



Sales Management



UNIT 1 INTRODUCTION TO SALES MANAGEMENT

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1.0 OBJECTIVES

After reading the Unit you should be able to :

- explain the scope of sales functions,
- describe the interdependence between sales and distribution functions,
- identify the components of strategy formulation in sales management,
- evolve a framework of joint decision making in sales and distribution functions, and
- know about the features of selling in tourism.

1.1 INTRODUCTION

You are already familiar with the functions and scope of sales and distribution management through your exposure to units of **MTM-6 (Marketing for Managers in Tourism)**. This Unit, deals with the inherent interdependence of sales and distribution management and takes you, step by step, through the strategy formulation process in the sales and distribution management. Both, direct selling as well as sales through Distribution System go along in tourism. In the American context **Holloway** mentions that almost 80 per cent of the sales are through the Distribution Channel. This observation is equally true in the case of certain tourism products like tour packages, accommodation etc., particularly in the case of in-bound or out-bound tourism. This, however, may not be the case in relation to domestic tourism where the tourist still has a tendency to go for direct buying and hence direct selling. In this Unit, we discuss the sales and distribution strategy along with the interdependence of sales and distribution and sales management. This Unit, also give a general framework within which joint decisions for sales and distribution are made.

1.2 SALES AND DISTRIBUTION STRATEGY : ROLE IN THE EXCHANGE PROCESS

Sales and distribution management constitutes one of the most important parts of marketing management. As you have already seen, “Exchange” is the core aspect of marketing, and it is the sales and distribution management which facilitates it. **Sales Management has been defined as**

the management of a firm's personal selling function while distribution is the management of the indirect selling effort i.e. selling through extra corporate organisations which form the distribution network of the firm. Another school of thought takes the complete selling process as the distribution system. According to **Robert Christie Mill**, **“the link between tourism suppliers and the customers is known as the distribution system.”** The distribution system can be direct wherein the suppliers sell directly to the customers and the distribution system can be indirect, wherein the suppliers sell to the customers via one or more intermediaries. **The sales management task thus includes analysis, planning, organising, directing and controlling the company's sales effort.** Distribution Management comprises management of channel institutions as well as physical distribution functions.

The exchange process i.e., the sale and delivery of goods/services from the manufacturer to the consumer can be consummated directly i.e., by the firm itself through its own sales force or indirectly through a network of middlemen such as wholesalers and retailers. The importance of the sales and distribution function varies across organisations depending upon its nature and variety of products, services, target market, consumer density and dispersion, and the competitive practices among other things. Take the following examples: In mail order companies (where the major exercise is distribution in response to orders received) virtually no personal selling effort is utilised; Most organisations selling capital industrial equipment (say earth moving equipment, mainframe computers, CNC machine tools) do so through a team of their own sales engineers, involving little or no intermediary support; Selling and purchasing of Rail tickets in India requires no personal selling effort; In case of Airlines a lot of effort is put in to sell tickets via both personal sales force and intermediary sales force such as travel agents. Notwithstanding, whether the sales and distribution function is organised internally, externally or jointly, the following essential tasks need to be performed in order to consummate successful exchange:

- a) Contact - Finding and communicating with prospective buyer.
- b) Prospecting - Bringing together the marketers or suppliers offering the product or service and the prospective buyer.
- c) Negotiation and transaction - Reaching an agreement on price and other terms of the offer so that ownership and possession can be transferred or the service be utilised or consumed.
- d) Promotion - Of the marketers or suppliers offerings, and his or her satisfaction generating potential.
- e) Physical Distribution - Actual transfer of possession i.e. timely and safe delivery.
- f) Collection - Of relevant consumers information and revenue in exchange of goods or services.

Except for extreme instances of organisations which make exclusive use of either their own sales force or distribution channels, most organisations get the above functions performed through a combination of their own sales force and the distribution network they choose to hire. A major decision in sales and distribution therefore becomes the **judicious allocation of the above tasks between the sales force and channel members.** The determinants of task allocation are competitive practice, product and market requirements (including market size, frequency of purchase and customer concentration), preference and buying practices of the target customers, and certainly the management philosophy towards control.

Within selling you should be familiar with the two main sales functions: (1) **In-reach selling**, and (2) **Out reach selling**. The former deals with incoming queries from customers where as the later process is targeted at existing and potential customers. Both, however, have the common goal, i.e. increase in sales.

