Evaluating and Controlling the performance of sales peoples

Meaning of Evaluation

- An evaluation system is an organized and periodic assessment of an employee's performance on his present job and his potential for future jobs

- Also referred to as performance evaluation or appraisal

- The aim of any performance evaluation system is to assess the effectiveness and efficiency of employees, and prepare them for future

- Performance evaluation is an effective means for controlling the performance of sales personnel

- It involves comparing the actual sales performance of employees with the desired performance of sales personnel and taking corrective actions for improving their performance

Purpose of Evaluation

- The purpose of evaluation systems is to assess as to how well the salespersons have performed. This helps decide on matters like:
    - •Feedback to employees
    - •Rewards: for sales personnel who have met the desired performance levels; the rewards could be monetary and non-monetary; Higher commissions, incentives, bonuses, and recognition act as motivators
    - •Training needs and design of training programs: for both under-performers and good performers; for the former to help improve their performance, and for the latter to enhance their KSA's even further
    - •Career development: Promotions, transfers, training
    - •Job design and goal setting: Redefining jobs to make them more interesting, and revising objectives in case of unrealistic targets

Methods for Evaluation

- Objective Measures: these measure employee performance in terms of units that can be seen and quantified; quantitative measures

- Subjective measures: these measure employee performance based on human judgment, like ranking, rating, paired-comparisons, forced distributions etc.; majorly, qualitative but also quantitative (in case of ratings)

Process of Evaluation

- An evaluation system comprises the following stages:

1. Establishing performance standards for sales personnel
2. Measuring actual sales performance of the sales personnel
3. Comparing actual performance against standards
4. Identifying deviations and taking corrective action

1. Establishing Performance Standards for Sales Personnel

- Performance standards are also termed as sales objectives or targets or sales quotas
- Establishing performance standards requires understanding the nature of jobs;
    - Eg. the performance standards service and developmental selling would vary
- There must be a coherence between the sales performance standards, and what is critical for performing a job so that results can be achieved; hence a sales job analysis is necessary
- Establishing performance standards requires setting up of a policy framework for performance evaluation of salespersons. Issues to be decided upon:
    - who shall evaluate;
    - what are the measures that shall be used: objective, subjective or both;
    - when will the evaluation take place and what shall be the frequency of evaluation;
    - what will be the source of information (eg. various reports: sales, customers lost, new accounts; etc.)

- To formulate realistic performance standards, companies must possess knowledge of:
  - Total sales potential of the company as well as their territorial distribution
  - Potential profitability of the company as regards various product classes, and classes of customers
  - Selling expenses of the company in different territories. This information helps the company in setting required volume of sales required for the company for reaching the break-even point and desired profitability
  - Strengths, weaknesses, practices, and policies of its competitors

- Performance standards may be:
  - Objective (quantitative): sales volume and profit earned, average sales calls per day, selling expense ratio etc.
  - subjective (qualitative): pertaining to human behavior, eg. interpersonal skills, punctuality, sincerity, attitude, motivation, customer service
- The performance standards would vary across sales jobs and sales positions based on the nature of the job, selling strategies and methods involved, conditions prevailing in the industry etc.

- **Quantitative Performance Standards:**
  - Such standards define the nature and desired level of performance
  - These have for long years, served as an effective means for the companies stimulating performance of employees
  - Different kinds of Quantitative Performance Standards
    - Quotas
    - Selling expense ratio
    - Territorial net profit or gross margin ratio
    - Territorial market share
    - Sales coverage effectiveness index
    - Call-frequency ratio
    - Calls per day
    - Order call ratio
    - Average cost per call
    - Average order size
    - Non-selling activities

•A combination of standards are used by the companies as instruments of control and to keep the sales force motivated towards desired levels of performance

- **Qualitative performance standards:**
  - Used for such aspects which cannot be measured, and are mainly utilized for appraising performance characteristics that affect sales results in the long term
  - Executive judgment plays a critical role in measuring qualitative performance

Performance Standards

Performance Standards	Description
Quotas	These standards are expressed in absolute terms (in rupees, number of units, or points) and apportioned to a specific marketing unit; these are specific desired levels of sales volume, gross or net profit, selling expenses or a combination; the marketing unit may be a salesperson, dealer, territory etc.; most popularly used standard
Selling Expense Ratios	The standard is meant to exert control over selling expenses, as selling expenses, if high, can dilute the net profits of a company; what is assessed is selling expenses in relation to sales; the ratio is determined on the basis of estimates regarding both the sales volume potential and the selling expenses in a territory, and hence these may vary across territories, and across salespersons serving across territories

Performance Standards	Description
Sales Coverage Effectiveness Index	This index is calculated as a ratio of the number of customers to the total prospects in a particular sales territory; individual standards for sales coverage are specified for customers, across segment(s), be it class or size
Call Frequency Ratio	This is calculated by dividing the number of sales call made to a particular class of customers by the total number of customers in that class; the method ensures that sales effort are made towards such customers who are the most profitable ones, and would give huge orders
Calls Per Day	These are standards with respect to a certain number of calls which the sales personnel are required to make per day; this assures generation of leads, which would help sales personnel plan their activities in the coming days and weeks; the standard is determined based on customer density and spread, road and traffic conditions etc. and varies across territories
Order Call Ratio	This is calculated by dividing the orders materialized with the number of calls made; it is used as a measure for judging the effectiveness of sales personnel as regards obtaining final orders; the order call ratio is set for different classes of customers; also called the batting average ratio

Performance Standards	Description
Average Cost Per Call	This standard highlights the relevance of profitable calls; mainly used as a means for reducing calls frequency on orders that require more calls but are less profitable; the objective is to set standards for each category of customers
Average Order Size	The average order size controls the frequency of calls that are made on different accounts; different targets are set for different kinds of customers, be it size or classes of customers; by determining the average order size, sales personnel are encouraged to put more efforts towards selling to accounts from where large orders can be obtained
Non-selling Activities	These include collection of payments from dealers and distributors, securing display of products at various locations, local advertising arrangements with dealers, etc.

Types of Field Sales Reports

Types of Field Sales Report	Description
Progress or call reports	A progress or call report is a record of calls made daily or weekly by sales personnel to existing or prospective customers; it also reports on classes of customers handled, and products sold; the report is prepared individually
Expense reports	Sales personnel are reimbursed for their travelling, boarding and lodging expenses, and the expense report elaborates on the daily or weekly expenses incurred by the sales personnel
Sales work plans	A sales work plan is a statement of customers that a sales person plans to visit in the upcoming week or the month

Types of Field Sales Reports

Types of Field Sales Report	Description
Potential new business reports	A potential new business plan is a record of those customers who could be potential buyers of the company; indicative of lead generation and prospecting by sales personnel
Lost sales reports	A lost sales report is a record of those who did not repurchase at all or who did not repurchase the company's products, or were captured by competitors; indicative of a salesperson's skill and ability to retain customers and to prevent them from defecting to competitors
Report of complaints and/or adjustments	The report of complaints and/or adjustments provides information regarding customers complaints with the salespersons, or complaints pertaining to products and how these were tackled by the sales persons; the report helps companies identify areas for improvement

THANKS