

Sales Force Projects and Decisions

Demand Driven Strategic Planning

Chapter: 09

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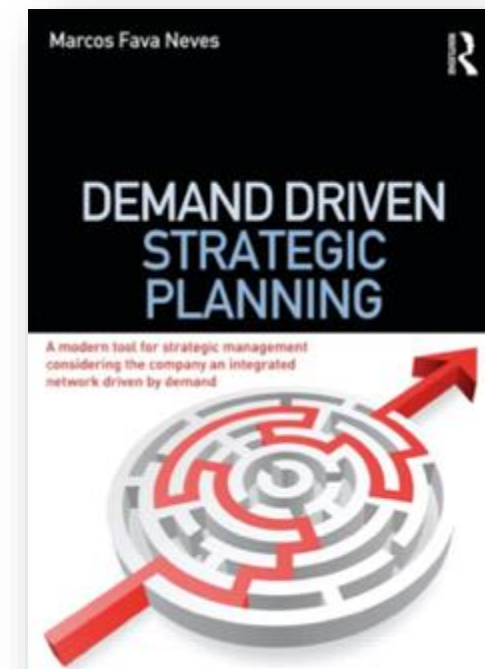
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Question of the Class

**Imagine a company that has been working in the
market for years in Brazil, and with great potential for
growth if you build a strategic sales plan, since where they
are, they sell well ...**

What would we have to propose?

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Sales Force Decisions

9.1 - Overview – Sales Force in Business Strategy

9.2 – Organization of Sales Efforts

9.3 – Determination of Sales Targets

9.4 – Representatives or Employees

9.5 – Sales Structure Organization (Geographical, Product, Customer...)

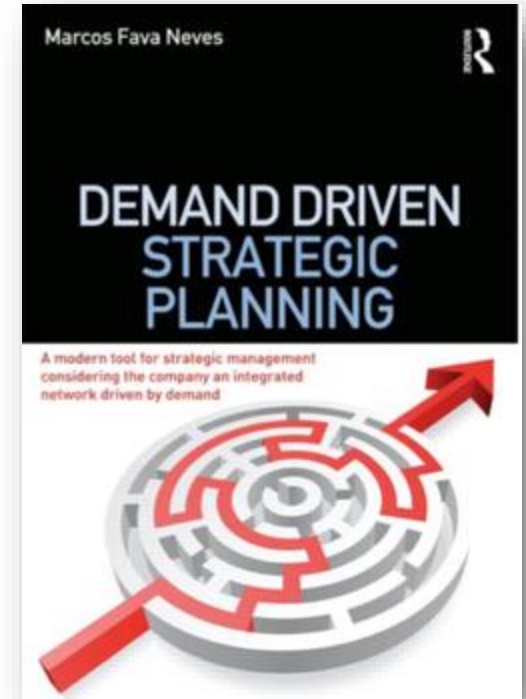
9.6 – Number of Sales Force and Territories

9.7 – Human Resources in Sales

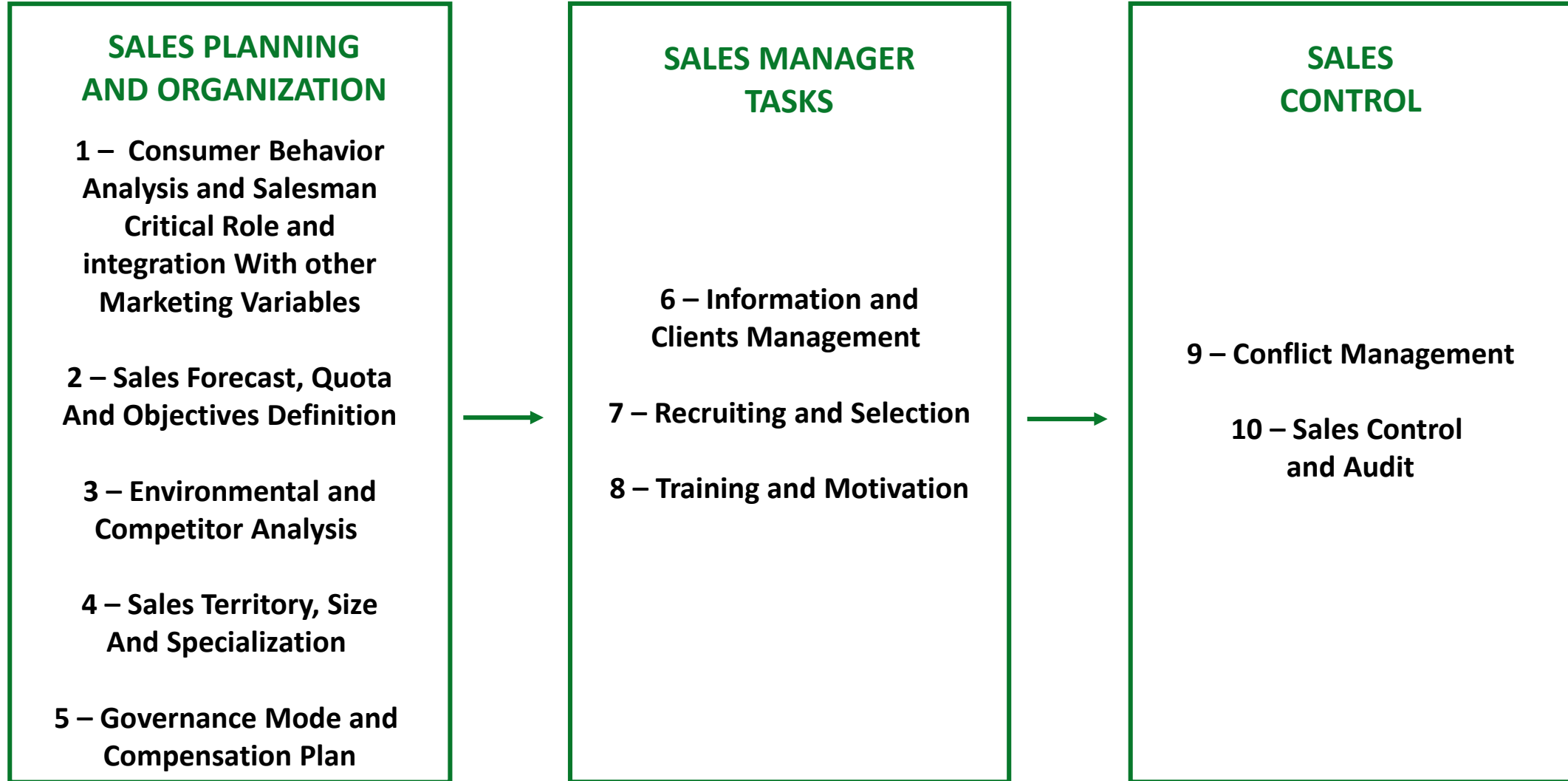
9.8 – Evaluation and Controls of Sales Force

