



Great Place. Great Choice for Lifelong Learning.

SALES MANAGEMENT N6

LECTURER: TF MOLIFE

INTENSIFYING LEARNING DURING LOCKDOWN!!!!

EVALUATING SALES PERFORMANCE

MODULE 5

LEARNING OUTCOMES

At the end of this module you should know the following:

- Comprehend and apply the analysis of sales volume.
- Understand and apply the analysis of marketing costs.
- Understand and apply the analysis of individual sales performance.
- Understand the sales budget.

INTRODUCTION

Evaluation: Refers to the process whereby planned sales results and actual sales results are compared, Where there is any variation, corrective measures are taken.

The evaluation of sales performance is conducted by mainly analysing:

- Company sales volume ,
- Marketing costs and
- Performance of individual salesperson.

ANALYSIS OF SALES VOLUME

Sales volume: Refers to the combined sales of all products and sales territories for all clients of a company.

1. **Total sales figures:** in order to analyze a firm's sales performance we will evaluate **two** important trends or occurrences.
 - The trend in the Annual sales figures.
 - The trend in the company's market share.

FACTORS INFLUENCING ANALYSIS OF SALES TRENDS

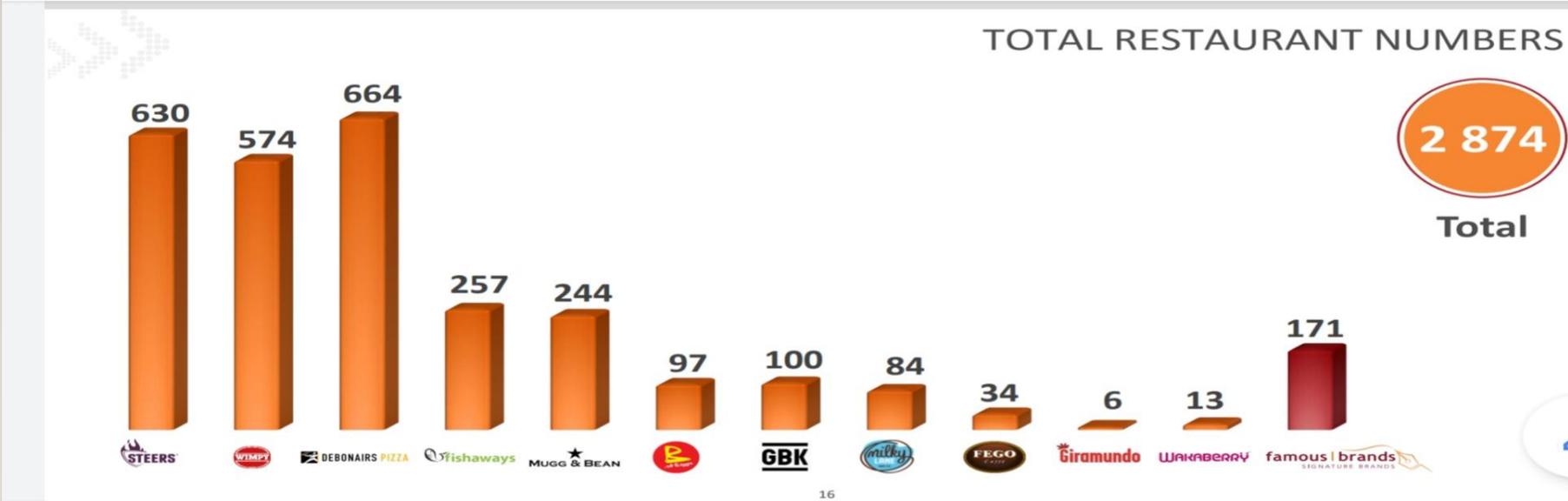
Inadequate sales information: Insufficient information occur where sales department largely on accounting department for sales information.

Misleading information: that includes negligence on the cost of sales.

Inflation: refers to consistence increase in the general price level. Inflation leads to distortion of information in relation to sales figures and its analysis thereof over a period of time.

ANALYSIS OF SALES VOLUME

2. Market share: The company's total market share is total sales expressed in percentages of total sales for the entire industry. **Figure 1**



(<https://www.southafricanmi.com>): Famous Brands analysis 2019

ANALYSIS OF SALES VOLUME

2. Market share: in reference of the above graph

- Debonairs Pizza has the highest bar and it implies that it has contributed higher sales volume to the aggregate sales for the industry.
- This also implies they have larger market share as compared to the rivals.
- Debonaires owns 664 nation-wide and market share= $664/2874 \times 100/1$
 $= \underline{23\%}$

ANALYSIS OF SALES VOLUME

3. Sales according to territory: It is imperative for sales manager to constantly determine an individual salesperson's performance within a given specific territory.

To execute this analysis the sales manager need to follow this criterion:

- Determine the sales objectives (whether expressed in currency or units)
- Determine the actual sales achieved by the salesperson within allocated territory.
- Determine the sales performance by an individual salesperson within a specific territory.
- **NB: check Table 5.2 (page 80-textbook)**
- Take note that the sales objectives differ for each territory (**A,B,C&D**) because are based on potential achievement of each in consideration of preceding year.

ANALYSIS OF SALES VOLUME

4. Sales according to product

Quite often few products contribute to the total sales of the company. This is often refers to **80/20 principle**. This implies that the company achieve lucrative profits on reliance upon these few products.

This normally occurs when a company is selling **wide range of products**.

