] to retailers, ensuring adequate stocks of brands or products at retail stores before a major advertising campaign and training retailers' salespersons. Integrated Marketing Communications (IMC) concept can be effectively implemented by coordinating the promotional activities through the salespeople to the retailers and customers in various sales territories. Other activities like marketing research, telemarketing, and use of the Internet can also be carried out in the sales territories, which will help salespeople improve their performance.

Benefited Salespeople and Company

Proper territory design and effective allocation of salespeople to territories will result in improved sales force performance, which in turn benefits the company. When the company's sales revenue increases and the selling expenses are controlled, there is a marked improvement in the profits. Thus, the company is benefited due to improvement in the top-line (sales revenue) and the bottom-line (net profits). When the performance of salespeople improves, they are rewarded through good increments, incentives and in some cases, promotions. Due to the benefits received by the sales force as well as the company, the overall working environment improves.

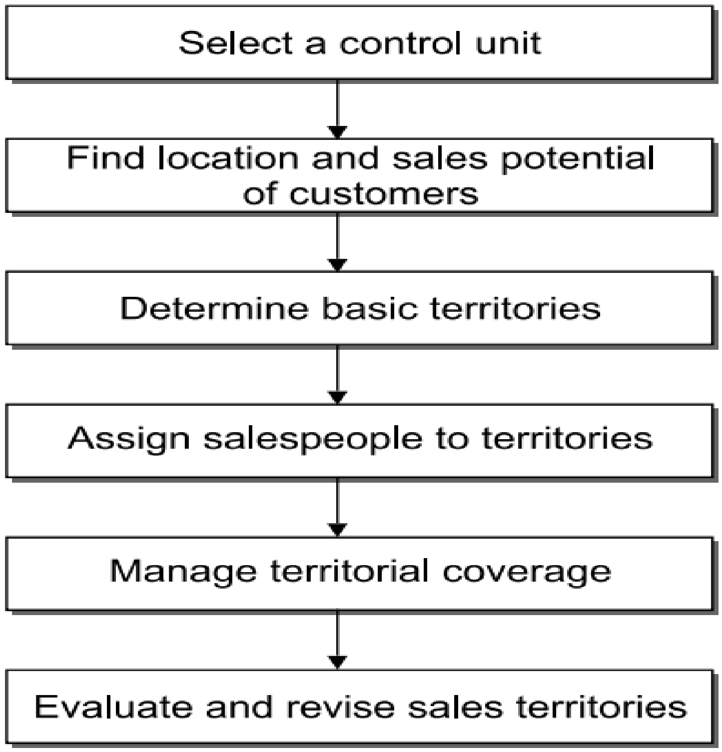
REASONS FOR NOT SETTING-UP SALES TERRITORIES

In spite of earlier mentioned reasons or benefits of setting-up sales territories, there are certain situations when sales territories are not required. Some of the reasons for not setting up sales territories are: (i) a small company with one or few salesperson(s) selling in a local market may not need to set up sales territories, (ii) personal contacts or relationships is the basis for making the sales, such as life insurance policies and network marketing, (iii) the salespeople are not motivated due to restrictions of sales territories and (iv) the company management may not be aware of the advantages or benefits of developing sales territories or may not know how to set up sales territories. However, setting up sales territories and assigning salespeople effectively is the best way to manage a market.

LO 2 Describe the procedure for designing a sales territory

PROCEDURE FOR DESIGNING SALES TERRITORIES

The design of sales territories is very important to salespeople and the company management, as the performance on sales and profits is linked to the welldesigned sales territories. The ideal objectives in territory design are to have equal opportunity (or sales potential) and equal salespeople workload for all sales territories. Typically, these objectives are difficult to achieve in practice, although sales managers do make great efforts to achieve the same. Any differences in the sales potential and the workload of salespeople in different territories, which remain at the end, can be taken care of when sales quotas or sales goals are set up for salespeople and sales territories. This will be discussed later in this chapter. Figure 4.1 shows the steps involved in designing the sales territories.



Select a Control Unit

The first step in territory design is to select a geographical territorial base, called 'control unit', that will be used in the territory analysis. Commonly used control units are states, metropolitan areas, cities, districts, towns and pin-code areas. In general, the sales manager should select the smallest control unit. There are two reasons for this: (i) the control units' market potential and the company's sales potential should be possible to calculate and (ii) adjustments (i.e. additions or deletions) of the control units should be possible when tentative territory boundaries are modified to make final territories. For example, if a company wants to delete one control unit (say, Hosur city) from Chennai territory and add it to Bengaluru territory, for minimizing the cost and time of contacting customers, it can be done if the control unit is small (such as city, town or district). Brief descriptions of the above-mentioned control units, as applicable to Indian situations, are as follows:

States

A few companies may consider building their sales territories around states, by selecting the same as a geographical control unit. This is done if a company has a few salespeople for covering the entire national market with a selective distribution strategy. The states differ in terms of population, area, purchasing power and industrial development. The largest state, namely, Uttar Pradesh, has a population (as per 2011 Census) of 199 million and the smallest state, i.e. Sikkim, has a population of 0.6 million. Most companies would not consider the states as a control unit, because many states have large areas and adjustments of territories will be very difficult, for any specific reasons like minimization of time and cost of travelling of salespeople.

Metropolitan Clusters

These are also called 'metropolitan areas' with large populations in urban and suburban areas. They have a large number of households with high levels of buying incomes and retail sales. These are concentrated markets for many consumers and industrial products. The information on market forecast of metropolitan areas is also available4. According to McKinsey report of October 2014, 49 metropolitan clusters will account for about 77 percent of India's incremental GDP from 2012 to 2025. However, metropolitan clusters/areas are too large for consideration of control units.

Cities/Town/Districts

The administrative set up varies from one country to another. In USA, cities and postal zip-code areas are used as control units. However, in India, the administrative set up consists of districts, tehsils/talukas, towns and villages. It is possible to get statistical market data for various products at town and district levels. But below the district level (tehsil/taluka and village), it is difficult to get statistical market data. Hence, in India, district, cities or towns can be used as a control unit. Socio-economic statistical data of 620 districts of India is available on the Internet based on Census of India, 2011.

Find Location and Sales Potential of Customers

The next step is to find the location and the sales potential (or business potential) of the present and prospective customers within each control unit. Location information of present customers should be available from the company's sales database. However, the information on prospective customers can be obtained not only from the company's salespeople, but also from outside sources like telephone directories and industry associations. For industrial products and services, where often there are a few buyers, identification of business (or B2B) customers is desirable and possible. However, for consumer products and services, it is unnecessary and expensive to carry out identification of final consumers.

After the present and potential customers are identified in business (or B2B) marketing, the company should estimate the total sales potential of all customers in each geographical control unit. For this, services of either marketing research agency or the company's salespeople can be used. Each present and potential customer can be contacted with a questionnaire to obtain information about the requirements of the selling company's products and services at present and in future and also other information on competition, buying criteria, etc. Sales potential of each control unit is then estimated by summing up the sales potential of present and potential customers.

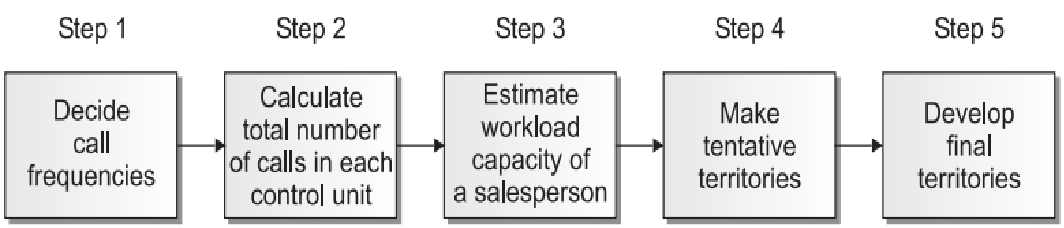
After the sales potential of control units are calculated, it is necessary to classify the customers based on their sales and/or profits potential. One of the commonly used methods is called ABC analysis. In this method, all the customers are entered in the reverse order of their sales potential, by first entering the name of the customer whose sales potential is the highest. Then the name of the customer with second highest sales potential is entered. This process is repeated till the names and sales potential figures of all the customers are entered. The total sales potential is calculated by adding the sales potential of all the customers. 'A' customers are those whose sales potential add up to 70 percent of the total sales potential. Next group of customers whose sales potential add up to 20 percent are classified as ‘B’ and the balance 10 percent sales potential is accounted as ‘C’ customers.

Determine Basic Territories

The third step in designing sales territories is to decide the basic or fundamental territories. This can be done by using either the build-up method or the breakdown method. The build-up method equalizes the workload of salespeople and is commonly used by the manufacturers of industrial products and services or by the companies that want selective distribution strategy. Breakdown method equalizes the sales potential of territories and is popularly used by manufacturers of consumer products and services or by firms that want to adopt intensive distribution strategy. We shall first discuss the build-up method and then the breakdown method.

Build-up Method

In this method, the basic territories are set up by building-up from the control units. The objective to be achieved is to equalize the workload of salespeople. The procedure followed is shown in Figure 4.2 and is explained as follows:



1. Decide Call Frequencies:

It means how many times a customer should be visited by the company’s salesperson per year. The factors that influence call frequency are the customer’s sales and profits potential, cost of visiting the customer, buying behavior of the customer and the nature of the product or service offered. The optimum call frequencies, for different types of customers, can be decided by using computer software or by managerial judgment. Let us consider an example shown in Table 4.1. The call frequencies for type A customers, with high sales and profit potential, are four times a month and for B and C types of customers, with medium and low sales and profit potential respectively, the call frequencies are twice and once a month respectively.