9.9 – Collective Actions in Sales

9.10 – Discussion Question/Case



A Method For Sales Planning and Management



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Journal "Innovative Marketing", #2/2007

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Major Changes in the Sales Environment and New Behavior

INDUSTRIES	MAJOR CHANGES	NEW BEHAVIOR OF SALES TEAM
<ul style="list-style-type: none"> ✓ Videos ✓ Books ✓ Games ✓ Music ✓ Tourism ✓ Electronics ✓ Commodities ✓ Cosmetics ✓ Broker 	<ul style="list-style-type: none"> ✓ Information available for free ✓ Transparency of prices ✓ Higher and more qualified competition ✓ Buyers prepared and pressured ✓ More substitute technologies ✓ Market intelligence tools available to vendors, as well as technology behind ✓ Increased after-sales importance in relationship building ✓ Legal mechanisms to protect the most present and most sophisticated buyers ✓ Possibility of ultra-segmented media and communications 	<ul style="list-style-type: none"> ✓ Connected to most current technology ✓ Problem solver ✓ Deliver upgrade and results ✓ Concept of utility and buyer time ✓ Interesting and developing relationships ✓ Clear process of segmentation of buyers by behavior ✓ It is the tools, plus the seller, that reach the buyer ✓ Sustainability (3 P's) and ethics ✓ Balance between investing, thinking and delivering

New World of Sales...

World's largest taxi company, but owns no taxis

Uber

Largest accommodation provider, but owns no real estate

 airbnb

World's most valuable retailer has no inventory


Alibaba.com™

Most popular media owner creates no content

facebook

Fastest growing banks have no actual money

SocietyOne

World's largest movie house owns no cinemas

NETFLIX

Largest software vendors don't write the apps

Google

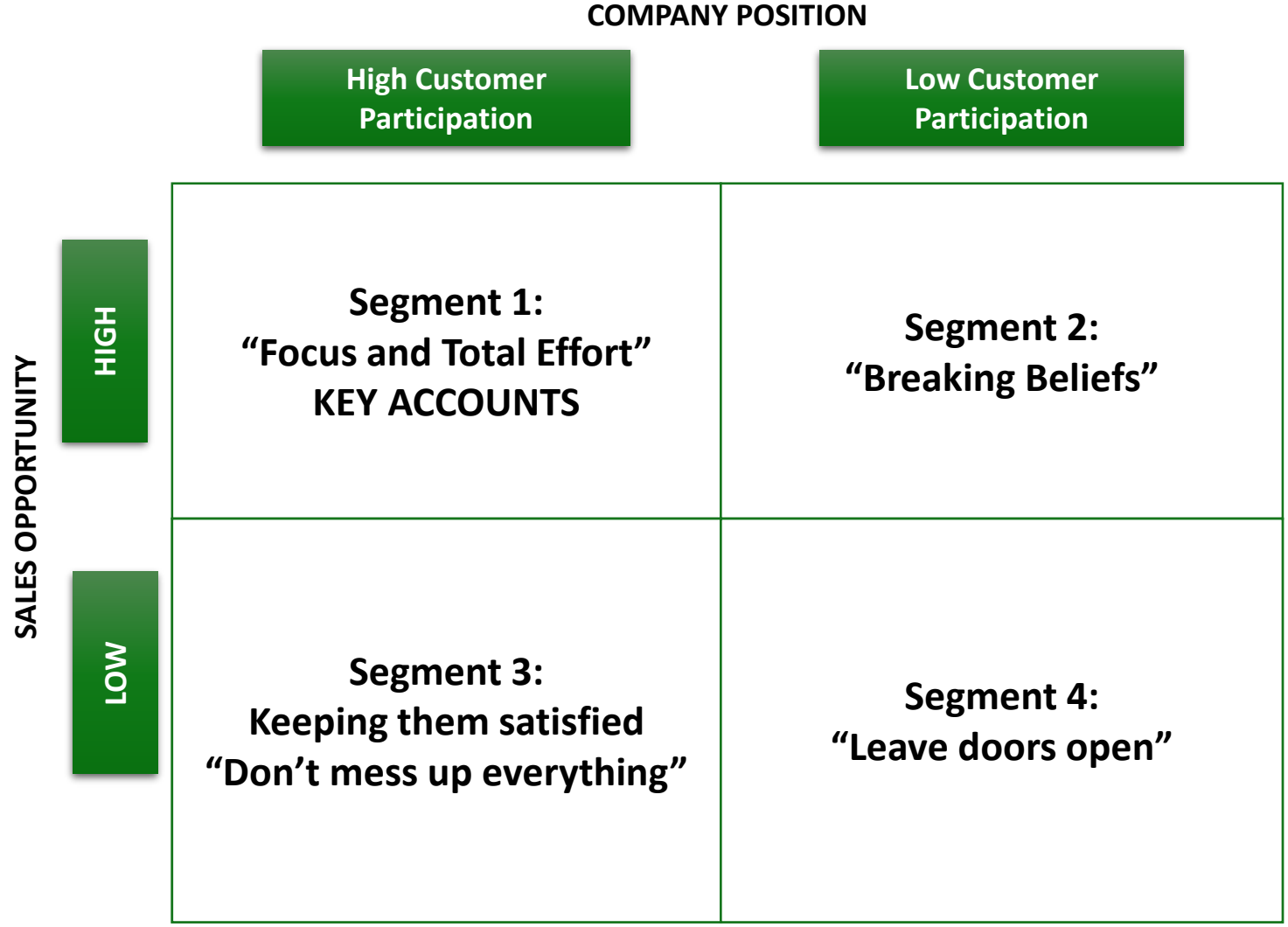
Largest communication companies own no infrastructure

skype™



Viber

Establishing Segments and Operational Focus



Source: Castro and Neves (2005).