1.3 INTERDEPENDENCE OF SALES AND DISTRIBUTION

In most organisations both sales management and the management of channels of distribution are the responsibility of the sales manager and should be viewed as jointly contributing to the accomplishment of the marketing task. Apart from this important fact, some other pointers towards the interdependence of these two vital functions are as under:

- a) All organisations use their own sales force or distribution network to reach out to their customers. The emerging practice is to use own sales force to sell to wholesalers/semi-wholesalers who in turn sell to retailers. Say for example, the hotels are the suppliers who sell their rooms in bulk to tour wholesalers and tour operators. The tour wholesalers in turn sell them to the customers via the retail agents such as travel agents and some also via tour operators. Very few firms (like say ITDC) use their own sales force to reach upto the retail level. As both the sales and distribution functions are simultaneously performed to accomplish the firm's sale objectives, their dependence on each other for the effective attainment of overall marketing goals becomes obvious. In other words, **activities of the sales organisation would have to be coordinated with channel operations if sales goals have to be effectively realised.**
- b) The decision of the organisation to allocate certain responsibility in the exchange process to its channel members would **define the scope of responsibility of its own sales force and thereby would determine the type of personnel and training required.**
- c) Even though, an organisation may decide to deal directly with its wholesaler, semi-wholesaler, retailer or consumer, it is required to decide upon the type of help it will provide to the first and subsequent level of intermediaries. Since **the requirements of each of the above types of first level contact entities are different from that of the other, the company's sales task would have to be defined in context of first level of contact chosen by it.**
- d) **The choice before an organisation to have direct distribution, indirect distribution or a combination of the two is of strategic importance and depends upon factors such as the degree of control, flexibility, costs and financial requirements etc.**

Marketing through channels implies lower degree of control but would also mean lesser funds tied up in maintaining inventory and training and looking after sales personnel and also lower fixed and variable costs of managing the channels. Depending upon its **own set of variables** the organisation would try and optimise the effectiveness of the exchange process through the use of some combination of the two. Necessarily, then the scope of one (i.e. distribution) would define that of the other (sales management).

- e) To implement overall marketing strategy, the manufacturers or suppliers need the cooperation of distribution outlets in terms of adequate stock maintenance, in-store displays, local advertising, point of purchase promotion. For example, almost half the pleasure travellers seek the advice of their travel agents in the choice of their destination, tour package, hotels and so on (See **Robert Christie Mill, The Tourism International Business**). And therefore **the travel agent can either promote or demote a destination, airline, hotel or a tour package.** Within the corporation, the sales organisation is the initiator as well as the implementor of these dealer support operations. The effective functioning of dealer-sales organisation relationship often becomes the key to successful working operations within the organisation. This would mean that the sales management has the responsibility of structuring organisational relationship within their own department and with interacting organisational entities so that the sales task can be performed and coordinated with the overall marketing goals.

Before understanding the framework for developing the sales distribution strategy in an integrated way let us look at some of the important aspects of the two functions in the subsequent section.

Check Your Progress - 1

- 1) What are the essential tasks that need to be performed in order to consummate a successful sale?
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- 2) Explain, with pointers, the interdependence of distribution and sales management.
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1.4 SALES MANAGEMENT : FORMULATION OF SALES STRATEGY

The sales management function, as noted earlier comprises the management of the sales personnel and activities that make up the corporate or organisation's sales effort. Sales managers are entrusted with the task of organising, planning and implementing the sales effort so as to achieve corporate or organisational goals related to market share, sales volume and return on investment. This task involves the sales manager in a set of activities both within the organisation and outside with other organisations.

Within the organisation he or she has the responsibility of structuring relationships within the department and with other interacting organisational entities, so that the sales task can be coordinated with other marketing tasks and performed effectively. It also includes allocating and operationalising the sales effort among the sales personnel. Outside the organisation, his or her task would include developing and maintaining the channel relationship effectively in order to facilitate the flow of goods or services, promotion and feedback. Embodiment of all these function can be seen in the development of sales strategy which often proves vital to the success of the organisation. The key decision areas in sales management which are particularly relevant to strategy formulation are :

- a) Deciding upon type and quality of sales personnel required,
- b) Determination of the size of the sales force,
- c) Organisation and design of the sales department,
- d) Territory design,
- e) Recruitment and training procedures,
- f) Task allocation,
- g) Compensation of sales force,
- h) Performance appraisal and control system for sales personnels, intermediaries or retail agents,
- i) Feedback mechanism to be adopted for sales personnels, intermediaries or retail agents,
- j) Selecting intermediaries and managing channel relationship, and
- k) Coordination with other departments.

The above decisions give a fair idea of the scope of the sales management function. Strategy formulation in case of sales would involve identification of the sales goals, designing of a

gameplan and using the organisational resources at hand to achieve those goals. **Figure-1** describes the strategy formulation process.

