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Magic Mirror

Trial Room of the Future



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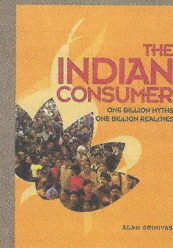
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Factors Influencing the Performance of Frontline Sales Force

Selling has, of late, become "sales target-driven" rather than being "customer-driven". Organizations, today, are mostly inclined towards raking in money in the short-term. Lavish commissions, gifts and bonuses are showered on "Top Performing Sales Reps", even though they might have indulged in "over-selling" just to win that "gift". Non-performing sales reps, on the other hand, are pressurized to somehow sell and bring in revenues. But how far will such techniques help? Some employees perform extremely well in some situations and not in others. So what affects the productivity of the sales force? This article analyzes all these aspects.

Selling is the art of providing goods to people who need it in exchange for money. It can be considered both an art and a science. It requires relationship building, confidence building and convincing skills. In this sense, it can be considered an art. On the other hand, there is a definite procedural approach to prospecting and sourcing business which gives it a scientific touch.

Frontline Sales-force

This is the first line of contact of any company with its prospective cus-

tomers. In a perfectly competitive market with homogenous products and similar brands, customers buy based on trust on the salesperson rather than product quality. Moreover many prospects are not knowledgeable about every product. Prospective customers expect sales representatives to understand their needs and suggest the appropriate product. But the sales representative does not always suggest the "right" product to his customer. What are the consequences of the sales rep's actions and what are the factors affecting his per-

formance? Why does a sales rep fail in one organization, but do extremely well in another? These are the questions we seek to answer.

The Appropriate Product

The term "Appropriate Product" is ambiguous in itself because it depends on a multitude of factors. The sales representative's remuneration generally consists of a fixed salary plus an additional commission based on performance. The commissions generally vary from product to product. So, the "Appropriate Product"

could be the one which gives higher commission to the sales person. It could also be that product which the organization wants to be pushed more, for strategic reasons or simply because it is priced higher. For the buyer, the term relates to the product which most closely satisfies his needs.

In an interesting incident, a young sales executive, representing a leading Kannada newspaper, approached me to sell a "packaged deal" (a three/six month subscription) at a discounted price. I tried explaining him that I could not read Kannada, but the young man was so enthusiastic to sell (read push) his service that he offered me freebies if I would sign up immediately!

Selling and Performance

Pressure takes its toll. There is no other better place to prove this right. Sales representatives are highly pressurized, especially during month-ends. So much was the pressure on one representative of a jobsite that he sold a Non-IT candidates' database to an IT company (Non-IT databases are priced less)! Although marketing emphasizes on producing goods to satisfy customer wants, sales in turn pushes products generally without taking customer requirements seriously into consideration. Hard selling generally occurs due to unrealistic sales targets, superiors' pressure (again for performance objectives) and desire to earn more through commissions. This approach actually does more harm than good in the long run.

Factors Affecting Sales Performance

Performance is a function of various factors (i.e., ability, ambition, motivation, external factors and internal factors) as indicated below:

$$\text{Performance} = f(A, a, M, E, I)$$

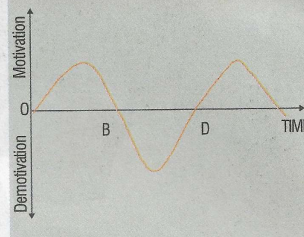
Where A= Ability, a = Ambition, M= Motivation, E= External factors, I=Internal factors

Ability is constant in the short-run. Hence performance depends on motivation, internal and external factors, and ambition. External factors include competition, general economic conditions, etc. Internal factors may comprise differential/low compensation for employees, differential growth paths, etc. Decisions on pay structure, growth paths and strategies on tackling competition are generally confined to the top management. Lower or middle level managers can, at best, work on training, motivating and setting right goals for their subordinates.

