



Advertising and Sales Management

BBA 3rd year

UNIT NO.	TOPICS
UNIT - 1	Advertising- Introduction, Concept, Scope, objectives and functions of advertising. Role of advertising in marketing mix and the advertising process legal, ethical and social aspect of advertising
UNIT - 2	Pre-launch Advertising Decision- Determination of target audience, Advertising media and their choice. Advertising Measures, layout of advertising and advertising appeal
UNIT - 3	Message Design and Development- Advertising copy development, types of appeal, Advertising copy testing. Measuring Advertising Effectiveness- Managing advertising agency client relationship, promotional scene in India. Techniques for testing advertising Effectiveness
UNIT-4	Personal Selling- Meaning and importance of personal selling Advertising and sales promotion. Methods and procedure of personal selling. Control process- Analysis of sales volume, Costs and profitability managing expenses of sales personnel evaluating sales force performance.
UNIT-5	Sales Organization Setting up a sales organization, planning process, principles of determining sales organization. Sales Planning- Importance and types of sales planning, sales planning process, sales forecasting, determining sales territories, sales quota and sales budget



UNIT-I

ADVERTISING-

Advertising is any paid form of communication from an identified sponsor or source that draws attention to ideas, goods, services or the sponsor itself. Most advertising is directed toward groups rather than individuals, and advertising is usually delivered through media such as television, radio, newspapers and, increasingly, the Internet. Ads are often measured in **impressions** (the number of times a consumer is exposed to an advertisement).

According to **William J. Stanton**, "Advertising consists of all the activities involved in presenting to an audience a non-personal, sponsor-identified, paid-for message about a product or organization."

Advertising is any paid form of non-personal: presentation and promotion of ideas, goods or services of an identified sponsor. The message which is presented or disseminated is known as 'advertisement'.

According to Kotler and Armstrong – "Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor".

Scope of Advertising-

Advertising is often regarded as the most important means of marketing a company's services and tools. The scope of advertising is to communicate a message to current customers or potentially target new customers. It helps a company get a message or a piece of information across to their customer base regarding a new product or special deal.

1. Scope of advertising by budget-

There is always a budget allocated for advertising and promotion within the marketing budget. The budget allocated should be in coordination with the type of advertisement the organization wants. The resources and other requirements are to be kept in mind for the budget allocation.

2. Scope of advertising by deliverables-

Once the budget is decided, the marketing plan can be projected further. A detailed scope of work that deliverables require can be outlined. Agencies can now develop a proposed resource plan.

3. Scope of advertising by allocating deliverables-



For creative work, allocating the type of deliverables (TV, online, mobile, press, magazine, etc.) based on the previous campaign requirements can be more insightful after the previous plan.

4. Scope of advertising by strategy-

Once the deliverables are allocated, advertising agencies can define the strategic requirements by the brand or category and develop a scope of work based on past requirements and remuneration for similar strategic deliverables.

Type	Scope
Institutional	Promotes organization's image, ideas, and political views
Advocacy	Promotes a company's position on a public issue
Product	Promotes product's uses, features, and benefits
Pioneer	Tries to encourage demand for a product category by informing potential buyers about the product. Product classification helps a business design and execute an effective marketing plan.
Competitive	Points out a brand's special features, uses, and advantages relative to competing brands
Comparative	Compares two or more brands on the basis of one or more product characteristics
Reminder	Reminds consumers about an established brand's uses, characteristics, and benefits
Reinforcement	Assures users they have chosen the right brand and tells them how to get the most satisfaction from it

Objectives of Advertising

The fundamental purpose of advertising is to sell something – a product, a service or an idea. In addition to this general objective, advertising is also used by the modern business enterprises for certain specific objectives which are listed below:



OBJECTIVES OF ADVERTISING	
1 Introduce a Product	7 Positioning
2 Introduce a Brand	8 Increase Sales
3 Awareness Creation	9 Increase Profits
4 Acquire Customers	10 Create Desire
5 Differentiation	11 Call to Action
6 Brand Building	

1) Introduce a product

The most common reason Advertising is used is to introduce a new product in the market. This can be done by existing brands as well as new brands. Have a look at the latest iPhone in the market or a Samsung smartphone and you will find a lot of advertisement for these new products. The objective of advertising here is to tell customers – “Here is the new product we have launched”

2) Introduce a brand

There are many startups in the market today and many of them are services. Services are generally marketed as a brand rather than marketing their individual service product. Thus, Uber will market its own brand and introduce that Uber has started servicing customers in a new market. Same goes for Oracle or Accenture – Companies which market their brand and their presence in the market rather than marketing an individual product.

3) Awareness creation

According to the AIDA model, the most important job of advertising is to get attention which is nothing but Awareness creation. Advertising needs to capture the attention of people and make them aware of the products or their features in the market.

Example – Most of the Bank ads that you see are awareness campaigns. The ads that advertise the benefits of savings / mutual funds or benefits on credit and debit cards are all awareness creation ads.

4) Acquiring customers or Brand switching

One of the major objectives of advertising and the first objective of many advertising campaigns is to acquire more customers. This is also known as making the customers switch brands. This can happen by passing on a strong message so that the potential customer leaves the brand which he is tied up with and comes to your brand.

Example – Most telecom companies launch plans and strategies just to acquire customers and then advertise these strategies in the market so that the customer switches brands. There is



hardly any differentiation in the telecom market – thus advertising is a major way to acquire customers. The Vodafone Zoozoo campaign was just that – Influence the customers and create passion in such a way that they do brand switching,

5) Differentiation and value creation

A most important aspect of Advertising is to differentiate the product or the service from those of the competitor. A customer can only differentiate between services based on the value the firms provides over that of competitors.

If a competitor is just advertising the features, whereas your firm advertises the promises and commitments that it will keep, naturally more customers will “trust” your brand over others. This is the reason that advertising is used commonly to create value and to differentiate one brand from another.

Coca cola, Toyota, Amazon are some of the most trusted brands in the market. It is no doubt that these brands are also amongst the top advertisers in their respective segments. These brands target value creation as well as differentiation via their advertising campaigns.

6) Brand building

When a brand regularly advertises and delivers quality products and fulfills the promises it makes, automatically the value of the brand is built. However, there are many other aspects of brand building. One of the first ones is to advertise via ATL and BTL campaigns etc.

Functions of Advertising

Advertising has become an essential marketing activity in the modern era of large-scale production and serve competition in the market. It performs the following functions:

- **Promotion of Sales.** It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as well as in the international markets.
- **Introduction of New Product.** It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.
- **Creation of Good Public Image.** It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.
- **Mass Production.** Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.
- **Research.** Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product



from the substitutes available in the market through advertising. This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

- **Education of People.** Advertising educates the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.
- **Support to Press.** Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network.

Role of Advertising in Marketing Mix

Marketing mix consist of four important variables of marketing, i.e.

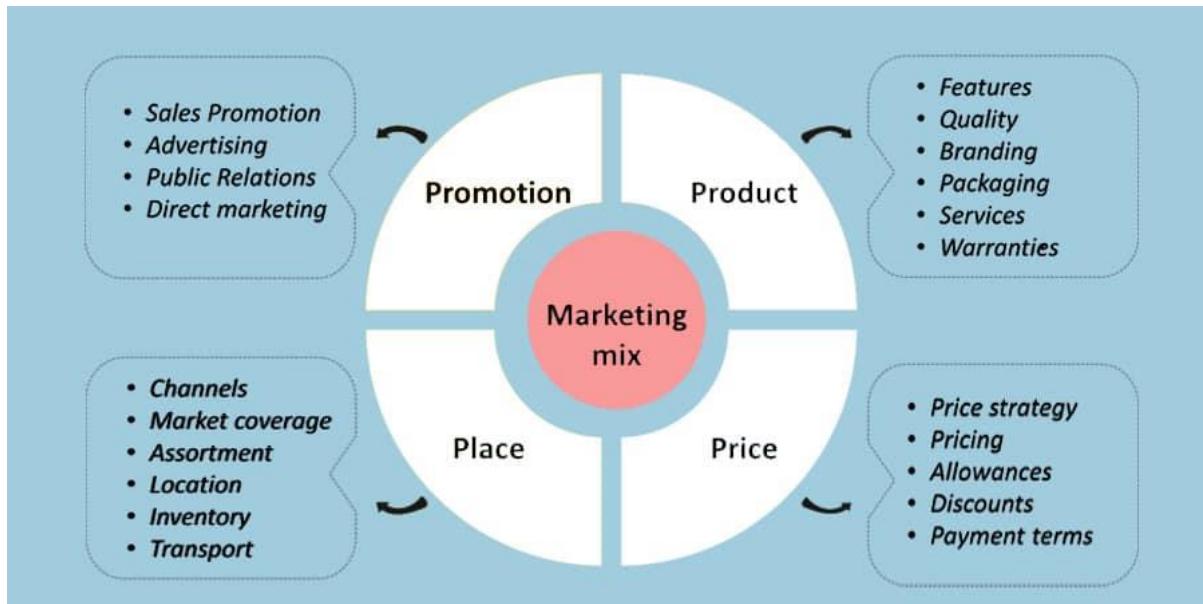
4Ps-**Product, Price, Promotion and Place.**

Apart from the traditional 4 Ps, there are also other variables, i.e.

Packaging, Positioning, and Pace.

Advertising is an element of promotion.

1. **Advertising and Product:** A product is normally a set of physical elements, such as quality, shape, size, colour and other features. The product may be of very high quality .At times, the product is so designed that it requires careful handling and operations. Buyers must be informed and educated on the various aspects of the product. This can be effectively done through advertising. Thus, advertising plays the role of information and education.
2. **Advertising and Price:** The price is the exchange value of the product. A marketer may bring out a very high-quality product with additional features as compared to competitors. Advertising can convince buyers regarding the superiority of the brand and thus its value for money
3. **Advertising and Place:** Place refers to physical distribution and the stores where the goods are available. To facilitate effective distribution and expansion of market, advertising is of great significance. Thus, advertising do help in effective distribution and market expansion.
4. **Advertising and Promotion:** Promotion consists of advertising, publicity, personal selling and sales promotion technique. Advertising can play a significant role to put forward the claim of seller, and to counter the claims of competitor also help to develop brand image and brand loyalty.



5. **Advertising and Pace:** Pace refers to the speed in marketing decisions and actions. It involves among other things the launch of new products or brand variations at greater speed than before. As and when new brands are launched, advertising plays an important role of informing, educating and persuading the customers to buy the product.

6. **Advertising and Packaging:** The main purpose of packaging is protection of the product during transit, and preservation of quality and quantity. Nowadays, marketers take lot of efforts to develop and design attractive packages as they carry advertising value. It also carries an assurance of quality and creates confidence in the minds of customers to buy the product.

7. **Advertising and Positioning:** Product positioning aims at creating and maintaining a distinct image of the brands in the minds of the customers. Through advertising the marketer can convey the positioning of the brand and accordingly can influence the buying decision of the target audience.

Process of Advertising

Following are the steps that are required to be followed for development and execution of advertising: -

1. **Briefing** - Advertising process starts with briefing - a document confirming understanding between client and advertising agency on - what product to advertise, objective of advertising, time-frame of ad campaign, strategies to reach the audience, and total estimated cost.
2. **Market Research** - After briefing market research will be done. Research includes - comparison of advertiser's product or service with competitor's product or service,



consumers' perception of their brand in comparison to their competitors, study of competitors' advertising, and response of consumers to competitors' advertising.

3. **Identify Target Audience** - Next step is to identify target audience. Using the market research, the advertising agency will identify the target audience.
4. **Media Selection** - Using the research, the advertising agency or the media agency will select the media that should be used to reach the target audience in the most cost-effective way.
5. **Ad Designing & Ad Creation** - At this step the creative people of advertising agency will convert the advertising communication into words and pictures. The copywriter will write the copy of advertising and the art director will visually implement the copywriter's message. The advertising agency may get the filming or taping done by outside production companies.
6. **Decide Place & Time** - This step is to decide where and when the advertisement will be shown. Traffic department within the advertising agency will ensure that the commercials are ready on time and all required legal approvals have been granted.
7. **Execution** - Finally the advertisement will be executed.
8. **Performance Check** - Once the advertisement is executed, the media agency will check its performance.

Legal, Ethical and Social aspect of Advertising-

Advertising has economic, social, legal, and ethical aspects that businesses need to consider when creating and delivering advertising messages. Here's a detailed explanation of each aspect:

Economic aspect:

Advertising plays a critical role in the economy by stimulating demand for goods and services, which in turn drives business growth and job creation. Advertising helps businesses compete in the marketplace by differentiating their products and services from those of their competitors. However, advertising can be costly, and businesses need to carefully evaluate the return on investment for their advertising dollars.

A business might create an advertising campaign to promote a new product or service, with the aim of increasing sales and revenue. For example, a retail store might use advertising to promote a sale or discount, with the hope of attracting more customers and generating more revenue.

Social aspect:

Advertising can have a significant impact on society by shaping people's perceptions and attitudes toward products and brands. Advertising can reinforce social norms and values, but it can also perpetuate stereotypes or promote unhealthy behaviors. Businesses have a



responsibility to ensure that their advertising messages are socially responsible and do not harm individuals or communities.