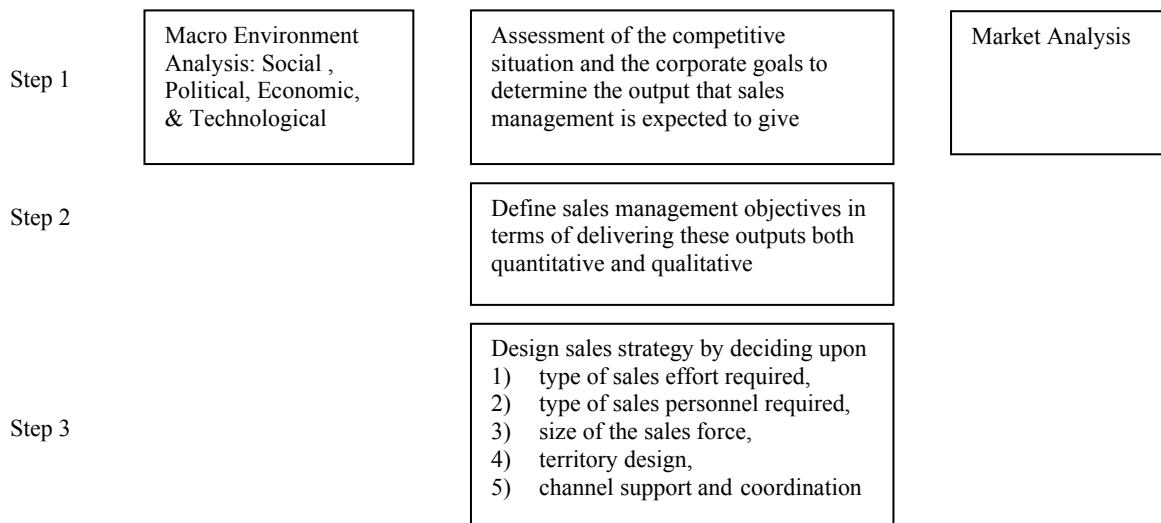


Figure-1 : Sales Strategy Formulation

Let us go through the sequential stages of this process.

1.4.1 Assessment of Competitive Situation and Corporate Goals

The sales objective is directly affected by the corporate mission or goals which in turn identifies the specific set of common needs and wants the company would like to satisfy. Another input in objective setting is the macro business environment. Variables in the political, economic, social, cultural and technological environment have significant bearing on what and how much the company would be able to sell. The environmental scan thus provides pointer to a company's specific opportunities and threats, strengths and weaknesses.

A sound market analysis, is also a prerequisite to objective setting for sales strategy. Specifically the company would need to know :

- i) Current size and growth rate of the market. In multi product companies this analysis would have to be made by service/product/market and by geographical territories covered.
- ii) Consumer needs, attitudes and trends in purchasing behaviour.
- iii) Competitor analysis covering:
 - current strategy,
 - current performance, including market share analysis,
 - their strengths and weaknesses, and
 - expectations as to their future actions.

It may be noted that the role and scope of the sales functions of an organisation is related to the competitive situations facing its products or services in each of the markets participated by it.

Under conditions of pure competition, each seller is too small to be able to influence prevailing market price. Identical undifferentiated products make it difficult to specialise sales effort. Under this sort of competitive situation, sales effort is usually limited to maintenance of adequate market supplies.

Most of the markets today are competing under varying degrees of monopolistic competition where there are large number of sellers for a product but the offering of each seller is capable of being differentiated in a discernible manner.

However, in the Indian situation most marketers or suppliers seek to differentiate their products or services through variation in product attributes, packaging and promotional efforts. Under these market conditions sales efforts support the promotion and maintenance of market share, objective of the firm and coordinate with the distribution and customer service needs of the product or services. Distribution function, on its part, complements the sales efforts in so far as the regular availability of products or service at almost every purchasing point is concerned. The market conditions characterised by oligopoly are also characterised by aggressive competition. Selling effort here becomes an effective tool of market cultivation, building dealer relationship and maintaining them, providing vital informational feedback on competitors and their market operation. For example, in the tourism sector a point of concern for the tour operators and wholesalers are the multiple retailers. This has led to aggressive competition. The tour wholesalers and operators now provide more incentive and commission, than the regular 1 to 5 percent commission to the retailers for selling their own products. The extra commission also helps the retailers to give more discounts to the customers and thus attract more business.

In case of new product, where the marketer is faced with little or no direct competition, selling effort plays a very vital role in market cultivation. Missionary 'salesperson' are used to familiarise and demonstrate the product, both to the channel members and the ultimate consumers.

Competitive situations affect the corporate goals relating to growth and profit which in turn affect the marketing goals. The sales related marketing decisions which significantly contribute to sales strategy formulation that affect both the quantitative and the qualitative sales management objectives are :

- a) decision on what to sell - i.e. what products or services and what specific mix of products or services the company has decided to sell.
- b) decisions on whom to sell - i.e. whether to sell directly to the ultimate consumer or to make the wholesaler or the retailer the first level to contact. This has vital implications for the size and type of the sales force needed.
- c) decision on the price.

These decisions define the scope of the sales effort, in the total marketing effort.

1.4.2 Setting Sales Objectives

Sales objectives are intended to direct the available sales resources to their most productive use. These also serve as standard against which actual performance is compared. The sales objectives are stated in quantitative and qualitative terms. The **qualitative goals** generally relate to strengthening dealer relationships, developing good consumer support, nullifying product misinformation, attaining desired corporate image and so on.