2. Calculate the total number of calls in each control unit:

In the example shown in Table 4.1, the total number of sales calls needed in districts X and Y, which are the control units, are 552 and 720 respectively. This is done by multiplying call frequency per month by number of customers and 12 months. Table 4.1 An Example of Call Frequency and Customer Visits Customer Type Call Frequency per Month District-X District-Y No. of Customers No. of Calls per Year No. of Customers No. of Calls per Year A 4 3 144 4 192 B 2 7 168 8 192 C 1 20 240 28 336 Total 30 552 40 720

Customer Type	Call Frequency per Month	District-X		District-Y	
		No. of Customers	No. of Calls per Year	No. of Customers	No. of Calls per Year
A	4	3	144	4	192
B	2	7	168	8	192
C	1	20	240	28	336
	Total	30	552	40	720

3. Estimate workload capacity of a salesperson:

A salesperson's normal workload capacity is estimated by multiplying the average number of calls a salesperson can make in a working day by the number of working days in a year. For instance, the average number of calls a salesperson makes in a day works out to five, based on the average travel time of 30 minutes per call, the average length of one hour for each call and eight hours per day working. If the number of working days in a year (after accounting for leave and holidays) is 250, then the estimated workload capacity for the salesperson per year works out to be 1250 calls (250 × 5).

4. Make the tentative territories:

In this step, the company should group (or gather) adjoining control units (which share their borders) until yearly number of calls needed in those control units equals the total number of calls a salesperson can make (i.e. workload of a salesperson). In example shown in Table 4.1, districts X and Y together need (552 + 720) 1272 visits (or calls) per year, which is almost equal to 1250 calls of normal workload of a Salesforce

5. Develop the final territories:

In cases where workloads of salespersons are not equalized, adjustments of tentative territories are made by adding or removing certain control units. The objective is to achieve equalized workload for each salesperson. Before a sales manager finalizes the sales territory design, he should discuss with the salespeople, who are familiar with the customers and the territories. This may bring out certain logical changes, which need to be carried out before making the final sales territories.

Breakdown Method

As mentioned earlier, this is another method of territory design that is used by companies who have decided to have intensive distribution strategy, mostly for selling consumer products. The objective is to equalize the sales potential of territories. The procedure (or the steps followed) for implementing this method is shown in Figure 4.3.

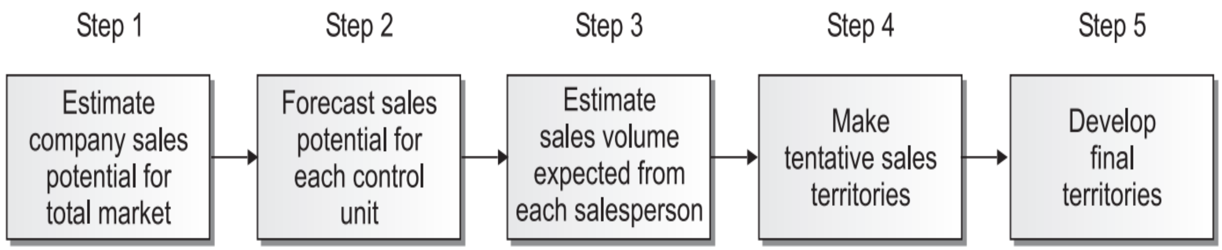


Fig. 4.3 Breakdown Method of Territorial Design

1. Estimate the company sales potential for total market:

The first step in the procedure is to estimate the company sales potential (or the company sales forecast) for its total market by using the sales forecasting methods, discussed in Chapter 3.

2. Forecast sales potential of each control unit:

In order to forecast or estimate the sales potential of each control unit, the sales manager multiplies the total sales potential of the company by a multiple factor index of each control unit. Thus, the total sales potential of the company is broken down to the individual control units.

3. Estimate the sales volume expected from each salesperson: Here the sales manager must estimate how much each salesperson must sell, in order to ensure profitable operation. For this, the sales manager studies the past sales as well as the cost and profitability analysis, as shown in the following example.

Example: The direct selling cost of each salesperson for next year is estimated as `600,000. The cost of goods sold is estimated at 60 percent of sales and the expected profit contribution at 15 percent of sales. Then, the minimum sales expected from each salesperson is calculated as follows:

Profit contribution = Sales – Cost of sales – Direct selling cost of each salesperson

$0.15x = x - 0.6x - 600{,}000$

where, x = minimum sales from each salesperson

Solving the above equation, x = `24,00,000

After accounting for the indirect costs and using his judgment, the sales manager decides the sales per salesperson to be little over twice the above sales figure, at `50,00,000 (or `5 million) per annum.

4. Make tentative sales territories:

In this step, the sales manager makes tentative territories by combining adjoining control units (which share a border) until the sales potential of each territory is equal to or greater than the expected sales volume from each salesperson. Continuing with the example discussed above, the sales potential of each territory should be equal to or greater than `50,00,000 (or `5 million). Care should be taken to ensure that the boundaries of the each territory exist together with the borders of the control units.

5. Develop final territories:

The tentative territories need to be adjusted due to special considerations such as geographical locations of customers or unequal sales potential of some territories. The adjustments are done by moving specific customers or control units from one territory to another territory. The objective is to achieve equal sales potential of territories.

Assign Salespeople to Territories

Once the sales territories are designed, the sales manager is ready to assign or allocate individual salespeople to each territory. In designing the sales territories, we assumed that the salespeople have equal selling abilities and that each salesperson would perform equally well in any territory. However, these assumptions are not realistic. The assumptions are used only for territorial design purpose, but cannot be accepted when salespeople are assigned to sales territories. In a sales force, salespersons are not the same in their selling abilities and effectiveness. They vary in experience, selling skills, initiative, age and physical conditions. Sales performance may also be influenced by factors like social and cultural characteristics of the customers. Therefore, in assigning salespeople to territories, the sales manager should consider two criteria: (i) relative ability of salespeople, and (ii) salesperson's effectiveness in a territory.

Relative Ability of Salespeople

A sales manager should evaluate the relative abilities of salespeople based on key factors, such as product and market knowledge, past performance in achieving sales quotas (or goals), ability in verbal and written communications and selling skills. By either giving different weights, depending on importance, the sales manager evaluates each salesperson on relative ability and decides an ability index with maximum score of 1 for weights and 10 for evaluation, as shown in Table 4.2. The relative abilities of salespeople are then linked to sales potentials of various territories.

Evaluation Factors	Weights (A)	Evaluation (B)	Salesperson's Ability Index Score: (A) × (B)
Product knowledge	0.15	9.0	1.35
Market knowledge	0.10	8.0	0.80
Past sales performance	0.40	10.0	4.00
Communication skills	0.15	8.0	1.20
Selling skills	0.20	9.0	1.80
	1.00		9.15

It should be understood that the weights (i.e. importance) of the evaluation factors may vary from company to company and the evaluation factors may also differ, depending upon the product and customer characteristics. In the example shown in Table 4.2, the "ability index" of the salesperson is 9.15. Similarly, the ability index of other salespersons should be worked out, keeping in mind that the salespersons' scores are based on relative evaluations and not absolute evaluations.

Salesperson's Effectiveness in a Territory

The sales manager should judge the effectiveness of a salesperson by comparing the salesperson's social, cultural and physical characteristics with those of the territory. For instance, the salesperson who was born and brought up in urban environment of Mumbai or Delhi will find it very difficult to deal with customers from rural territory. It would also help if the salesperson is familiar with the local language and customs of the territory. The objective of the sales manager in matching salespeople to territories is to maximize the sales and profit potential of territories. This objective is achieved by making the salesperson comfortable with the customers in the territory and the customers comfortable with the salesperson. Thus, the decision on assigning salespeople to territories should also be based on salesperson's considerations. The salesperson's considerations include personal relationship between salespeople and customers. The existing excellent relationships between the salesperson and customers should not be disturbed by the sales manager while carrying out the task of assigning or deploying salespeople to territories.

Manage Territorial Coverage

After designing sales territories and assigning salespeople to different sales territories, the next task of the sales manager is the management of territorial coverage or in other words, how each salesperson should cover the assigned sales territory. This task consists of three activities: (i) planning of efficient routes for salespeople, (ii) scheduling the salespeople's time, and (iii) using time management tools.

Planning of Efficient Routes for Salespeople

Planning of efficient routes for salespeople is a managerial activity. Often sales managers initially train salespeople in route planning and subsequently ask them to prepare their own route plans. Routing is a travel plan or pattern used by a salesperson for making customer calls in a territory. Studies indicate that left to their own routing method, salespeople spend one-third of their daily working hours travelling. Thus, most salespeople are unable to plan efficient routes. The main advantages of routing are: (i) reduction in travel time and cost by excluding backtracking and criss-crossing by salespeople in their territory, (ii) improvement in territory coverage, as salespeople reduce their travel time and increase selling time. There are, however, certain objections to routing. Some sales managers are of the opinion that routing reduces salespeople's flexibility and initiative, particularly when customers' needs change and market conditions vary. This objection can be overcome by using computers for updating the route plans.

