

Module Four

Sales Organization Structure and Sales Force Deployment

Learning Objectives

- 1. Define the concepts of specialization, centralization, span of control versus management levels, and line versus staff positions.**
- 2. Describe the ways sales forces might be specialized.**
- 3. Evaluate the advantages and disadvantages of sales organization structures.**
- 4. Name the important considerations in organizing major account management programs.**

Learning Objectives

- 5. Explain how to determine the appropriate sales organization structure for a given selling situation.**
- 6. Discuss sales force deployment.**
- 7. Explain three analytical approaches for determining allocation of selling offer.**
- 8. Describe three methods for calculating sales force size.**

Learning Objectives

- 9. Explain the importance of sales territories and list the steps in the territory design process.**
- 10. Discuss the important “people” considerations in sales force deployment.**

Setting the Stage

Strategy and Sales Organization Structure: IBM

- 1. What is one of the key changes IBM made to the structure of its sales organization?**
- 2. What change did IBM make to the way its salespeople and sales managers interact?**

Sales Organization Concepts

Specialization

The degree to which individuals perform some of the required tasks to the exclusion of others. Individuals can become experts on certain tasks, leading to better performance for the entire organization.

Centralization

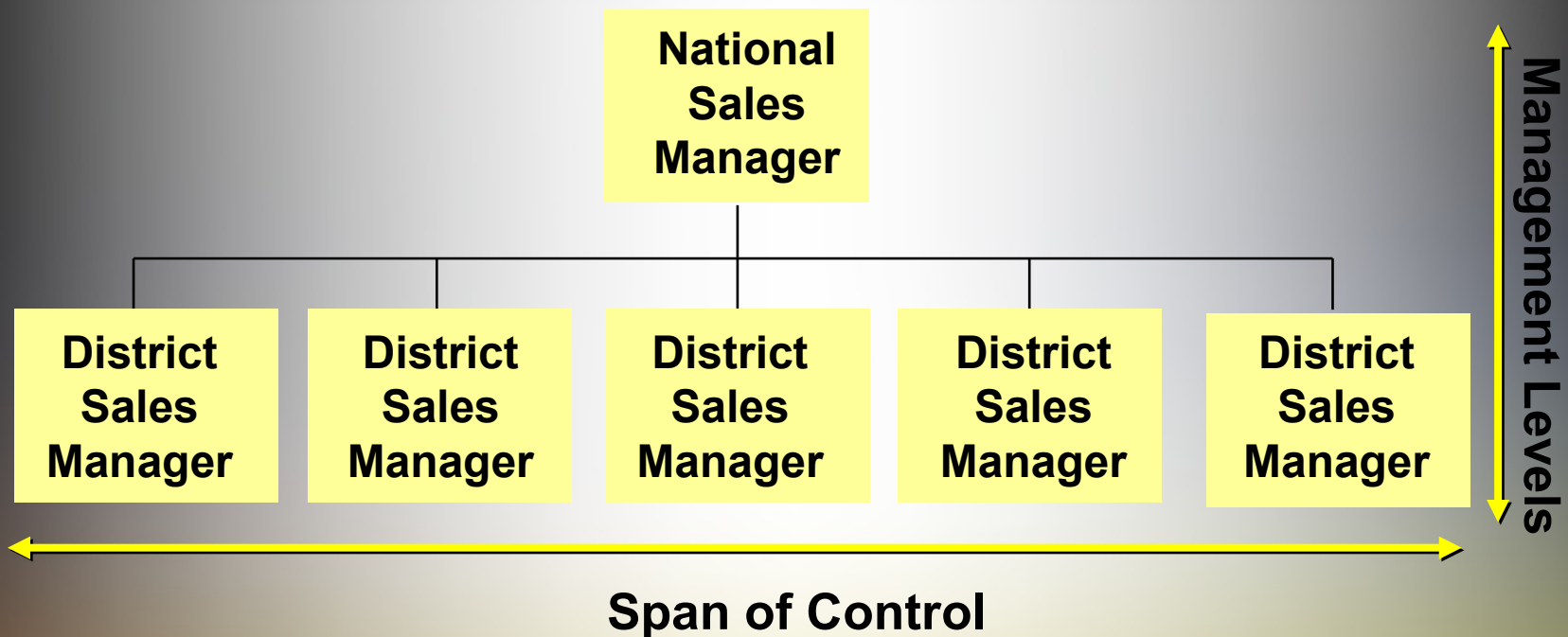
The degree to which important decisions and tasks performed at higher levels in the management hierarchy. Centralized structures place authority and responsibility at higher management levels.