The **qualitative sales objectives** reflect the expectations of the top management regarding the contribution of sales function to the total marketing effort. They, therefore affect both the size and quality of the sales force. For example, if a company while selling high value tour packages relies upon its own sales personnels not only to carry out the entire sales function but also to take up part of promotional responsibilities, then the quality and the size of the sales personnels the company will require would be significantly different from that of a company where sales personnels are required only to coordinate with the distribution channels. Elaborating this example, the service could be an outbound tour executive selling the European Tour Packages to

the consumers or the GSA of an Airline coordinating with the travels agents. In the former case the salespersons is expected to carry out the entire selling and market cultivation function while in the second case, they are mainly expected to coordinate with the service distributors. The qualitative sales objectives are relatively set for the long term and they emanate out of the marketing policy of the company.

Quantitative objectives on the other hand relate to the operating results that the company would like to achieve. They, like the qualitative objectives, are heavily dependent on keen analysis of competitive situation and corporate goals, and obviously would vary over operating periods. Quantitative sales objectives could be in terms of sales volume, market share or number of back orders per operating period. Drawing from these quantitative objectives, goals can be set for the sales organisation in terms of :

- a) Sales volume in units or reservation or rupees,
- b) Sales cost,
- c) Accounts receivable,
- d) Inventory or supply levels,
- e) Dealer support, and
- f) Feedback input.

It would be worth noting here that both the qualitative and quantitative sales objectives are set in context of the competitive position of the company. As we get down to the actual task of formulating strategy, we evaluate alternative plans against the backup of competitive strength and weaknesses of the company at the market place and try to build up the sales effort so as to achieve the desired goals. The important decisions involved in this task are discussed further.

1.4.3 Determination of the Type of Sales Force Needed

The quality of the sales personnel needed, would depend upon the quality of contribution that top management expects the sales organisation to make as well as the actual workload that is expected to be generated. Specifically, it would depend upon the role that the salespersons are expected to perform. For example, if the company has decided to do significant amount of pre-selling through advertising, the salesperson's job is considerably simplified and this has implications for the type of salesperson needed. Recently, some Tours and Travel Companies have started promoting their tour packages via advertisements in all the mediums. This has simplified the work of sales personnel as consumers and retailers are aware of the products and services on offer. Some companies manufacturing sophisticated technical equipment expect their sales engineers to carry out the entire span of activities from commissioning and installation of equipment to after sales service. You can therefore clearly envisage that the type of sales personnel would vary across organisations, depending upon the role that has been decided for them in the organisation. Some of the factors that influence the type of salesperson are product characteristics, customer characteristics, competitors practices, channel design and corporate marketing policy. For example, the sales personnels for the hotel industry are recruited keeping in mind the standard of the hotel (i.e. whether it is a star or non-star hotel, etc.). This is especially the case in metros and big cities. The salesperson's qualification, experience and personality are taken into account to check whether or not it suits the standard, personality and ambience of the hotel. Moreover, at present, the competition is very stiff in the big centres due to MICE promotions. New sales promotion plans, incentives and discounts are offered from time to time by the hotels to attract more business as well as to penetrate the competitors market share. The salesperson, therefore, needs to be innovative, persuasive and one who takes note of the competitors tactics. This will help the management not only to implement the existing sales strategies but also to formulate new tactics accordingly.

A strategic choice which has to be made at this stage is related to the degree and kind of specialisation needed. Should the company go in for product specialists or market specialists or

both? This is often a decision which is taken along with the decision regarding segmentation strategy.

Product specialists would be required when the product or its usage is highly technical, requiring demonstration and/or advice from the sales personnel. All the IRS companies have their own sales personnel going over to the retailers i.e. travel agents to install the IRS and also to explain the working of the system. Marketing of banking services also provides a good example. Service packages like agriculture financing, short and long term institutional financing, etc. have package specialisation as the product on offer is typical.

Market specialists would be needed when different groups of target customers need specialised service of different sales approaches. In still other situations the salesperson may need to be knowledgeable about more than one line of company's products or services and deal with more than one set of customers dictating a combination of market and product expertise.

For example, a sales girl of a chain hotel might approach a company to give information regarding conference facilities in her hotel, say in Delhi. But the company wants information about the hotel in Mumbai. If she fails to deliver the information required then it will mean a loss to the organisation. Hence, knowledge and information of all the products of ones own organisation is vital and **Derek Taylor** emphasises this point in his book on **Sales Management for Hotels**.

1.4.4 Determination of the Size of the Sales Force

Another key decision is the determination of the number of sales persons needed to achieve the sales objectives. Recruiting more than the optimum number would mean that the company is bearing unnecessary costs at the expense of its net profits. Recruiting less than optimum would mean losing opportunities for exploiting sales prospects. It is not easy to prescribe an ideal sales force size as the important determinants of sales force size such as market size and potential, competitive activity, allocation of sales task between the channel and corporate organisation, etc. differ from company to company. With respect to their own set of variables, companies do try to arrive at an ideal figure by using various methods such as:

- a) the incremental method
- b) the workload method and
- c) the sales potential method.