Procedure for Setting up a Routing Plan

The first step in setting up a routing plan is to identify the present and prospective customers on a territory map. Next, each customer should be classified into high, medium or low sales potential and call frequency for each class of customer to be decided. For instance, high potential customers are to be visited four times a month, medium potential customers twice a month, and low potential customers once a month. The route plan should be built around locations of high potential customers. Generally, medium and low potential customers will fall into place near high potential customers, with a few exceptions. Prospective customers should be allowed some time. Some of the commonly used routing patterns are shown in Figure 4.4.

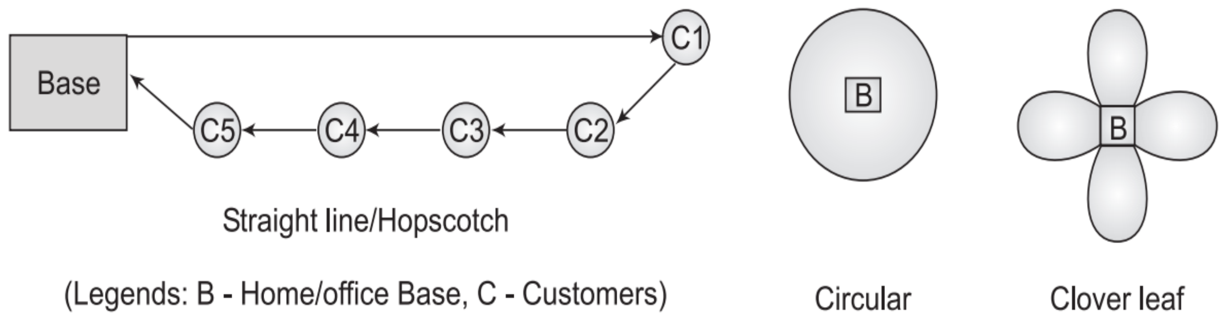


Fig. 4.4 Common Routing Patterns

In straight line route pattern, the salesperson starts from office or home base and makes sales calls in one direction. This can be combined with hopscotch pattern, in which the salesperson starts early and drives to the farthest point from home or office base before making the first call. Thereafter, he makes sales calls on customers on the way back to home/office. This process is repeated in different directions so that the salesperson starts from office/home in the morning and returns in the evening. The important factor to remember is the travel time, which should be minimized. In circular route pattern, the salesperson starts from his base and moves in a circle, making sales calls, ending back at the office/home. In clover leaf pattern, the first route covers a part of the territory, the next trip of the salesperson covers the adjoining circle and this is continued until the entire territory is covered. Computerized mathematical models have been developed to help the sales manager decide the route that will minimize the travel cost or maximize the selling time7.

Application and Importance of Routing

The degree of importance to the application of routing depends on two factors: (i) the nature of the product and (ii) the type of the job of salespeople. For example, for Fast Moving Consumer Goods (FMCGs) like soft drinks, bread and grocery products, which are sold to retailers, there is a need for frequent servicing and therefore, a route plan is absolutely necessary. Similarly, driver-cum-salesperson type of jobs should have proper route plans, since if the calls are not made regularly, the company can lose important retailers. However, the sales jobs with creative selling to find solutions to difficult problems such as inventory control and superior customer service may need a flexible route plan. In general, application of routing is important for all companies, but for some companies one should be flexible in its implementation.

Scheduling the Salespersons' Time

Scheduling is planning a salesperson's specific time of visits to customers. Scheduling the salesperson's time should be considered as the time allocation problem. Studies have shown that the best salespersons are those who manage their time effectively.

Allocation of Time

The sales manager must first decide and communicate the major activities or duties of the salesperson and the amount of time that should be allocated to each activity. Although the activities or tasks vary from company to company, generally these are classified into the following areas, along with the time spent, as shown in Table 4.3.

Table 4.3 How Salespeople Spend Their Time

Salespeople's Tasks	Time Spent (percentage)
Administrative tasks	15
Service calls	13
Face-to-face selling	32
Waiting/Travelling	21
Telephone selling	19
Total	100

It is interesting to note that 19 percent time is spent by a salesperson on the telephone. Many companies are using telephone selling in order to reduce the cost of selling. The tool that is used widely to help the salesperson to understand how they spend their time is called "time and activity analysis". The salesperson records the time spent on various activities over a period of two weeks. The sales manager and the salesperson then discuss and decide how to increase the time spent on major activities like face-to-face and telephone selling.

Customer Calls

Companies often communicate the norms of visits to existing customers and prospects to their salespeople. This is done because, if left to their own wish, many salespeople will spend most of the time with the present customers, who are known to them. However, the company wants business from new customers also. For instance, CG Power and Industrial Solutions Limited asked its sales engineers to spend 80 percent of their time with the present customers and 20 percent of their time with prospects, with a guideline that they should stop visiting the prospect after four unsuccessful calls.

A study has found that some salespeople spend too much time selling to small and less profitable present customers, when they should be putting more efforts on selling to large and more profitable customers. Companies, therefore, specify call norms for existing customers, depending upon their sales and profit potentials. A real-life example of a regional sales manager, who was transferred from western region to eastern region in India, is worth mentioning here. The sales were stagnant in eastern region and one of the decisions taken by the regional sales manager was to ask the salespeople to find sales potential of the existing business customers for the company's products and then to make four sales calls a month to high sales potential customers, two calls a month to medium sales potential customers and only one call a month to low sales potential customers. He also guided the salespeople on route plans. The sales of eastern region jumped up substantially for four successive years, due to a number of decisions taken by the regional sales manager on territory coverage, motivational issues and training of salespeople.

Time Management Tools for Salespeople

There are many supports available to help salespeople manage their time more efficiently and productively. These are: (i) use of computers, mobile communication equipment and other hightech equipment and (ii) inside salespeople.

High-Tech Equipment

Desktop and laptop PCs, CDs, automatic dialers, e-mails, fax machines, telephonic-conferences, videophones and smart phones are the time management tools that are available to salespersons and sales managers. In particular, in some companies salespeople have laptop computers that they carry as they travel around their territories. The main objective of having high-tech equipment is to help salespeople make more efficient use of their time. Salespeople use their laptop computers to enter and transmit their visit reports and customer orders, get information on inventory and delivery status, access a customer's file to get up-to-date information before making the sales call, exchange messages with customers and sales managers, and make sales presentations to customers.

Inside Salespeople

To reduce time demands on their outside salespeople, many companies are increasingly using inside salespeople, who remain within the organization12. There are three types of inside salespeople: (i) sales assistants to provide clerical support for the outside salespersons, such as delivery follow-up with production, confirmation of customer appointments, responding to customers' questions and so on; (ii) technical support people to give technical information and respond to customers' technical questions; and (iii) telemarketers to find new sales leads, qualify them and refer high and medium sales potential prospects to outside salespersons and low potential prospects to the company's intermediaries. Outside salespeople, who travel outside the company, are then free to spend more time selling to the existing key customers, getting orders from prospects and building long-term relationships with key customers.

Time Management Tools for Sales Managers

The same high-tech equipment, such as laptop computers, smartphones and others (as stated above for salespeople) are available to sales managers to help make more efficient use of their time. Most sales managers use e-mails to communicate with their salespeople.

Computerized support systems like CRM (Customer Relationship Management) and ERP (Enterprise Resource Planning) are used by many companies for effective use of management resources including time and to improve the efficiency of an enterprise. The direct benefits of an ERP system are: (i) business integration, (ii) flexibility and (iii) better analysis and planning capabilities.

Although ERP software packages are designed for various areas of business performance improvements such as finance, manufacturing, inventory reduction and so on, we shall consider a few examples related to sales and marketing.

Coverking Company, a manufacturer and distributor of customized automotive accessories, wanted to achieve a growth rate of 30 percent. However, it had a problem that most of its over 500,000 orders for customized car covers, floor mats and other accessories were received by phone, due to which there was a delay in order entry. The company wanted to reduce the time it spent on order entry, without compromising on customer service. The solution to the problem was found in ERP package of Bann IV, along with other Microsoft software programs, operating systems and databases. Customers could enter orders from any computer equipped with web browser and check inventory via the Internet. The system provided customers a comprehensive menu of order options. Users could select a product, fabric, color, etc., to place a customized order in a fraction of time required for a phone order. Apart from a remote order entry solution, the ERP system reduced the turnaround time for manufacturing customized products by 25 percent. Overall the company had a saving of about $200,000 annually.

Another example is about the problem of manual billing process and resulting delays and errors, faced by Alcone Company, which also wanted to provide greater information access to its staff. The company decided on ERP system from PeopleSoft Select, with operating system and database from Microsoft, to solve the problem. After implementation, the billing process was automated, resulting in increased billing, improved efficiency and tremendous savings in time and effort. The ERP system paid for itself within two years.

Increasing number of companies are using CRM (Customer Relationship Management) software to integrate sales, marketing and customer service functions and to give all customer interacting persons and departments access to share customer data in real time. Many banks were the first ones to use CRM systems.

In addition to using high-tech equipment and support systems, sales managers should also practice a few simple rules for effective time management which are as follows:

- Make plans—for each day and each week.
- Make or take phone calls twice—before lunch and at the end of the day. Learn to be brief.
- Read and reply e-mails/fax messages once or twice in a day.
- Interruptions from the boss and customers have to be responded. Unnecessary interruptions from others need to be minimized by politely saying “no”.
- Prioritize the activities/tasks in terms of importance and urgency, based on ABC analysis of activities.

- Concentrate efforts on major (or ‘A’ type of) activities/tasks during prime hours when we work most effectively.
- Learn to delegate routine and less important tasks or activities to others.