An advertisement might perpetuate a harmful stereotype, such as one that reinforces gender roles or promotes unhealthy body image. For example, an advertisement for a weight loss product that features an overly thin model might contribute to the societal pressure to conform to unrealistic beauty standards.

Legal aspect:

Advertising is subject to a range of laws and regulations, including those related to false or misleading claims, privacy, and intellectual property. Businesses need to ensure that their advertising messages comply with these laws and regulations, or risk facing legal consequences.

A business might face legal consequences if their advertising messages are found to be false or misleading. For example, a dietary supplement company that makes unsubstantiated claims about the health benefits of their product might be subject to legal action from consumers or regulatory bodies.

Ethical aspect:

Advertising can raise ethical concerns, such as promoting products that are harmful or targeting vulnerable groups. Businesses need to ensure that their advertising messages are ethical and do not violate consumers' rights or exploit their vulnerabilities. This includes being transparent about product claims, respecting consumers' privacy, and avoiding stereotypes or offensive content.

An advertisement might exploit a vulnerable group, such as children or the elderly. For example, an advertisement for sugary cereal aimed at children might use tactics such as bright colors and cartoon characters to appeal to their emotions and bypass their critical thinking skills.



UNIT- II

What Is a Target Audience?

Your target audience refers to the specific group of consumers most likely to want your product or service, and therefore, the group of people who should see your ad campaigns. Target audience may be dictated by age, gender, income, location, interests or a myriad of other factors.

A target audience is a specific group of people identified as the intended recipient of an advertisement or marketing messages.

They are people who might be interested in your product or service. This is why you should identify them and address their needs. Your whole marketing strategy and promotional campaigns should be built around your target audience.

Based on their attributes, target audiences usually fall into 3 main types: location, demographics, and lifestyle.

The Difference Between Target Audience and Target Market

A **target market** is the set of consumers that a company plans to sell to or reach with marketing activities. A **target audience** is the group or segment within that target market that is being served advertisements. This makes the target audience a more specific subset of a target market.

To go back to the running shoe example, your target market is marathon runners, but say you are having a deal at your Boston location. The target audience for an ad promoting the sale would be prospective runners in the Boston Marathon, not all marathon runners.

Target audience can often be used interchangeably with target market, as it is a specific subset of the largest market group. However, target market does not always mean target audience.



Determination of Target Audience-

To determine your target audience, you must spend time analyzing the data you receive from consumer engagements, evaluating current buyers and purchase trends and optimizing as new information is revealed.

The following steps should help you realize your target audience:

1. Analyze Your Customer Base and Carry Out Client Interviews

One of the best ways to determine who your target audience is to look at who already buys your product or service. How old are they, where do they live, what are their interests? A good way to learn this is through engaging on social or distributing customer surveys.

2. Conduct Market Research and Identify Industry Trends

Look at the market research for your industry to determine where there are holes in service that your product can fill. Look at trends for similar products to see where they are focusing efforts, then hone in further on your products unique value.

3. Analyze Competitors

Marketers can learn a lot by looking at competitors to see who they are commonly selling to, and how they go about it. Are they using online or offline channels? Are they focusing on the decision maker or the supporter?

4. Create Personas

Creating personas is a great way to drill down into the specific segments that make up your target audience. This is especially helpful if you have a product that appeals to a wide swath of consumers. Personas allow you to determine the general demographics, personalities and needs of your target consumers. The persona of "Fran First-Time Runner" will speak to different needs than "Sam Seasoned Pro." Personas are created based on data, surveys,



digital engagements and any other information marketers can pull from to give a more complete view of the buyers. This might include favourite hobbies, television shows, publications, etc. It is recommended that marketers develop between three and five personas.

5. Define Who Your Target Audience Isn't

There will certainly be consumers who are close to your target demographic, but who will not act on messaging. Try to be specific in determining who your audience is and who it isn't. Is your demographic women, or women between the ages of 20 and 40? Knowing this will keep your teams from devoting ad dollars to segments that will not yield returns.

6. Continuously Revise

As you gather more data and interact with customers, you will get an increasingly accurate understanding of your target audiences. Based on this information, you must constantly optimize and hone personas to achieve the best results.

7. Use Google Analytics

Google Analytics offers extensive data about the users visiting your site. This information can be leveraged to determine key insights such as what channels your target audience is coming from or what type of content they're engaging and connecting with the most, allowing you to make more data-driven decisions during the media planning process.

Advertising Media-

Advertising media is the group of various media channels through which advertising message is delivered to the target audience. Advertising media is used for showcasing promotional content which communicated in various forms such as text, speech, images, videos using TV, radio, online, outdoor etc. Basically, they are channels through which companies can advertise their products and services to reach to customers.

Advertising media is the medium through which an advertisement is delivered to the public. It carries messages, stories or points regarding the product that is being advertised. It is a highly informative way to reach the masses and ask them to buy the product or avail of the service.

Advertising Media plays a significant role in binding the direct communication relationship between the seller and the buyer.

With the help of right types of advertising, there is not a single speck of doubt about the fact that you will be able to make your brand known to people in the best way.



Advertising is a parallel universe. It is the most powerful medium through which anything in our mind, thoughts, and dreams, can be conceptualized and presented in the world, and most importantly to the target audiences and beyond.

Types of advertising media-

Advertising media is an important domain in business and advertising. With the passage of time, there have been several ways in which ads are being showcased and can be communicated to customers.

There are different types of advertising media present. Depending upon various parameters like budget, reach, customer preferences etc. companies can choose the required advertising media and help boost their brand.

Some of the most important types of advertising media are:

1. Broadcast media

TV and radio are two of the most important advertising media known as broadcast media.

There are 2 types of broadcast media which can be considered here:

a. Television

Televisions have become a very important tool to advertise for companies. Companies can target serials, reality shows, sports events, live events etc. which are showcased on TV's and understand the demographics of the people watching the TV. TV channels are anyway classified as news, sports, knowledge, entertainment, movies, kids etc. This helps advertisers to pick and choose the channel. Thus, TV is one of the most widely used advertising media in the world. Advertising slots are sold by broadcasting companies and channels based in popularity of TV shows, TRPs etc.

b. Radio

As a tool for marketing and advertising, radio is the most cost-effective tool which a customer can have. Since radios have been high penetration and are easy for customers to buy, they are a good tool for advertising. Radios enable companies to reach out to a wide range of customers. Since radio caters to the needs of a particular city or region, it is a good way to advertise based on customers selected from geographic segmentation. Thus, radio is one of the most effective tools as advertising media.

2. Print Media

Advertising media like newspapers, magazines, leaflets, brochures, billboards, signages, direct mail and other print publications come under print media. With the massive reach of print media, it became a popular tool for advertising. Print media caters to a regional audience and is published in different languages.

Hence, print media can cater to a niche audience as compared to broadcast advertising media tools like TV or radio.



3. Online Media

With the consistent growth in internet penetration, companies have started using online media for promotion through advertising. People are connected to the internet through social media, website browsing etc. This gives an opportunity to companies to use this advertising media and cater to customers using online advertising. Online ads, blogs, content advertising, affiliate marketing etc. are all done using online as an advertising media.

4. Outdoor Media

Another popular form of advertising is using outdoor hoardings, billboards, OOH (out of home) media etc. Outdoor advertising is basically useful in capturing those customers who are travelling from one place to another.

This gives an opportunity to companies to use outdoor advertising media to create brand awareness by putting large bill boards and hoardings above buildings, near streets etc. to give maximum visibility.

5. Mobile

With the increasing penetration and usage of mobile phones, mobile advertising has become a critical aspect for every business. Mobile as an advertising media helps to reach out to customer by promoting messages through SMS, social media chat groups etc.

Online and mobile media are also overlapping at times as websites can be accessible both through desktop, laptop and smartphones.

6. Specialty Media

These consist of items that are given away to the consumer on which the name of the company or brand is printed so that more people get to know about it. For example- carry bags, membership cards, free merchandise like caps or bags, etc.

These type of advertising media are more niche and have a narrow reach as compared to the above-mentioned media.

7. Other forms

Apart from the ones discussed above, advertising can be done through transit signs i.e. the small posters that we see on trains or buses, electronic billboards, etc.

Some ads can be advertised before the movies in cinema halls as well, where it can reach out to a large group of similar audience in terms of demography or geography.



Selecting the Right Advertising Media

Cost per thousand	The cost of reaching a thousand people or households at least once
Reach	The number of different people exposed to an advertisement at least once
Frequency	The number of times an individual is exposed to a message
Audience Selectivity	The ability of an advertising medium to reach a precisely defined market.

Factors Governing the Choice:

1. The nature of the product:



A product that can be used by a wide and diverse group of people requires mass media like broadcast, print, telecast, and outdoor. A product needing demonstration warrants television and screen advertising via YouTube. Similarly, industrial products find favour of print media than broadcast media. And, products that are injurious to health, such as cigarettes, alcohols, and tobacco should never be advertised on National television and radio.

2. Potential market:

The aim of every advertising effort is to deliver the message to prospective clients and influence them to make a purchase. This crucial task rests in the identification of potential market for the product in terms of the number of customers, income pattern, geographical spread, age group, likes and dislikes. If the message has to be delivered to high-income folks, magazines are the best mode. If the message needs to be focused on local areas, newspaper and outdoor advertising are of much help. If illiterate folks are to be approached, television, radio, and cinema advertising are the most appropriate methods.

3. The type of distribution strategy:

The choice of advertising media and distribution system has correlated. There is no use of advertising a product or service to the area where it is not available for shopping. Also, specify the end users and how they can be reached.

4. The advertising objectives:

Though the major objective of every company is to influence the consumer behavior, some organizations might desire to have a local, regional or national coverage to popularize a product, service or company to create primary or secondary demand. If it wants immediate action, direct or specialty advertising is the most successful method. If national coverage is needed, use television and newspaper with nationwide coverage.

5. The budget available:

A manufacturer may have a great plan for advertising and he might be dreaming of advertising on a national television network and films. But if the budget does not allow this, he/she has to be happy with low budget media like newspapers and outdoor advertising.

6. Competitive advertising:



A shrewd advertiser is one who studies carefully the moves of his competitor or competitors as to the media selected and the pattern of expenditure portrayed. Meticulous evaluation of media strategy and advertising budget paves way for better choice.

It is because, whenever a rival spends heavily on a particular medium or media and has been successful, it is the outcome of his experience and tactics. However, blind copying should be misleading and disastrous.

8. Media availability:

The problem of media availability is of much relevance because; all the required media may not be available at the opportune time. This is particularly true in case of media like radio and television; so is the case with screen medium. Thus, non-availability of a medium or a media poses a new challenge to the media planners and the people advertising industry. It is basically an external limit than the internal constraint.

9. Characteristics of media:

Media characteristics differ widely and these differences have deep bearing on the choice of media vehicle.

These characteristics are:

Coverage,

Reach,

Cost,

Consumer confidence and

Frequency.

Advertising Effectiveness-

Advertising effectiveness is concerned with evaluating the effectiveness of advertising. It involves relating advertising results to the established standards of performance based on various parameters like reach, coverage, ability to motivate customers to buy products etc.

The effectiveness of advertising in a particular media may also be measured in any of the following ways:

1. By giving different addresses to different media.
2. Different newspapers may be selected for advertisement of different departments.
3. Blank coupon may be provided with the advertisement.
4. Enquiry from customers, should be mention the name of the source of information.

Importance of measuring the effectiveness of advertising:

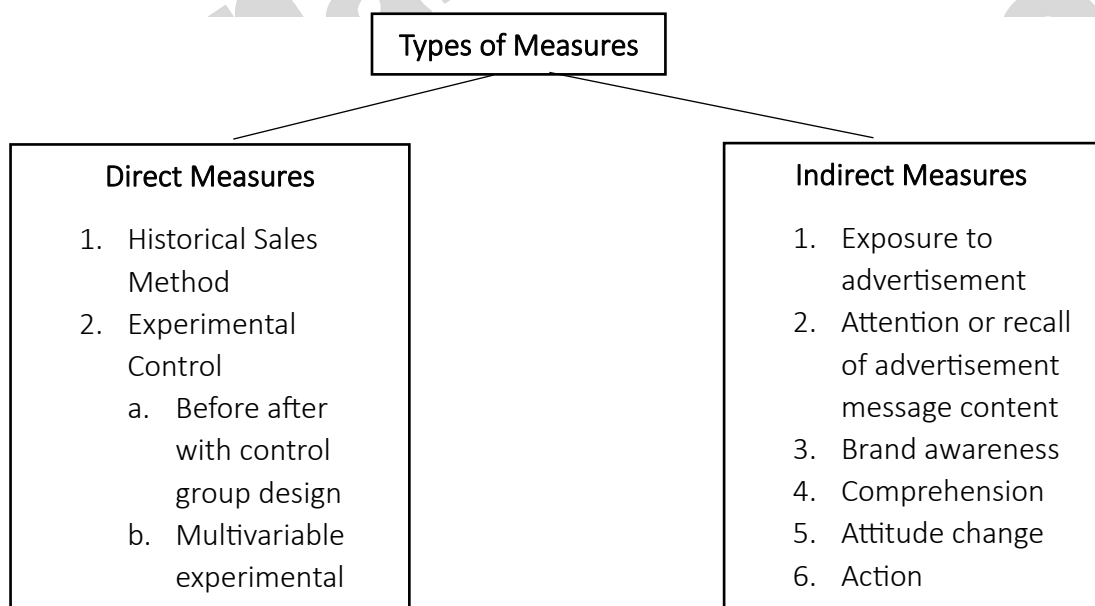


1. To get the cost benefit of advertising.
2. To justify the investment in advertising.
3. To compare the results with the objectives and goals.
4. To know the communication effect.
5. Compare two markets.
6. Basic for planning

Methods of Measuring Advertising Effectiveness:

There may be two types measures of advertising effectiveness namely;

- Direct measures and,
- Indirect measures.