The incremental method utilises incremental reasoning. In that it suggests that salespersons should be added to the sales force if incremental margins exceeds incremental sales costs. **The sales potential method** uses estimates of sales personnel units (which means the set of activities expected to be carried out by one personnel unit), expected productivity of sales personnel and the estimated sales volume to arrive at the ideal size. **In the workload method**, through the computation using total market size, sales, volume potential and volume of non-selling activities like travelling, the company arrives at the total workload. Dividing this by the work it expects one individual salesperson to carryout, gives the sales force size.

1.4.5 Organising the Sales Effort : Territory Design

Personal selling objectives set the tone of the selling activities to be performed in an organisation. Defining these activities and their level of performance would lead you to an estimate of how many sales personnel at various levels are required in the organisation.

The strategic decisions here include the organisational structure of the sales force and the choice of the field sales organisation. You will study in detail about both these aspects in **Unit 3** of this course, and here we provide you with a general understanding of the nature of these decisions.

Companies may treat their entire market as their total field of operation and assign sales duties to their personnel indiscriminately but more often than not they prefer to divide the market into sales territories either on the basis of geographical size or sales potential or both because of valid reasons. Of these, the customer related reasons are that the territories provide for a more intensive market coverage yielding to higher sales and better customer relations. For the salesperson they facilitate performance evaluation and foster a far higher degree of enthusiasm and clearly defined responsibilities resulting in lower turnover and higher morale. Managerially it becomes possible to have a better degree of control, reduce expenses and evolve coordinated promotion plans. Review of call pattern territory wise and evaluation of territory performance aided by field visits may help managers in evolving effective future practices.

While creating territories sales managers can choose from different type of bases:

Geographical basis which utilises the existing geographical boundaries and assigns them to the sales personnel.

Sales potential basis which consists of splitting up a company's customer base according to the dispersion of its sales potential.

Servicing requirement basis where the company splits up its total market according to servicing requirements of its current and prospective customers (servicing here means maintaining and developing the account.)

Workload basis which considers both account potential and servicing requirements and in addition reflects the difference in workload created by topographical, locational and competitive factors.

1.4.6 Establishing and Managing Channel Support and Coordination

The channels of distribution usually act as the only point of contact the final buyer has with the manufacturer or service provider. They, together with the sales organisation of the manufacturers collectively bear the responsibility of consummating exchanges with the final buyers. When indirect distribution is adopted, it is imperative that the sales organisation initiates retailer or dealer cooperation programmes. Dealer or Retailer support typically has to be ensured in the area of maintenance of adequate stocks of the products and local promotion in the form of point-of-purchase displays and local advertising. In case of services, this is done through brochures or advertisements. Another key area of support is the provision of market feedback, the norms of which must be decided between the dealer network and the manufacturing organisations. The management of manufacturer dealer cooperation, includes inter alia:

- a) Choice of appropriate dealer or retailer incentive programmes to stimulate distributive outlets to greater selling effort.
- b) Deciding upon procedures for sharing information with the dealer or retailer network such as by supplying expensive free brochures, regular mailings to update information on discounts, new packages, mailing of sales material and also in some cases visit by sales representative.
- c) Deciding upon measures to ensure and promote dealers or retailers loyalty by providing discounts, fam tours and so on.

1.5 FRAMEWORK FOR JOINT DECISION MAKING IN SALES AND DISTRIBUTION MANAGEMENT

As assessment of the strategy formulation in both sales and distribution would again bring you to the realisation that most of the strategic decisions require compatibility. Joint decision making

would necessarily involve determination of the components of the total marketing tasks to be allocated to both sales and distribution management. What we shall examine in the allocation of the distribution responsibility is the division of responsibility in relation to contacting, prospecting, negotiating and transaction, promotion, physical distribution and information collection. The criteria of allocation of these tasks would evolve from an analysis of the end user behaviour, competitive practices, channel attributes and expectations and company's strengths and weaknesses. These criteria as discussed earlier in context of channel selection could be **quantitative** - cost per rupee of revenue, financial commitment, sales volume achieved etc., and **qualitative** e.g. desire for control and channel adaptability. Though these criteria would differ from organisation to organisation, certain guidelines for decision making can be evolved from the following generalisation developed on the basis of observed market behaviour and distribution trends.

Chart-1 shows that the various sales and distribution tasks that facilitate the exchange transaction may need to be divided between the two functions.