We all, including the sales force and sales managers, have one thing in common—a 24-hour day. It is how we use our time that makes the difference.

Evaluate and Revise Sales Territories

Evaluation of sales territories is done by first setting up qualitative and quantitative goals, performance standards or quotas. For example, monthly, quarterly and yearly sales goals, number of calls to be made to ‘A’, ‘B’ and ‘C’ type of customers located in each sales territory and customer service or customer satisfaction index or rating are some of the goals for salespeople. The second step in the evaluation process is the measurement of the actual performance of the salesperson assigned to the sales territory. The information on the actual performance of each territory is furnished routinely to sales managers and salespersons through the computers by many companies. The third step is to compare the actual performance with the goals or the performance standards for each territory on monthly, quarterly and yearly basis. If the goals are met, the field sales manager appreciates the salesperson and recommends him for appropriate increments or rewards. However, if some or all the goals are not achieved, corrective actions, including new action plans, are discussed by the sales manager with the sales person. These action plans are developed for the sales territory and the same are implemented by the salesperson.

Revising Sales Territories

Studies have found that more than half (55 percent) of all sales territories need to be revised or realigned because they are either very large or very small13. It is, therefore, necessary that sales managers review their sales territories periodically — at least once a year. However, care should be taken by sales managers to make sure that poor performance of sales territories is due to incorrect territory design or alignment and not due to other reasons, such as ineffective supervision, incorrect incentive scheme and compensation plan.

A question that is frequently asked is: “How to know that the existing territories need revision?” Some of the answers to this question are:

1. Sometimes, the selling time and activities change substantially. For instance, a material handling company found that their customers started demanding customized equipment, instead of standard equipment. The company’s sales engineers had to spend more time to understand clearly the needs of the customers and to give pre-sales service. These additional activities resulted in the company’s sales engineers requiring more time to get orders. Hence, the company made the territories smaller and recruited new sales engineers giving each salesperson more time to sell.

2. In many companies, the sales territories are overlapping, resulting in inefficiencies and higher costs. This situation should be corrected by revising the territories.

3. When the sales potential of a territory grows faster than expected, the salesperson assigned to this territory exceeds his sales goals substantially without covering the territory

adequately. The salesperson may get high incentives and appreciation from the company's management. However, the company is losing its market share to the competitors. In this situation, there is a need to measure the sales potential of different territories and revise the sales territories by equalizing the sales potential or the workload of salespersons.

Another question that comes to mind is: "Why in many companies the sales territories are not balanced?" There are two main reasons for this situation. First, the company's management asks the first level sales managers, viz. area/branch/district sales managers to design or revise the sales territories that are located within their respective branches. Generally, these sales managers are very busy with other tasks and hence, they do not spend adequate time and efforts in designing their sales territories. The second reason is that many sales managers are not aware of the basic concepts of equalizing sales potential of sales territories and equalizing workload of salespersons. They also do not know that their sales performance can go up substantially, if their sales territories are balanced with equalized sales potential or equalized workload of salespeople.

For revising the sales territories, sales managers can follow the same procedure as shown in Figure 4.1 for designing sales territories. Companies should periodically evaluate and revise their sales territories in order to respond effectively to the changing market conditions.

LO 3 Utilize the knowledge of Information Technology (IT) for designing sales territories

USE OF INFORMATION TECHNOLOGY FOR DESIGNING SALES TERRITORIES

Instead of using the earlier described build-up or break-down methods, Information Technology (IT) is used to determine sales territories. IT firms have developed a software, called "geographic information system (GIS)".

GIS is not only quicker but also deals with all aspects of design of sales territories. The output of the software depends upon the data that is put into the computer. The data includes the satellite images or aerial photographs of the territories, customer locations, frequency of sales calls, sales potential of control units and so on. The GIS output is presented in an easy-tounderstand graphic or map form.

The hardware required for the GIS system includes a standard laptop or desktop computer working on a Windows operating system and a color printer of good quality. A person operating GIS system must be properly trained. For example, a company which is in the business of renting cars, uses a GIS software to review and revise many of its sales territories. The performance of the company's salespersons improved substantially in terms of achievement of sales goals and productivity as a result of using the software, instead of the earlier method of manually plotting and analyzing sales territories.

Global Positioning System (GPS)

This gadget communicates with satellites to find the exact position and give direction to clearly identified geographical locations. By only entering the address of a prospective customer, a sales person is supplied with directions on how to reach there. This direction also includes whichhighway to drive on and the fastest route around unexpected road construction. GPS devices are particularly useful for salespersons who travel on unfamiliar and large sales territories. Also, sales managers can use GPS gadgets to follow the movement of their salespersons. This can help to find if salespersons are covering their sales territories efficiently. The prices and features of GPS devices vary greatly. The complete navigation system with automated computer voice is available at the high price.

LO 4 Discuss sales quotas and their importance

SALES QUOTAS

In the previous chapter, we discussed the sales forecast and the sales budget. The next logical step for a company is to set up the sales goals or sales quotas, for marketing (or sales) units, such as regions, sales territories, salespersons, distributors and dealers. We shall now discuss the various parts of sales quotas, which are often tied to sales force motivation and compensation.

What are Sales Quotas?

Sales quotas are sales goals (or performance standards) set by a company for its marketing units for a certain period of time. The marketing unit includes a sales region, a sales territory, a branch office, a salesperson, a distributor or a dealer. Sales quotas (also called quotas) can be set on sales volume (rupees or dollar sales, and unit volume), selling expense, profit margin, selling and non-selling activities, customer satisfaction or some combination. For example, each salesperson is given a sales volume goal and a selling expense budget as a sales quota for the year 2016–17. Annual sales quotas for each marketing unit are broken down to quarterly and monthly quotas.

Sales quotas are developed from the annual marketing plan of the company. After preparing the sales forecast, the company decides its annual sales budget, which includes the company's goals for sales volume and selling expenses. The company sales budget is then broken down to sales quotas for regions, branches and sales territories. Thereafter, each branch or area sales manager decides for his territory's quota for the salesperson, distributors and dealers, who are attached to the territory. How a branch or area sales manager sets the sales quotas for the marketing units reporting to him, will be discussed subsequently in this chapter.

IMPORTANCE/PURPOSES OF SALES QUOTAS

Importance, purposes or objectives of sales quotas are: (i) providing performance standards, (ii) controlling performance, (iii) motivating people, and (iv) identifying strengths and weaknesses.

Providing Performance Standards

A sales quota provides to the sales manager a tool to measure the performance of the salesperson. A quota also provides a goal (or a target) to the salesperson. Hence, a quota is a performance standard, against which the actual performance is compared to understand whether the salesperson is performing well or not. Even salespersons cannot be sure about their performance being satisfactory, without measurement of actual performance against standards like sales quotas. For example, a branch manager of a consumer durable marketing company sets sales quotas for his salespersons in terms of sales volume and selling expenses per annum. The yearly quota is further broken down to quarterly and monthly quotas for each salesperson. The branch manager uses these quotas as performance standards for each salesperson and measures the actual performance to compare with the quotas on monthly, quarterly and yearly basis. A study has found that 92 percent of the companies use quotas as a performance standard for salespeople16.

Controlling Performance

By setting quotas for salespersons' selling and non-selling activities, sales volume, and selling expenses, the sales manager is controlling the performance of salespeople. For instance, when an activity quota of eight calls per day on retail units or four calls per day on business customers is set, the salespeople know that they have to make those many number of calls. The sales manager is indirectly monitoring or controlling the activities of salespeople by setting quotas. Similarly, to check wasteful expenditure on customer entertainment, lodging and meals, expense quotas are set as a percentage of sales. For example, in one company, expense quota for selling expenses (which included travelling, customer entertainment, lodging and meals) was 0.5 percent of sales. The company reimbursed sales expenses only up to 0.5 percent of sales. This helped to limit the selling expenses. The sales manager has the power to influence and direct the behavior of salespeople reporting to him. By setting quotas on sales volume, the sales manager directs the efforts or activities of salespeople towards the achievement of performance on sales. For example, a company wanted its salespeople to spend more time with customers, so the sales manager sets a quota of five calls a day for each sales person.

If the actual performance of the salesperson is favorable in comparison to the quota, the sales manager should appreciate and reward the salesperson suitably. However, if the salesperson's performance is unfavourable consistently over a period of time, the sales manager should find out the reasons for the poor performance by talking to the salesperson and the customers and reviewing the sales analysis and the sales reports of the salesperson. Only after understanding the reasons or causes of the poor performance, corrective actions, such as training in deficient areas, counselling the salesperson or reviewing marketing strategies can be carried out by the sales manager. This is how the sales manager controls the performance of the salespeople.

Motivating People

Most salespeople are motivated by money[18]. Quotas directly influence salespeople's motivational levels and amount of energy[19]. Sales force compensation is often tied to the extent or degree of achievement of sales quotas. The financial compensation includes salaries, commissions and/ or bonuses (which are also called incentives). The incentives, in most companies, are linked to the quotas. If salespeople believe that the quotas are achievable, they will put extra efforts to achieve the quotas and earn the rewards of incentive payments or recognition. Motivation of the salespeople is also linked to the setting of quotas. Sales managers should not set sales quotas that are too high and non-attainable. At the same time, they should not set easily attainable quotas. In both these situations, motivation of salespeople declines.