Direct Measures of Advertising Effectiveness

Under direct measures, a relationship between advertising and sales is established. A comparison of sales of two periods or two periods or two markets may be done and the corresponding changes may be noted. The following are some of the methods that are generally used in measuring that advertising effects.

i. Historical Sales Method

Some insights into the effectiveness of past advertising may be obtained by measuring the relationship between the advertising expenditure and the total sales of the product. A multiple regression analysis of advertising expenditure and sales over several time periods may be calculated. It would show how the changes in advertising expenditure have corresponding changes in sales volume. This technique estimates the contribution that advertising has made



to explaining in a co relational manner rather than a casual sale, the variation in sales over the time periods covered in the study

ii. Experimental Control

The other measure of advertising effectiveness is the method of experimental control where a casual relationship between advertising and sales is established. This method is quite expensive when related to other advertising effectiveness measures yet it is possible to isolate advertising contribution to sales. Moreover, this can be done as a pre-test to aid advertising in choosing between alternative creative designs. Media schedules expenditure levels or some combination of these advertising decision areas. One experimental approach to measuring the sales effectiveness of advertising is test marketing.

- **Before-after with Control Group Design:** This classic design uses several test and control cities in this design two types of cities are selected. Cities in which advertising campaigns are affected may be named as test cities and other cities may be called central cities. First of all, the normal sales level is calculated for both type of cities prior to advertising campaign, and then the advertising campaign is presented to the test cities and not the central cities. The effect of advertising campaign, can then, be measured by subtracting the amount of post campaign figure of sale from the pre campaign sale figures in test cities
- **Multivariable Experimental Designs:** While the experimental design discussed above yields a reasonably accurate estimate of the effects of the advertising on sales, it is not successful in explaining the success or failure of the campaign itself. Multivariable designs Produce these explanations and are, therefore used by some very large firm because of their diagnostic value. The power of this multivariable factorial design is explained by G.H.Brown, former Fords Director of Marketing Research. For any single medium, eight possible geographic areas have been exposed and eight have not been exposed. Thus, in this experimental model it is possible to evaluate how each individual medium behaves alone and in all possible to evaluate how each individual medium behaves alone and in all possible combinations with other media.

Indirect Measures of Advertising Effectiveness

As it is very difficult to measure the direct effect of advertising on company's profits or sales, most firms rely heavily on indirect measures. These measures do not evaluate the effects of advertisements directing on sales or profits but all other factors such as customer awareness or attitude or customer recall of advertising message affect the sales or profits or goals of the business indirectly. Despite the uncertainties about the relationship between the intermediate effects of advertising and the ultimate results, there is no other alternative but to use indirect measures. The most commonly used measures are;

- **Exposure to Advertisement:** In order to be effective, the advertisement must gain exposure. The management is concerned about the number of target audiences who



see or hear the organization message set in the advertisement. Without exposure, advertisement is bound to failure. Marketers or advertisers may obtain an idea of exposure generated by the medium by examining its circulation or audience data which reveal the number of copies of the magazine, newspaper or journal sold the number of persons passing the billboards or riding in transit facilities, or the number of persons living in the televiewing or radio listening area, and the number of persons switching on their T.V. and radio sets at various points of time. This number can be estimated by interviewing the numbers of the audience for different media.

- **Attention or Recall of Advertising Message Content:** This is one of the widely used measures of advertising results. Under this measure, a recall of the message content among a specified group or groups or prospective customers is measured within 24 hours of the exposure of the advertisement. Attention value is the chief quality of the advertising copy the advertisements cannot be said to be effective unless they attract the attention of the target consumers. There are two methods for evaluating the attention getting value of the advertisements. One is pre-test and the other is post-test. In a pre-test evaluation, the consumers are asked to indicate the extent to which they recognize or recall the advertisement, they have already seen. This test is conducted in the laboratory setting. Here consumers read, hear or listen to the advertisement and then researchers ask question regarding the advertisement just to test the recall and then evaluate it. In post-test method, the consumers are asked questions about the indication of recognition or recall after the advertisement has been run. These measures assume that customers can recall or recognize what they have viewed or listened to. Various mechanical devices are being used in the western countries which provide indices of attention such as eye-camera etc.
- **Brand Awareness:** The marketers who rely heavily on advertising often appraise its effectiveness by measuring the customer's awareness about the particular product or brand. The assumption of this type of measure is that there is a direct relationship between the advertisements and the awareness. This type of measure is also subject to the same criticisms as is applicable to direct measures of effectiveness (sales measures because awareness is also not the direct result of the advertisements. It is also affected by many other factors. But, for new products, changes in awareness can often be attributed to the influence of advertising.
- **Comprehension:** Consumers generally use advertisements as a means of obtaining information about the product, brand or the manufacturer. They cannot be informed unless they comprehend the message (grasp the message mentally and understand it fully). Various tests for valuating comprehension are available. One is recall tests — an indicator of comprehension because it is evident that consumers recall what they comprehend. Another measure of the variable is to ask questions about subjects how much they have comprehended a message they have recently heard or seen. One may employ somewhat imprecise test of the comprehension of a newspaper and radio advertisement. One may ask typical target consumers from time to time such questions like 'what did you think of our new commercial?' and 'Did it get the message across?'



The answers of these questions will provide sufficient insight into advertising decision making.

- **Attitude Change:** Since advertising is considered to be one way of influencing the state of the mind of the audience towards a product, service or organisation, the results are very often measured in terms of attitudes among groups exposed to advertising communication. Several measures are used ranging from asking the questions about willingness to buy the likelihood of buying to the measurement of the extent to which specific attributes (such as modern or new) are associated with a product.
- **Action:** One objective of advertisement may be assumed to be to stimulate action or behavior. The action or intention to take an action may be measured on the intention to buy measuring instrument. Under this type of measure, consumers are asked to respond why they are interested in purchasing the product or brand. One type of action that advertisers attempt to induce is buying behavior. The assumption is that if an increase in sales follows a decrease in advertising expenditure, the change in sales levels are good indicators of the effectiveness of advertising. Logic suggests that measurement of sales is preferable to other measurements.

Thus, these above measures (direct or indirect) are used to evaluate the effectiveness of advertisements. It seems from the analysis of the above **methods of measuring advertising effectiveness** that directly or indirectly changes in sales or profits are taken as the measuring rod of the effectiveness of the advertising.

ADVERTISING LAYOUT:

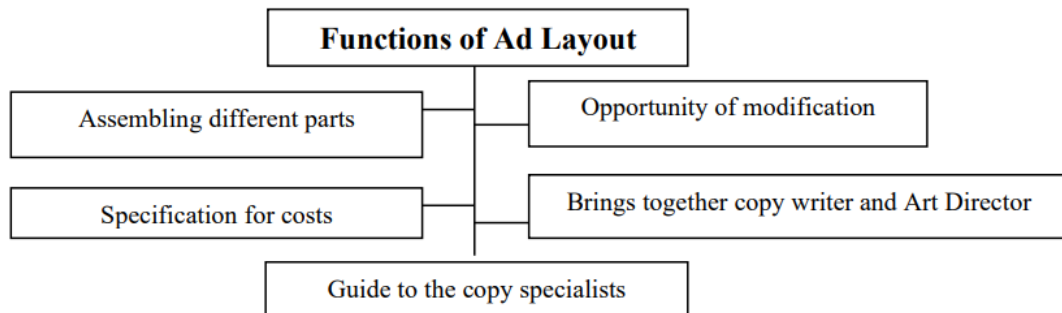
Advertising layout is the arrangement of visual elements in an ad, such as images, text, colors, and shapes. It influences how people perceive and respond to your message, so it's important to create effective layouts that capture attention, communicate clearly, and persuade action.

According to Sandage and Fryburger, advertisement layout is defined as "The plan of an advertisement, detailing the arrangement of various parts and relative spatial importance of each is referred to as layout"

Layout is the logical arrangement of components of an advertisement in the copy. It refers to the overall structure, the position assigned to the various elements of the advertisement copy and illustrations. It is deciding on the placement of headlines, copy, illustrations, marketer's name, logo and the amount of free space in an advertisement copy. Thus, the physical arrangement of all the elements of advertisement is called layout. It is concerned with placing all the elements of the advertisement more attractively within the allotted space and time. The pattern of advertisement layout varies according to the medium to be used.



FUNCTIONS OF AD LAYOUT:



The main functions of layout are:

- 1) Assembling different parts:** The main function of layout is to assemble and arrange the different parts or elements of an advertisement illustrations, heading, sub-headlines, slogans, body text and the identification mark, etc., and boarder and other graphic materials – into a unified presentation of the sales message.
- 2) Opportunity of Modification:** The layout offers an opportunity to the creative teams, agency management and the advertiser to suggest modification before its final approval and actual construction and production begins.
- 3) Specification for costs:** The layout provides specification for estimating costs, and it is a guide for engravers, typographers, and other craft workers to follow in producing the advertisement.
- 4) Brings together copy writer and Art Director:** Every advertisement is the outcome of the contributions of specialists. The services of creative persons are required like visualizes or idea-men, copy writer, art directors, artists, photographer, type- setters, block-makers and the printer.
- 5) Guide to the copy specialists:** Layout serves as a reliable guide to the specialists such as type-setters, engravers, printers and other craftsmen. These are the person who actually prepare the advertisement for use in print.

Advertising Appeals

Advertising appeals are different techniques and strategies that are used to attract customers. Usually, advertising appeals provide evidence or provoke an emotional response that helps to convince the target audience to buy a certain product or service. Marketing experts group them into different categories but the most common appeals are emotions, logic, and popularity.



Advertising appeals in Marketing are strategies for grabbing the attention of people to persuade them to purchase your product or service. The approach can be a marketing or advertising strategy. The Various types of Advertising appeals are Brand appeal, Sex appeal, Adventure Appeal, Bandwagon Appeal, Fear Appeal, Humorous Appeals, Rational Appeal, Less than perfect appeal, Gender Appeal, Music Appeal , Emotional Appeal, Plain Appeal, Social Appeal and Scarcity Appeal.

Many businesses use the tool of advertisement to lure customers into seeing and purchasing the products or services they offer. **Advertising appeal** refers to a persuasive strategy that stimulates a customer's desire to buy a product or service. The primary purpose of an advertising appeal is to target the consumer's wants or needs and motivate the target market to purchase a product or service. Advertising appeals are also called **marketing appeals** and are an essential component of a marketing mix. A marketing mix is a marketing strategy that incorporates various approaches to make products more appealing to consumers. Marketing mix uses the 4Ps of marketing: product, place, price, and promotion. Promotion incorporates advertising appeals to communicate and grab the target audience's attention about a product or service. The characteristics of marketing appeals are:

- *Believable*: The appeal should make the consumers believe that they will gain the promised benefits from purchasing the product or service.
- *Meaningful*: The appeal should show the product's benefits, making the product or service more exciting and desirable to the target markets.
- *Distinctive*: The appeal should clearly show the consumers how the product or service is unique and better than the other competitive brands in that business.

Ad appeals work by attracting consumers' attention and stimulating their need, want, and interest in purchasing a product or service. Advertising appeals are essential because they help relay a message that the consumers can understand and respond to. This leads to the ultimate goal of the consumer purchasing the product or service.

Types of Advertising Appeals

The various types of advertising appeals are **rational appeal**, **musical appeal**, **sexual appeal**, **humor appeal**, **emotional appeal**, **scarcity appeal**, and **fear appeal**.

- *Musical appeals*: Musical appeal uses music to help the target market remember their product.
- *Sexual appeals*: Sexual appeal mainly uses consumers' sexual desires and fantasies to lure them into purchasing a particular product.
- *Humor appeals*: Humor appeal uses humor to make the audience happy and capture their attention.



renaissance

college of commerce & management

Class:- BBA- III Year

Subject:- Advertising and Sales Management

- *Fear appeals*: This type of appeal uses fear to inform the target audience of the harm that may occur to individuals who fail to adopt or adhere to the message being relayed.
- *Rational appeals*: The rational appeal uses an audience's sense of logic or reason to persuade them to purchase the product or service.
- *Emotional appeal*: This appeal acts on emotions, such as pity or joy, to draw on the consumers' empathy and convince them to purchase a product.
- *Scarcity appeals*: Scarcity appeal influences the audience by informing them of limited availability to encourage them to buy a product.

Different types of advertising appeals influence different types of consumers. Fragrance companies often use sexual appeals to sell their product. For instance, a fragrance company may target women of a particular age group by showing a woman spraying a fragrance and capturing a man's attention. Fear appeals can also target audiences that engage in life-threatening activities. For example, government agencies use fear appeals to discourage individuals from driving under the influence.

renaissance
renaissance
renaissance



UNIT III

Message Design and Development:

Message design is the process of connecting insights about the priority audience with key information the audience needs to know in order to make the change the program desires. Successful, well-designed **messages** are simple, memorable, easily understood, culturally appropriate and meaningful to the audience. Their design stems from a clear creative brief that outlines what the communication intervention aims to achieve.

