

# **Lesson 11**

## **Training, Compensation & Performance Evaluation**

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- a) Training: Meaning, Methods of Sales Training
- b) Compensation: Meaning, Characteristics, Methods of Remunerating Salesmen
- c) Performance Evaluation: Meaning, Process of evaluating performance

### **Training**

- Meaning and Definition of Training
- Methods of Sales Training

### **Compensation**

- Meaning and Requirement of sound compensation
- Main features/Characteristics of compensation plan
- Methods of Remunerating Salesmen

### **Performance Evaluation**

- Meaning and Process of Evaluation

### ***TRAINING OF SALES PERSON***

Training is a systematic approach of the organization which aims at increasing the aptitude, skill and the abilities of the workers to perform specific jobs. By training, the employer will acquire new manipulative skills technical knowledge, problem solving ability and attitude etc.

### **According to Michael J. Jucious**

"The term training is used to indicate only process by which the attitudes, skills and abilities of employers to perform specific jobs are increased."

Thus sales training means to increase the knowledge of the salesman about. The firm, product, market and customer so that he may sell the firm's product in an efficient manner.

The main objectives of sales training:

1. Aware the newly appointing salesman with the principles of salesmanship and techniques of selling.
2. Making salesmen familiar with the firm's policies and practices in the field of selling and to make them familiar with the product of the company.
3. Giving information about the dealers, middlemen and the end user's of company's product.
4. Keeping the salesmen well informed about law's governing sales of firm's products.
5. Increasing efficiency of salesmen.

### **Methods of Sales Training:**

A number of methods to train salesman are in use. The choice of any of the methods depends upon several factors like cost of training, number of workers purpose of training, depth of knowledge required, and background of the trainees and so on.

The sales manager may adopt one or more of the following methods according to the needs of the organization.

- |   |                       |    |                     |
|---|-----------------------|----|---------------------|
| 1 | Lecture Method        | 6  | Group Discussion    |
| 2 | Role Playing          | 7  | Game Method         |
| 3 | Demonstration         | 8  | Personal Conference |
| 4 | Programmed learning   | 9  | On the job Training |
| 5 | Correspondence course | 10 | Visual Training     |

#### **1. Lecture Method:**

This method is very commonly used in India. In cases where depth of theoretical knowledge is required, formal lectures are arranged by the organization. The lecturers may be an employee of the organization specially appointed for the purpose or an official of the organisation such as chief sales executives or sales manager or he may be an outsider but the master of the subject.

This method is very economical as the cost of training per trainee is very low. It economizes trainer's time and trainee's time.

## **2. Group Discussion:**

Group discussion is another effective group instructional method differs from lecturing in many ways. Under this method, the group discussion leader has got only little role to play whereas the participants are more active. The discussion leaders initiate the discussion on a common problem, procedure, policy or case history and the trainees examine such problem. The members discuss and analysis the problem in depth & choose the one they consider most appropriate.

## **3. Role Playing:**

In role playing, a realistic situation is stated in advance; the trainees are assigned and play their respective roles as buyer and salesperson in the problem. Under an instructor who assigns them different roles for the play. Trainees, trainer and executives observe the role playing session and after wards they all appraise the role of others and later make suggestions now to improve their effectiveness.

Advantages

1. It adds realism and interest to the training.
2. Increase the knowledge of the trainees in reacting immediately to selling problem in face to face sales situation.

## **4. Game Method:**

This method somewhat reassembles role-playing. It user highly structured contrived situations based on reality in which players assume decision making roles through successive rounds of play. A unique feature of this technique is that trainees receive information feed back. In one game, For Example- - Trainees play the roles of decision makers in customers organisation, using data ordinarily available to make decisions on various aspects of the problem say, on the timing and size of orders, managing sales force and advertising efforts and so on. The results of these decisions then are calculated by referees and feed back for the players to use in their next round of decisions.

The technique is mainly use to prepare trainers for management position. The system has a number of advantages like (i) participants take active part in (ii) players develop skills in identifying key factors influencing decisions.

## **5. Demonstration:**

Under this method the trainer shows the trainees the working of the typical and complex product which needs conveying information to users. The method is highly appropriate when a new product or selling technique is developed. Demonstrating how a new product works and its uses can be extremely effective, much more so than presenting the same thing by way of a lecture.

## **6. Personnel Conference:**

This method more or less remained unrecognized. Under this method, the trainer (generally a sales executive or superior) and trainee jointly analyses the problems of mutual interest such as effective use of selling time, sales territory fixing, call scheduling etc. Such conferences are generally held in offices, restaurants, hotels etc. and are quite unstructured and informal. This method is not much effective as much of the time is wasted in chit-chatting.