Sales contests are the additional motivating factors for special selling efforts of salespersons. The performance during the period of the sales contest is linked to quotas set for individual salespersons. Typically, special quotas are set for sales contests in order to create enthusiasm among salespeople, resulting in superior performance. The incentives or rewards for achieving special quotas during the sales contests are also attractive, in terms of winning trips abroad, e.g. Australia, Singapore, Malaysia, Thailand or Sri Lanka. Sales contests motivate average salespersons to turn in above average performances.

Identifying Strengths and Weaknesses

When the actual sales performance is compared with the respective quotas of different territories and salespersons, the sales manager can identify successful and unsuccessful performers. Further, analysis of causes of poor performance of some sales territories may reveal that the salespersons have not put in adequate efforts, the sales quotas were not set correctly or the supervision by area sales managers was not good. This analysis helps identify weaknesses as well as strengths of the company in comparison to its competitors. Talking to customers helps in the analysis because the customers' perceptions are important in understanding the reasons for the company's strengths and weaknesses. Sales managers should, therefore, not only review the actual performance of salespeople with their quotas on regular basis, but also talk to the key customers formally as well as informally.

STAFFING THE SALES FORCE

Proper staffing of the sales force is very important as it has a strong impact on a company's sales performance and profits10. The sales force is involved in carrying out the company's strategic marketing plan. One cannot over-emphasize how critical it is to choose the right salespeople. The full costs of unsuccessful recruitment, selection and training are probably very difficult to estimate. In one study, it is estimated that it costs anywhere from 50 to 150 percent of an employee's salary to replace that person11. It is clearly seen that sales force staffing, which includes planning, recruitment, selection, hiring, and socialization, is among the most challenging and important responsibilities of sales management.

Sales Force Staffing Process

Sales force staffing process consists of five major stages: 1. Planning the recruitment and selection process. 2. Recruiting sufficient number of applicants. 3. Selecting the most suitable applicants. 4. Hiring those applicants who have been selected. 5. Socialization of the new recruits into the organization. Figure 5.9 shows the above mentioned major stages, which are further broken down into related tasks. We shall discuss each stage. Planning • Set-up responsibility • Decide number of salespeople needed • Outline type of salespeople needed Recruiting • Identify sources of sales recruits • Evaluate and select the sources of recruits • Contact the candidates Selecting • Develop a selection process • Make selection decisions Hiring • Make a formal job offer • Acceptance of the job by the applicant Socialization • Socialization • Assimilation

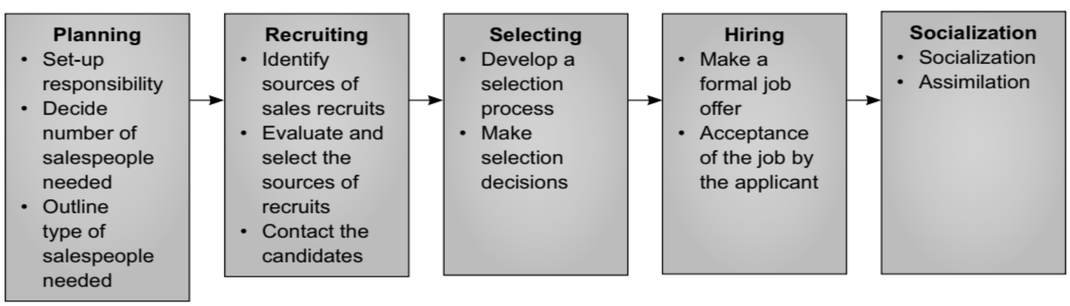


Fig. 5.9 Five Stages of Sales Force Staffing Process

The Planning Stage

As shown in Figure 5.9, the first activity in the planning stage is to set up the responsibility for the various stages and activities of the staffing process. The second task is to decide the number of salespeople needed. The third activity of determining the type of salespeople needed includes three tasks: (i) conduct job analysis, (ii) prepare job description, and (iii) develop job qualifications (or specifications) that a sales recruit should have. We shall now discuss each of the three activities included in the planning stage.

Setting-up Responsibility The company management must decide who will be responsible for the various stages and activities of staffing process. The decisions may vary from company to company, depending on the size and culture of the organization. In a small organization, most of the staffing decisions are made by the head of the organization. However, in a medium or large size company, the responsibility of identifying and selecting the sources, contacting the candidates, developing a selection process, socialization and assimilation are typically given to human resource department managers. The sales managers at middle and senior management levels are generally responsible for activities such as deciding the number and type of people needed, selecting, and making the job offers to the salespeople.

Proper coordination is required between sales, marketing, and human resource department executives. For instance, in a large engineering company, the responsibility of hiring sales

engineers was given to the regional general managers of four regions – North, East, West, and South. Regional general manager–East, asked human resource manager–East, to take the responsibility of all the activities of recruiting sales engineers, except for deciding the number and type of sales people needed, selection, and making the job offer. The last four activities were the responsibility of the regional marketing managers and the regional general manager. Regional marketing managers were asked to co-operate with the regional human resource manager in the various activities of staffing process.

Deciding the Number of Salespeople Needed The decision on how many salespeople are needed by the company is an important part of planning. It forces the various regional and branch sales managers to plan their manpower requirements well in advance, before the beginning of a new financial year. This helps the human resource (HR) department to program the various stages of staffing process. Senior management of the company should also review any changes in their marketing strategy and its impact on the number of salespeople. For instance, a company decided to close its branch at Sonepat in North India, since two major customers stopped buying its products due to backward integration (making those products internally instead of buying from outside sources). This resulted in two excess salespeople from Sonepat branch. The company decided to open two new branches at Faridabad (in North India) and Pune (in Western India), to exploit the increased market demand from automotive industry.

For calculating the number of salespeople needed, each territory sales manager should consider the following points:

- Decide the optimum sales force size by using one or (preferably) more of the three (workload, sales potential, and incremental) methods. These methods are discussed earlier in this chapter.
- Add number of promotions, retirements, transfers out, terminations, resignations expected from the existing salespeople.
- Subtract expected transfers into the branch and the existing salespeople.
- Make a total of new salespeople needed, as shown in Figure 5.10, and submit it to the senior sales manager.

Optimum Salesforce Size	Add Promotions	Add Retirements and Transfers out	Add Terminations, Resignations	Subtract Transfers in and existing Salespeople	Total new Salespersons needed
25	2	2	1	23	7

Fig. 5.10 Example of Number of Salesperson Needed

After receiving the information on the number of salespersons needed from each territory sales manager, the national sales manager calculates the total number of new salespersons to be hired. What is also important is that this planning of number of salespeople needed should be done

5 to 6 months in advance of new financial year, so as to allow adequate time for recruitment, selection, hiring, assimilation, and training of new sales persons.

Outline the Type of Salespeople Needed

As a part of planning stage, a company should prepare a detailed job analysis, job description, and specifications of the salespeople needed. This will be useful for making decisions on selection, promotion, and training of salespersons. The steps involved in the process of developing a profile or outline of the type of salespeople, as shown in Figure 5.11, are: (i) job analysis, (ii) job description, and (iii) job qualifications or specifications.

Fig. 5.11 Process of Developing Sales Force Profile/Outline

New companies will have to go through the three steps represented in Figure 5.11. Even existing firms need to review these steps from time to time to ensure that the job specifications represent the current activities and responsibilities of salespeople.

Conducting Job Analysis

A job analysis is systematic collection of information on a particular sales job. It includes deciding the job's objectives and how to achieve them. The procedure followed for conducting job analysis involves developing the duties (i.e., tasks required as a part of salesperson's job), such as understanding customer needs and making sales presentation. For this, salespersons, customers, and sales managers should be interviewed. A structured questionnaire should be used to collect relevant information on importance of various tasks; what kind of knowledge and skills are needed by the salesperson to perform the job well, type of customers, such as individuals, business, or institutional, and so on.

The person conducting the job analysis may be a person from the sales team, or human resource department, or an outside consultant. This person should also spend time making customer calls with some salespeople, interviewing them, observing, and recording the various tasks performed and time taken by the salesperson.

Preparing Job Description

Companies use job analysis to develop job description. Job descriptions are formal, written statements describing detailed account of the job. Most well prepared job descriptions generally cover the following points:

- Title of the Job: A complete description so that there is no uncertainty. This is particularly important in an organization having many types of sales jobs. Some of the examples of sales titles are sales representative, marketing representative, and sales engineer.
- Reporting Relationship: To whom should the salesperson report. For instance, the reporting manager of a sales representative may be the branch manager, district manager, area sales manager, or sales/marketing manager.
- Types of Products and Services to be Sold: For example, office equipment like photocopiers, fax and multifunctional devices, courier services, and software services.
- Types of Customers to be Visited: For instance, commercial or purchase managers in business organizations.
- Duties and Responsibilities: For instance, visit planning, selling activities, customer service, market information collection and communication, call report preparation, payment collection from customers, and customer relationship. • Job Demands: Mental and physical demands of the job, such as travelling, achievements of sales and other targets.
- Key Result Areas (KRAs): Achieving sales goals, maintaining goad customer relationship, and submitting market information reports.
- Location and Geographical Area to be Covered: The present location of the place of work and the geographical area to be covered by the salesperson (which may change in future). For example, the location of the job is at Bengaluru and the area to be covered is Bengaluru city.

A job description is almost certainly the most important tool that is used in managing the sales force – for instance, in recruiting, selecting, training, compensating, and evaluating the salespeople. It is, therefore, important that the job description should be in writing and in great detail.