Figure 9.1 Establishing segments and operational focus

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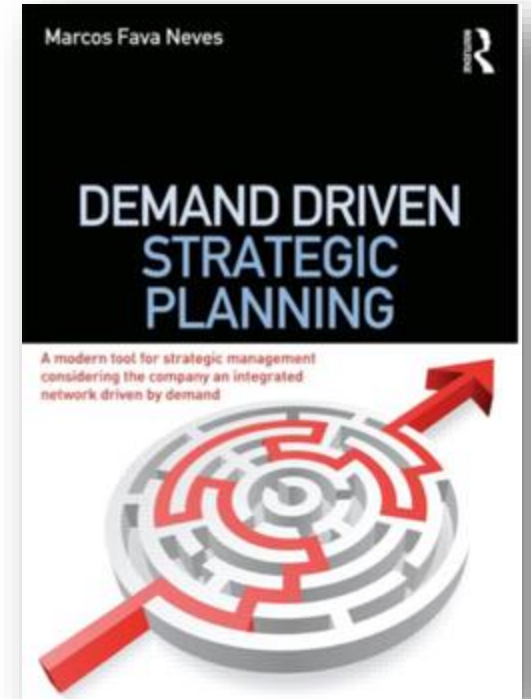
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Main Decisions and Descriptions in Sales Organization

Organization Decisions	Decision Description
1. Determination of Sales Targets	Establish sales objectives for the sales team.
2. Analysis of Representative Versus Hired Salesperson	The company should decide if the sales function will be an internal function (vertically integrated) or an external one (contractual relation) composed of sales agents or representatives.
3. Specialization or Structuring of the Sales Force	This means specializing the function in five possible variables: (1) Territories – where a certain area is divided into sales territories; (2) Products – sales force works separately with one product line; (3) Customers – teams specialized in different customers; (4) Sales activity – each group specializes in one of the sales tasks, for example, market prospecting or customer visits; and (5) Hybrid – the most common of this hybrid structure is the combination of geographical form with some other variable.
4. Definition of The Number of Salespeople	This is to determine the intensity with which the sales force will be used in conjunction with other marketing variables for the sought sales volume to be met.
5. Definition And Alignment Of The Sales Territory	The company operational territories are established: separate operation areas for salespeople and sales managers. These territories should be periodically evaluated and if necessary redefined.
6. Establish Hierarchical Levels And Range Of Managerial Control In Sales	This is related to the vertical and horizontal range of the sales organizational structure, the number of hierarchical levels and the number of people within each level.
7. Set The Role Of The Territorial Sales Manager	Define the necessary activities with respect to the territorial management.

Table 9.2 *Main decisions and descriptions in sales organization.*

Source: Castro and Neves (2005).