Sales Force Specialization Continuum



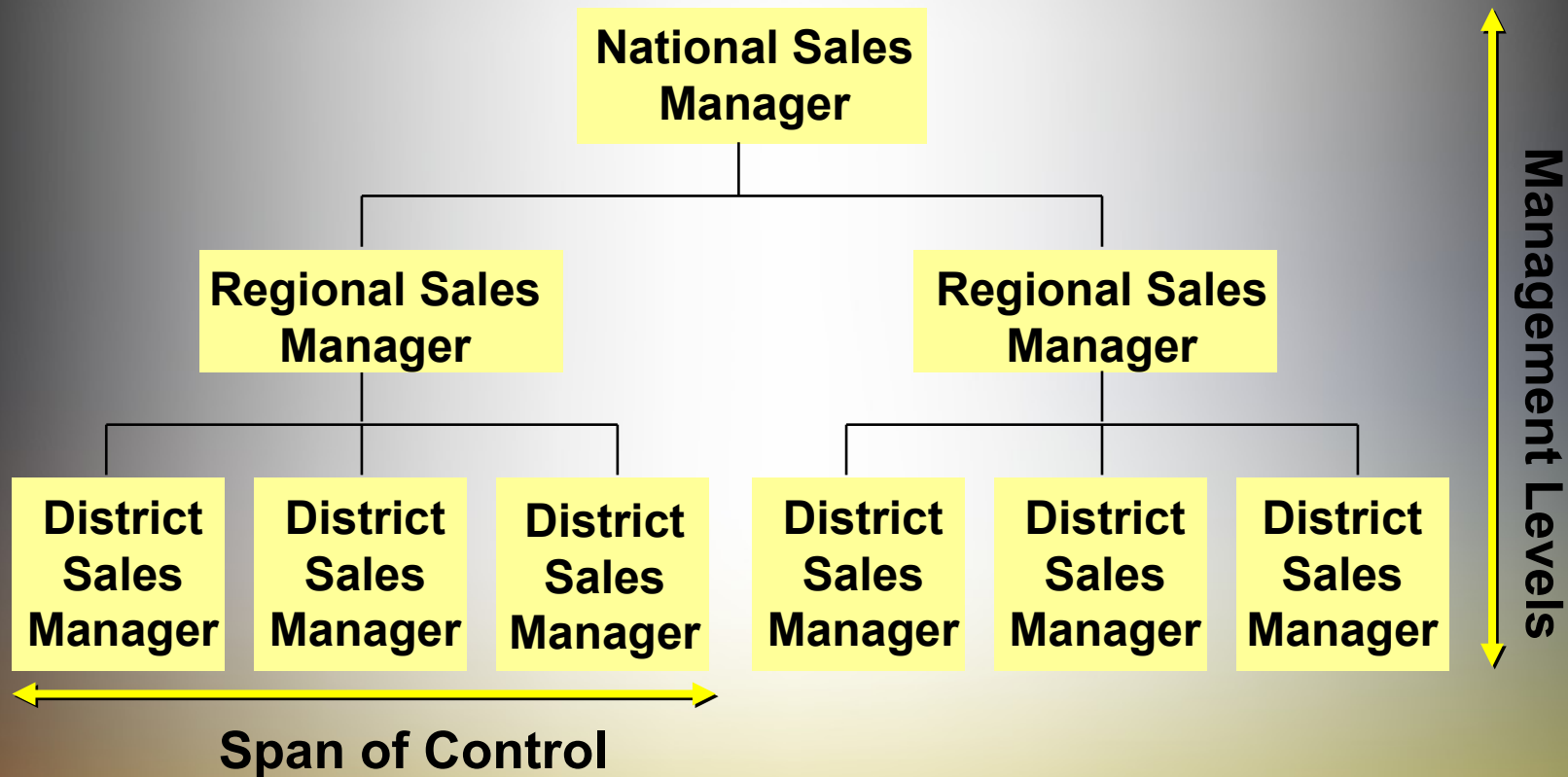
Span of Control vs. Management Levels

Flat Sales Organization

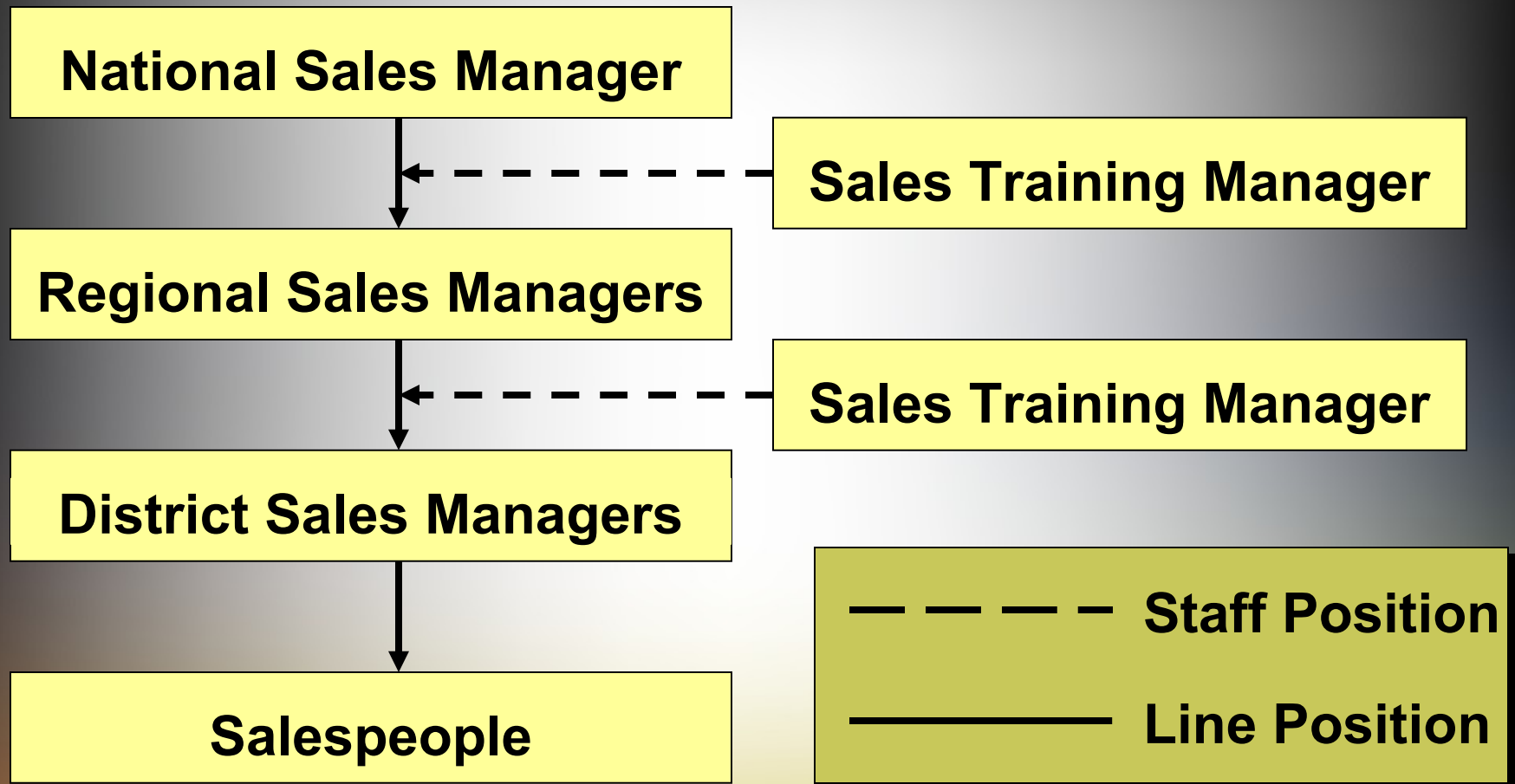


Span of Control vs. Management Levels