In advertising, "message design and development" refers to the deliberate process of formulating and reshaping a message's content, organisation, and constituent parts in order to successfully communicate information and sway the intended audience. In order to accomplish particular communication goals, it entails carefully creating the messages that will be spread across a variety of advertising platforms.

Message development is an ongoing process that requires research, analysis, testing, and refinement. To develop effective messages, you should first identify your target audience and their needs, preferences, challenges, and motivations. Then, define the purpose and desired outcomes for each communication situation.

The following are essential elements of advertising message formulation and design:

1. **Audience Understanding:** Advertisers must comprehend their target audience's demographics, tastes, actions, and attitudes before developing a message. This information aids in modifying the message so that it will appeal to the target audience.
2. **Communication Objectives:** Clear communication objectives are established by advertisers, outlining their goals for the message. Building brand awareness, introducing a new product, altering customer views, or motivating a particular action are a few examples of objectives.
3. **Key Message Development:** The advertiser identifies the main message or messages that it want to get across. These key statements are designed to be memorable and persuasive, and they frequently summarise the unique selling propositions (USPs) of a good or service.
4. **Creative elements:** The message's language and visual components are among its creative elements. This includes using language, typefaces, colours, and graphics that complement the brand identity and appeal to the intended audience.
5. **Media Selection:** The selection of suitable media and distribution channels is another aspect of message design. The media platform that is selected should correspond with the media consumption patterns of the intended audience, be it print, radio, television, social media, or a mix of these.



6. Consistency Across Platforms: For the brand image and message to stay consistent across many platforms and campaigns, consistency in message design is essential. Building a strong and recognisable brand identity is aided by this.
7. Adaptation for Different Platforms: Messages frequently need to be modified for various platforms in order to fit their unique format and features. A message intended for social media, for instance, might need to be modified for a print or television advertisement.

Advertisement Copy Testing

Advertisement copy testing is a tool involving a procedure where the effectiveness of an advertisement is measured before it appears in its final form, during and after its exposure to the audience to determine whether and to what extent, it has accomplished its assigned task. In this way, the **advertisement copy testing** is a method used to control the effectiveness of future advertising.

Copy testing is the art and science of evaluating the effectiveness of advertising copy. It involves assessing how well an advertisement or piece of copy communicates a message, engages the target audience, and achieves its intended objectives.

Those objectives can be anything from getting people to click on a social ad, to helping them remember your brand when they're looking to purchase in the future.

Here's a list of goals that copy testing can help you achieve:

- **Increased conversion rate** on landing pages—finding the perfect CTA that your target audience can't help but follow up on.
- **Increasing click-through rates** on ads (and ultimately boost actual sales) for PPC ads, social media ads and other forms of measurable promotions.
- **To make your ad memorable**—with copy testing, you can grow brand awareness among your target audience by creating unforgettable copy that matches your brand.
- **Evaluating brand fit**—feel like experimenting? Copy testing can help you make sure you don't stray too far from your brand identity.
- **Identifying strengths and weaknesses**—learning what resonates with your audience can help your copywriters hit the nail on the head faster over time.

Techniques Advertisement Copy Tests

1. Pre-test methods
2. Post-test methods



3. Concurrent methods

1. Pre-Test Methods

Pre-test method refers to testing the potentiality of a message or copy before printing or broadcasting. It is useful because the concepts in advertising may appear to be simple and effective to the advertiser or advertising to be simple and effective to the advertiser or advertising agency. It may be difficult from the layman's point of view. All the elements in the advertising copy requires careful pre-testing to see that the matter it intends to be conveyed has been really conveyed, "prevention is better than cure". Pre-testing methods are adopted on this basis. The following are some of the pre-testing methods.

1. **Checklist Method:** The copywriters use checklist method to test the effectiveness of advertising copy. The purpose of this method is to ensure that all elements of the advertising copy are included with due importance in the advertisement. As it is a pretest method omission can be included in the copy before release of the advertisement. A checklist is a list of good qualities to be possessed by an effective advertisement. The researcher has to compare the advertisement with the checklist and tick the items present in the advertisement copy. Accordingly, a copywriter can draw specific conclusions and make suitable changes in the advertising copy.
2. **Consumer Jury method:** This method essentially involves the exposure of alternative advertisements to a sample of jury; of prospects and the securing of their opinion and reactions to the advertisements. This test is designed to learn from a typical group of prospective customers gathered in one place or a sample of prospects that are independently, visited by interviewers or contacted by mail their preference for one advertisement over the other or for several advertisements out of a group. Advertisements which are unpublished are mocked up on a separate sheet and these are presented before the consumer jury either in personal interviews or group interviews.
3. **Sales Area Test:** Under this method advertising campaign is run in the markets selected for testing purposes. The impact of the campaign is evaluated by actual sales in the selected markets. The market with high sales is considered the best market for effective sales campaign. In other markets suitable changes are made in the advertising campaign.
4. **Questionnaire Method:** It is a list of questions related to an experiment. It contains questions and provides space for answers. The draft of an advertisement along with some relevant questions is to be sent to a group of target consumers or advertising experts. Their opinions are collected and analyzed to find out whether the proposed advertisement is satisfactory or not.
5. **Recall test Method:** Under this method, advertising copies are shown to a group of prospects. After few minutes they are asked to recall and reproduce them. This method is used to find out how far the advertisements are impressive.



6. **Reaction test:** The potential effect of an advertisement is judged with the help of certain instruments, which measure heartbeats, blood pressure, pupil dilation etc. Their reactions reveal the psychological or nervous effects of advertising.
7. **Readability test:** All the listeners of advertisements cannot read it equally. So respondents are drawn from different socio-economic and geographical backgrounds. This method is used to find out the level of effectiveness when an advertisement is read.
8. **Eye movement test:** The movements of eyes of the respondents are recorded by using eye observation camera when advertisements are shown to them in a screen. This helps to find out the attention value of advertisement.

2. Post-Test Techniques

The following are the post-test techniques for measuring the effectiveness of the advertisements;

(1) Recognition Test — It determines the readership of the advertisement in the newspapers and journals. This test is conducted by personal interviews with readers, and magazines or newspapers. The interviewers locate the readers of the particular issue of the magazine in question. They, then, go through the magazine page by page with the respondent indicating those advertising elements which he or she recognizes as having read. The data collected by this test indicate the proportion of qualified readership of a publication who claims to have “seen”, “read some” or “read” most of the elements of the individual advertisement. These measurements may also seek to obtain quantitative data regarding the parts of an advertisement which were seen or heard.

(2) Recall or Impact Test — The recognition test measures the stopping power of the advertising but does not tell us what the readers understood or retained of the advertisement. The recall test is designed to measure the impression of readers or viewers of the advertisement. If a reader has a favorable impression of the advertisement, he will certainly retain something of the advertisement. The measures of interest would be obtained by interviewing the readers or viewers or listeners, days after the advertisement or commercial is appeared in the newspaper, or on T.V. Interviewer asks the questions from the readers / viewers and in response to the question asked, the reader reveals the accuracy and depth of his impression by his answers.

(3) Psychological Analysis — The whole process of advertising is psychological in character. It is therefore, natural to apply some psychological tests to measure the effectiveness of the advertising. Four psychological testing techniques are most commonly used —



- **Tests of Readability and Comprehension:** In this technique, by means of a series of penetrating questions and by other techniques developed by psychologists, the ease of readability and comprehension is determined, in advance of publication. It is determined by the interviewer under this method whether and to what extent the readers have gone through the advertisement.
- **Tests of Believability:** An advertisement message effectiveness can be measured by the degree of credibility the readers have in the product. A scale technique is generally employed to measure the credibility by putting several statements or product claims before the consumers and are created by them. The statement or product Claims gets the highest priority votes may be taken as the most effective statement or claim.
- **Attitude Tests:** A number of attitude tests are developed by the psychologists who can be applied to copy testing. Typical consumers are exposed to sample advertising messages, either printed or oral. The interviewer then asks series of penetrating questions, to determine the attitude produced by these various messages. Psychological reactions such as age, involvement, the eye of person who would use the product and the personality of the product reflected by the advertisement being tested, are obtained. The researcher looks especially for elements in the advertising which arouse psychological hostility.
- **Triple Hostility Tests:** These ties in advertising with recall by seeking to learn the extent of the consumer association with the product, the brand name and copy theme. The test is useful only when the advertising features a specific theme or slogan, which the reader may remember. This procedure is sometimes known as theme penetration.

3. Concurrent Methods

Under this method, tests are conducted while the consumers are exposed to different types of media. For instance, a magazine reader may be observed while reading the magazine, which carries an advertisement. The concurrent methods are;

- **Consumer diaries:** Under this method, diaries are supplied to a few selected customers. They are also informed to record the details of advertisements they listen or read. The diaries are collected periodically. The result obtained from such a survey reveals the effectiveness of advertisement.
- **Co-incidental surveys:** This method is also called as co-incidental telephone method. Under this method, samples of customers are selected and calls are made at the time of broadcast of the advertisement programme. The data obtained and analyzed will give a picture about the effectiveness of an advertisement.
- **Electronic devices:** Now day's electronic devices are widely used to measure the effectiveness of an advertisement. They are mainly used in broadcast media. These are auto meters, track electronic units etc.



Managing the relationship with clients is one of the most important tasks for an advertising agency. The average client-agency relationship in 2013 lasted just three years, compared with seven years in 1983, according to the digital agency Leveling. Consultant Avi Dan, writing in "Forbes," notes that agency clients demand efficiency and effectiveness, and have high expectations of accountability.

The client-agency relationship is key to high-quality work and successful marketing campaigns, client's goals are prioritized as well as their happiness is ensured which will result in team members going to work with a smile the following morning.

The client-agency relationship starts when a client appoints an advertising agency for making his ad. It continues till the ad agency provides satisfactory services to him. Such a relation should always be cordial. There should be a mutual trust, confidence and understanding between the two parties. It is so, since, the primary objective of both sides is same, i.e. to make a successful advertising campaign.

Lack of mutual trust will be harmful to both parties. It is, therefore, necessary to maintain good relations between the client and ad agency as follows:

1. Meaningful two-way communication is required to maintain a friendly client-agency relationship.
2. Both parties should take special efforts to maintain a cordial relationship.
3. The approach of give-and-take is required to keep relations over a longer period.

Mentioned below are some significant guidelines (grouped under three categories) to maintain a cordial client-agency relationship in advertising:



1. Suggestions for both parties (Client and Ad Agency).



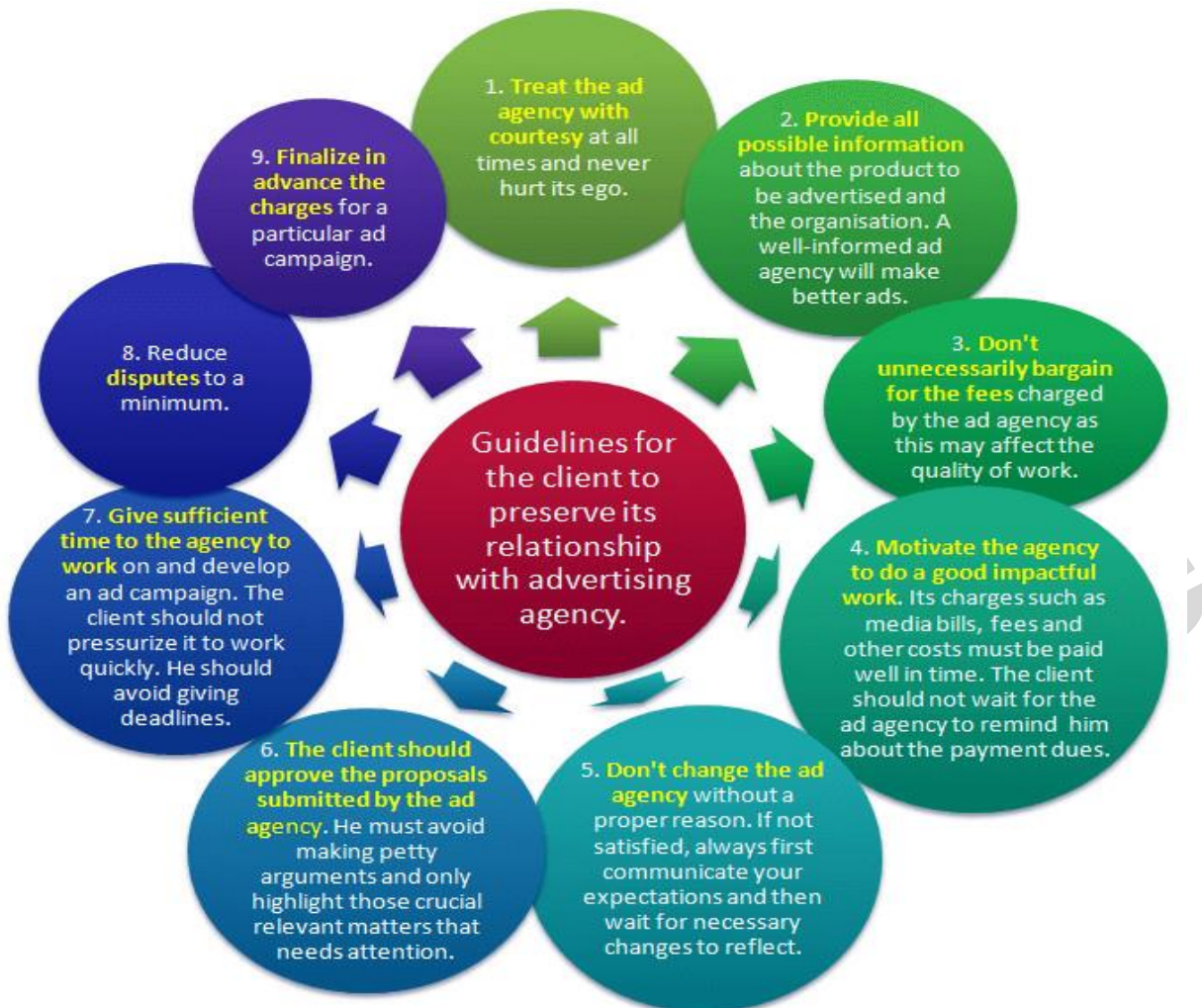
2. Guidelines for the Client (Advertiser), and
3. Advice to the Advertising Agency.

