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B.Com Honours | Semester III | Calicut University

SALES MANAGEMENT

Course Code: COM3MN207 • Module 4 Notes

Module IV: Sales Administration

Sales Administration establishes quantitative operational targets (quotas), organizes sales force structures, and designs balanced sales territories to optimize sales effort allocation.

Unit 15: Objectives & Types of Quotas – Volume, Financial, & Activity Quotas

1. Core Objectives: Provide quantitative performance benchmarks, motivate sales representatives, direct selling effort, and control selling expenses.
2. Types of Quotas: Sales Volume Quotas (units or rupee value), Financial / Gross Margin Quotas (profitability focus), Activity Quotas (number of calls, demos, new leads), and Combination Quotas.

Unit 16: Quota Setting Procedure & Administration

Steps: Forecast total sales volume → Estimate territorial sales potential → Adjust for historical salesperson performance & local economic conditions → Finalize individual quotas.

Unit 17: Administering the Quota System & Sales Team Formation

Sales Force Structures:
Geographic Structure: Territory-based assignment (low travel costs).
Product Structure: Specialized sales reps per product line.
Customer / Market Structure: Segregated by customer industry (e.g., Banking vs Healthcare sales team).

Unit 18: Designing Sales Territories & Allocating Sales Efforts (Workload Method)

Workload Method Formula for Sales Force Sizing:

> **N = Total Required Sales Calls per Year / Average Annual Call Capacity per Sales Representative**

Practical Problem 2 (Territory Workload Analysis & Sales Force Sizing Computation): A corporate FMCG company plans sales territory allocation for a regional zone. Customer accounts are classified into 3 tiers based on annual purchase potential:
- **Class A (Key Accounts):** 100 accounts, requiring 24 calls/year per account (Bi-monthly).
- **Class B (Medium Accounts):** 400 accounts, requiring 12 calls/year per account (Monthly).
- **Class C (Small Retailers):** 1,000 accounts, requiring 6 calls/year per account (Bi-monthly).
Each salesperson works 48 weeks/year, makes 25 calls per week, and spends 20% of time on administrative tasks (net effective field call capacity = 20 calls/week). Calculate (a) Total annual sales calls required across all accounts, (b) Annual call capacity per salesperson, and (c) Number of sales representatives required to cover the territory.

Step-by-Step Solved Sizing Computation:

- **1. Total Annual Sales Calls Required:**
  Class A: (100 ext{ accounts} imes 24 ext{ calls} = 2,400 ext{ calls}).
  Class B: (400 ext{ accounts} imes 12 ext{ calls} = 4,800 ext{ calls}).
  Class C: (1,000 ext{ accounts} imes 6 ext{ calls} = 6,000 ext{ calls}).

  > **Total Required Calls = 2,400 + 4,800 + 6,000 = 13,200 Calls / Year**

- **2. Annual Call Capacity per Salesperson:**

  > **Annual Capacity = 48 weeks × 20 effective calls/week = 960 Calls / Year / Rep**

- **3. Sales Representatives Required (N):**

  > **N = Total Required Calls (13,200) / Annual Capacity per Rep (960) = 13.75 ≈ 14 Sales Representatives**

  Conclusion: The company must deploy exactly 14 full-time sales representatives to cover the territory effectively!