Tall Sales Organization



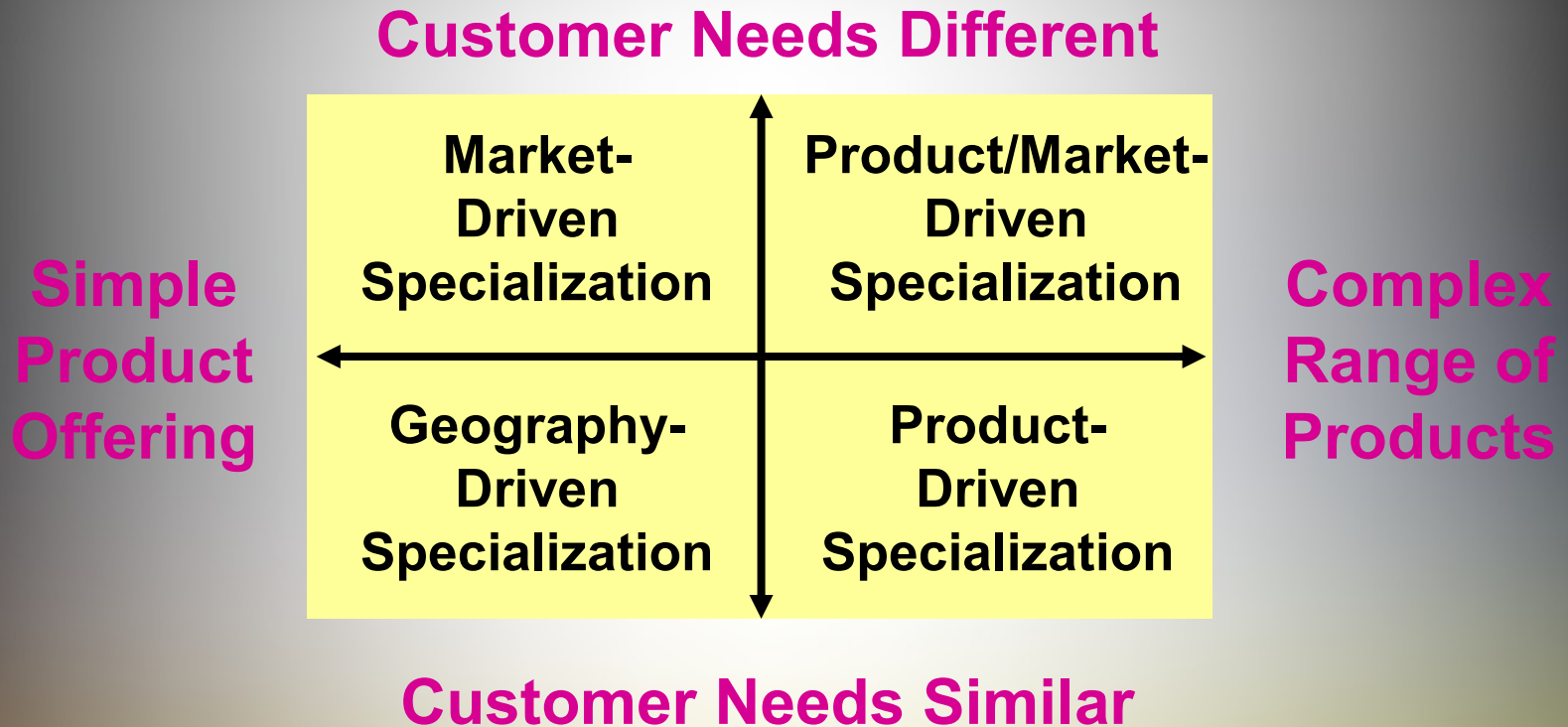
Line vs. Staff Positions



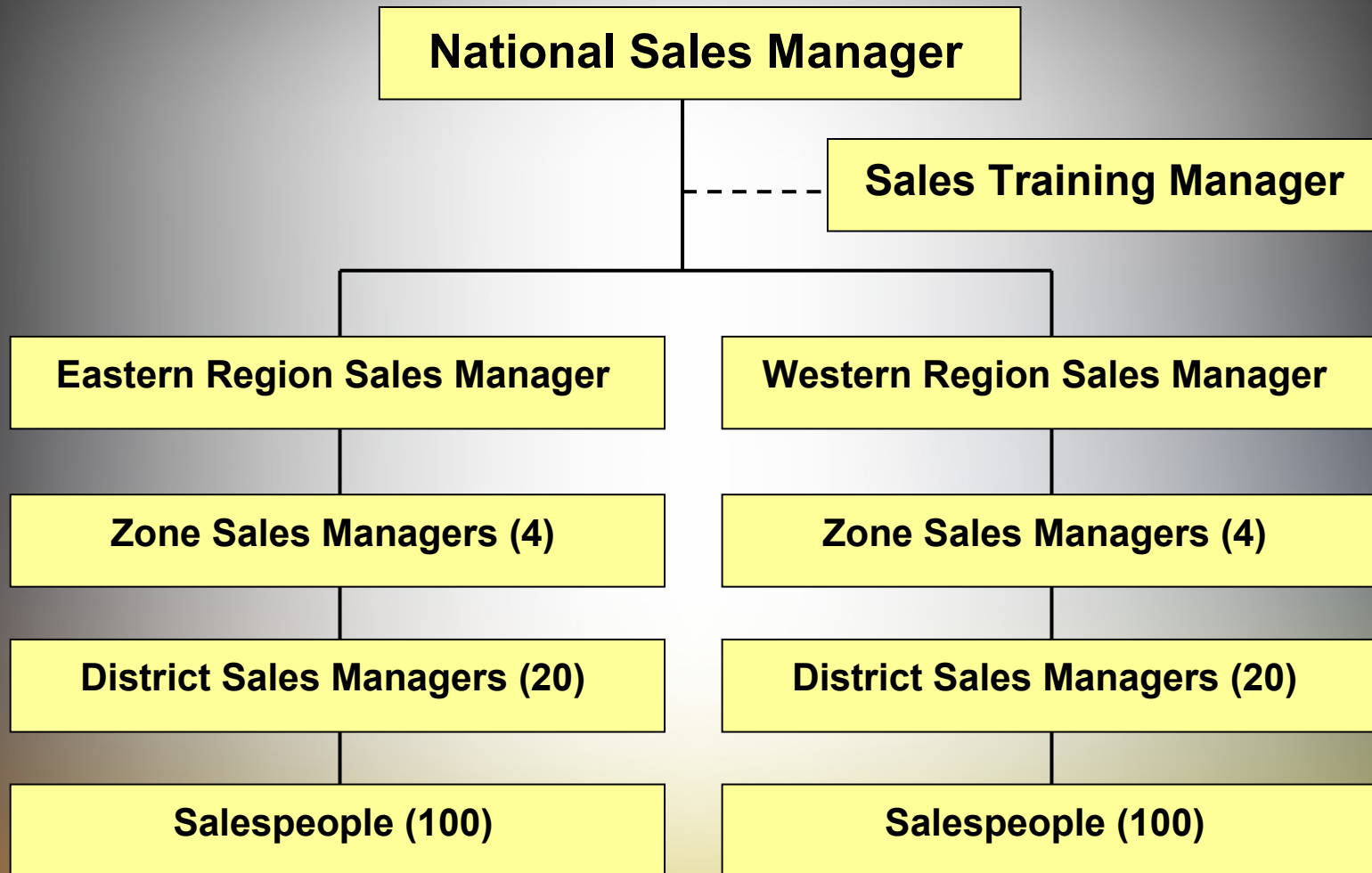
Selling-Situation Factors and Organizational Structure