## **7. Programmed Learning:**

Under this method a particular topic is broken down into numbered instructional units called "Frames". Each frame deals with a specific problem explaining every aspect of it. Such frames are then incorporated into a book or microfilmed for use with a teaching machine. Each frame also contains a question and answer for the trainee to test his understanding. His answer can be checked with the model answers given in another frame. If the answer is correct, the trainee is given new material or if the answer is not correct, an additional explanation is provided to make the problem quite understandable. Thus the trainee checks their own progress as they work through the materials and move through them at their own speed. Examinations are also conducted to check the knowledge of trainees.

## **8. On the Job Training:**

On the job training, as the name suggests, is imparted on the job under the same working conditions and environment and with the same materials as will be used after the completion of training. The coach, a seasoned sales person, keeps the trainee

along with himself and describes the trainee particular selling situations, explains various techniques and approaches that might be used effectively.

Accompanied by the trainee the coach makes a number of sales calls, discussing each with the trainee afterwards. Then, the trainee under the supervision of the coach makes sales calls himself and later discusses with the coach and appraises it.

Gradually, the trainee makes more and more on his own, of course according to the direction of the trainer. This method is also known as coach and pupil training method.

### **9. Correspondence Course:**

The trainees under this method are sent instructions (Study materials) in selling by correspondence, explaining the subject matter in details. Such postal coaching is carried out by some institutions meant for training salesmen.

The trainees have to send answers of the set questions given at and of each chapter of the lesson. After full session, examinations are held and those qualified are given diplomas. This type of method is useful both in initial and continuing sales training. Many of the sales organisations also use this method. For most companies where sales persons are scattered all over the country. This method is the most appropriate.

### **10. Visual Training:**

This training is given with the aid of some audiovisual devices development especially for this purpose. These aids include motion pictures, films, radio, video-tape and play back television programmes are generally prepared to demonstrate the actual steps in selling process.

Such programmes are telecast during particular hours one or twice a week or even daily. Short plays and skits and dialogues may be broadcast to make the subject matter interesting. The programme may be repeated and reviewed periodically for reinforcing the message and for rechecking by the trainees.

This method is costly and only experts in the subject can prepare them. Audio visual method can be combined with other method to increase effectiveness.

## **Compensation of sales Person**

Salesman should be suitably rewarded for their services. A Good salesman can be trained in his job only when he gets adequate returns for his services. A sound compensation plan should, therefore be revalued to suit the company's special needs and problems. Compensation is generally made in terms of money, however, it may non-monetary. But financial compensation play a very important role in motivating sales people because money has purchasing power and is also a symbol of status and an indication of equitable treatment.

Thus, the sales management should recognize that a sound compensation plan can be an important motivation and, therefore a well designed compensation plan should be drafted to fit a company's special needs and problems and from it flows attractive returns for both the company and the sales people. It keeps the morale of the sales person high.

### **Requirements of a sound compensation:**

Designing a sales compensation plan is not an easy task. There is no single compensation plan which suits all sizes and types of firms. Designing a sound plan, two considerations must be more in mind.

1. Such plan must motivate the sales people to do what the sales management wants.
2. From the sales person's point of view, the basis concern is to get a fair earning in comparison with the incomes of his peer groups of other company's employee.

He also wants a balance of security (a fixed income) and payments for extra efforts (insensitive income)

### **Main features/Characteristics of compensation plan:**

#### **1. Simplicity:**

An effective compensation plan should be as simple as possible, easily understandable and simple to operate, The sales people should be able to calculate what they are to get without any difficulty.

**2. Fairness:**

The compensation plan must ensure equity. It must be fair both to company and its sales force. The plan should not have any room for discrimination against for any individual salesman.

**3. Flexibility:**

A sound compensation plan should be flexible enough to cope with the changing condition of the company, salesman and the market.

**4. Control:**

A sound compensation plan should control and direct the sales people's activities. The salesman should be penalized if the found to achieve the sales goals.

**5. Incentives:**

A sound compensation plan should stimulate the sales people to get what the company wants from them to meet the company's goals. This must motivate the sales people to achieve higher sales profit.

**6. Guaranteed Income:**

The plan must guarantee a minimum compensation so as the sales people can maintain a minimum living standard. A person worried about money matters can not do justice in performing his job.

**Methods of Remunerating Salesmen**

Monetary compensation is the single most important factor to affect efficiency of a salesman. Efficiency at salesman has direct relation with the method of remuneration adopted by the company. There are a number of methods of rewarding salesman it can, however, be brought under the following basic type's compensation plans:

1. Straight salary method
2. Straight commission method
3. Combination of salary and other various elements

## **1. Straight Salary Method:**

This method is the simplest one. Under this method, sales people get fixed sums of money at regular intervals (Weekly, fortnightly or monthly) irrespective of the turnover he effected during the period. Regular increments are given in the salary scale. The method is suitable in the following cases:

- (i) When a salesperson's actual work function is not directly related to sales volume or to other quantitative measures of productivity.
- (ii) When the firm introduces a product or develops a new market.
- (iii) When a person is under training.
- (iv) When there are seasonal variations in sales.