Motivation

Human beings go through alternating cycles of motivation and demotivation (Exhibit 1). This is a perfectly normal characteristic, provided the periods and amplitude of motivation and demotivation are not abnormal. When the cycles of demotivation are longer than those of motivation, the result is lower productivity and lethargy. Although, practically, it is impossible to find a person who is always positively motivated, nevertheless, this is the ideal that one should be aimed for.

Exhibit 1: Human Motivation Cycle



Internal Factors

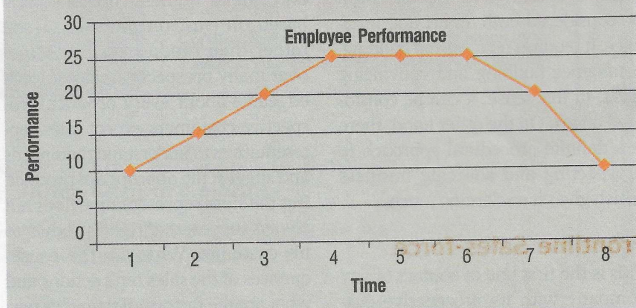
► Unrealistic Sales Production Goals

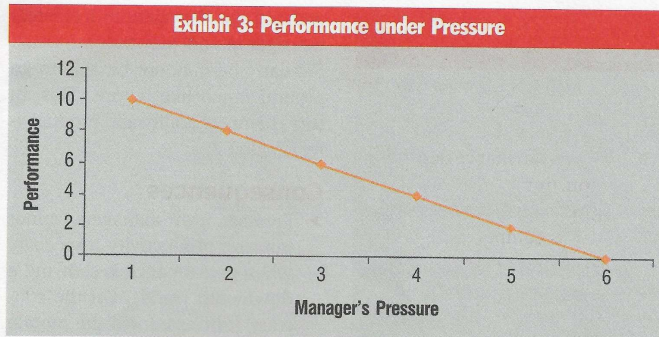
Sales production goals have to be calculated based on factors like previous year's sales, regional market conditions, competitors' strategy and buyer's attitudes. Coming up with fancy sales target actually hampers the productivity of even the best of employees. Consistent underperformance leads to demotivation, frustration and even attrition. Chronic de-motivation leads to a drop in productivity (Exhibit 2) over time. This is drawn from an observation of sales representatives' performance (in terms of sales revenue) over time.

► Pressure by Superiors

Ever heard of a child, who gets a beating daily, having improved grades? During negative cycles, managers are known to build more pressure on subordinates, rather

Exhibit 2: Effects of Chronic Demotivation on Sales Performance





than comforting them. Also some managers believe that subordinates will deliver only under pressure. Actually it is the opposite of this. It is clear from Exhibit 3 that the employee productivity decreases with increasing pressure. This creates bitterness between the manager and the subordinates and can even lead to attrition (Exhibit 4). During the period before attrition, the worst affected would be the customer and the company. This is the phase when the employee may indulge in mis-selling or refrain from providing customer service/support.

➤ **Over-Ambition/Attempt to Equalize**

Some organizations assure a promotion with pay hike purely on achievement of a specific business target. There are no strings attached. In the short run, it works well because the sales representative does everything possible (including exaggeration of

Exhibit 4: Consequences of Performance

In a leading organization, two front-line sales employees started weeping during a "tough" meeting with their "boss". They literally crumbled under pressure. The manager had been pressurizing them day in and out for "business". Such incidents can have serious effects not only on one's morale, but also on one's health. But today organizations are more concerned about "sales targets"!!!

product features) to sell the product/s. His only aim is to hit his "target" and get on to the next level. Lower level managers even advocate this concept of "hard selling", by calling it a part of sales. But is lying a part of sales? Few people think about the consequences.

➤ **Mis-selling**

Achieving sales by promising non-existent/inappropriate services/features is mis-selling. Mis-selling happens typically due to the following reasons:

1. Sales representative gets a higher commission on certain products.
2. Sales representative wants to somehow "sell" and "save" himself from his superior's pressure.

In the short-run, this may seem good. But increasing sales by mis-selling can be counterproductive. The customer may not come back to buy again or even may badmouth the company.