Chart – 1

a)	Achievement or sales goals through :	{	— distribution channels
		}	— company's sales force
b)	Personal and Prospecting through :	{	— distribution channels
		}	— company's sales force
c)	Personal and non-personal promotion through :	{	— distribution channels
		}	— company's sales force
d)	Maintaining Inventory through :	{	— distribution channels
		}	— corporate organisation/co-owned depots
e)	Accounts Receivables through :	{	— distribution channels
		}	— sales force/corporate sales organisation
f)	Information feedback through :	{	— distribution channels
		}	— company's own sales force

Between the two extremes of Mail Order houses which have no corporate field sales organisation and the totally vertically integrated system which involve no independent middlemen, majority of our business enterprises, specially in tourism sector today, utilise the services of both - their own corporate sales department and the external distribution agencies in some proportion or the other. The decision making task in sales and distribution management on most issues therefore has to be accomplished jointly, as decisions in one area necessarily have implication for the other. For example, the travel agents acting as retailers for tours wholesalers might feel that their market share is being invaded by the wholesalers if the wholesalers take in one or two direct bookings. Similarly, travel agents resent direct sales by the airlines. It therefore, becomes necessary to have a balancing act between direct selling and indirect selling. Let us then evolve framework for joint decision making in sales and distribution management.

The allocation of specific sales and distribution tasks between company's sales personnel and independent channel depends upon consumer characteristics, product characteristics, company and competitive characteristics as well as the environmental factors. Based upon corporate practices some propositions could be described as under:

- a) The involvement of the company's own sales organisation would be higher in case of technically sophisticated high unit value products targeted at a small number of consumers. (e.g. Eureka Forbes, Mainframe Computer System, energy system by BHEL etc.) Intensive competition or lack of appropriate channels to distribute such products may also favour direct distribution. Conversely the distribution channels will be utilized more in case of frequently purchased low unit value standardised products (various one day tours or sight seeing tours, Brands of Coffee, Bread, Milk etc.) where the geographical dispersion of the consumers is quite high.
- b) As companies grow larger in size and generate resources to make their financial position strong, the tendency is to favour direct sales.
- c) Market conditions characterised by a limited number of consumers and/or intense competition necessitate a high degree of personal prospecting and personal promotion. In case of low or medium value relatively standardised products, a higher promotion of this task would be assigned to the channel while in case of complex high value products requiring specialised service the direct sales force is much more likely to be given the responsibility. Another trend here, specially in exclusive distribution is that the task may be performed by the dealer's staff provided the company pays for or provides for the training of the staff. Examples are IRS services and ticketing, Refrigerators, Water Coolers, etc.
- d) A greater allocation of the **personal promotion** would have to be carried out by these two functions i.e. sales and distribution function, if mass media is not available or is unsuitable for reasons of adaptation to local preferences. A higher proportion of **non-personal promotion** may be assigned to the distribution channels if they have easy access to local media.
- e) A higher level of inventory would need to be carried in case of highly competitive goods or services and seasonal goods or services at the point of purchase. In case of perishable purchases like hotel room, day tour, bread, milk, etc., channel members may be required to participate to a higher extent in the inventory carrying task. This position is modified to a certain extent when the supply logistics of the manufacturer or supplier is streamlined enough to manage replenishment at the retail outlets with a high degree of regularity.
- f) In case of industrial products, where the consumers are few and products are technically complex, the information feedback task is generally assigned to the company's own sales force or even to dealers or retailers where exclusive distribution is followed. In case of consumer products where the number and dispersion of buyers are very high, a higher proportion of the feedback task is assigned to specialised agencies under the Market Research (MR) function.
- g) As the company has much more to lose if reliable information about market position and trends is not collected, a larger proportion of the market intelligence task should be assigned to the company's own sales force.
- h) While marketing to the rural markets, in case of both household consumption goods and low or medium value durables like electrical appliances, etc., the middlemen, particularly the feeder town stockists, become a vital factor in market cultivation. As the markets are far flung and the volume of consumption also varies from one rural area to another the trend in rural marketing is towards a more extensive use of middlemen.

1.6 SELLING IN TOURISM

To sell products or services at a profit is the core idea behind any product or service development. What is the use of a five star hotel which has no guests/clients to use its services and pay for them? What is the use of a flight which has no passengers? So, the very idea of developing any service or product is to find customers for it and this is possible, only, if the product or service developed is of some use or fulfills some need of the customers. In other words, we can say that selling comprises of need assessment of the clients and providing them with such products or services which would fulfill that need. Selling, particularly in tourism sector, is all about need assessment and coming up with such services which the client would find difficult to refuse. Selling of any service/product is as difficult as the need assessment of the consumer. If the salesperson is capable and quick enough to grasp the client's needs, then he or she would be able to provide products/services which would fit the customer's requirements and thus make a sale.

In selling tourism services a lot of imagination and creativity is required, as **it involves selling a perishable and intangible product to the consumer**. As you know, tourism services are perishable i.e. if they are not sold within a time period, then they are lost forever for that time period. For example, unlike other products if a tourism service, say a hotel room or an airline ticket is not sold for a particular day or flight then the same can't be sold another day. Also, services are intangible – the clients are unable to touch, see, feel or check out the services before their purchase and can only know about the services while utilising or experiencing them. A way of judging or knowing about a service is to ask a person who has already availed it. But it involves some risk, since no two persons can say with full conviction that all their likes and dislikes or tastes are similar. We can, therefore, say that service selling requires more tact. It is very important to treat each and every customer with utmost care. What you are selling to the tourist is a dream. Every customer is someone who can bring in more business by word of mouth publicity. A satisfied customer becomes your unpaid salesperson and a sale which brings in more business is a truly successful sale. You should always work to get repeat customers for your service the way a destination looks for repeat visitors.