Organizational Structure	Environmental Characteristics	Task Performance	Performance Objective
Specialization	High Envir. uncertainty	Nonroutine	Adaptiveness
Centralization	Low Envir. Uncertainty	Repetitive	Effectiveness

Customer and Product Determinants of Sales Force Specialization



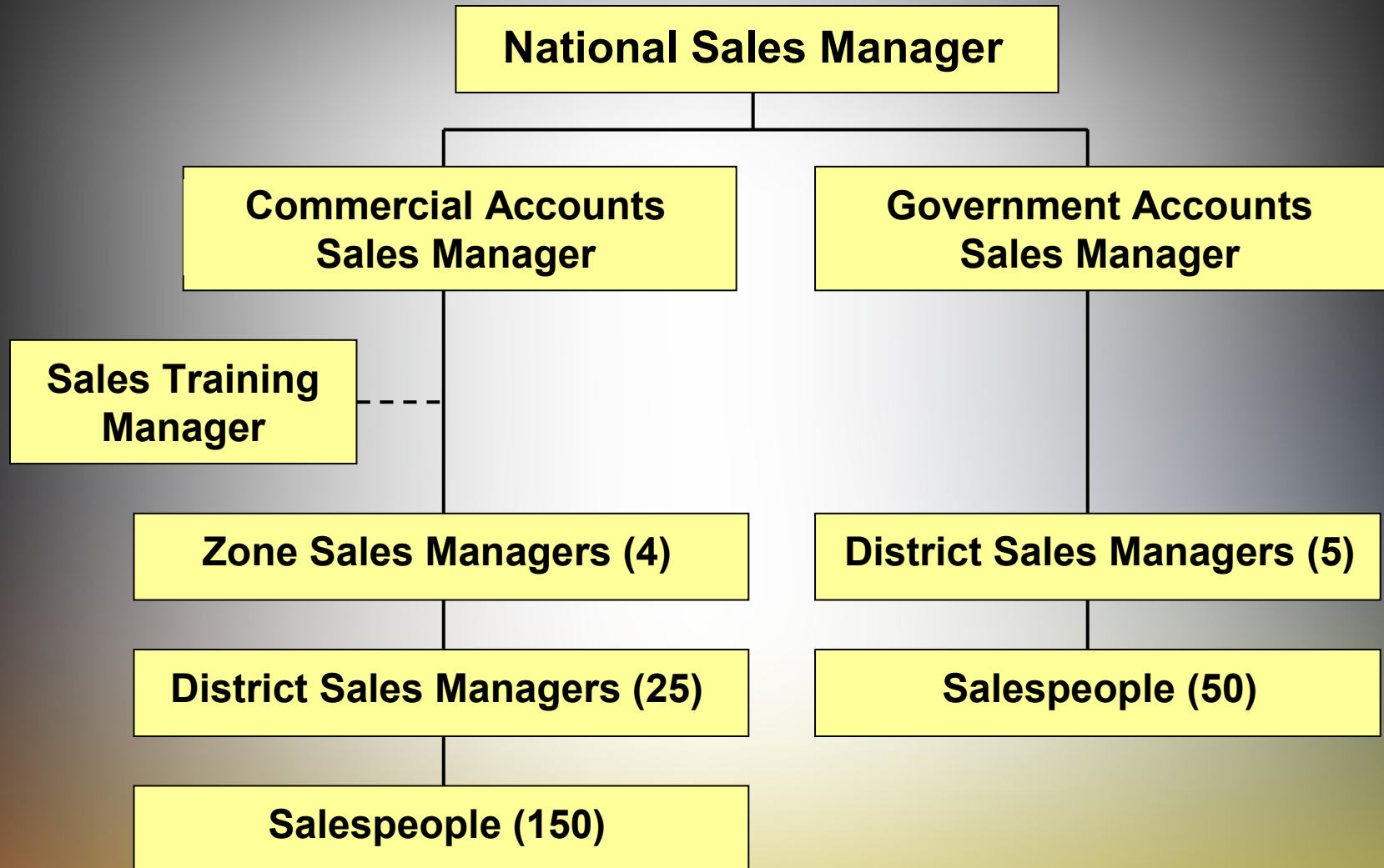
Geographic Sales Organization



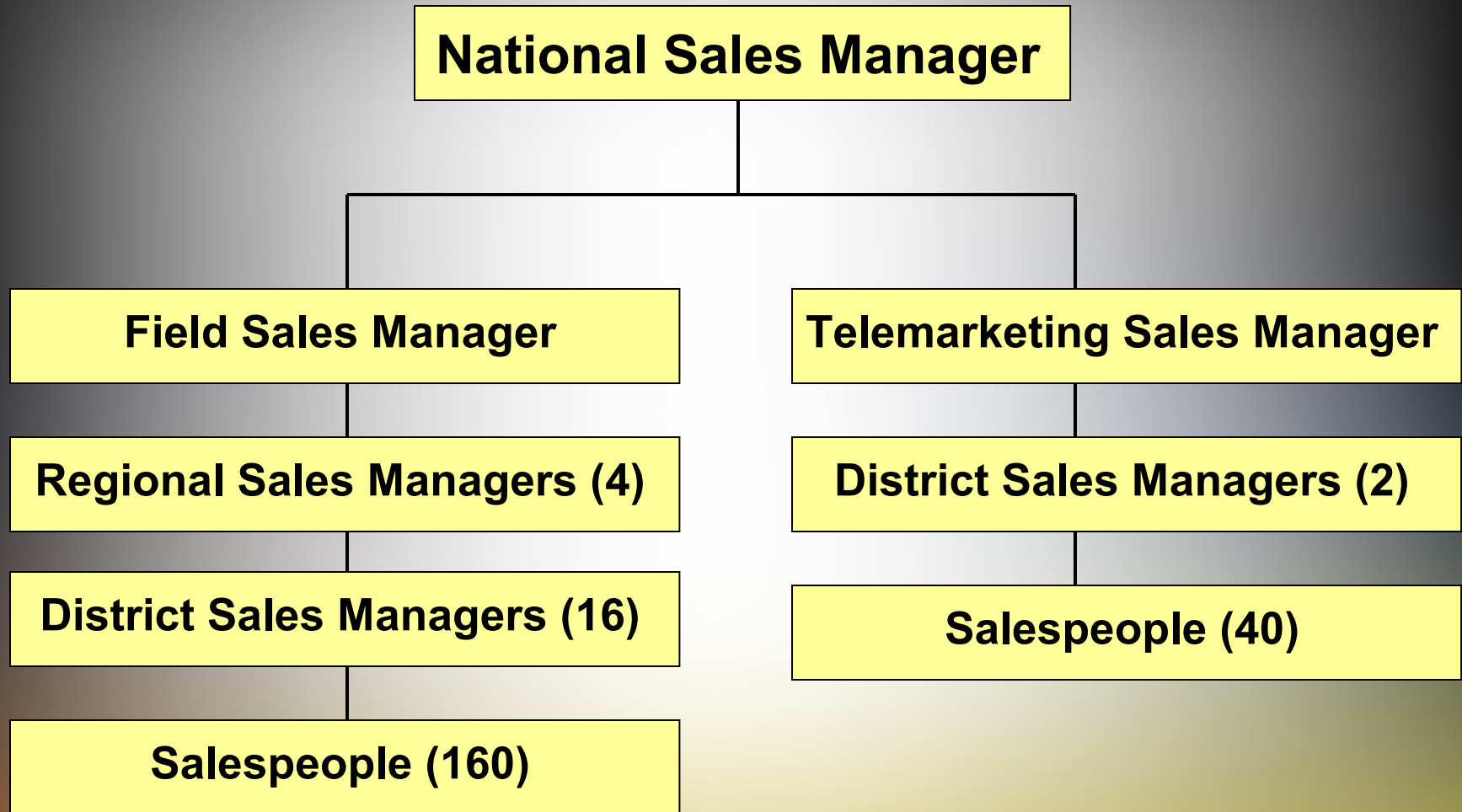
Product Sales Organization



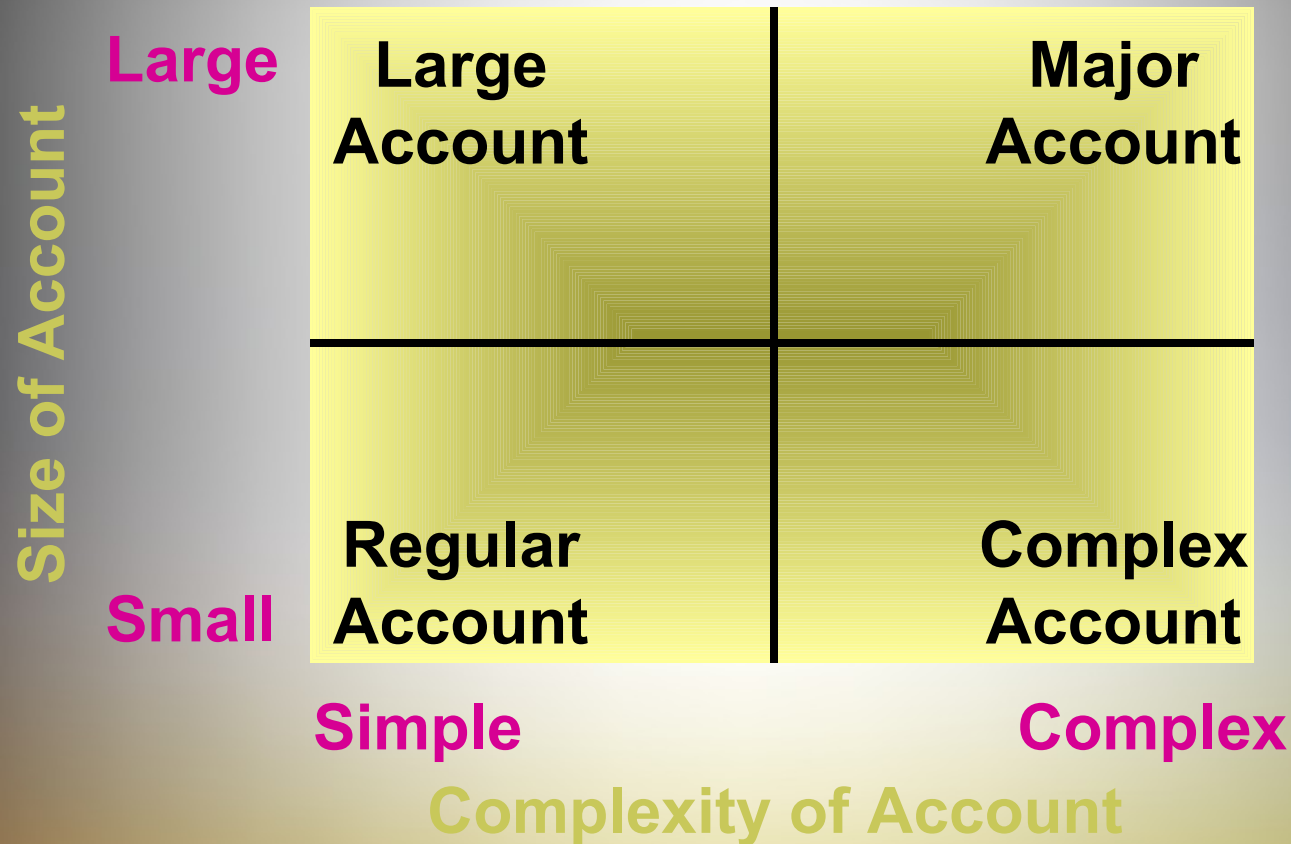
Market Sales Organization



Functional Sales Organization



Identifying Major Accounts



Major Accounts Options

Develop Major Account Salesforce