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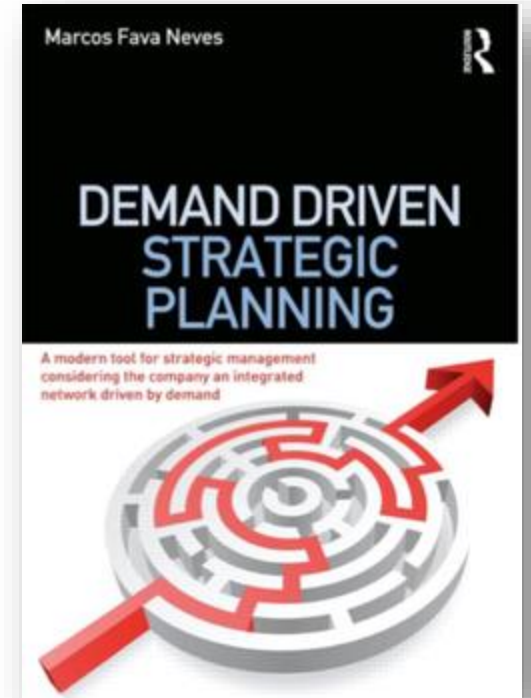
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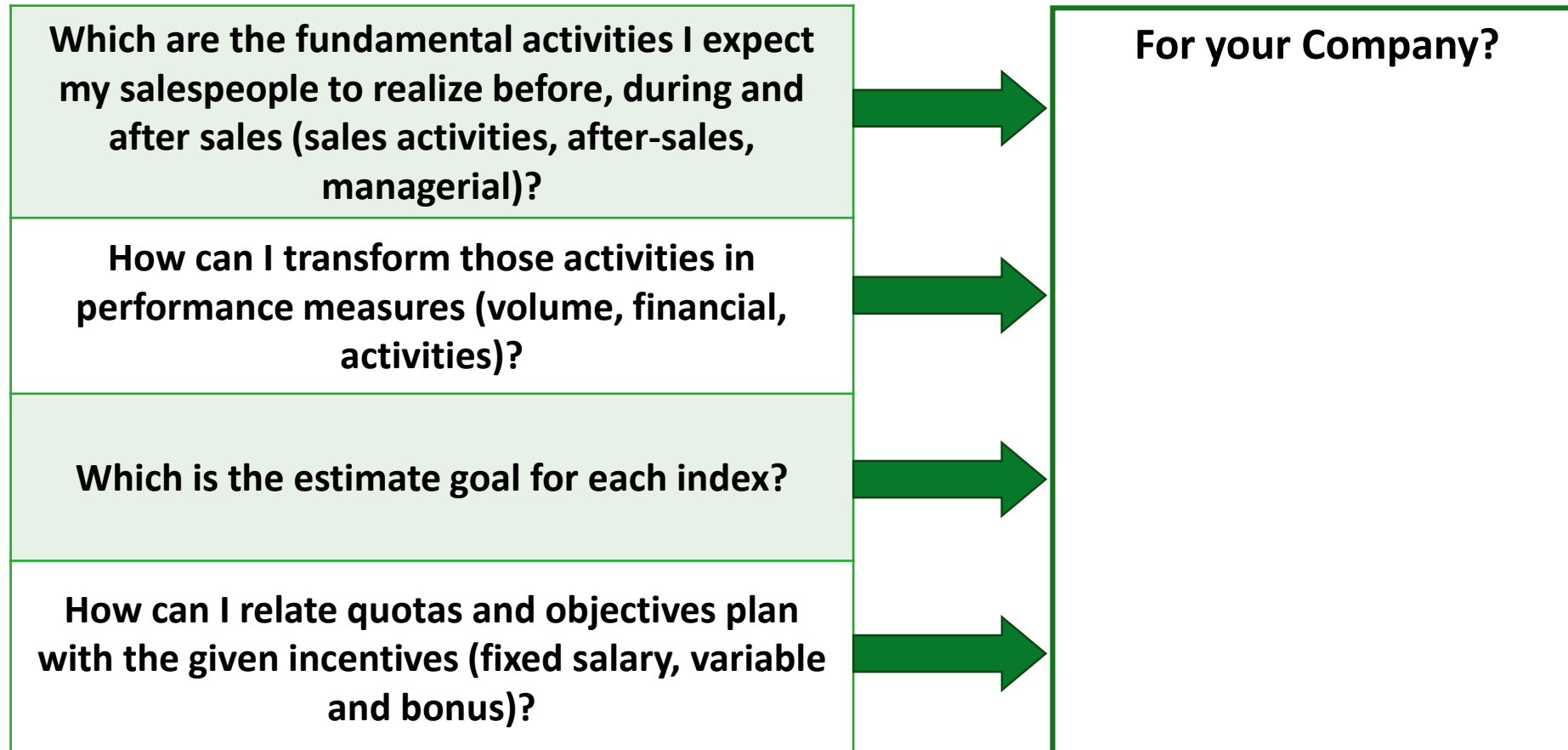
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Stages in Developing a Target and Incentive Plan



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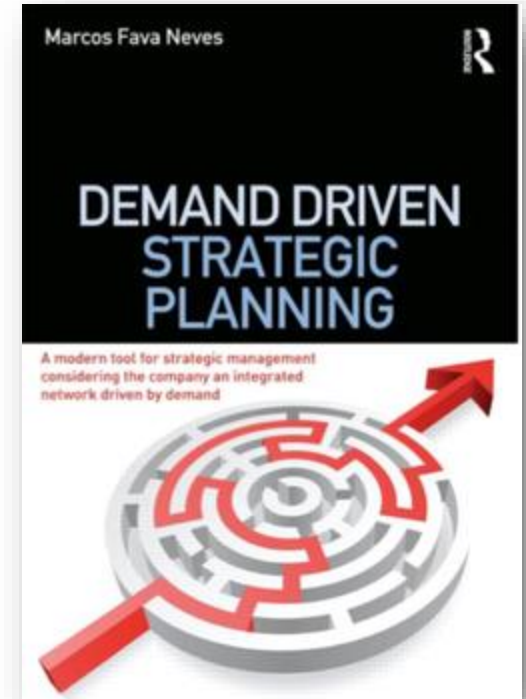
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Arguments in Favor of Representatives or Salespeople

Arguments for the Use of Representatives	Arguments for the Use of Salespeople	Contingency Arguments
<ul style="list-style-type: none"> ✓ By combining different product lines from different manufacturers, the representative can generate synergies and make visits that a salesperson could not. ✓ By using a representative, the manufacturer can obtain a trained sales force, already established local relationships without any fixed cost. ✓ Costs of sales management are reduced. 	<ul style="list-style-type: none"> ✓ They allow more control, which can be fundamental when the customer becomes loyal to the salesperson and not the company. ✓ They are more willing to perform actions not related to sales. ✓ They are more willing to sell products that are in the introduction phase of the life cycle or products whose life cycle is very long. 	<p>Size:</p> <ul style="list-style-type: none"> ✓ If a company is too small, it should use representatives because it can not pay the high fixed costs of a sales team. ✓ If a company is average sized it should change to salespeople. ✓ If the company keeps growing reaching an extremely large size in relation to bureaucracy and slowness, it will probably be better if it goes back to representatives.

Arguments in Favor of Representatives or Salespeople

Arguments for the Use of Representatives	Arguments for the Use of Salespeople	Contingency Arguments
<ul style="list-style-type: none"> ✓ It is not likely that they will be promoted or transferred; their jobs tend to stay in a certain territory. The stable presence allows continuity and an excellent knowledge about consumers. ✓ They are entrepreneurs responsible for their business and income, therefore probably more motivated. ✓ More flexibility is allowed, because it is easy to substitute a representative. 	<ul style="list-style-type: none"> ✓ They commit more to the company because they probably want to progress within it. ✓ They are easier to influence. ✓ Salespeople are more loyal. ✓ Salespeople have more knowledge of the products. ✓ Exclusivity is possible. 	<ul style="list-style-type: none"> ✓ A company should use salespeople when average sales are large and less frequently purchased. ✓ A company should use salespeople when the products are complex, less standardized or at the initial phase of the life cycle, requiring more sales efforts.

Source: Castro and Neves (2005).

Table 9.3 Arguments in favor of representatives, salespeople and contingency arguments.