Suggestions for a client and advertising agency to maintain their relations:



Guidelines for the client to preserve relationship with advertising agency:

renaissance



1. Treat the ad agency with courtesy at all times and never hurt its ego.
2. Provide all possible information about the product to be advertised and the organisation. A well-informed ad agency will make better ads.
3. Don't unnecessarily bargain for the fees charged by the ad agency as this may affect the quality of work.
4. Motivate the agency to do a good impactful work. Its charges such as media bills, fees and other costs must be paid well in time. The client should not wait for the ad agency to remind him about the payment dues.
5. Don't change the ad agency without a proper reason. If not satisfied, always first communicate your expectations and then wait for necessary changes to reflect.
6. The client should approve the proposals submitted by the ad agency. He must avoid making petty arguments and only highlight those crucial relevant matters that needs attention.
7. Give sufficient time to the agency to work on and develop an ad campaign. The client should not pressurize it to work quickly. He should avoid giving deadlines.



8. Reduce disputes to a minimum.
9. Finalize in advance the charges for a particular ad campaign.

Advice to the advertising agency to maintain good relationship with client:



1. The advertising agency should do a smart and hard work to bring success to the client's ad campaign.
2. It should make a good advertising plan and must implement it efficiently and effectively. However, first it must get the approval from the client.
3. It is the duty of the account executive of the agency to keep his customer happy and satisfied.
4. It should not charge client unreasonably high rates.
5. It should not make ads for client's competitor.
6. It should get all the information from the market that will help to create better ads.
7. Discuss the ad fees with the client in advance to avoid disputes.



renaissance

college of commerce & management

Class:- BBA- III Year

Subject:- Advertising and Sales Management

8. Disclose to the client the names of the team members (employees) that are working on his ad campaign.
9. Inform the client about changes, if any, happening within the agency.
10. Never hurt client's ego. Agency should always provide timely services to him and try its best to satisfy him.

renaissance
renaissance
renaissance



UNIT IV

Personal Selling

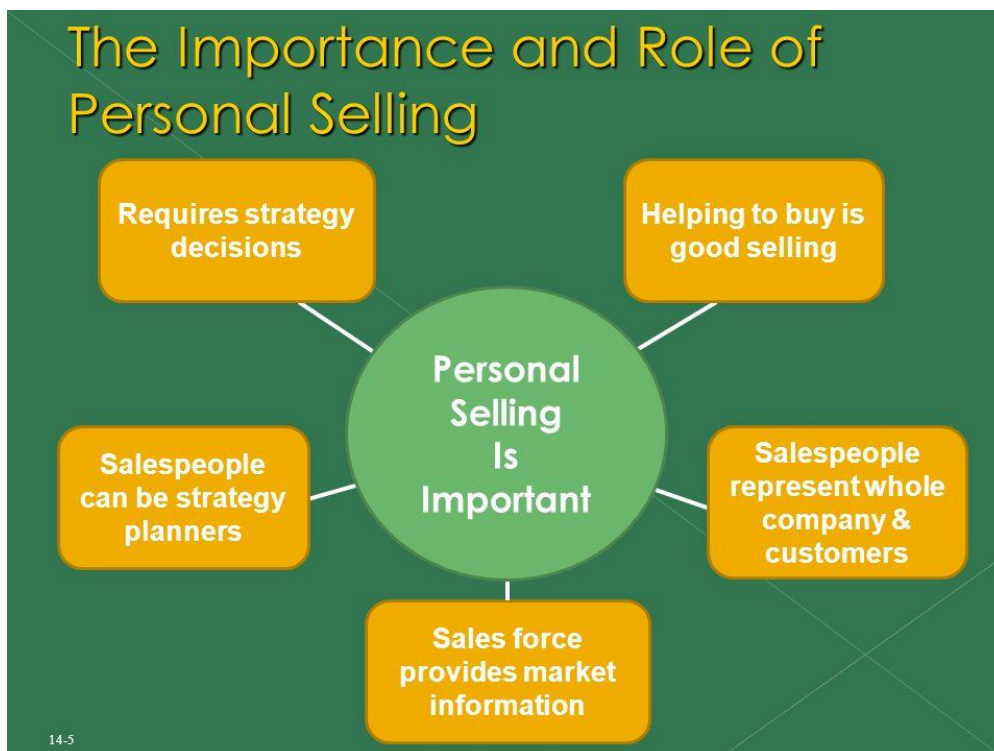
Personal selling is also known as face-to-face selling in which one person who is the salesman tries to convince the customer in buying a product. It is a promotional method by which the salesperson uses his or her skills and abilities in an attempt to make a sale.

Personal selling is a face-to-face selling technique by which a salesperson uses his or her interpersonal skills to persuade a customer in buying a particular product. The salesperson tries to highlight various features of the product to convince the customer that it will only add value.

Personal selling is when a salesperson meets a potential buyer or buyers face-to-face with the aim of selling a product or service.

Importance of Personal selling-

Personal selling is an important element of promotion mix and an effective promotional tool. The importance of personal selling can be shown briefly below:



- Flexible message:



Personal selling is important as a flexible message. It involves individual and personal communication as compared to the mass and impersonal communication of advertising and sales promotion. Therefore, personal selling is most flexible in operation. He can observe the customer's reaction to a particular sales approach and thus makes necessary adjustments right on the spot. Face- to –face contacts with customers is the most effective means of communication.

- **Minimum wastage:**

Personal selling helps in minimum wastage of the goods. In personal selling, a salesman can select the target market and concentrate on the customers. He need not communicate with the people. Therefore, personal selling involves minimum wastage of effort.

- **Effective sales:**

Personal selling helps in the effective sales of products. Personal selling in most cases leads to an actual sale. A salesman can find potential buyers, demonstrate the product, explain its operation, and convince customers to buy it or install it at the customer's place and provide after sale service. Therefore, personal selling does the entire job of selling. It is a complete promotional technique of keeping customers satisfied.

- **Immediate feedback:**

Personal selling helps in the immediate feedback of the products in the market. It involves a two-way flow of communication between the buyer and the seller. It is a useful method of understanding the needs and behavior of customers. It provides knowledge about the tastes, habits, and attitudes of the customers.

- **Complements to advertising:**

Personal selling also acts as a complement to advertising. In most situations, there is a need for explaining the quality uses and price of the product. Advertising attracts customers but their doubts and questions about the product are answered by salesmen. In this way, personal selling supports advertising. Salesmen educate the consumers about new products and about new uses of existing products.

- **Educates consumers:**

Personal selling helps to educate the consumers about the products. Salesmanship is not simply a tool of convincing people to buy certain products. It assists customers in satisfying their wants. A salesman provides information, education, and guidance to customers. He handles their complaints and assists them in getting value for their money. It is important to educate the consumers about the product.



- Employment opportunity:

Personal selling also creates employment opportunity to the people. It helps to increase aggregate sales and production in the country thereby increasing employment opportunities. They help to maintain equilibrium between demand and supply.

Advertising-

Advertising is any paid form of communication from an identified sponsor or source that draws attention to ideas, goods, services or the sponsor itself. Most advertising is directed toward groups rather than individuals, and advertising is usually delivered through media such as television, radio, newspapers and, increasingly, the Internet. Ads are often measured in **impressions** (the number of times a consumer is exposed to an advertisement).

According to **William J. Stanton**, "Advertising consists of all the activities involved in presenting to an audience a non-personal, sponsor-identified, paid-for message about a product or organization."

Advertising is any paid form of non-persona: presentation and promotion of ideas, goods or services of an identified sponsor. The message which is presented or disseminated is known as 'advertisement'.

Importance of Advertising-



Importance of Advertising

1. Crucial for a Launch or Announcement.
2. Source of Revenue for Publishers.
3. Promotes Goods, Services, Ideas and Events.
4. Helps in Increasing the Sales.
5. Maximizes the Profit of an Advertiser.
6. Creates Consumer Awareness.
7. Educate society.
8. Art, Science and Profession.
9. Advertising demands Creativity.
10. Element of Marketing Mix.
11. Advertising is Target-oriented.
12. Use Persuasion for Results.
13. Demands Monitoring of Demand and Supply.
14. Builds Brand's Image
15. Generates Employment

1. Crucial for a launch

Advertising is crucial for the launch (introduction) of a brand new product, service or idea in the market. If the advertisement of any concerned product, service or idea is done correctly at a right place, through proper media, and within a particular time constraint, can attract many new customers. It helps to capture the market and increase sales of an advertiser.

It is also essential for announcing an upcoming event.

It acts as an open invitation that maximizes the chances of event attendance. However, if people are unaware of any such happening, they may not show up. As a result, the event may not get an expected response.



Hence, it also contributes to the success of an event.

2. Source of revenue

Advertising is a prime source of revenue for publishers of mass media like newspapers, TV channels, magazines, websites, so on.

The input cost involved in processing any valuable information is usually higher than its selling price. A publisher's expense rises due to various data gatherings and information-processing activities like research (investigation), professional writing, editing, proof-reading, publishing in the form of printing or digital web hosting and distribution.

It pays publishers their input costs and in return use their media platform as a medium to reach maximum number of people. Indirectly, because of it, customers of publishers (who are mostly readers or viewers) also get affordable access (or sometimes even free access) to high-quality information databases.

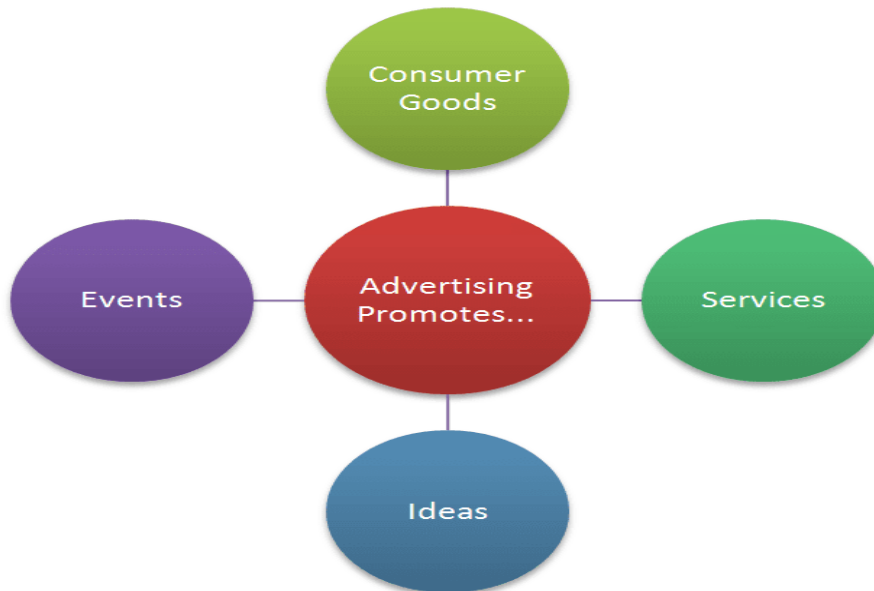
For example, newspapers sell for pennies, although their input costs are very high. Most online websites give free and unlimited access to their information database for 24x7 because most of their input costs recovers from sponsors and ad-networks.

Without its support, the publishing industry (both print and digital media) may not survive.

For example, today, the U.S. newspaper industry is falling due to the emergence of online digital media and plummeting demands for print media. Many newspapers in America are either laying off their staff or totally closing down due to losing their major ad revenue, primarily earned from classified ads. The availability of free online classified services like Craigslist has compelled many newspapers to either pack up or adapt to the new digital age.

3. Sales promotion

Advertising is done to promote goods, services, ideas, and events.



It is for the promotion of:

1. Consumer goods under cosmetics, electronics, eatables, stationary, jewelry, textiles, etc.
2. Services provided in sectors like banking, insurance, hospitality, air travel, consultancy, healthcare, education, so on.
3. Ideas. For example, an entrepreneur encourages the general public to invest in his business ideas.
4. An event during a festival or gatherings like exhibitions, ceremonies, rallies, etc.