The selling process as such is similar in all the sectors of product and service sales. Every organisation has its own set of target or desired consumers and has chosen its own way of selling to the desired/target consumer. In case of tourism services, as you already know, sales are possible via both – the intermediaries (indirect sales) and directly to the consumers (direct sales).

The tourism service selling primarily revolves around three groups of people :

- i) Principle/Primary Supplier,
- ii) Intermediary/Retail Agent,
- iii) Client/Consumer.

To consider the above let us take an example of a hotel ABC, the primary supplier of accommodation. The travel agency XYZ is an agent for the same hotel, an intermediary agent, and sells a room to a customer for two nights. This is an indirect sale and the travel agent will get a commission for this sale. Whereas, if the customer buys i.e. books a room directly with the hotel then it would be a direct sale with no commissions to anyone. However, the role of intermediaries is very useful as they provide the customer a chance to book their different types of travel requirements at one go, such as accommodation, transport, etc. Also, many people prefer interaction with the travel agents and take their professional advice and opinion about a destination or other travel requirements. Booking through travel agents brings a discount also to the buyers which is not generally available in direct buying. In case of direct selling the suppliers find a chance to sell more of their services at one go. For example, an airline would like to sell a return ticket to their clients, and so on. **Table-1** mentions some suppliers and intermediaries of tourism services. All primary suppliers target their selling efforts on intermediaries. For example,

an escort will market his or her services to the tour operator who packages the tour and the tour operator sells the package to a travel agency or an outbound tour operator in another country.

Travel agencies are the retail sales agents and the intermediaries of practically all the tourism services. Usually, travel agents are hardly ever called as the travel retailers as, unlike the traditional retailers, the travel agents do not usually add mark up on the tourism services sold but receive commissions on the services sold. The travel agents usually receive a commission of 10% on the services sold by them, irrespective of it being a hotel room, airline ticket, transportation or tour package.

Table-1

TOURISM SERVICE	PRIMARY/PRINCIPLE SUPPLIER	INTERMEDIARY
• Tickets	Airlines, Railways	Travel Agents
• Tours	Airlines/Railways, Hotel/Resort/Any other, Ground Service Providers, Meal Providers, Guides, Tourist Attraction Providers etc. packaged by tour operators.	Tour Operator, Travel Agents
• Cruises	Cruise Company/Ocean liners.	Travel Agents
• Accommodation	Hotel, Resort, House Boat, Guest House, others.	Travel Agents, Hotels, tour operators
• MICE Arrangement	Hotel, Transporter, Advertising Agency, Event Management Companies.	Travel Agents, Event Management Companies.
• Passport and travel documents	Embassies, High Commissions.	Travel Agents, Passport and Visa handling - specialist travel agents.
• Insurance	Insurance Companies.	Travel Agency.
• Foreign Exchange	Banks, Foreign Exchange Handling Agency.	Travel Agents, Hotels
• Car Rentals	Tourist Transporter, Car Rental Agencies.	Travel Agents, Hotels, tour operators,
• Ground Services	Guide, Escort, Local Agents and others.	Travel Agents, Tour Operators, Hotels

According to **David W. Howell**, tourism services selling can be divided into three types. The channels of distribution as described by him are as following:

- 1) **Unilateral Distribution System/Direct Selling** : It is the simplest form of selling. This involves direct selling of tourism services from the supplier to the client (**Figure-1, part a**). Some clients prefer to buy directly from the suppliers and have contact with them, so as to know more about the services bought. The suppliers also like it as this means they would save on the commission being taken by the travel agents. Earlier this also implied that a supplier had to maintain sales offices all over the country for the clients to approach them directly. (However, Internet has changed this scenario. A suppliers web site on the internet acts as a sales office and business transactions are carried through it).
- 2) **Bilevel Distribution System/Indirect Selling** : Bilevel distribution is indirect selling but a simple selling channel exists. The suppliers and the consumers have only one intermediary in between them (**Figure-2, part b**). For example, a travel agent providing tickets of any given airline, booking a hotel room through a travel agent, and so on. Another example of Bilevel Distribution System is of the tour operators who buy from the primary suppliers, make a tour package and sell directly to the customers.

Indirect selling provide clients a lot of ease of mind and for the suppliers a chance to sell their products/services over a wide range of area. All the suppliers cannot have sales office all over the country and thus depend upon the intermediary, the travel agent, to sell their services. For

example, a tourist from Darjeeling can book a room for himself or herself in Chennai via a travel agent. Thus, suppliers need not promote or sell their services, the intermediary can do it for them.