Developing Job Qualifications/Specifications Duties and responsibilities mentioned in the job description should be used to decide job qualifications, or job specifications (also called hiring specifications). A sales recruit should have certain traits (or characteristics) to perform well on the job. However, determining the job qualifications or specifications is probably the most difficult part of the entire staffing process. This is because there are no generally accepted traits and abilities of salespeople for success across various selling positions. Many studies have attempted to determine which qualifications are most important for a sales position. A few studies are mentioned below:

Charles Garfield, in his study of super achievers concluded that super sales performers show the following traits: (i) risk taking, (ii) powerful sense of mission, (iii) problem-solving bent, (iv) care for the customer, and (v) careful call planning12. Mayer and Greenberg offered one of the shortest lists of traits. They concluded that the effective salesperson has two basic qualities: (i) empathy (the ability to feel as the customer does) and (ii) ego drive (a strong personal need to make the sale)13. Avlonitis and Karayanni concluded in their study that the salesperson of the future must be able to work with electronic communications and technology14. A study of 26 of the leading corporations, including General Electric and AT&T, found that the "ability to work in a team" was a job requirement.

For managing key accounts (i.e., major customers) many firms use team selling approach. Some of the important characteristics of the team salesperson are adaptability, and the ability to put the team's objectives above their own. There is no single satisfactory method available for every company for deciding the qualifications (or specifications) needed for selecting its salespeople. This is because, there are many types of sales jobs and there is a corresponding variance in job qualifications for different sales jobs. However, some of the methods used for developing job specifications are as follows:

• **Study Job Description**: Some companies develop job specifications based on the carefully prepared job description statements. This is particularly a useful method for the new company, which does not have personnel histories of past salespeople.

• **Analyze Personnel Histories of Salespersons**: A large company, which is in business for a many years, can decide the job specifications of its salespeople by analyzing the personnel histories of its present and past salespeople. The procedure is to analyze various traits (or characteristics) of good and poor performing salespersons to find out if there are certain characteristics that are present in good (performing) salespersons and absent in poor (performing) salespeople. The traits of the good sales persons are then used to develop job specifications (or a job profile) of the type of salesperson the company is seeking. For instance, based on an analysis of its current sales consultants, Accenture company discovered that students with part-time jobs and extracurricular activities were more likely to succeed than those with higher grade-point averages.

• **Ask Customers**: One more method is to ask customers. Most customers say they want the salesperson to be knowledgeable, reliable, helpful, and honest. Based on these methods, each company should develop its own job specifications, including sales experience, education, skills, and personality traits for selecting salespeople. After deciding the number and type of salespeople needed by the company, the next stage is recruiting.

LO 4 Carry out recruitment and selection of the salespeople

RECRUITING THE SALES FORCE

This stage includes: (i) finding or identifying the sources of sales recruits, (ii) evaluating and selecting the recruiting sources, and (iii) contacting candidates through the selected source(s). Recruiting includes activities to get individuals who will apply for the job. The general purpose of recruitment is to provide a pool of qualified job candidates from where a company selects the right persons. This means recruitment activities do not include the selection of people. If a company wants to recruit a large number of salespeople, recruiting and selection processes should be done continuously. To maximize the chances of finding the right person, some companies take two specific actions: (i) for selecting one right salesperson, they get 20 applicants, and (ii) they offer the benefits that sales recruits want17. Sales managers and human resource executives should update their information on government employment regulations on a continuous basis. Examples are: Equal Pay Act of 1963 and Equal Employment Opportunity Act of 1972 in USA, and Equal Remuneration Act of 1976 in India.

Identifying the Sources of Recruiting Salespeople

For identifying or locating prospective candidates, companies use internal and external sources. Internal recruitment sources come from inside the company. They include: (i) employee referral programs, (ii) current employees, and (iii) promotions and transfers. The external sources of recruitment include: (i) advertisements, (ii) the Internet, (iii) educational institutions, (iv) employment agencies, (v) other companies (competitors, customers, non-competitors), and (vi) job fairs.

Internal Sources

Employee Referral Programs

Basically a referral is a recommendation (or the action of referring) by one individual that another person can be hired for a position. The employee referral program includes the company employees referring or recommending known persons for hiring for sales positions. This is now one of the most popular methods of locating sales recruits because it is very effective, relatively quick, and less expensive compared to other recruiting methods like advertising and employment agencies. In the employee referral scheme (or program), many companies like Microsoft and Southwest Airlines have incentive schemes to give monetary rewards to employees who provide successful referrals. The successful referral means the person referred is hired and meets initial performance goals. Talent crunch across the sector is prompting both MNCs (multi-national companies) and Indian companies to turn to their employees to fill in vacancies, for a price. Existing salespeople and purchase executives within the company are good sources for referral programs in identifying prospective sales candidates. The major disadvantage of using the employee referral scheme is that the company may not get enough of them and therefore, the company uses other sources as well.

Current Employees

This is a source of job recruitment in two ways: (i) current employees can recommend friends and relatives to the company, and (ii) they also can be candidates by applying for the sales job18. Many organizations like to recruit within their own companies because (i) the cost of recruitment is less, (ii) it improves employee morale, and (iii) the management is able to evaluate the applicant’s potential as a salesperson. For example, General Motors normally recruits from within the organization.

Promotions and Transfers
Internal promotions and transfers generally result after the company announces sales job openings through newsletters, in meetings, or on the bulletin board. One study found that employees of the company who were internally transferred to the sales positions gave more long-term profits than salespersons from any other source. This is possible because these employees are already familiar with the company's products and policies. Internal promotions to sales managers' positions can minimize the company's time and cost.

External Sources

Advertisements

By advertising in newspapers and trade journals for sales jobs, a company can produce a large pool of applicants in a short time. Advertising is generally less expensive on a cost-per-applicant basis. However, a large number of applicants who respond to newspaper advertisements, may not be qualified for the job, due to below average quality of many applicants. A company can be more selective by advertising in trade publications or through the Internet instead of a daily newspaper. However, in case of trade magazines, lead time to place an advertisement in the next issue is much longer (typically 6 to 8 weeks) than in newspapers. To ensure an advertisement's effectiveness, the following points are useful:
• Add restrictions (like bachelor's degree) to avoid receiving too many unqualified applicants.
• Advertise on a Sunday for a classified advertisement.
• More information in the advertisement about job specifications helps in screening applicants
• When speed of response is important, use classified newspaper advertising or online advertising.
• Use business publications like Economic Times for recruiting persons with business experience.
• Focus on prospective candidates' needs and interests, instead of too much of the company information.
• Use the advertisement as a unique sales proposal to motivate candidates to reply.
• A recruitment advertisement must attract attention and have credibility.
• Provide phone, e-mail id, website, fax numbers, and mailing address.
• Answer enquiries immediately before they cool off.

The information usually included in recruitment advertisements are: (i) company name, (ii) product or service, (iii) territory, (iv) hiring qualifications, and (v) how to contact.

The Internet

Many companies use their own websites to approach the applicants for various positions including sales. The advantages of this web-based recruiting are very low cost and time of getting applicants resumes. However, the company has to bear the cost of screening a large number of resumes to find the applicants who qualify for the sales position. Many companies use the Internet recruiting websites, such as www.monster.com, www.naukri.com, www.salesheads.com, and www.jobsearch.com. As a large number of job seekers accessing the Internet are college students, advertising on bulletin boards or in job banks will help in reaching the college market. Potential applicants can post their CVs on these sites so that firms can call them for interviews.

Educational Institutions

Large companies such as Hindustan Unilever, Wipro, and ICICI Bank use colleges and universities as a popular source for sales recruits. Small firms are less likely to recruit in college campuses because many graduates prefer large and well-known companies, who have extensive training programs and company benefits. Some companies offer internship programs to college students during vacation periods and students with good performance are offered jobs upon graduation. Companies not only find educational institutions as a cost effective source, but also that college students usually can be hired in shorter time and at lower salaries than experienced salespersons. Often companies searching for future managers, look at educational institutions for position of sales recruits. Recruiters have an important role in attracting students for sales jobs. In order to do an effective recruiting job, recruiters should focus on job satisfaction, salary, opportunities for job advancement, and company's financial stability. Campuses of educational institutions have placement centers which contact companies for recruitment.

Employment Agencies

A commonly used source is the private employment agencies. They usually work from a job description provided by the human resource managers or sales managers. They can be asked to do initial screening of candidates. Private employment agencies have become human resource (HR) consultants. These agencies charge fees, usually ranging from 10 to 20 percent of the first year earnings of the person hired through the agency. The employer's cost for the employment agency's fees is offset by the savings in the advertising and initial screening tasks done by the agency. Professionalism of private employment agencies varies to a great extent, but there are good agencies who give useful services to companies by referring qualified candidates.

In India, the government has established employment exchanges in many cities. Unemployed persons register their names and submit their CVs to these exchanges. Companies collect candidates' details from the employment exchanges and call them for interviews.

Other Companies (Competitors, Customers, Non-Competitors)

A salesperson recruited from a competitor knows the products and markets well, has selling experience, and requires little training. However, such a salesperson may ask high salary and it may be difficult for such a salesperson to make adjustments in the new organization. Besides, some sales managers consider the practice of hiring competitors' salesperson as unethical, as the salesperson may use confidential information of the former employer. Also, such salespeople may not show loyalty to the recruiting organization. However, if the applicant has sound reasons for switching companies, it may be a good decision to get the competitor's salesperson.