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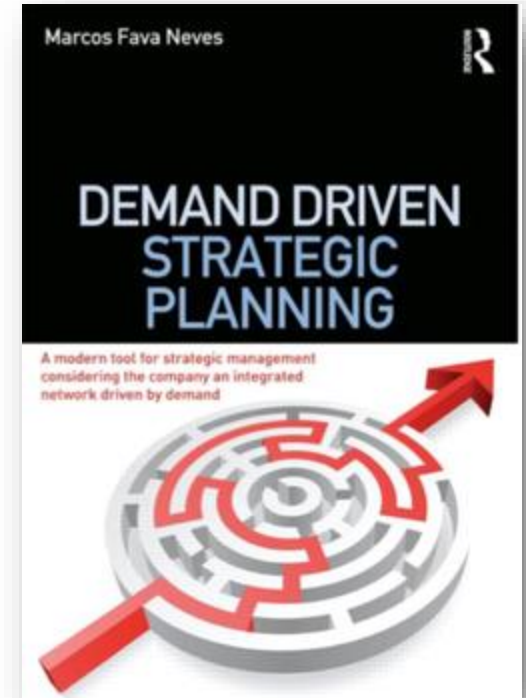
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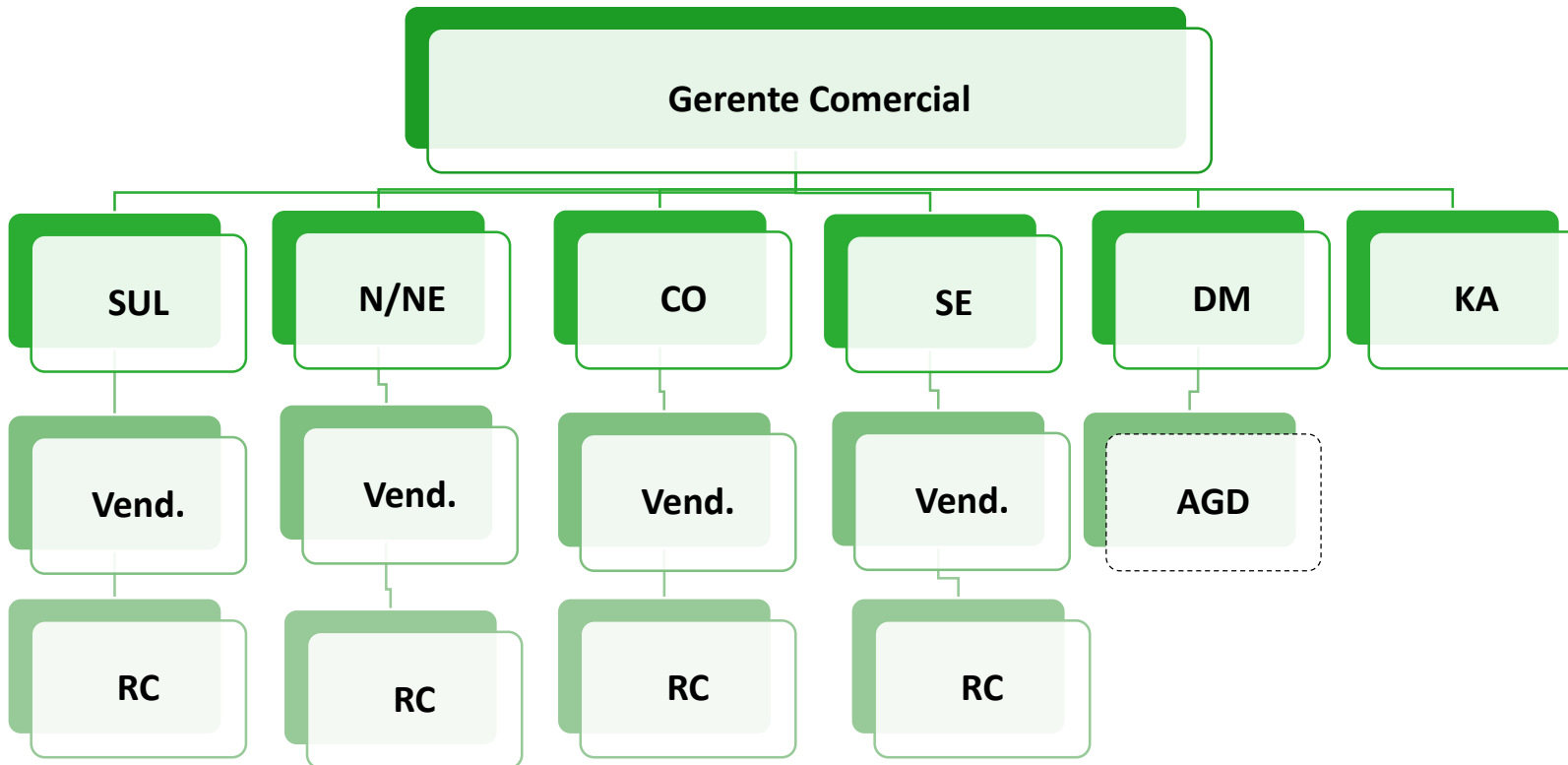
Considerations for Sales Structure Organization

Structure by Territory	Structure by Product	Structure by customer	Structure by Sales Function
<p>Appropriate for:</p> <ul style="list-style-type: none"> ✓ Small companies; ✓ Simple product lines, which are not extensive or complex; ✓ When divided by customer or product, but the total territory is extensive, use of the two variables is appropriate. 	<p>Appropriate for:</p> <ul style="list-style-type: none"> ✓ Extensive or diverse product lines; ✓ Complex products; ✓ Different types of products produced by different factories; ✓ Products which are customized to meet the customers' specific needs; ✓ When production and delivery time are key factors in competition; ✓ New products when launched. 	<p>Appropriate for:</p> <ul style="list-style-type: none"> ✓ Companies which work with different products for different customers; ✓ Very competitive environments with rapid changes; ✓ Companies entering a new market or one that has not been worked in; ✓ Where there are significant differences in sales approaches in use in different segments. 	<p>Appropriate for:</p> <ul style="list-style-type: none"> ✓ Different types of sales activity requiring different abilities that are not easily combined from the salespeople.