The following factors should be considered:

- Achieved sales targets
- Price of the product and
- Sales volume expressed in currency

NB: Check Table 5.4 & 5.5 (page 81-textbook)

ANALYSIS OF SALES VOLUME

5. Sales according to type of client

- Different type customers have various behavioural patterns when purchasing various products in the market. This implies that their buying motives varies.
- In analysing **clients** the following **classification** has to be measured:

A-customers with large accounts : may amount 15% of total customers but contribute **65% of company's total sales volumes**

B-customers with medium accounts : may amount 20% of total customers but contribute **20% of company's total sales volumes**

C-customer with small accounts : may amount 65% of total customers but contribute **15% of company's total sales volumes.**

2. ANALYSIS OF MARKETING COSTS

Definition: Comprises of collection of marketing costs items in meaningful costs categories.

- Personal selling expenses (Compensation)
- Sales administration
- Advertising
- Sales promotion
- Public relations
- Order processing
- logistics
- General expenses

ANALYSIS OF MARKETING COSTS

2.1 Analysis according to ledger

- Marketing costs may be analyzed through trends and through budget expenses and actual expenses comparison.
- These includes **salaries & commission, sales force travelling expenses, sales calls, office supplies.**

According to activity classification

- These total expenses related to a specific activity
- this includes advertising, promotional, telephone, logistics, travelling costs in relation to the actual sales volumes achieved by the company.

ANALYSIS OF MARKETING COSTS

According to territory

- Once the total cost has been established, cost analysis per territory will be evaluated and this is called full cost approach.
- The analysis constitutes direct (commission) and indirect costs (distribution).

Analysis according to products

- In order to determine the profitability of individual product, costs incurred need to be considered.

ANALYSIS OF SALES PERFORMANCE

The evaluation of individual sales performance is critical and particularly important to the following reasons.

- determination of whether targets have been met and if they are below the target, discover **why?** so that **corrective measures** may be put in place.
- To determine the salesperson's inherent strengths and weakness so that personal development plans may undergone.
- To identify effective selling activities considerably to minimise costs.
- To identify effective selling techniques for individual salesperson.
- To evaluate the salesperson's performance which will inform training programmes to improve morale.
- To determine salary/ commission increase, promotional opportunities and improved compensation plan.

TYPES PERFORMANCE EVALUATION

Types of evaluation performance

- Continuous sales performance evaluation.
- Routine sales performance evaluation.
- Formal sales performance evaluation.

Evaluation should be:

- based on **actual** performance
- conducted by salesperson's immediate supervisor
- recorded on standard performance evaluation document.
- kept strictly private and confidential

STEPS IN SALES PERFORMANCE EVALUATION

STEP 1: ESTABLISH BASIC EVALUATION POLICIES

When evaluating the salespersons the following should be considered.

- Who is responsible for evaluation process.
- How frequently evaluation would takes place.
- Which evaluation methods would be utilized.
- what evaluation data will be given to the salesperson.
- If any appeal mechanisms would be used.

STEPS 2: DETERMINE PERFORMANCE STANDARDS

Both management and the salesperson should perceive determined performance standards to be fair, transparent and realistic. In order to realise this, we will use **quantitative and qualitative performance standards**.

2.1 Quantitative standards

A. input effort (*check page 86*)

- Time it takes to cover each sales territory
- Number of kilometres to travel
- Number of working days
- Number of days allocated for training programme.

STEPS 2: DETERMINE PERFORMANCE STANDARDS

2.1 Quantitative standards

B. Output results

- sales volumes achieved.
- total sales per territory.
- Sales quotas achieved in relation to sales targets.
- Gross profits margins.
- Number of sales orders.
- Number of new accounts obtained.
- Control expenses.

STEPS 2: DETERMINE PERFORMANCE STANDARDS

2.2 Qualitative standards: determine the following:

- Personal time management
- Ability to handle objections
- Selling skills
- Knowledge
- Clients relations
- Personal appearance
- Personality and attitude

STEP 3: DETERMINE SALES PERFORMANCE STANDARDS FOR INDIVIDUAL SALESPERSON

To determine salesperson's performance the following should be considered:

- Sales territories
- Market segment profile
- Client types
- Competition
- Product type

STEP 4: COMPARE ACTUAL PERFORMANCE WITH PRE-DETERMINED TARGETS

Once performance standards have been set, the actual performance of individuals for specific period should be compare respectively, (Weekly/ Monthly/ Quarterly). **Figure 2**

salesperson	No of sales calla	Time per call	Sales targets	Actual sales	Sales targets (Rands)	Actual Sales (Rands)
Mpho	90	30	80	65	16 000	12 950
Karabo	145	40	100	105	20 000	21 000
Brian	90	45	60	60	12 000	12 000
Ruben	99	25	90	75	15 000	15 000

STEP 6: TAKE NECESSARY CORRECTIVE MEASURES

Where negative variations have been established, corrective measures have to be employed. The following approach will be necessary:

- Corrective measures should precisely be intended to improve sales.
- The sales manager should be evaluated if they have over estimated the market potential and if that is realistic, Quotas should be lowered.
- If the sales manager discovers that a certain product is selling in larger scales due to intense competition. It will be advisable to lower the sales target.

STEP 7: RE-EVALUATE SALES PERFORMANCE

- When corrective measures have been carried out and implemented, sales evaluation process will be conducted.
- Evaluation process is an ongoing process and should constantly take place for as long as the selling process exists.

4. SALES BUDGET

Sales budget : refers to a detailed plan of estimated sales volumes that the company anticipate to sell in future. The sales budget is basically derived from sales forecasting.

- The following **cost-categories** are necessary for sales budget.
 - Administrative costs
 - Commission
 - Promotional costs
 - Sales training costs
 - Telephone
 - delivery costs

Thank you!!!

NB: ANOUNCEMENT

Kindly complete **Module Review questions** (page 92) on your own.

Remember: Take courage, everything is working out for your own good!