4. Increases sales

Advertising sparks an interest of advertised products and services in the masses. Interest creates demand in the market. The growing demand soon results in higher sales. Eventually, the advertiser fulfills his main goal of investing in an advertisement.

However, to continue with such a growth in sales, the advertiser or merchant must also maintain a good price-quality ratio along with regularly running his ad campaigns.

5. Maximizes profit

Advertising helps in increasing sales and control the cost borne by the advertiser. It helps to widen the gap between his sales and incurred cost. With maximizing sales and lowering cost, the profit of an advertiser grows.



Thus, it aids in maximizing the profit of its advertiser.

6. Consumer awareness

Advertising creates awareness by informing consumers.

1. **Awareness:** It creates an awareness among consumers about the availability of any particular product or service in the market. It attempts to convey them why an advertised product or service is better than other alternatives currently available in the market.
2. **Information:** It informs a consumer, mainly about; various features, benefits, price and use of an advertised product or service. It also gives information about the brand name or trademark used, the address of a manufacturer or a service provider, and other relevant details to the consumer.

While creating awareness and supplying relevant information, it ultimately helps a consumer to make a right choice in his or her purchase.

7. Educate the society

Advertising has a remarkable ability to reach masses and educate the society. Therefore, many Governments and even Non-Governmental Organizations (NGO) often take help of advertisements to reach and educate people on important social issues.

Creative ads released in the public interest teach people about:

- Family planning,
- AIDS awareness,
- Saving water and electricity,
- Giving children compulsory education,
- Providing a right kind of nutrition to the mother and her new-born infant,
- Abolishing child labor, etc.

8. Is Art, Science, and Profession

Advertising is all; art, science, and a profession.



- ART
- SCIENCE
- PROFESSION

It is:

1. Art - because it needs creative skills.
2. Science - because it depends on systematic and scientific planning.
3. Profession - because it's a work of professional agencies who follow certain business ethics or a code of conduct.

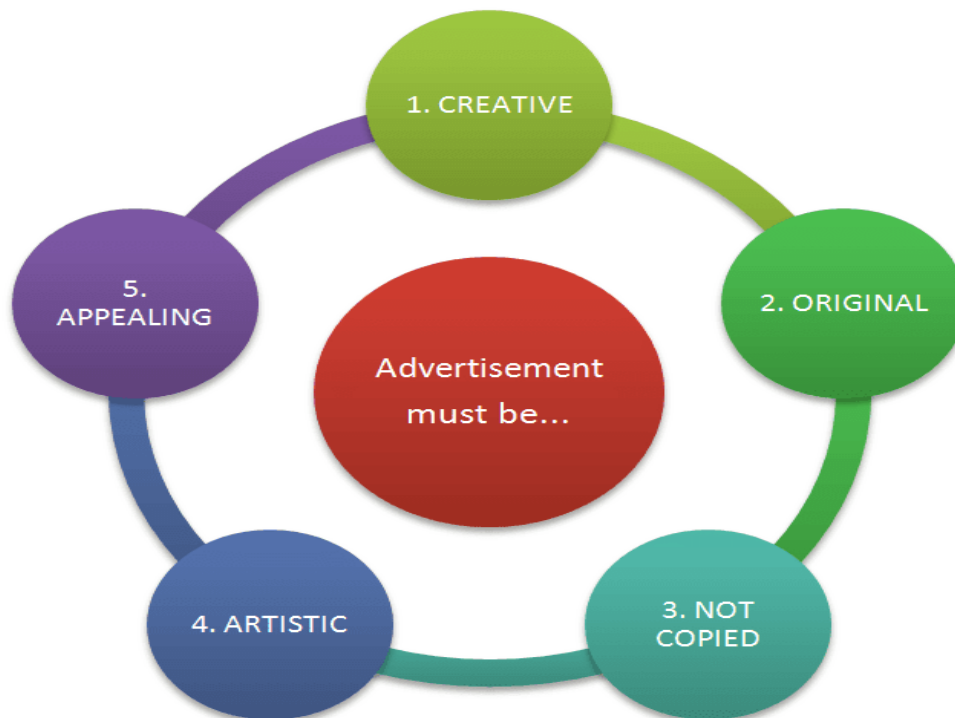
9. Demands creativity

Advertising is impossible without creative thinking. In other words, creativity is the essence (main ingredient or soul) of it.

For an advertisement to be successful, it must have some core aspects or fundamental characteristics in it.

The five must of an advertisement (ad):

renaissance



1. Creative,
2. Original,
3. Not a copied one,
4. Artistic, and also
5. Attractive or appealing to large masses.

Professional AD agencies must hire people with creative minds to make advertisements original and appealing to people. For this, experts who think 'Out of the box' and bring newer concepts, catchy jingles, and display innovative presentation skills must be selected.

"Hello! Honey Bunny" is an excellent example of a creative ad.

In India, Idea Cellular Ltd. (A mobile service provider) launched an ad campaign called "Hello! Honey, Bunny." This ad was cute and so addictive that it quickly went viral.

10. Element of a marketing mix

Advertising is an element of a marketing mix. It supports sales promotion.

In today's competitive world, it is getting difficult to sell something. Consumers now-a-days are more cautious and better aware of things they buy and use. They don't easily break their loyalty towards their favorite goods or services unless and until something new allure them in unique way and compel them to give it a try.



It is correctly said,

“What they (people) often see and hear, it attracts them. It allures their psyche to change their preferences. If it holds their attention for a long time and makes them think consciously, ‘this seems trustworthy, and I should give a try.’ It SELLS.”

Developing such a level of attraction is possible only with creative ad campaigns and that's the reason many manufacturers are ready to spend huge money on advertising.

11. Target oriented

Advertising is target-oriented in nature.

In general, target oriented means to pay close attention to or keep one's focus only on a particular thing at a given time.

In the context of advertising, it means to focus on (i.e. target), or deliver attention towards, purely on a particular group or class of consumers.

For example, Audi (German luxury car maker) designs and targets its premium cars to suite comfort, expectations, and demand from a wealthy elite class. In contrast, Maruti Suzuki (a car manufacturer) mainly brings its fuel-efficient sedan cars in the market for middle-class families in India.

Advertising is effective only if it is focused or target-oriented.

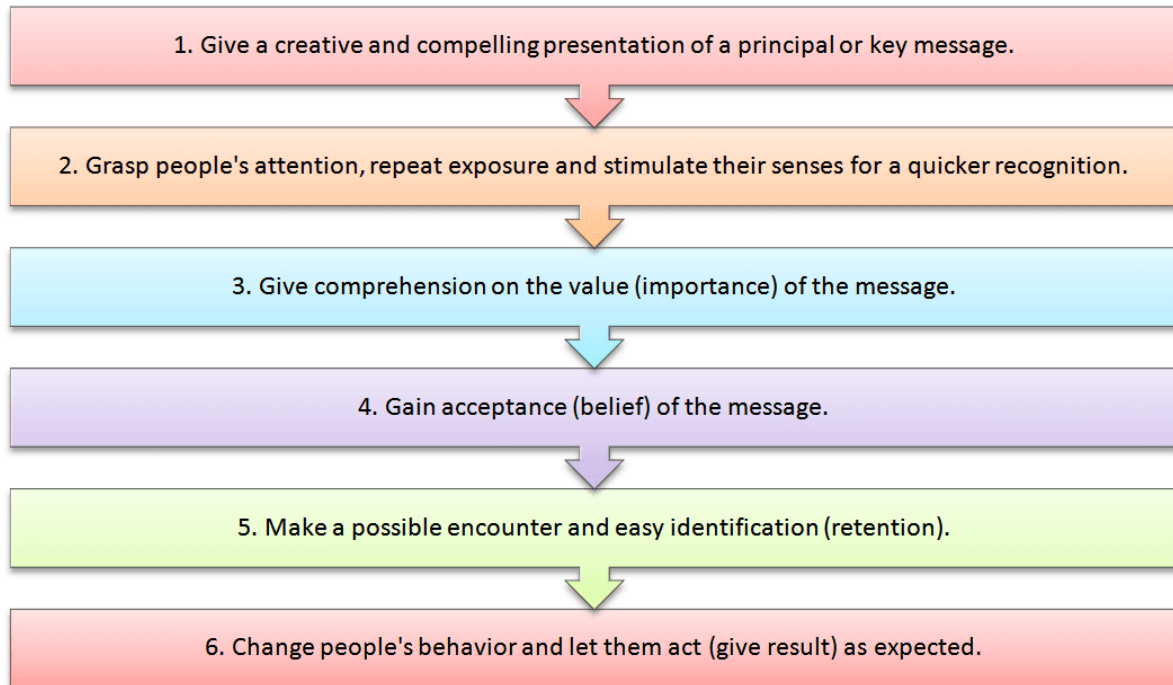
12. Persuasion for results

Advertising use persuasion to make people act in a desired direction.

It pursues people to:

1. Purchase (buy) products,
2. Subscribe a service,
3. Invest in ideas,
4. Attend events, so on.

The persuasion works in the following six stages:



1. Give a creative and compelling presentation of a principal message.
2. Grasp people's attention, repeat exposure and stimulate their senses for a quicker recognition.
3. Give comprehension on the value (importance) of the message.
4. Gain acceptance (belief) of the message.
5. Make a possible encounter and easy identification (retention).
6. Change people's behavior and let them act (give result) as expected

13. Monitor demand and supply

Advertising, if done repetitively, helps in generating higher demand in the market for advertised products and services. The rising demand must get fulfilled with an equivalent amount of supply of products and efficient delivery of services. Proper care must be taken to monitor the demand and supply function so that none of the demand remain unfulfilled.

If supply is not at par with the increasing demand, then the market may soon lose confidence and demand's downfall may take place. If this happens, the sale will also fall, and the money spent on advertising won't get recovered. Eventually, this may lead to losses.

Thus, when advertising results in higher demands, an appropriate supply must be ready to compensate it. The demand and supply function must be well monitored to check that such compensation is proper.



14. Builds brand's image

Advertising creates goodwill and helps in building a brand's image in the market.

Repeated advertisements make branded products and services very popular. People tend to show a more trustworthy attitude towards advertised brands over non-advertised ones. Well-known branded products are usually made from quality raw materials and hence are preferred by most consumers. As a result, the demand for branded products increases.

The rise in popularity and building of trust gradually helps to increase the value of the brand name. Eventually, this boosts sales of branded products and services. It also popularizes the reputation of that entity who owns these brands.

15. Generates employment

Advertising agencies are constantly in search of newer creative ideas to cope with the rising demands from their clients (advertisers). Each ad assignment (project) requires a high-level of mental labor. There are deadlines within which projects must be completed and submitted. Furthermore, the concept of an ad must be also welcomed (approved) by the advertiser. Overall, this creates a demand of creative people and thus opens new employment opportunities in the field of advertising.

It provides employment to deserving candidates who are creative thinkers, directors, cinematographers, artists, models, graphic designers, sales representatives and managers.

Sales Promotion-

Sales promotion is a marketing strategy where the product is promoted using short-term attractive initiatives to stimulate its demand and increase its sales.

This strategy is usually brought to use in the following cases –

- to introduce new products,
- sell out existing inventories,
- attract more customers, and
- To lift sales temporarily.

American Marketing Association defines sales promotion as –



Media and non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product availability.

Importance Of Sales Promotion

Sales promotion is a handy technique to fulfill the short term sales goals by persuading potential customers to buy the product. It is an important promotional strategy to –

- **Spread information about the brand** to new customers or new market
- **Stabilize sales volume** and fulfill short-term sales goals
- **Stimulate demand** for a short term by making the product look like a great deal.

The Impact of Sales Promotions

Promotion is the component of the marketing mix strategy that emphasizes the use of various communication tools to promote the value of your company, products or services. While much of promotion is focused on long-term communication objectives, sales promotions have a specific motive of creating immediate sales.

- **Attract Customers**

Sales promotions are typically used as a price inducement to attract price-conscious buyers not interested in products regular prices. This is common when companies want to build a customer base, such as at a grand opening, when a competitor goes out of business, or in a highly competitive industry. In some cases, sales promotions on one product, known as a "price leader" or "loss leader," are used to get customers into the store so you can sell them other, more profitable items.

- **Increased Revenue**

Increasing revenue is a common goal for sales promotions. Often, sales promotions restrict your profit potential, but they allow you to generate more revenue in the short



run due to increased sales volume. This also means more cash flow, which is why companies struggling to meet near-term financial obligations often turn to discounts. To realize greater revenue, you need more customers to buy more products at the reduced price.

- **Price Orientation**

One of the more risky or negative effects of sales promotions is that they can lead to a price orientation amongst customers. This is especially true if you overuse them or maintain discounts for an extended period. Customers psychologically connect the promotion price with the value of the product, and a price hike down the road may not work.

- **Inventory Reduction**

Effective sales promotions lead to inventory reductions because customers buy more products. In fact, this is why companies hold them regularly at the end of a buying season. For example, when Halloween is over, you often see retailers discount decor and candy to make room on the shelves for other products. While this often results in a gross loss on the excess inventory, you at least get some revenue rather than throwing out expired or obsolete products.

Methods and Procedure of Personal Selling-

1. Identifying the buyers-

The first step in personal selling is to identify the potential buyer. The salesman cannot call on any buyer at random for different types of goods. Products like toothpaste, soap or hair-oil can be offered to anybody. But there are certain products which can be offered to certain buyers only.