Source: Castro e Neves (2005).

Table 9.4 Considerations for sales structure organization.

Exemplo de Estrutura Comercial



Pontos chave de cada cargo

- **Coordenador:**
 - Gestão de Indicadores (MS, Margem, Mix Produto, Volume, Tipo de Acesso);
 - Implementação Diretrizes de Acesso Regional.
- **Key Account Manager:**
 - Gestão de Indicadores (CS, Margem, Soluções);
 - Visão Global do Negócio do Cliente.
- **Vendedor**
 - Atuação em VD e Canal;
 - Planejamento de ações coordenadas com área de GD.
- **Agente de Geração de Demanda:**
 - Implementação das ações definidas (indicadores # de ações e resultados);
 - Acompanhamento do cliente.

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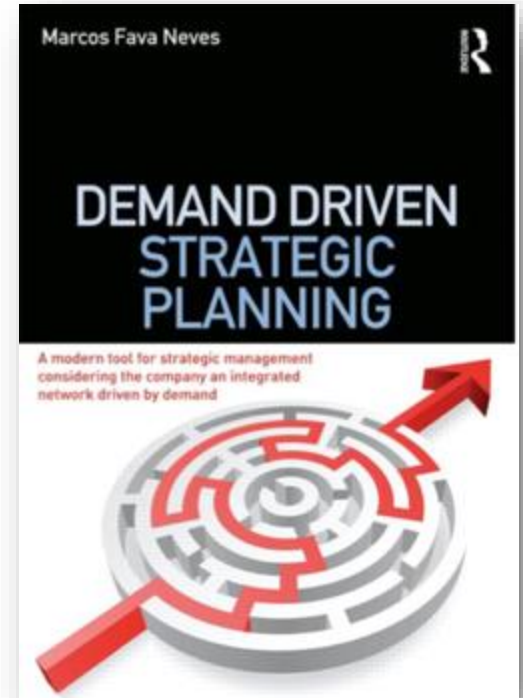
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Market Development Index and Market Penetration Index

Sales Area	A) Company revenue in the sales area	B) % of the Company sales in the area (Area/total)	C) Total Sales Potential in the sales area (of the market)	D) % of the area's Potential in relation to the total market	E) Market Development Index (B divided by D)	F) Market Penetration Index (A/C)
SP	10,000	20	20,000	15	1.33	50%
RJ	5,000	10	6,000	15	0.67	83%
MG	7,000	5	9,000	8	0.63	78%

Source: Developed by the author.

Table 9.5 Market development index and market penetration index.

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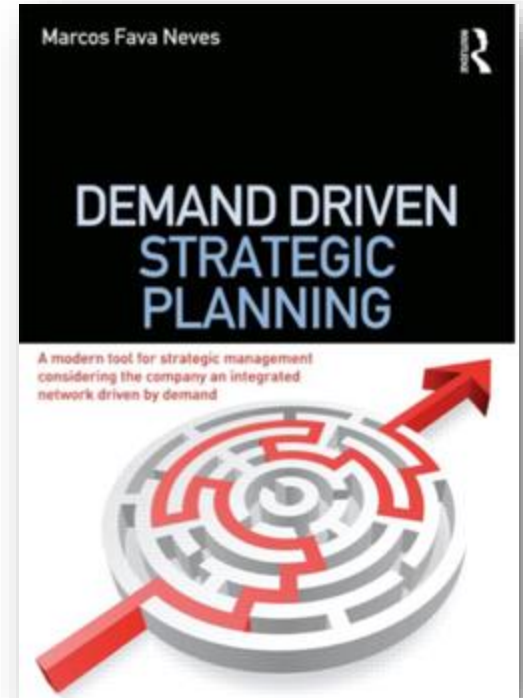
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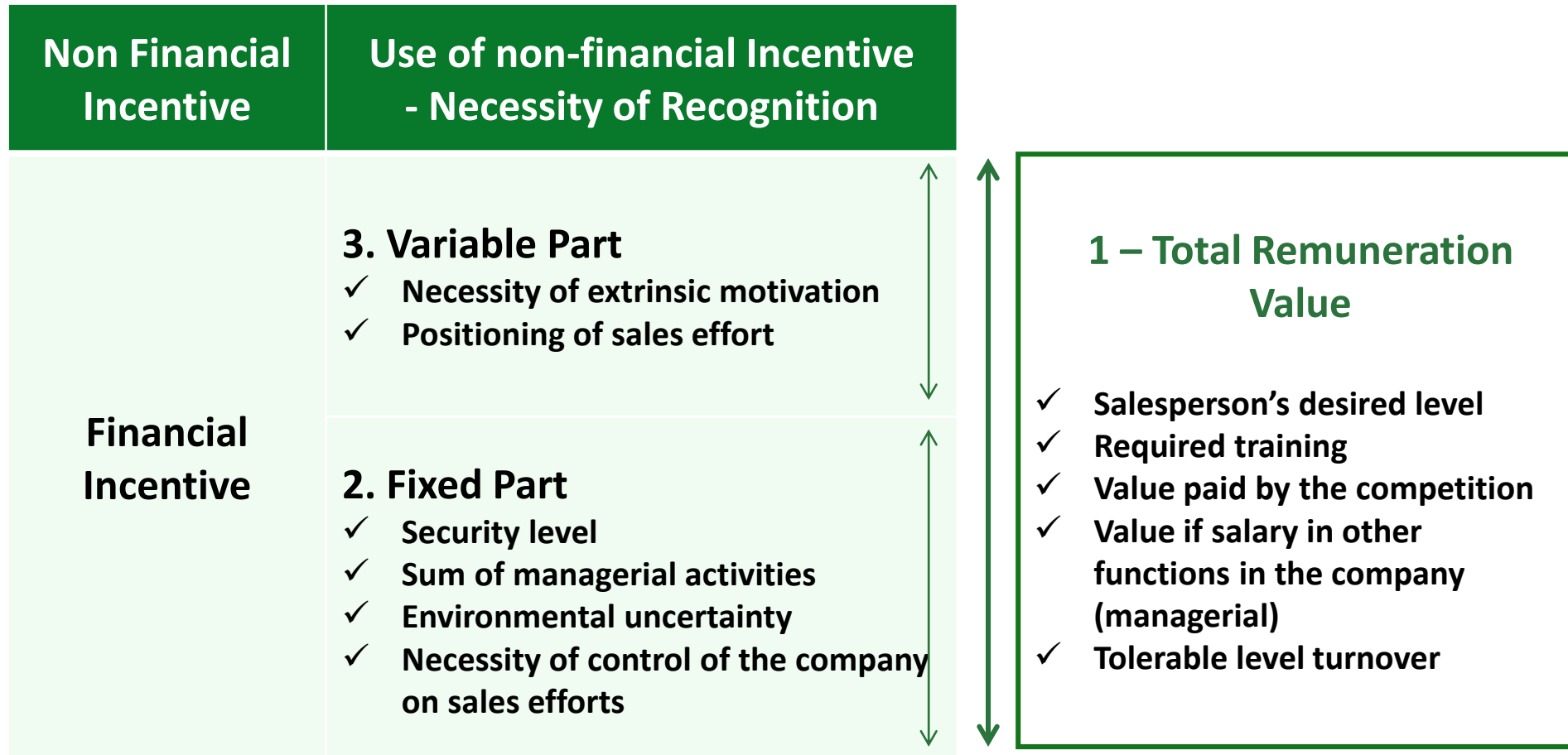
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Structure to Create a Compensation Plan