### **Advantages:**

- (i) This method is simple to understand and economical to administer.
- (ii) There is more flexibility for management to switch customers and territories without much resistance from the sales persons.
- (iii) From sales people stand point, the straight salary plan ensures stability of income and makes them free from uncertainties. They are not feared of the cut in earnings even when their efficiency is temporarily impaired by injury or sickness.

### **Disadvantages:**

- (i) There is no monetary incentive to do hard work.
- (ii) The system does not distinguish between efficient and inefficient workers. All are over paid on time basis.
- (iii) From management point of view selling cost per unit vary with the variation in sales volume because salary paid to sales people is fixed expense and has no relation to sales.

## **2. Straight Commission Method:**

Straight commission method is based on the theory that individual sales personnel should be paid strictly according to productivity. Sales volume is considered to be the



best measure of productivity and therefore, sales person is remunerated on the basis of sales affected by him. He gets a fixed percentage of commission on total sales volume affected by him during a period of time.

The rate of commission may vary from company to company or product to product or according to size of orders.

**Suitability:**

- (i) Where the work assigned is of standardized nature such as collecting orders etc and the non selling duties are relatively unimportant.
- (ii) Where management is more concerned with the volume of sales.

**Advantages:**

- (i) Direct motivation is the key advantage of straight commission method. A strong incentive provided to sales people to increase sales volume i.e. productivity strong performer's are attracted and encouraged whereas marginal performers are eliminated.
- (ii) Under this system, sales expenses have direct relation with sales volume hence such expenses are variable in nature. Cost of sales, therefore, can be budgeted in advance.
- (iii) The system is flexible; the rates of commission can be revised depending upon the market conditions and the need of earning higher profits.

**Disadvantages:**

- (i) Some undeniable selling practices develop under this system. The strong incentive to sell more encourages over stocking, misrepresentation of goods, considering individual accounts their private property and other undeniable practices. Such practices lead to loss of goodwill of the firm.
- (ii) The earning of sales people, under this system is quite uncertain. They can not plan their activities. If, sales people efficiency is impaired temporarily they will lose their earnings for that period.

### **Modification of Straight Commission Plan:**

Several modification of the straight commission plan have been suggested to overcome the disadvantages. The following are the popular modified schemes:

#### **(a) Commission with Drawing Account:**

Under this system, the firm maintains sales peoples individual accounts from which money is advanced to the salespeople against future commissions and the commissions due are credited to this account periodically. The over drawn amount is adjusted in future.

#### **(b) Sliding Commission Plan:**

Under this plan, the rate of commission increases with the increase in the volume of sales. This plan may also be known as progressive commission plan. For example: a salesman may be paid 5% commission on sales up to Rs. 50,000, 6% for sales from Rs. 50,000 to Rs1,00,000 and 7 ½ % on sales above 1,00,000.

#### **(c) Regressive Commission Plan:**

This plan is just reverse of the progressive plan. The rate of commission under this plan goes down with the increase in sales and therefore earning of the sales people decreases more than proportionately. This plan gives strong financial incentive to initial sales. The plan goes against common sense but it works well in situation where the major task is to achieve the initial sales.

#### **(d) Varied Commission Plan or Differential Plans:**

Under such plans, different rates of commission are fixed for different items. Higher commission is given for selling products with high gross profitability and lower commission for products with smaller profitability.

### **3. Combination of salary and Incentive Plan:**

Both the straight salary and straight commission method have their own limitations. To overcome the weaknesses of the two systems, certain other incentive methods have been developed. Some of these are as following:

**(a) Salary Plus Commission:**

This method provide the management both control and motivation. Under this method each salesman guaranteed of a minimum salary each month. Over and above the fixed salary. It provides a security of income and also an incentive to earn more by increasing the sales volume.

This method may take any of the following two forms:

(i) Salary Plus Commission on Total Sales

(ii) Salary plus Commission over Quota sales.

(b) Bonus is different than commission. It is an incentive payment made at the discretion of the management for accomplishing a specific level of achievement. It is usually a reward for special efforts and provides direct motivation. Unlike commission, it is not directly related to sales performance. Which is base for calculating commission. Bonus is an additional incentive rather than part of the basis compensation plan. Payment of bonus is given in addition to the amount of salary and commission or salary or commission.