Products like television, fridge, etc., can be offered only to those who are affluent. There are still certain other products like computer, air-conditioner, etc., that are desired only by a few even within the affluent group. Thus, the main task of the salesman is to identify correctly the potential buyers.

2. Approaching the buyers-



Having identified the potential buyers, the next step is to approach them. The salesman has to adopt a planned approach in contacting the buyers. He is wrong if he thinks that he can call on any buyer at any time as per his own will and wish.

The salesman has to first of all find out the convenience of the buyer and fix up an appointment with him. This is particularly necessary if the salesman is selling intangibles like insurance or expensive goods like vacuum cleaner, personal computer, etc.

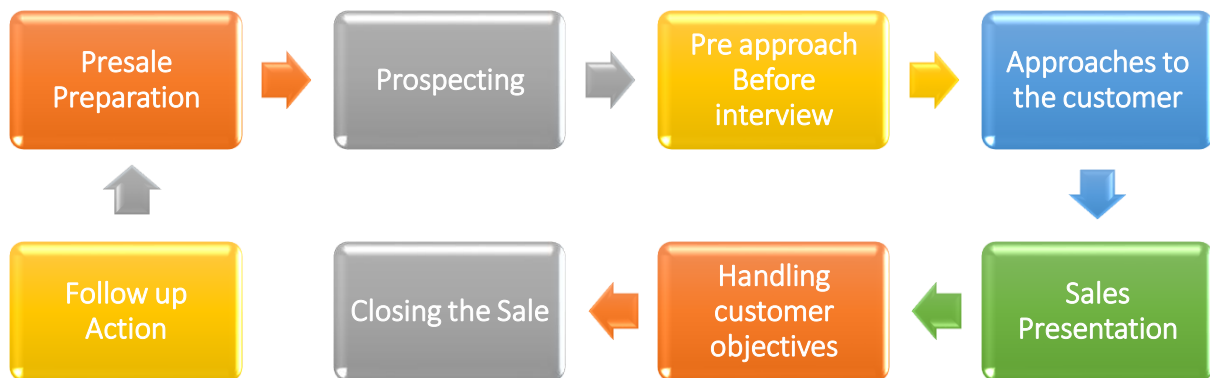
3. Overcoming objections-

During the discussion with the prospective buyer, the salesman is sure to receive certain objections from the former. The salesman should never be under the impression that the buyer will accept all that he says even if what he says is true. The buyer may have his own ideas and may not accept all the claims of the salesman.

The salesman shall not speak in a manner to provoke the buyer. In fact, in the course of the discussion, even if the buyer gets provoked, the salesman has to keep his cool and diplomatically overcome the objections raised by the buyer.

4. Closing the sale-

Once the buyer is convinced of the product or service, he is going to give his consent. The success of personal selling lies in the ability of the salesman to get the buyer's consent. Not every salesman has the ability to complete the deal successfully. Only those salesmen who have the skill, knowledge and courage will be able to do the work fruitfully.



Personal Selling Methods

Any one of the following selling methods may be used in personal selling, depending upon characteristics of a product or buyer.

1. Tender Selling





The buyer may invite open tenders through newspapers and a company is required to submit their offers with price, terms of payment and delivery period, etc.

Generally, in all Government purchase, sealed tenders are invited and are opened on a particular prefixed date and time and orders may be granted to the lowest bidder. Sometimes, purchaser may negotiate bids and finalize order with a company which may not be the lowest bidder. The role of a salesman will be quite useful in such negotiations.

2. Selling through discussions

In large companies, orders are finalized following discussions, at the purchaser's place. The order is generally issued after verifying seller's performance, reliability and after sales service.

Generally, private sector companies choose this route as this is faster and many problems and clarifications could be thrashed out across the table through informal and formal discussions.

3. Door to Door selling

In this method, company's salesman visits prospective buyers to explore the possibilities of selling. This method is generally used for household products and for new product introduction.

This method of selling is highly useful in rural, semi urban and even in cities. In India, consumer products like soaps, shampoo, sarees are sold regularly through door to door selling.

4. Over the Counter selling (OTC selling)

In this method, in all retail outlets, the salesmen sell a company's products exclusively and this method is used for all consumer goods. In India and in many Asian countries, this method employs highest number of salespersons.

Indian companies like Reliance (Only Vimal Showrooms), Bata, Philips, BPL, Sony, Asian Paints, Zodiac Gwalior Rayon, Bombay Dyeing, Mafatlal, Pierre Cardin sell whole lot of products ranging from suiting materials, textiles, ready made garments, shoes, colour television, audio-video electronic products, paints and food products through this method.

Control Process-





Controlling is the process of assessing and modifying performance to ensure that the company's objectives and plans for achieving them are met.

Control is the final role of management. The controlling function will become obsolete if other management functions are properly carried out. If there are any problems in the planning or actual performance, control will be required.

Controlling ensures that the proper actions are taken at the appropriate times. Control can be thought of as a process through which management ensures that the actual operations follow the plans.

Controlling is regarded as one of the most important management functions. In fact, without the presence of a control function, the entire management function will become obsolete. The management will not be able to determine if the plan is working properly or not, or if it is properly implemented or not.

The main objective of the control process is to make sure that the activities within an organisation are going as per the planning. Control process helps the managers in determining the level of performance of their respective organisations.

Steps in Control process

The proper performance of the management control function is critical to the success of an organization. After plans are set in place, management must execute a series of steps to ensure that the plans are carried out. The steps in the basic control process can be followed for almost any application, such as improving product quality, reducing waste, and increasing sales. The basic control process includes the following steps:

1. **Setting performance standards:** Managers must translate plans into performance standards. These performance standards can be in the form of goals, such as revenue from sales over a period of time. The standards should be attainable, measurable, and clear.
2. **Measuring actual performance:** If performance is not measured, it cannot be ascertained whether standards have been met.
3. **Comparing actual performance with standards or goals:** Accept or reject the product or outcome.
4. **Analyzing deviations:** Managers must determine why standards were not met. This step also involves determining whether more control is necessary or if the standard should be changed.
5. **Taking corrective action:** After the reasons for deviations have been determined, managers can then develop solutions for issues with meeting the standards and make changes to processes or behaviors.



What is sales volume?

Sales volume refers to the number of units your company sells during a specific reporting period. This period could be a month, a quarter, or a year depending on what level of sales volume you're seeking to analyze. Investors frequently look at sales volume to assess the health of a growing or contracting company.

Your sales volume alone won't indicate much in the way of revenue or net sales. For that, you'd need to utilize the total revenue formula. But sales volume can still inform a large number of sales decisions for your team. It's a great tool to help you understand your sales metrics in regards to customer preference, inform your sales data, and assist in sales forecasting.

Sales volume refers to the number of units sold during a specific reporting period. Knowing how to calculate sales volume gives your company a strong grasp on product movement and potential shifts.

Analysis of Sales Volume-

A detailed study of an organisation's sales, in terms of units or revenue, for a specified period; the analysis of sales volume (by sales region or territory, industry, customer type, etc) is commonly used as an aid in determining the effectiveness of the selling effort.

How To Use Sales Volume Effectively: 8 Tips To Increase Sales Volume To Get More Revenue

Maximize The Digital Sales Via Mobile Optimization

The majority of customers purchase products using their smartphones, thus it's crucial to set up your business for digital sales. To keep your customers, you must offer a flawless digital customer experience given the growth of digital e-commerce. A dynamic and appealing website design, user-friendly interface, and faster site loading times are all important.

Additionally, to make it simpler for customers to access the most pertinent content, place the most vital information and CTA icons somewhere at top of the main page. The next stage is to develop a compelling brand narrative and message that highlights the distinctive selling point and demonstrates how your product will benefit customers more than competing products in that market.

Generate And Nurture Your Leads

The generation of high-quality leads and nurturing of those leads until they become paid customers serves as one of the most crucial objectives of sales volume. Lead nurturing aids in guiding prospective customers through the sales process and converting them into committed customers. Lead generation aims to draw in interested potential customers.



As a way to increase sales volume and your sales tactic, make certain that your business employs both lead generating and lead nurturing. When people first encounter your product, they are not prepared to purchase it. As a result, you must evaluate your prospects based on their likelihood to buy and economic productivity. These people require nurturing if you classify them as unqualified leads.

Team Up Sales And Marketing Efforts

To increase effective sales volume, a company should consolidate its marketing and sales activities. You can gain a broader viewpoint and optimize performance by coordinating the efforts of both teams and simplifying their operations. A company can sell even more products and create better sales practices by coordinating between the sales and marketing teams.

To add the proper leads to your pipeline, your sales and marketing departments must synchronize. Any volume-related particular targets should be communicated to your teams, along with their rationale. Provide your employees with the knowledge they need, and they'll be better equipped to provide content that's pertinent to the products you're trying to sell.

Offer Genuine Discounts And Offers

To enhance sales volume, businesses can also provide customers with discounts and offers. This is a fantastic approach to marketing your products and services and drives revenue. Nevertheless, you should only provide discounts when truly necessary and tread carefully to avoid undervaluing your products and services.

Vouchers, discount codes, and other special deals are all examples of discounts and offers. Whatever their type is, they ought to be useful and relevant to your intended audience. Deals and discounts work best when they have a deadline. Customers are tempted to enjoy the benefits of the deal before it expires by the sense of hurry generated by this. Using your website, social networking sites, and email campaigns, you can announce discounts and offers.

Work On The Time Management Skills

Time is the most significant resource when trying to boost sales volumes. To get the best revenue outcomes, you must make the most of your business time. When you are working on time management, it is a smart thing to have an understanding of your sales closing percentage. You should be aware of the number of sales calls it takes to generate a quality lead. You should also be mindful of the number of leads required to locate a competent prospect.



The number of qualified prospects needed to close on a deal and the estimated value of a sales agreement are the final two things you need to know. With the figures you currently possess, you are aware of the required sales volume for the coming week, month, and/or year.

Ensure That Your Pricing Stimulates A Growth In The Net Profit

The value that customers give for your product and service is referred to as the product's pricing. It takes a lot of research, analysis, and thought to figure out how much to charge for your products and services. These factors include how much your competitors are charging, operational expenses, special discounts, conditions of sales, and the sorts of payments you will accept.

Your pricing approach should adapt as markets grow more volatile by being adaptable and nimble. Since your pricing model serves as the cornerstone upon which you construct the profit and revenue margins, it is the primary area of your business that needs your attention if you haven't developed one that has been shown via information to boost profit.

Know Your Product's Right USP

Trying to sell more quantities of a product results in an increase in sales volume. So be sure to be well familiar with your product's core USP. One of these is having a thorough understanding of the significant aspects so you realize what and how to emphasize. Understanding the Unique Selling Proposition (USP) of the product might make you differentiate yourself from your competitors. Here are some queries to think about in order to comprehend the product more comprehensively:

- What makes your product unique?
- What can your product provide that the products of your competitors cannot?
- What are the key features of your product?
- Why should they purchase your product, exactly?

Keeping this set of distinctive features handy will make it simpler for you to convince potential customers that they require your product and service.

Increase The Sales Velocity

If you are selling to customers, on the other hand, cutting the sales process will surely boost sales volume. Sales velocity provides information on how long it takes a company to make a profit. You should concentrate on reducing the length of the sales process if you want to enhance sales velocity. In other words, not all deals ought to be regarded similarly. The sales process lengthens because large deals take more time to close. Start taking advantage



of content marketing. A content library of blogs, reviews of products, and manuals make it simple for users to locate the information they require. By doing this, you can refrain them from asking basic questions while they explore your products.

Wrapping Up

To be in business requires you to continually evaluate your actions and consider whether your decision is correct or wrong—especially for thriving new business owners. Sales volume could be the one thing that pulls all of your business challenges together.

Businesses must remember to include sales volume as a critical KPI among other widely known measures like gross margin, net profit, sales conversion rate, duration of the sales process, total sales, etc. The truth is that the generated revenue sum and the number of units you sell are both crucial. Understanding the sales volume for the products and services can drive you in the direction of progress by allowing you to pinpoint the most underused or unsatisfactory products.

Costs and Profitability Managing expenses of Sales Personnel-

No matter the structure, costs associated with your sales team can be categorized into direct and indirect expenses. Commission, salaries, payouts, all lie under direct expenses.

Additional costs like travel, lodging, entertainment, food, training, and support print media, can be classified as indirect expenses.

Managing a sales force requires more than just setting quotas and tracking progress to determine success. An increase in sales isn't necessarily a positive thing for a business if the expense to generate those sales result in a lower profit. Breaking down your sales costs, including those expenses related to your sales force, will help you set a budget, choose distribution channels and set prices.

- 1. Plan and budget up**

Once the sales budget is crafted and the targets are shared – the next step should be planning the expenses that the team manager believe will incur to meet the targets.

- 2. Inform and trust**

It's critical to have a written expense policy that specifies which expenses are considered business expenses and which are not. Include limits for what constitutes acceptable expenses for items such as client entertainment, client presents, receiving gifts, and the maximum daily expense for employee meals while on the road. Once that is done, trust your sales representatives with managing the expenses to meet their goals. Incentivising the sales team is an added motivation to drive higher sales.