**Assign Major Accounts to
Sales Managers**

**Assign Major Accounts to Salespeople
along with Other Accounts**

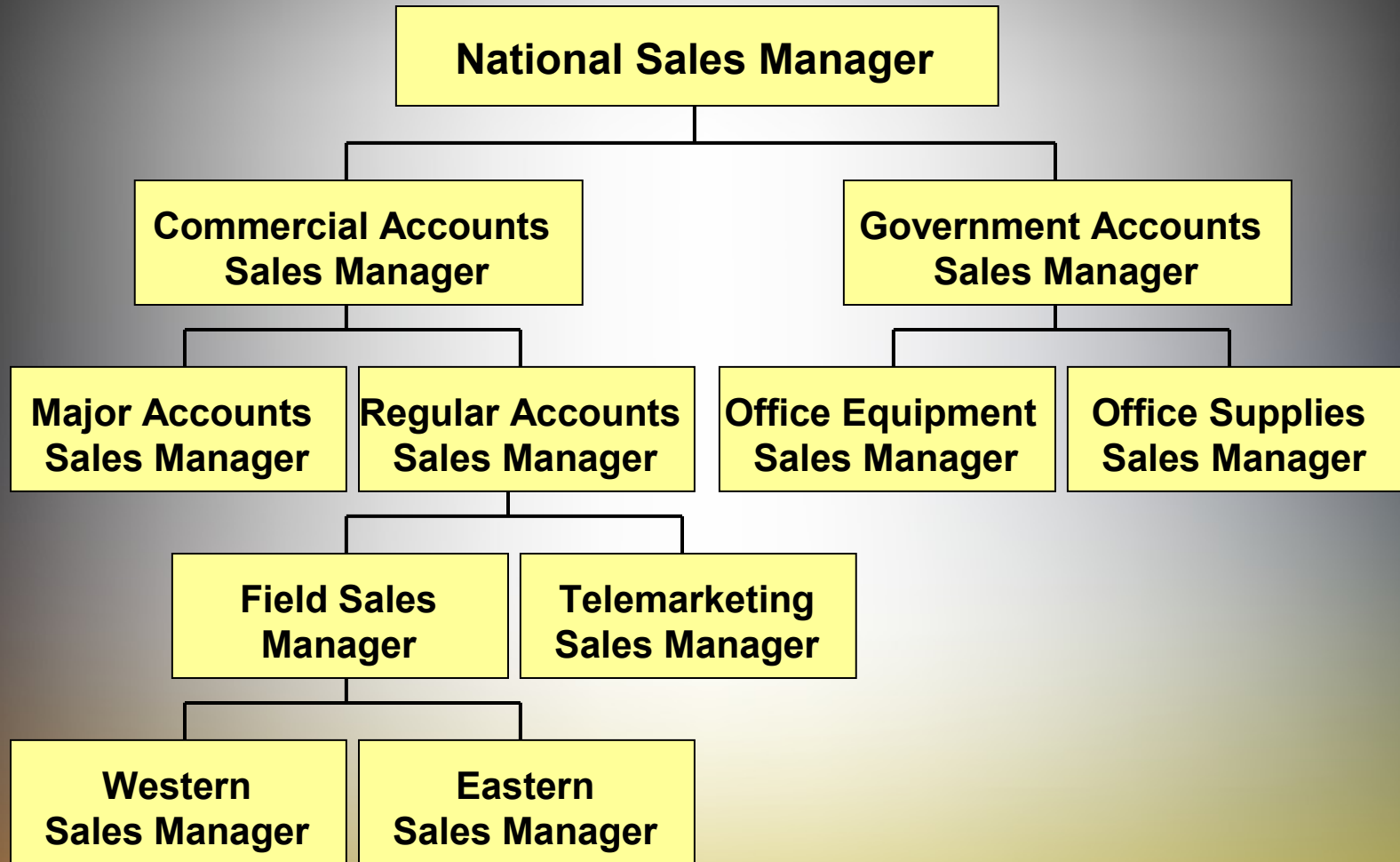
Comparison of Sales Organization Structures

Organizational Structure	Advantages	Disadvantages
Geographic	<ul style="list-style-type: none">• Low Cost• No geographic duplication• No customer duplication• Fewer management levels	<ul style="list-style-type: none">• Limited specialization• Lack of management control over product or customer emphasis
Product	<ul style="list-style-type: none">• Salespeople become experts in product attr. & applications• Management control over selling effort	<ul style="list-style-type: none">• High cost• Geographic duplication• Customer duplication

Comparison of Sales Organization Structures

Organizational Structure	Advantages	Disadvantages
Market	<ul style="list-style-type: none">• Salespeople develop better understanding of unique customer needs• Management control over selling allocated to different markets	<ul style="list-style-type: none">• High cost• Geographic duplication
Functional	<ul style="list-style-type: none">• Efficiency in performing selling activities	<ul style="list-style-type: none">• Geographic duplication• Customer duplication• Need for coordination