Bonus is generally paid as supplement to other compensations plans. It is an incentive to salespeople to get the things done what the company likes. The sales manager can control and direct the selling activities towards the organizational objectives.

In most cases, bonuses are paid in cash but in certain cases, they are paid in kinds.

## **Performance Evaluation**

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The total evaluation process can be visualized as the marketing audit which can be defined as a "systematic, critical and unbiased review and appraisal of (a) the basic objectives and policies of the marketing function and (b) the organization, method, procedures and personnel employed to implement the policies and achieve the objectives.

The most important aspect of sales audit is the managing of field sales force that includes the job of establishing and operating a systematic procedure for evaluating the efforts of the sales people.

The evaluation of sales personnel efforts is done on the basis of company's policies. The actual performance of sales force is compared with company's policies and market potentialities and only then, the company is in a position to determine the success and failure of its operation.

By evaluating the performance, management comes to know its weaknesses, which becomes an aid in future planning and decision making.

### **Process of Evaluation:**

Management of sales force is an important task of sales management and therefore their performance must be evaluated from time to time in order to determine the performance of sales management and on which the success and failure of the organization depends. In evaluating performance four major steps are necessary:

- (i) Establishing performance standards
- (ii) Recording actual performance
- (iii) Evaluating actual performance against standards and
- (iv) Taking appropriate action

#### **(1) Establishing Performance standard:**

This is the first step in the valuation process. Setting standard is necessary for evaluating the actual performance but depends upon the nature of selling job. In other words sales Job analysis is necessary in order to determine job objectives, duties and responsibilities etc.

The other important consideration in selling performance standards is the recognition of true nature of selling job.

A considerable market knowledge is also required for selling performance standards. The sales management before setting of standard must be fully aware of the total sales potential and the share of each territory capable of producing, evaluation of customers and prospects in terms of potential profitability for each class and size of account, competitive strengths and weakness, practice and policies and selling expenses in different territories.

Performance standards can be set either in quantitative terms or in qualitative terms against which actual performance of individual sales persons can be measured.

**Quantitative analysis may include:**

1. Sales Volume
2. Number of order secured
3. Number of sales calls made
4. Number of new account opened
5. Expenses incurred
6. Territory contribution to profit etc.

**Qualitative consideration may include:**

1. Degree of product knowledge
2. Quality of sales presentation
3. Personality traits rating such as initiative judgment
4. Self organization is managing time, handling of correspondence, reports etc.
5. Customer relationship
6. Knowledge and education sales person
7. Nature, behavior, manners and neatness etc.

Quantitative factors are more specific and objectives, whereas qualitative factors are subjective.

**(2) Recording Actual Performance:**

Having set the performance standards, the next task before the management is to record the actual, performance of the sales force. In other word's, it is gathering of information or performance.

The management must define the necessity of information, determine the sources to obtain it and set methods in operation to collect it.

There are two basic sources of obtaining performance information:

1. Sales and expenses records maintained mainly for accounting purposes and
2. Reports on various aspects

Every company has a wealth of data in the internal sales and expenses records but such information cannot be used in its raw forms. It requires reworking or reprocessing before making its use for sales control purpose.

**(3) Evaluating Actual Performance against standards:**

The most difficult step in evaluation process is to compare actual sales performance of sales force with the set standards. The task is difficult because it requires a decision on the basis of records gathered on the actual performance. In case the actual

performance is equal to standard the evaluation shall be equal to unity, if performance is less than standard, it is less than unity and in case the performance is above standard, it is more than unity in cases, where evaluation is greater than unity or less than unity, the standard should be reassessed and confirmed that they are realistic. If they are realistic, the performance greater than unity and equal to unity should be rewarded an performance below unity should be set right taking remedial measures.

**(4) Taking appropriate Action:**

The actual performance of sales force hardly tallies exactly with set standards. But if performances of most of the sales personnel continuously or more often are below or above standard, it needs some action. There are three alternatives –

1. Adjust the performance to standards by increasing the degree of attainment of objectives through motivation.
2. Revise the policy/or plan or the strategies used far their implementation, to fit better the achievement of objectives or
3. Lower or raise the objectives or standards and/or criteria used in measuring their degree of attainment to make them more realistic.

The nature and effectiveness of the actions resulting from these decisions in turn are conditioned by the executive's judgment, his background and experience knowledge of the situation and skill as an administrators

## **SELF CHECK QUESTIONS**

1. "Born salespersons are good but trained salespersons are better" Discuss this statement
2. Explain the different methods of training a sales person.
3. Discuss different methods of remunerating a salesperson.
4. How will you measure the performance of a salesperson?
5. Explain the requirement of sound compensation and characteristics of compensation plan
6. Discuss the process of performance evaluation