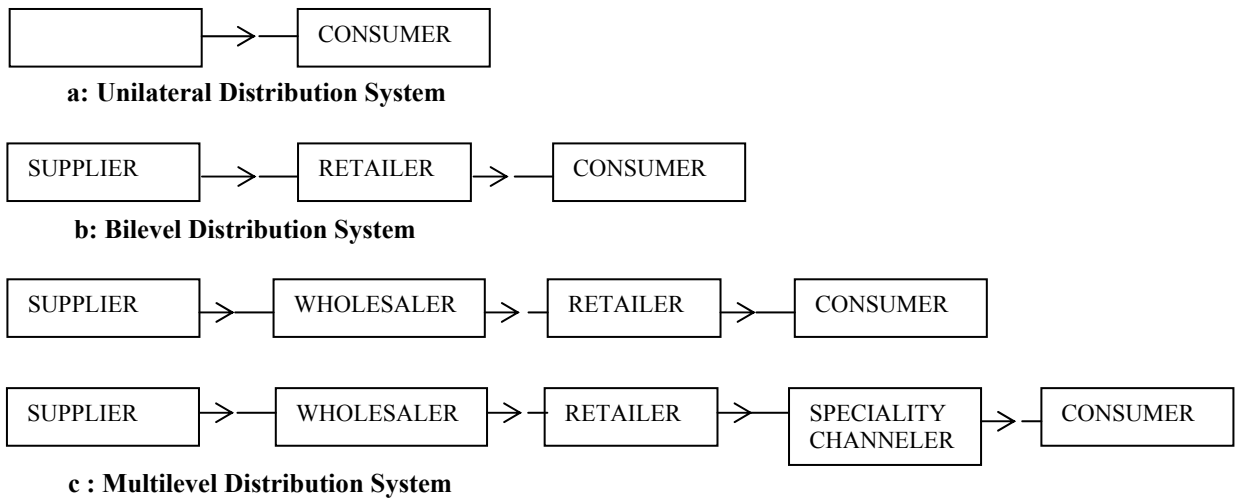


Figure-2 : Distribution System

3) Multilevel Distribution System/Indirect Selling : This involves two or more intermediaries between the consumer and the supplier. This system is commonly seen in the case of tour packages. In case of tour packages, the various components of a tour (like accommodations, transportations, meals, transfers, etc.) are bought from the suppliers by the wholesalers and tour operators and packaged into a tour. This tour is then sold to the consumers via the retail agents. Sometimes other intermediaries like incentive travel company, event management company, etc. also known as speciality channelers intervene between the retailer and consumer.

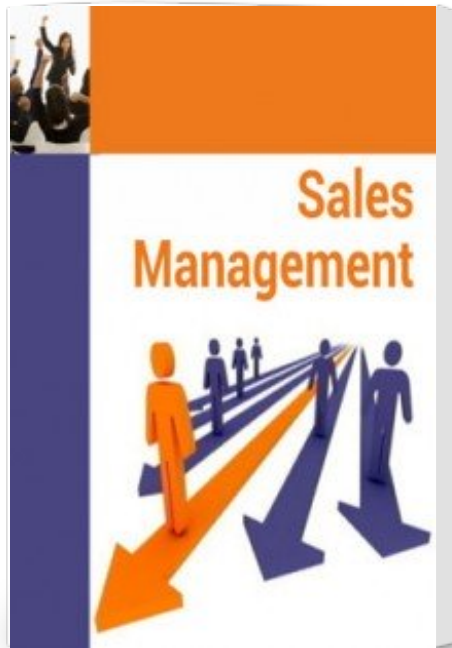
In case of tour packages, the wholesalers and tour operators buy in bulk or large numbers from the suppliers at a greatly reduced price. They, then make a tour package and add a mark up to cover the over-heads and also the commissions. Yet the package is much cheaper than what it would cost the consumers if they buy each of the services separately from the suppliers.

The same can be said in case of Airline GSAs who pass on the discounts on the tickets via the travel agents onto the consumers.

Multilevel distribution system also has different channel of marketing and distribution such as Vertical Marketing which involves the marketing and selling of the various products of the same group or company. A few organisations may join together to form a group or a company with variety of interests and sell them to the consumers. For example, many airline companies also have liaisons with tour operators and retailers. Many a times one member of distribution channel sells other products than its own. Like a tour operator might be providing cruise booking facilities as well as ticketing facilities and so on.

Though selling is done both directly and indirectly, the selling process can be made easier and successful with sales promotion. Promotion is one of the Ps of the Marketing Mix and publicity, advertising, etc. are the various components or parts of promotion. Promotion is the strategy used to bring about public awareness. Public awareness about a product, service or organisation helps the salespersons in selling the service or product. Inbound tour operators have always used promotional strategies and so did the hotels but for the rest of the tourism services, promotion did not pick up until very recently. Till a couple of years back almost no tourism service advertisements could be seen in the regular magazine and newspapers but for

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