Hybrid Sales Organization Structure

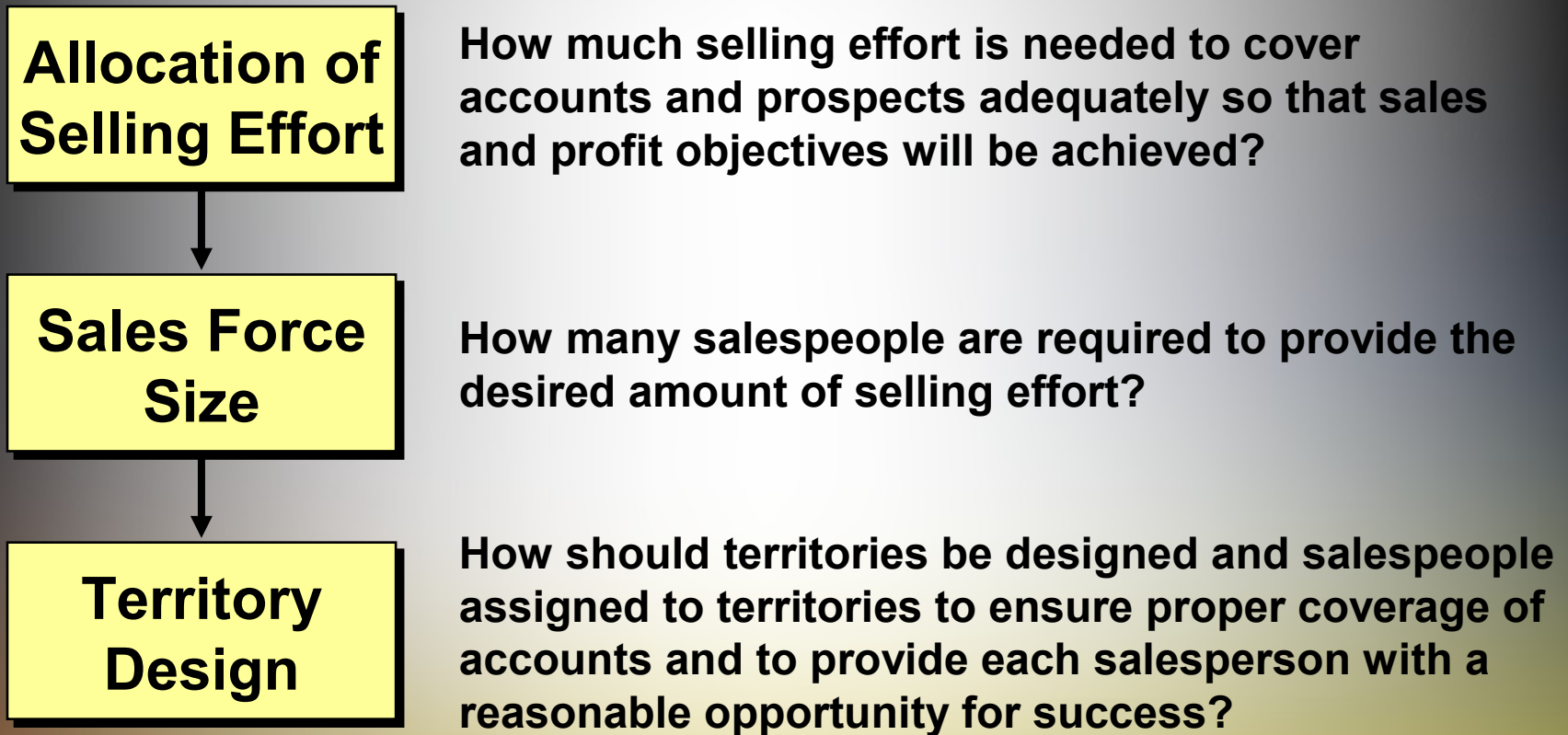


Salesforce Deployment

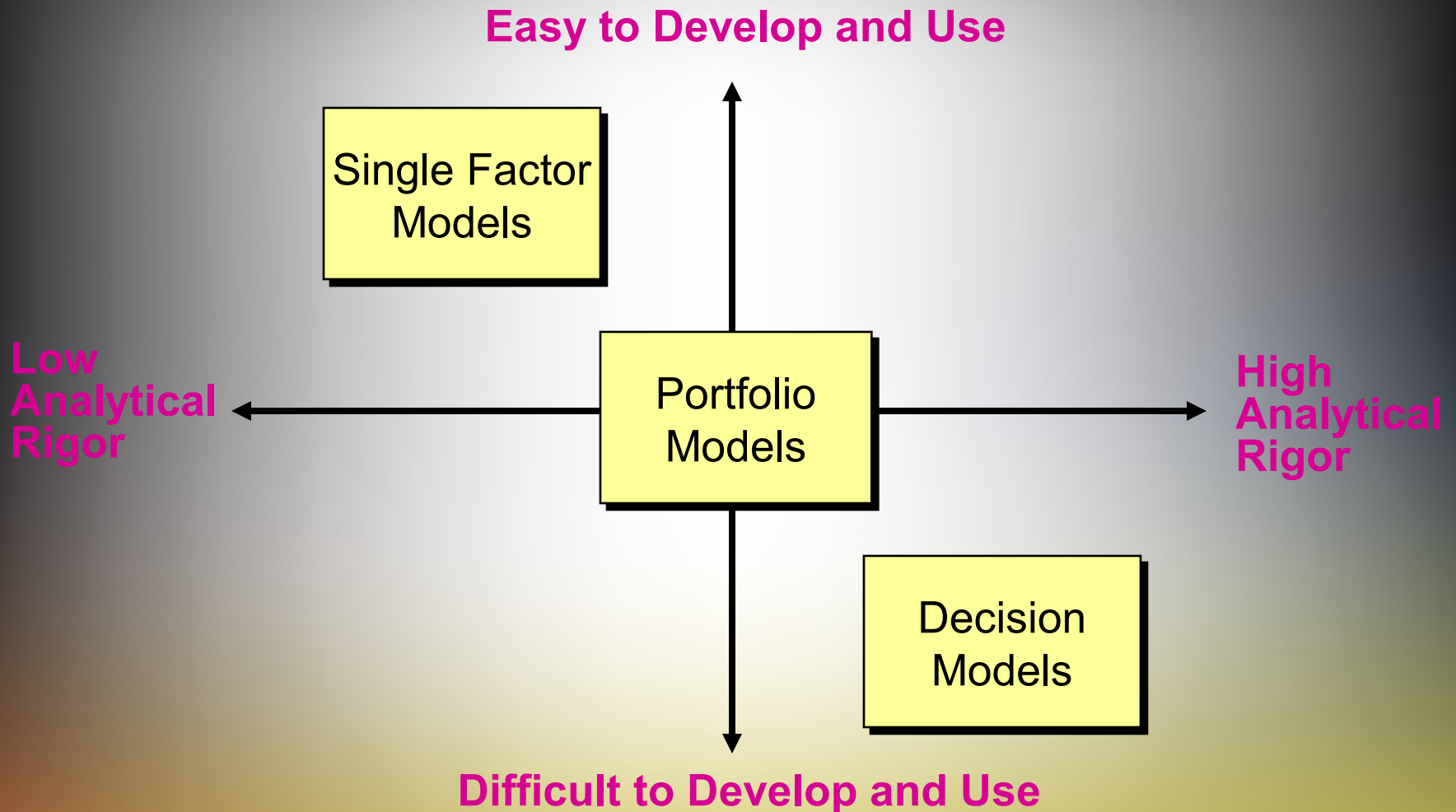
Sales Force deployment decisions can be viewed as providing answers to three interrelated questions.