Customers' purchase executives have some knowledge of the abilities of salespeople who call on them. Hiring a good employee of a customer has disadvantages and this should be done, if it is a must, tactfully without losing the customer. Some companies welcome back former employees who have left.

Salesperson working for non-competing firms is another source, if they are selling similar or related products or selling to the same markets. These salespersons have selling experience and need relatively less training. A firm that hires from other company must find out why the applicant is interested in changing the job and why they want to work for the hiring firm. Although it is difficult to determine the real reasons, good sales managers should be able to form some ideas to arrive at effective decisions.

Job Fairs

Many employers are brought at one location for recruiting with the arrangements of job fairs. Candidates visit the booths of the employers they are interested in. The employer may also ask a particular candidate for a meeting, based on the candidate's resume received earlier. Generally job fairs are held in the evening hours or on Sundays, so that presently employed salespeople can attend them. This problem will not arise for virtual job fairs on the Internet.

Evaluation and Selection of Recruiting Sources

After identifying the sources of recruiting salespeople, a company selects those sources that are effective based on the past database. This database is built over a number of years, as per the evaluation format shown in Table 5.3. However, for a new company, selection of the recruiting source depends on its cost.

Recruiting Sources	Number of Recruits	Number Hired	Number Retained (After 2 years)	Percentage Retained (After 2 years)	Cost of Recruiting	Performance Rating (After 2 years)	Special Remarks (if any)
Employee Referral							
Current Employees							
Promotions and Transfers							
Advertisements							
The Internet							
Educational Institutions							
Employment Agencies							
Other companies (a) competitors (b) customers (c) non-competing firms							
Job Fairs							

The focus in the evaluation of recruiting sources is on three factors: (i) performance rating of the sales force (excellent, very good, average, and poor) at the end of the two years of working, (ii) percentage retained (after 2 years working with the organization), and (iii) the cost of recruiting, which should include the total cost of recruiting, including travel, hotel, proportionate salary, and so on. Once the data is built over a period of one year, it can be used for the subsequent years for selecting the most effective source of recruiting at the least cost. However, this data needs to be updated every year to ensure continuous improvement in the recruiting stage.

Contacting Candidates Once a company selects the sources of recruiting salespeople, contacting the candidates is done by human resource department.

SELECTING THE SALES FORCE

Earlier in sales force staffing process in Figure 5.9, after the recruiting stage the selection stage was shown, consisting of the following two activities: First, the company should develop a procedure or process and tools for measuring applicants against the job specifications or qualifications that were developed in the planning stage. The second activity is to make the decision on selection. We shall first identify the major selection tools, which are used by companies for selecting salespeople.

The Selection Process

The selection process consists of a number of steps through which applicants pass. These steps are like filters. At any of these steps, an applicant may be dropped from further consideration.

The major steps in the selection process are shown in Figure 5.12. The selection tools used by companies for selecting the salespeople are: (i) screening resumes, (ii) application blank, (iii) initial interview, (iv) intensive interview, (v) testing, (vi) reference check, and (vii) physical examination. These tools are placed on the steps in the selection process as shown in Figure 5.12.

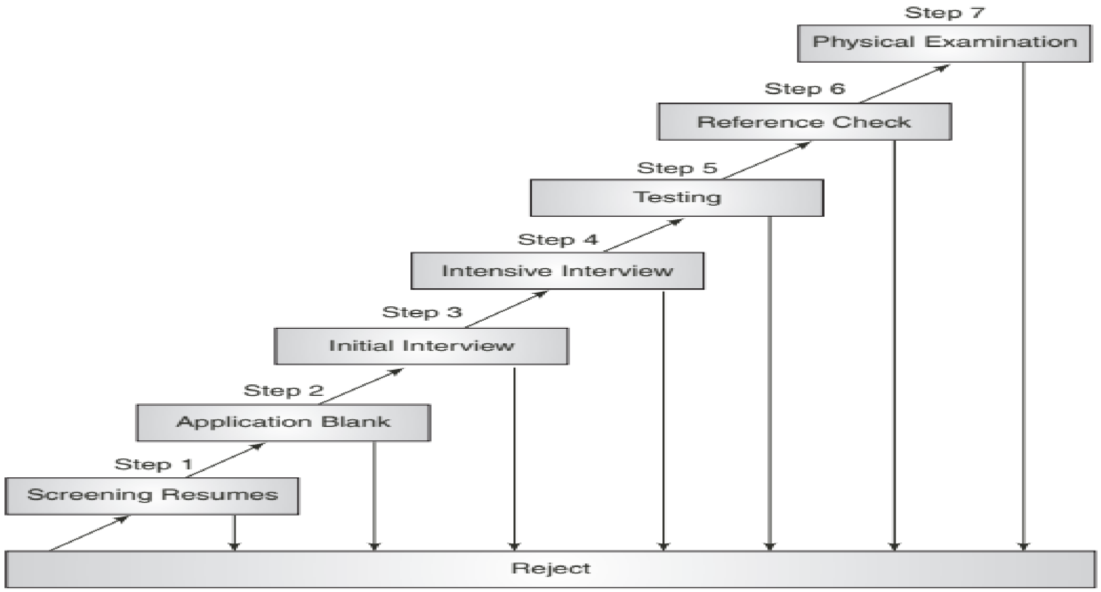


Fig. 5.12 Major Steps or Tools in Selection Process of Salespeople

Companies using multiple-step selection process differ in terms of the number of tools used and their order of inclusion. No matter which tool is used first—screening resumes, application blank, or initial interview—generally the least costly tool should be used first. Research on selection of tools/methods have shown that psychological tests have the highest predictive validity for evaluating an applicant's future job performance. However, personal interviews, the most widely used selection tool, have the least predictive validity of job performance. The selection process and tools are only to help in sound executive judgment and are not substitute for it. Let us discuss the various selection tools.

Screening Resumes

This tool is used when a company receives a large number of resumes, based on the recruitment sources like newspaper advertisements or campuses of educational institutions. To eliminate unqualified applicants, initial screening of resumes is done by the human resource or sales managers, based on comparison of the applicant's curriculum vitae (CV) with job specifications (or qualifications) that was developed earlier in the planning stage. This tool need not be used, if initial screening of resumes was done earlier by human resource (HR) consultants or somebody else.

Application Blank

It is one of the widely used selection tools. Application blank, which is also called formal application form, or personnel history record, is a convenient and methodical method of collecting relevant information from the applicant. The applicant may be asked to fill the application form/ application blank. The relevant information in the application blank may include education, work experience (or employment history), physical and personal characteristics, membership of social and business organizations, positions held in organizations, records of earnings, reasons for leaving each previous job, hobbies and other interests. However, questions such as age, religion, or marital status should be asked only if such questions are in accordance with local laws and regulations.

The format of the application blank or application form differs from company to company. There are some advantages of using the application form as a selection tool. These are: (i) comparison of many applicants is made easy because the information of each candidate is presented in the same order, (ii) the interviewer asks questions to investigate closely the information such as job experiences and education given in the application blank during the interview sessions, (iii) the application blank can be designed to comply with the legal and regulatory requirements of the local government, and (iv) it gives relevant information required by the company, but not mentioned in the applicant's resume or curriculum vitae (CV).

Personal Interviews

The purpose of a personal interview is to decide a person's fitness for a job. The interview takes place between a recruiter and an applicant to see if a match exists between what the company is offering the applicant and what the applicant is offering the company. Another purpose of interviewing is to get more information about the facts stated in the application blank. For instance, if an applicant has changed many jobs at short intervals and has stated the reasons for changing jobs as "better prospects", the recruiter may ask the applicant to explain what is meant by better prospects. Interviews are the most widely used selection tool. Studies have found that interviews can be good predictors of success in sales job because sales job requires skills similar to those on show in the interview21. However, in many cases, interviews are not as effective as they could be. This is because the interviewing process depends primarily on the behavior of the interviewer and many interviewers do not know how to interview an applicant effectively, and also how to interpret an applicant's responses. Many interviewers talk too much, listen too little, and ask wrong questions. Companies should, therefore, conduct workshops to improve interviewing skills at various levels of management. A properly conducted interview is a good predictor of the candidate's performance and should be used in the selection process. Some companies conduct interviews not only of the applicant, but also of the applicant's spouse. This is done to ensure that the spouse supports the away-from home life style of the salesperson.

Interview Structure

Although sales managers agree that interviews have a great effect on the selection process, there is not much agreement on how structured the interview should be. The interview structure (or types of interviews) varies from the totally structured (patterned or guided) interviews at one end to the unstructured (non-directed or informal) interviews at the other end. The third type of interview is called semi-structured.

Structured Interview

Managers may use the structured interview for initial screening, but it is not suitable for getting an in-depth look at the candidate. In structured or guided interviews, all the applicants are asked the same questions and their responses are noted. This type of interviews are useful when one or several interviewers see different candidates and based on evaluation rank the candidates and also when many junior sales executives are involved in the selection process, but do not know what questions to ask. The structured interviews are criticized as being rigid. This is not always true, since some trained interviewers do make some changes without reducing the merit of the structured form.