➤ **Half-baked Knowledge**

This is the most common cause of non-performance. Sales representatives are not well-equipped to face customer objections and queries. Both the employee and the organization are to be blamed for this. Although, technical employees are sent for various training programs, organizations do not consider training other sales employees important. In fact, sales employees also need to know about competitor's products in order to convince prospective customers and close the sale.

But the ground realities are different. Majority of the organizations do not provide their sales employees with anything more than the bare minimum of training related to product and technology. Sales reps are brought up with the culture that their job is to "just sell". It is due to this negligence that sales reps are nervous on meeting a well-informed prospect. A well-informed prospect buys based on his private comparison of different products and not because of the sales representative's selling skills. The only effort the sales rep puts in is going to the prospect and collecting the order form and payment. Their "selling skills" work well only with those clients who possess little knowledge about a product. But the ignorant customers are the ones who suffer as shown in Exhibit 5, which represents an actual conversation between a private bank's sales representative and a prospective customer.

External Factors

➤ **Competition Offers Better Products**

The employee gets demotivated when he finds that better-placed are grabbing his business prospects. This lures him into either "exaggerating" or "under-selling". Under-selling implies selling a lower-valued product in order to simply beat competition price. The product may not actually meet the customer's requirements. Sales reps are not trained in adopting "value added selling" and hence this outcome.

➤ **Economic Slowdown**

If there are recessionary tendencies in the economy, demand for products may go down. However good the sales rep may be, he cannot do much to improve the business.

Ambition

Some people are simply not ambitious! Nothing fascinates them, neither money nor promotion. It is

Exhibit 5: Conversation between a Private Bank's Sales Rep and a Prospective Client

Customer: I wish to invest Rs.2,50,000 in some financial instrument which will offer me guaranteed returns and does not involve any risk.

Sales Rep: Sure, please invest in our Fixed Deposits.

Customer: Can I get exemption from tax?

Sales Rep: Definitely. Investment in FD is deductible u/s 80C of the Income Tax Act. The interest on FD is exempted from tax u/s 10(10D)

(Note: customer is not aware of tax laws. Sales rep is ignorant about the fact that only in five year Tax Saving FDs are deductible u/s 80C. Further, there is no tax exemption on interest.)

Customer: Any lock in period?

Sales Rep: Not at all.

Customer: How safe is your bank? Banks across the world are sinking due to financial crisis.

Sales Rep: Don't worry at all! Indian economy is totally insulated...we are governed by RBI...and RBI will not allow any bank to fail. In fact, RBI has even helped AIG in the US by giving \$85 bn. So your money is safe!

(If the customer had read the application form before signing, he could have escaped the clutches of such an ill-informed and misleading sales executive.)

rightly said, "Intelligence without ambition is like a bird without wings". Such people do not perform, irrespective of the rewards or financial incentives. Most of the sales departments hold contests and special incentive schemes to boost performance. The gifts range from a pen drive to a car or a foreign trip. On the one hand, we have cases of mis-selling in order to win prizes, whereas on the other hand, we even have employees who are not interested in any of these prizes.

Ability

Ability is constant in the short run. In the long run, ability may increase/decrease due to factors such as training, experience or age. Exhibit 6 shows the changes in ability against increase in experience and training programs attended. This is based on general observation. Fresh graduates are less capable compared to experienced graduates. Also better qualified employees tend to do better at complicated projects because of superior academic knowledge.

Ability can be improved only up to a certain extent. Ability increases at a diminishing rate till a certain stage and then remains constant. This is because of personal limitations. Ability also changes with time. A younger person is on a learning curve and builds ability up to a certain age. This ability contributes to consistent achievements over a period of time. The ability curve starts sloping downward with age taking into account the problems associated

with old age. For example, a person's eye sight or ears may become weak. Similarly he may not be able to go around much like before. This, in turn, hampers ability and productivity (Exhibit 7).