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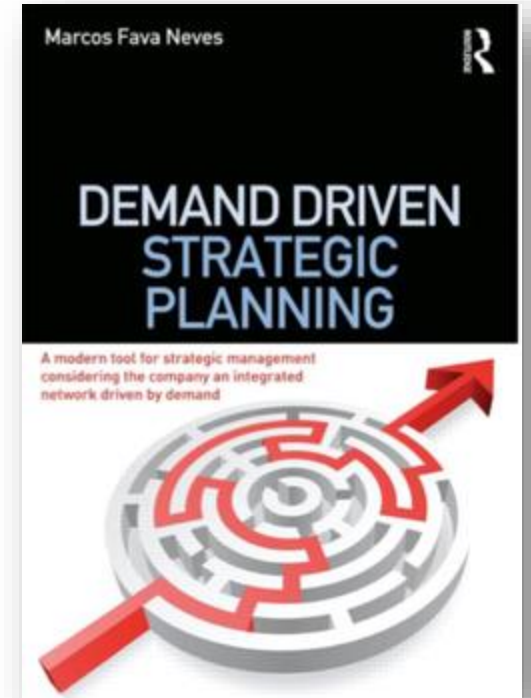
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Sales Performance Evaluation Measures

Output Evaluation Factors (Results)	Input Evaluation Factors (Activities)	Measures Commonly Used to Evaluate Salespeople
<p>Orders:</p> <ul style="list-style-type: none"> ✓ Number of orders; ✓ Average order; ✓ Number of orders canceled. <p>Customers:</p> <ul style="list-style-type: none"> ✓ Number of active customers; ✓ Number of new customers; ✓ Number of lost customers; ✓ Number of prospective customers. 	<p>Visits</p> <ul style="list-style-type: none"> ✓ Number of visits; ✓ Number of planned visits; ✓ Number of unplanned visits; <p>Time management:</p> <ul style="list-style-type: none"> ✓ Days worked; ✓ Visits per day; ✓ Sales time versus non-sales time. <p>Expenses</p> <ul style="list-style-type: none"> ✓ Total; ✓ By type; ✓ As a percentage of sales; ✓ As a percentage of the quota. <p>Activities not related to sales:</p> <ul style="list-style-type: none"> ✓ Letters written to potential customers. 	<p>Sales expenses</p> <ul style="list-style-type: none"> ✓ Expenses/Value of sales; ✓ Cost per visit; ✓ Total costs/Number of visits. <p>Account and service development:</p> <ul style="list-style-type: none"> ✓ Customer penetration index; ✓ Active customers/Total available customers; ✓ New customer conversion; ✓ Number of new customers/Number of total customers; ✓ Lost customers; ✓ Clients that did not buy/Number of total clients; ✓ Sales per customers index; ✓ Total sales/Number of total customers; ✓ Average Order Value.

Table 9.7 Performance evaluation measures.

Sales Performance Evaluation Measures

Output Evaluation Factors (Results)	Input Evaluation Factors (Activities)	Measures Commonly Used to Evaluate Salespeople
	<ul style="list-style-type: none"> ✓ Telephone calls made to customers; ✓ Number of formal proposals developed; ✓ Placing of sales displays; ✓ Number of meetings with distributors; ✓ Amount of training developed for distributors or their employees; ✓ Number of customers service visits; ✓ Number of late payments collected. 	<ul style="list-style-type: none"> ✓ Value of total Sales/Number of total orders Order cancellation: <ul style="list-style-type: none"> ✓ Number of canceled orders/Number of total orders. Visit activity and productivity: <ul style="list-style-type: none"> ✓ Visits per day; ✓ Number of visits/Number of worked days; ✓ Visits per customer index; ✓ Number of visits/Number of customers ✓ Planned visits; ✓ Number of planned visits/Number of total visits; ✓ Orders per visit index; ✓ Number of orders/Number of total visits.

Source: Castro and Neves (2005).

Table 9.7 Performance evaluation measures.