Unstructured (or Non-directed)

Interview In this type of interview, generally the interviewer begins by asking a few open-ended questions like "tell me about yourself" or "tell me about your family". The interviewer gets the applicant talking on subjects such as school and college activities, achievements in life, work experience, and so on. The interviewer does a very little talking (about 10 to 20 percent), adequate to keep the conversation moving forward. The basic concept is that the applicant's traits or characteristics are discovered if the applicant is encouraged to speak freely. It takes a highly skilled interviewer to use non-directed (or unstructured) type of interview effectively. Even applicants in many cases are not comfortable with this method of interviewing. Research has clearly shown that unstructured interview type is not accurate in predicting the job performance of salespeople. However, some human resource experts say that this interview technique produces insight into an applicant's attitudes, personality, and interests. The main disadvantage is that the company may face difficulty in getting a skilled interviewer.

Semi-structured Interview

Many companies today use semi-structured interview type, which is somewhere between the structured and the unstructured type interview. This type of interview allows a two-way flow of information between the applicant and the interviewer. In most cases, only a few main questions are pre-planned and for the balance period of time, there is an adequate flexibility for the interviewer to move from general questions like economic environment to specific questions on product and selling process. Many companies use semi-structured interview type to pay particular attention to the applicant's behavior and the performance.

Behavior and Performance based Interviews

Studies have found that these techniques of interviews are better predictors of subsequent success of applicants than other types of interviews. Behavior-based interviews are based on the theory that what a person has done in the past is indicative of what that person will do in future. The interviewer asks behavior-based questions to the applicant, such as "Give me an example of how did you overcome a customer objection" or "Tell me what closing techniques did you use in your previous selling job?" However, if the candidate did not have any previous selling experience, the questions are asked about intended behavior like how the applicant would behave in a job–related situation? The examples of these types of questions are: "How would you deal with a customer who is not sure about the benefits of your product, as compared with the other products in the market?" or "How would you convince a customer to buy your product, when the price of your product is higher than that of your competitor?" The basic concept is that salespeople's behavioral intentions are related to their subsequent behavior.

A Performance-based interview

asks applicants to perform exercises simulating selling situations. For instance, the company gives applicants one of the products in advance for making presentation during the interview. These simulations of selling activities are useful in evaluating candidates based on their selling skills.

Initial Interviews

These are used to clarify questions about applicants' job qualifications, such as graduation level grades or marks and type of products and services sold in previous jobs. The interviewer makes preliminary judgment whether a similarity exists between the job specifications and the applicant's characteristics. The purpose of initial interviewing is eliminating unqualified candidates. The candidate's questions about the company and the job are also answered. Some companies conduct initial interviewing by asking questions over the phone or using computer assisted interviewing. In the computer-assisted interview, for example, applicants are shown a video with three alternative scenarios for helping a customer and then applicants are asked to select the best one. The computer indicates applicants' strengths, weaknesses, and other areas that need further investigation. The initial or preliminary small interview is short about 15–20 minutes. It can be handled by a junior human resource or district sales manager.

Intensive Interviews

To get an in-depth view of the candidate, one or more intensive interviews are conducted. In many cases, intensive interviews include many managers conducting interviews in a particular order. To achieve depth and usefulness, when several managers conduct interviews in sequence, proper planning and co-ordination is required. In intensive interviews, many interviewers use semi-structured interview format that is based on the applicant's behavior and performance, as discussed earlier. However, a few interviewers use stress interview technique as a part of intensive interview.

Stress interview

In this technique, the interviewer deliberately places the applicant under stress, to find how the applicant might cope with the stress when selling. For instance, the applicant may be handed an object such as a pen or mobile phone and asked to sell it to the interviewer. In some stress interviews, the interviewer may ask a number of rapid questions, even before the applicant could reply. This puts the applicant under stress. In another method of stress interview, the interviewer intentionally becomes aggressive, or rude in questioning to see the reaction of the applicant. This method of interviewing has been used in the past, but is not often used these days because the candidates get irritated and less interested in the job. Besides, there is a little correlation between how a person handles stress in an interview and stress on the job, as found in some studies.

Testing

Many firms use tests as an additional means of improving their selection decisions. The purpose of testing is to decide whether applicants have certain traits or characteristics that lead to success in sales job. This results in improved performance and lower sales force turnover. Selected tests are designed to measure aptitude, intelligence, knowledge, personality and interest of salespeople.

Aptitude Tests measure a person's aptitude for selling, learning ability and social aptitude. Examples of aptitude tests are: (i) general sales aptitude test, (ii) sales aptitude checklist. Intelligence tests measure mental intelligence or intelligence quotient (IQ) which includes memory, inductive learning and word fluency. Examples are: (i) Wonderlic Personnel test, (ii) Otis test of mental ability. Knowledge Tests measure knowledge of applicants on subjects like marketing terms, product, and information technology (IT). Personality Tests measure traits or characteristics, such as extrovert, self-confidence, and empathy that are needed for a particular sales job. Some examples of these tests are: (i) Edwards Personal Preference Schedule (EPPS), (ii) Gorden Personal Profile. Interest tests measure the level of interest in a sales career. Examples are: (i) Kuder Occupational Interest Survey, (ii) Strong-Campbell Interest Inventory.

Those companies who have had success with tests suggest that tests are useful for identifying a candidate's strengths and weaknesses. In addition, tests reveal candidates who have key traits that are connected with successful salespersons24. The main problem with testing is that tests are sometimes misused because managers do not understand that all applicants who fall within a range of scores are equally qualified for the job. Many sales managers use tests due to the requirement of their headquarter office.

Another problem to look out for in testing is that few applicants can fake their responses, particularly for personality tests. Tests must have reliability (i.e. consistency of test results) and validity (i.e. the test measures what it claims to measure) otherwise they cannot be used successfully. One more issue is that tests are sometimes used as the sole deciding factor. If an

applicant has done well in interviews and reference checks, but his test scores are low, management may not hire this person.
Tests can be useful selection tools, if the following suggestions are followed:

- Sales managers should not attempt to design tests. This responsibility should be given to human resource department and experts in testing.
- Use tests as a part of selection process, but do not make hiring decision based only on test results.
- If psychological tests (including personality and intelligence tests) are used, be sure to meet legal aspects of testing.
- Select a test that minimizes the applicants' ability to anticipate desired responses.
- Tests can identify areas for further close investigation, if they are administered and interpreted before final intensive interview.

Companies like Gillette, Proctor & Gamble, and IBM give high weights (importance) to test scores in their overall selection process.

Reference Check

The applicants who have successfully come out of screening resumes, application blank, interviews, and testing, may then become the subjects of a reference check, or background investigation. Referees are the names of persons from whom information can be obtained on an applicant's ability and character. In conducting reference checks or background investigation, it is advisable to request job-related information only.

A company may check an applicant's references by e-mail, letter, telephone, or personal visit. Each method has some limitations. A personal visit may take too much time when a reference is located at a distance. Some references do not give any information to a stranger on telephone. A letter or e-mail is, therefore, used, but it has a problem. The problem is that most firms are very cautious about giving out meaningful information in writing about former employees. This is because of fear of being sued for defamation or a company policy of limiting the information of past employees. In spite of these limitations, a reference check makes sure the true identity of an applicant and may confirm his employment history.

Most candidates list as references only those persons who are certain to give them a positive reference. In order to get a more unbiased information of the candidate, a company can ask reference names of other people (not listed by the applicant) who would be familiar with the applicant's work, such as the candidate's former employers, former customers, and past teachers. Questions that could be asked to a previous customer are: "Was the person efficient and dependable?" or "How would you rank this person compared to other salespeople who call on you?" When talking with an applicant's previous employer, questions that could be asked are: "Would you rehire this person, if there is a possibility?" or "Why did the applicant leave?"

Background investigations are also carried out by some investigating agencies, which specialize in pre-employment investigative interviews with former employers, and co-workers of applicants. Reference checks or background investigations are very important because some applicants tell lies about their past job responsibilities, past salaries, and educational records.

Physical Examination

Most companies want their prospective employees to undergo physical examinations because good health is important to a sales person's success. The objective is to find any physical problem that may prevent the job performance of an applicant. A company should have a policy about drug testing and drug use for its sales people and its sales managers. If a drug testing program is in place in an organization, all applicants are required to be tested. Sometimes, the costs of physical examinations and medical tests are high and therefore, they are given towards the end of the selection process. However, increasing number of companies is asking applicants to complete the forms dealing with their health without seeing a medical doctor.

Assessment Centers

These are centralized units established within companies to evaluate qualified applicants in all aspects. Some companies use assessment centers as a tool of selection process. These centers are setup to conduct simulated exercises, such as role-playing, business games, case analysis, and individual presentation for the purposes of not only selection, but also promotion or development. Participants' performance is evaluated by trained executives within the company or outside experts.

Although the costs of assessment centers are somewhat high, the quality of people selected through assessment centers go up substantially25. Increasing number of companies, such as Wipro, Infosys, Ford Motor Company, and Indian Oil Corporation have set up assessment centers.

Selection Decision

When all the steps of the selection process have been completed, one thing is yet to be completed and that is selection decision–which applicants are to be selected? For making a selection decision, the sales manager should decide the important job specifications which are necessary for performing the duties of the sales job. When selecting the salespersons for rural markets in India, the company should decide the selection criteria, such as willingness to work in rural areas, knowledge of local language, and cultural congruence to adapt to rural environment and ethos. These criteria are different for urban markets26. The sales manager should then evaluate each applicant's qualifications and potential in relation to the selection criteria. Sometimes the sales manager has to decide about whether an applicant's strength in one selection criterion can compensate for a weakness in another criterion, whether the applicant should meet certain minimum levels against each criterion, so as to be successful. After evaluating the available candidates, the company makes a list of the candidates according to the preference.