- 1. How much selling effort is needed to cover accounts and prospects adequately so that sales and profit objectives will be achieved?**
- 2. How many salespeople are required to provide the desired amount of selling effort?**
- 3. How should territories be designed to ensure proper coverage of accounts and to provide each salesperson with a reasonable opportunity for success?**

Interrelatedness of Sales Force Deployment Decisions



Analytical Approaches to Allocation of Selling Effort



Single Factor Models

- **Easy to develop and use/low analytical rigor**
- **Accounts classified into categories based on one factor, such as market potential**
- **All accounts in the same category are assigned the same number of sales calls**
- **Effort allocation decisions are based on the analysis of only one factor and differences among accounts in the same category are not considered in assigning sales call coverage**

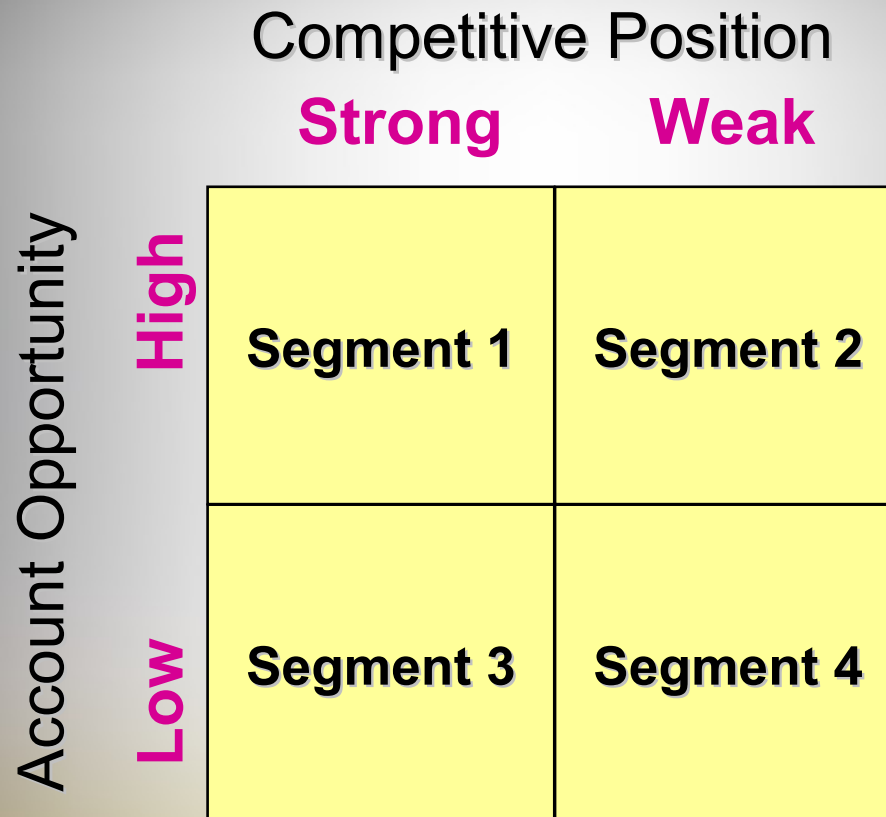
Single Factor Model Example

Market Potential Categories	Average Sales Calls to an Account Last Year	Average Sales Calls to an Account Next Year
A	25	32
B	23	24
C	20	16
D	16	8

Portfolio Models

- **Account Opportunity** - an account's need for and ability to purchase the firm's products
- **Competitive Position** - the strength of the relationship between the firm and an account

Portfolio Model Segments and Strategies



Decision Models

- **Simple Basic Concept - to allocate sales calls to accounts that promise the highest sales return from the sales calls**
- **Optimal number of calls in terms of sales or profit maximization**

Sales Force Size: Key Considerations

- ***Sales Productivity*** - the ratio of sales generated to selling effort used
 - In early stages, the addition of salespeople increases sales considerably more than the selling costs. As salespeople continue to be added, sales increases tend to decline until a point is reached when the costs to add a salesperson are more than the revenues that salesperson can generate.
- ***Salesforce Turnover***
 - Is very costly
 - Should be anticipated

Sales Force Size: Analytical Tools

The *Breakdown Approach* is used to determine the number of salespeople needed to generate a forecasted level of sales. This approach is easy to develop. However, it is weak conceptually. The concept underlying the calculations is that sales determine the number of salespeople needed—putting “the cart before the horse.”

Salesforce size = Forecasted sales / Average sales per person

Sales Force Size: Analytical Tools

The *Workload Approach* determines how much selling effort is needed to adequately cover the firm's market. Then the number of salespeople required to provide this amount of selling effort is calculated. This approach relatively simple to develop and is sound conceptually.

$$\text{Number of salespeople} = \frac{\text{Total selling effort needed}}{\text{Average selling effort per salesperson}}$$

Sales Force Size: Analytical Tools

The ***Incremental Approach*** is the most rigorous for calculating salesforce size. It compares the marginal profits and marginal costs associated with each incremental salesperson. The major advantage is that it quantifies the important relationships between salesforce size, sales, and costs. However, this method is difficult to develop, and it cannot be used for new sales forces where historical data and accurate judgments are not possible.

# of Salespeople	Marginal Contribution	Marginal Cost
100	\$85,000	\$75,000
101	\$80,000	\$75,000
102	\$75,000	\$75,000
103	\$70,000	\$75,000

Designing Territories

- **Territories consist of whatever specific accounts are assigned to a specific salesperson. The territory can be viewed as the work unit for a salesperson.**
- **Territory Considerations**
 - Trading areas
 - Present effort
 - Recommended effort

Territory Design Procedure