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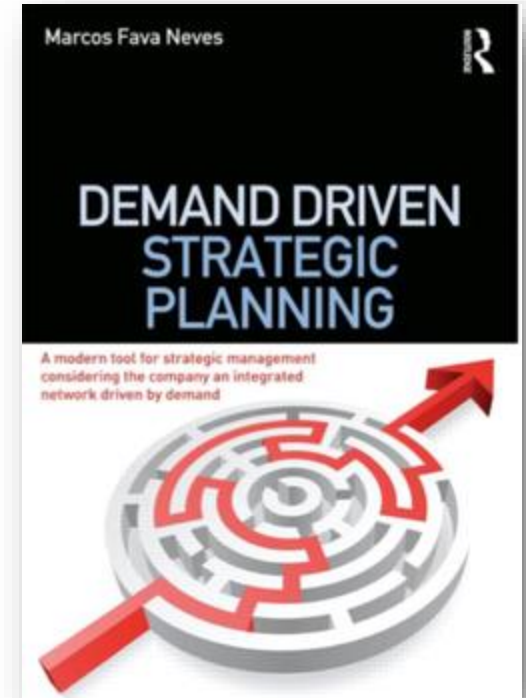
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Some Opportunities for the use of Collective Actions for Sales Force in the Network Focus

Actions	Description	Ideas (Actions) for your Company
<p>Companies with complementary offers sharing sales teams</p>	<p>Two salespeople from different companies complement their product portfolio with products from another company. Thus, the offer can be seen in a more complete form, adding convenience to the consumer's purchase process. However it is crucial to manage commissions in a careful way, distributing well the results between the two involved companies.</p>	
<p>Competing companies share commercial representatives in markets that are still unexplored</p>	<p>In international markets that have still not been worked on, two competing companies can jointly decide to contract international representatives for certain product lines to increase success chances abroad and dilute risks.</p>	
<p>Non-competing companies (with the same target market) sharing training</p>	<p>Training about client characteristics (knowledge about client specificities) can have costs divided by two or more companies, as well as motivation training, prizes and so forth. Besides this it could be a form of increasing the trade of information among salespeople of different companies participating in the training, possibly opening sales opportunities for salespeople for all companies involved.</p>	

Table 9.9 Some opportunities for the use of collective actions for sales force in the network focus.

Some Opportunities for the use of Collective Actions for Sales Force in the Network Focus

Actions	Description	Ideas (Actions) for your Company
Non-competing companies share databases for visits	Companies can share sales and potential sales databases about their market, within legal and ethical limits, to increase knowledge of territories.	
Service rendering companies (such as banks, insurance companies or transporters) and manufacturers share information and form a true business network	Several service renderers also have access to clients and can also share their knowledge about clients. The collective action also goes in the direction of increasing the partnership with these facilitators, straightening ties and forming a true network, as proposed in this book.	
Non-competing companies trade information regarding market potentials	The study of potential markets of certain regions can be conducted jointly to make several decisions of the sales organization easier, such as the definition of the number of salespeople, alignment of territories and determination of quotas.	
Non-competing companies form a package offer for the salesperson, making him/her truly into a business consultant	Companies can form true business consultants with a complete offer by training jointly their salespeople and creating partnerships in sales force, between complementary products and services, which will in fact represent the network which is supporting the sales team.	

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- ❑ Marcos Fava Neves is an *international expert* on global agribusiness issues and a part-time professor of planning and strategy at the School of Business (FEARP) of the University of São Paulo (USP) and FGV Business School, both in Brazil. He graduated as an agronomic engineer from ESALQ/USP - Piracicaba in 1991. He earned his master's degree in 1995 and his doctorate in management in 1999 from the FEA/USP School of Economics and Business – São Paulo. Marcos completed postgraduate studies in European agribusiness at ESSEC-IGIA in France in 1995 and in chains/networks at Wageningen University, in the Netherlands (1998-1999). In 2013 he spent the year as a visiting international professor at Purdue University (Indiana, USA) where he maintains the linkage as a permanent International Adjunct Professor. Since 2006 he is an international professor at the University of Buenos Aires, Argentina.
- ❑ He has *specialized in strategic-planning* processes for companies and food chains and works as a board member of both public and private organizations, being member of more than 10 international boards since 2004. Also in 2004, he created the Markestrat think tank with other partners, today employing around 60 people and doing international projects, studies and research in strategic planning and management for more than 250 agri-food business organizations. Some of these projects were very important in suggesting public policies for food chains that were implemented in Brazil with economic and social impacts.
- ❑ Also as an experience in the private sector, from 1992 to 1993 he worked in citrus juice exporter and from 1994 to 1995 in a veterinarian company. In 2008, he became CEO of Brazil's second-largest biofuel holding company, a position he occupied until 2009, when he returned to the University of São Paulo (USP) and Markestrat.
- ❑ At the academic side, since 1995 (when he was hired by USP), Marcos has advised more than 30 doctorate dissertations and master's theses and helped to form around 1200 Bachelors in Business Administration in Brazil with around 120 courses taught to undergraduates at USP.
- ❑ His writings are strongly focused on supplying simple and effective methods for business. He has published more than 100 articles in international journals and has been author and editor of 63 books by 10 different publishers in Brazil, Uruguay, Argentina, South Africa, Singapore, Netherlands, China, the United Kingdom and the United States. He is also a regular contributor for China Daily Newspaper and has written two case studies for Harvard Business School (2009/2010), one for Purdue (2013) and five for Pensa/USP in the nineties. Recognized as the Brazilian academic with the largest number of international publications about orange juice and sugar cane chain and one of the top 3 most cited Brazilian authors in the area of food and agribusiness. He has reached more than 4000 citations in Google Scholar index.
- ❑ Marcos is one of the most active Brazilian speakers, having done more than 1050 lectures and presentations in 25 countries. He received around 150 recognitions from Brazilian and international organizations, and is considered a "Fellow" of the IFAMA (International Food and Agribusiness Management Association), title received in Minneapolis - 2015.
- ❑ Coming from a family of farmers, he is a worldwide defender of agriculture and farmer's role in the development of the society. In the social side, together with his parents, Marcos is one of the creators and maintainers of Mucapp, a NGO that in 20 years has built more than 450 houses for families in Brazil that face very unfavorable conditions.