Consequences

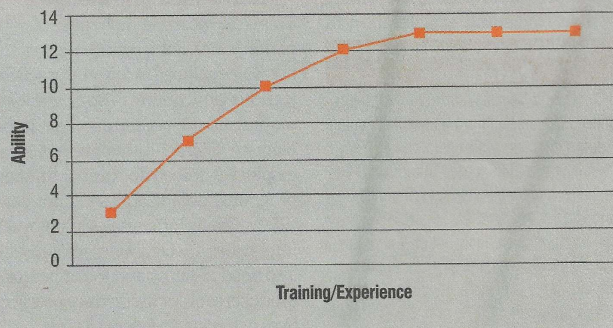
- Pressure from managers cannot improve productivity (especially when performance is showing a downward trend). On the contrary, it brings down the morale and self-confidence of the employee. Short-run consequences include increase in the rate of decline in productivity.
- Decrease in revenues in the long run.
- Tarnishing the company's brand image.
- Attrition of employees.

Individual Differences

Each individual is unique and has positive points as well as drawbacks. There is nothing called an extraordinary individual. As the renowned management expert Peter Drucker rightly said "An ideal manager is one who gets extraordinary work done by ordinary people".

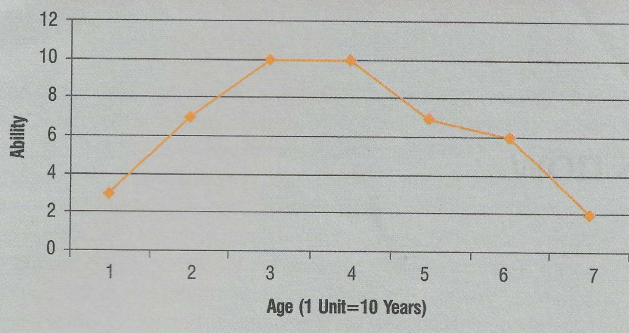
It is up to the manager/organization to chalk out appropriate training programs and assignments such

Exhibit 6: Changes in Ability with Training/Experience



Factors Influencing the Performance of Frontline Sales Force

Exhibit 7: Changes in Ability with Age



that over a period of time, the capabilities of all the employees (on a given project) should be nearly the same. As shown in Exhibit 8, different employees start at various capacity levels but after a certain period, the capability levels are almost on par. This indicates the positive role played by the manager or the organization.

Solutions

- Understand the employee's background, his personal circumstances and difficulties.
- Issues/problems in an individual's personal life at times affect his performance. Efforts should be made to provide flexibility in work schedule and targets, at least temporarily, to such employees.

- Although setting different production goals for every employee may not be feasible since it causes inconvenience in comparing performance and achieving time-bound organizational objectives, efforts should be made to negotiate goals and create tailor-made target-sheets matching individual capabilities and skills.
- Employees should be trained well in handling objections and putting forward the Unique Selling Points (USPs).
- Training programs should not be rigid, inflexible and universal. Rather, employees falling within the same range of ability/performance should be trained separately. Also training programs should focus on setting a culture

Exhibit 8: Role of High Performing Organizations



that makes sales reps to educate customers rather than misguide them. One should not forget the fact that a satisfied customer will not only bring in repeated and increased revenues, but will also promote the product at zero-cost.

- Commission criteria should be broadened and should include multiple parameters to evaluate performance. Other parameters may include repeat sales, customer satisfaction ratings, new initiatives, consistency in performance, new client acquisitions, etc. Annual incentive scheme may be introduced which will discourage fly-by-night sales reps from making a fast buck and leaving.

Conclusion

Pressure techniques do not give any positive results, but hamper productivity even in the short-run. Showering too many gifts and too much commission will only make selling an "unethical game" of trapping customers. Although this may temporarily increase revenues, it is counterproductive in the long run. It is left to the organization to tap hidden talent in all employees rather than writing them off as "unproductive". Periodic training, reviews and feedback will definitely bring out positive qualities in every employee. No rational employee would like to shirk work. This happens only when the employee feels out of place and is demotivated for an abnormally long duration. Managers should try and minimize the frequency of such negative motivation cycles and participate in an effective goal setting exercise for their subordinates. □

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