- 3. Third-party audits**



Having a third party audit the sales expense receipts is one way to keep employees responsible for the expense policy. Review expense receipts with another department to provide an objective perspective, discover any breached policy regulations and keep the sales team accountable for their expenses. Due to someone else enforcing the regulations, sales managers will no longer be able to make special exceptions.

4. **Build a team you can trust**

Hire the right people. Make sure that the sales representatives on your team have their values aligned with company values. Build a team you can trust with smart management of finances to bring in higher returns.

Star salesmen are wanted by everyone, no matter what the face of the economy is.

Building a strong team is probably the best way to manage your operations smoothly.

5. **Don't overlook the cost of salesperson turnover**

You do not want to go over the head about controlling expenses. Making your team feel welcomed is as important. Losing a good salesperson is a huge disadvantage.

The cost of acquiring new personnel and training them is added to the loss of losing an already trained representative.

Setting quotas and analysing progress to establish success isn't enough when it comes to salesforce management. Increased sales aren't always a good thing for a company if the costs of generating those sales result in a reduced profit. It will be easier to build a budget, choose distribution channels, and set prices if you break down your sales expenditures, including those related to your sales team.

The best way to go about maintaining sales expenses is to generate an expense policy that sets down all rules and restrictions related to spending patterns expected from the representatives, and then leave it to trust while maintaining a positive work environment.

To keep a check, you can always call in a third-party audit, but checking expenses frequently or on your own is not the best idea.

Importance of understanding and managing selling expenses

1

Profitability

2

Budgeting and Planning

3

Cost Control

4

Performance Evaluation

5

Competitive Advantage



Sales Force Performance

- The division of a business that's responsible for selling products or services. In this case, you may expect your sales force to handle only the larger accounts, leaving the smaller orders to customer service personnel and order-takers.
- A judgment or assessment of the value of something, especially a formal one. A performance appraisal evaluates how well the salesperson met their prior stated objectives.

Determinants of Sales Force Performance

- Changing dynamics of the market have increased the pressure on sales force
- Many studies were conducted to know the factors which will influence sales force performance
- They are:
 1. Internal factors –
 - Motivation
 - Skill level
 - Job satisfaction
 - Role perception
 - Ego drive
 - Empathy
 2. External factors-
 - a) Environmental factors
 - b) Organizational factors
 - (1) communication & work flow
 - (2) compensation system
 - c) Sales management functions
 - (1) Sales force planning
 - (2) Forecasting
 - (3) Territory management
 - (4) Compensation
 - (5) Control

Performance Evaluation

- The process of assessing an employee's job performance and productivity.
- Important process which enhances the way organization is managed & provides recommendations for further improvement



SALES FORCE EVALUATION PROCESS



renaissance
renaissance



UNIT- V

Sales Organization

A sales organisation is an organisation of individuals either working together for the marketing of products and services manufactured by an enterprise or for products that are procured by the firm for the purpose of reselling.

Sales organisation is a structural framework, specifying the formal authority and responsibility between persons working in the organisation. It consists of group of individuals working jointly to attain qualitative and quantitative selling objectives.

In the words of Stiff, Cundiff and Govoni, "Sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is composed of the group of individuals, striving jointly to reach qualitative and quantitative personal selling objectives and bearing both informal and formal relations to one another."

Steps in Setting Up Sales Organization

There are five major steps in setting up a sales organization:

1. Defining objectives.
2. Determining the necessary activities.
3. Grouping activities into jobs or positions.
4. Assigning personal to positions.
5. Providing for coordination and control.

1. Defining Objectives

The first step is to define the sales department's objectives. Top management defines the long-term objectives for the company, and from these, the objectives for the sales department are derived.

Top management, for instance, may want the firm not only to survive but to achieve industry leadership, develop a reputation for outstanding technical research, diversify its product lines, provide excellent service to customers, furnish investors with a generous return, establish an image of public responsibility, and so on.

From such composites, sales management determines the implications for the sales department and articulates a set of qualitative personal selling objectives.

Three of the sales Department's general objectives – all traceable to management's desire for survival of the firm – may be summed up in three words: sales, profits, and growth



2. Determination of Activities

Only after determining all necessary activities and estimating the volume of performance is it possible to answer such questions as What executive positions are required? What should be their relationships to other positions? What should be the duties and responsibilities of the person so fill these positions?

Determining the necessary activities and their volume of performance is a matter of analyzing the sales department's qualitative and quantitative objectives.

Thorough examination discloses which activities must be performed in what volume.

3. Grouping Activities into Positions

Next, the activities that are identified as necessary are allocated to two different positions.

Activities are classified and grouped so that closely related tasks assigned to the same position.

Each position should contain not only a sufficient number of tasks but sufficient variation to provide for job challenge, interest, and involvement, Only in very large organization, where extreme specialization is practiced, should a position comprise only a single activity, and even here the burden of proof should be on those proposing such a move.

4. Assignment of Personnel to Positions

The next step is to assign personnel to the positions.

This brings up the question of whether to recruit special individuals to fill the positions or to modify the positions to fit the capabilities of available personnel. This is a question that has long been controversial.

Nevertheless, planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals.

5. Provision for Coordination and Control

Sales executives who have other reporting to them (that is, those with line authority) require means to control their subordinates and to co-ordinate their efforts.

They should not be so overburdened with detailed and undelegated responsibilities that they have insufficient time for coordination.



Principles of Sales Organization

Although selling organization itself is an effective vehicle, to further make it more effective and result-oriented it is guided by the following principles.

1. **Principle of Executive Time Economy-** Sales organizations should be designed to save time for executives while managing salespeople in compliance with the established structure. This means that all salespeople and sales leaders should have clearly defined jobs, responsibilities, and functions.
2. **Principle of Objectives-** Each sales organization has its own set of goals to achieve. As a result, sales managers and executives must strive to achieve these goals through a well-managed framework.
3. **Principle of Grouping Activities-** Depending on the departmental system of working, each sales organizational structure should be directed by the principle of grouping activities. Advertising salespeople, people reporting to the general sales manager, people reporting to the assistant sales manager, and so on.
4. **Principle of Position Assignment-** Every sales organizational structure also should be abiding by the principle of position assignment. For example, G.M., sales manager, assistant sales manager, director of sales training, territories sales manager, etc.
5. **Principle of Activity Performance-** This principle focuses on the salespeople's activity performance. It should not be a structure for the sake of being a structure. This means that directions should be issued from the top down, and performance reporting should be done from the bottom up.
6. **Principle of Balance-** All sales organizations should be guided by the principle of coordination/balance among the salespeople and senior body. Otherwise, conflict may arise and sales performance would be adversely affected.
7. **Principle of Developing Specialists-** This principle states that if a salesperson performs well in his or her assignments, there should be enough room for him or her to be promoted. From a salesperson to a supervisor, for example.
8. **Principle of Authority-** All sales organizational structures should be guided by the principles of authority. Only assigning duties, responsibilities, and accountability can not bring excellence in the performance of salespeople. Therefore, matching the level of position, salespeople should be provided with the adequate authority of making the assignment-related decisions by themselves.

Sales Planning-



Sales planning is an ongoing process that helps you to plan, manage and control your sales strategy. It involves assessing your sales performance and identifying areas where you can improve it. It also allows you to set targets and work out how to achieve them.

process. Sales planning is an effective method that involves **sales forecasting, demand management, setting profit-based sales targets**, and the **written execution steps** of a sales plan.

Sales Planning is the process of organizing activities that are mandatory to achieve business goals. A sales plan contains a strategic document that figures out your business targets and several resources. These can be used for some activities which you perform to reach your desired goal.

Importance of Sales Planning

Sales planning is a crucial part of your team's success. It allows you to map out your sales goals and strategies for the future, which means you'll have a clearer idea of your goals and how you can achieve them.

Specifically, sales planning helps your team:

- Know target audiences and business strategy to enter the market.
- Anticipate obstacles and prepare for them.
- Understand the responsibilities and resources they need to do their job best.
- Stay organized and focused on what matters most so that they can keep working towards their sales target and the shared goals.
- Adjust sales strategies and tactics based on changes in the market.

Sales Planning Process





1st Step of Building a Sales Planning Process is to Analyze where you are at?

To determine where you are going you first have to see where you have been.

Some questions to ask yourself are:

- What business are we in?
- Who are our customers?
- Where did most of my sales come from?
- Where do we want my sales to come from?
- What are some external/Internal factors that can impact my sales? Eg. Industry trends, Technology, Competition, Business Environment etc..

2nd Set your Goals

Your goals should be SMART (Specific, Measurable, Attainable, Relevant, Time bound)

Some samples:

- Achieve 1 Million in New Sales by December 31st, 2022
- Sell 2 Corporate wide Licenses by December 31st, 2022
- Grow Distributor Network by 30% by December 31st, 2022

3rd Step Develop the Sales Plan

This is the meat of your sales plan and is the most critical in helping you achieve your goals. It should outline all the strategies and tactics that you are going to use to overcome the obstacles that you may face in meeting your goals.

renaissance
renaissance



Analyze- Internal & External Factors



Strategy – Your Plan of Attack to Reduce Risk

A Strategy is a plan or action designed to achieve a particular goal. One way to develop sales strategies is to write down the risks/obstacles that you see in achieving your goals then write down some ideas on how you can overcome them. These include internal and external factors.

Tactics- Short-term actions to help you execute on your strategy

Tactics have clear deliverables and outputs using people, tools and time and have minimal risk. When trying to determine your tactics it's best to write down the steps/milestones that will help you to execute and support your strategy. You may want to [build an ideal sales sequence](#) for common sales outreach steps.

Finally it's time to Execute on your strategy.

Action speaks louder than words. Now that you have taken the time to plan out your attack now it's time to act on it. Your The sales profession is one of the few professions where you can control how much you make or don't make by the actions we do or do not take. The plan is to help take away some of that mystery to help you use your creativity to hit those goals.

Evaluate and Review Planning Processes

The world/market is constantly evolving if you write a plan and only look at it at the end of each year that's like looking in a rear view mirror instead of looking where you are going. Just as important as writing the plan it's important to:



- Review the plan quarterly in review meetings
- Review what went well, what did not, and make adjustments
- Score Card: Measure and Benchmark.

Types of Sales Planning-

1. Annual sales plan: An annual sales plan outlines the sales objectives, strategies, and tactics for an entire year. It includes revenue targets, sales quotas, and plans for product launches or expansions.
2. Quarterly sales plan: A quarterly sales plan focuses on goals and strategies for a specific three-month period. It allows for more frequent adjustments to respond to market changes.
3. Monthly sales plan: Monthly sales plans break down annual or quarterly goals into monthly targets. These plans are especially useful for tracking short-term progress and making quick adjustments.
4. Individual sales rep plans: Each sales representative may have their own individual sales plan that aligns with overall company goals. These plans include specific quotas, prospecting strategies, and account management tactics.
5. Territory sales plan: Territory sales plans allocate sales resources and strategies to specific geographic regions or customer segments. This ensures effective coverage and focus on local market conditions.
6. Product launch sales plan: When introducing a new product or service, a product launch sales plan outlines how sales teams will promote, sell, and support the new offering. It includes target markets, pricing, and promotion strategies.
7. Market expansion sales plan: A market expansion sales plan is used when entering new markets, whether in different regions, industries, or customer segments. It involves market research, resource allocation, and market entry strategies.

Sales Forecasting-

Sales forecasting is one of the most important things a company does. It fuels sales planning and is used throughout an enterprise for staffing and budgeting. Despite its importance, many organizations use outmoded practices that produce bad forecasts.

A comparison could be drawn with times past, when farmers depended on signals like cats washing behind their ears or the ache in an old-timer's knee to forecast the weather. With the advent of supercomputers, weather prediction has vastly improved. But in large enterprises, the tools used to foresee sales remain only somewhat more reliable than an arthritic knee.

Sales forecasting is the process of estimating a company's sales revenue for a specific time period – commonly a month, quarter, or year. A sales forecast is prediction of how much a company will sell in the future.



Why is sales forecasting important for business?

Sales forecasting isn't just about predicting numbers; it's foundational to any business strategy. Here's why:

Strategic decision making: Sales forecasts provide a clear picture of where a business is headed, which factors into making decisions about product launches, market expansions, or even potential mergers and acquisitions. Understanding these forward looking projections can help businesses make informed decisions that align with their long-term goals.

Resource allocation: A close-to-accurate sales forecast ensures that resources – whether it's labor, capital, or technology – are allocated efficiently. Proper allocation prevents over-spending in areas that might not yield returns, and ensures that high-potential areas receive attention and investment.

Budgeting and goal setting: Accurate and reliable sales forecast data is foundational to estimating future revenue and costs, as well as setting realistic yet challenging goals for revenue teams. Such data-driven insights help businesses allocate resources efficiently, ensuring that teams are equipped to meet their targets while also safeguarding a company's financial health.

Proactive problem solving: One of the most significant roles for sales forecasting is the ability to spot potential issues before they become major problems. For example, if a sales team is trending below its quota, sales managers can take timely action, preventing minor setbacks from escalating into significant ones.

What is a Sales Territory?

A sales territory refers to a geographical area assigned to a salesman for the purpose of marketing the products of his concern. Generally, a firm divides the markets into specific geographical zones or areas and assigns each salesman a specific zone in which he has to carry out his selling operations. The specific geographical zone or area assigned to a salesman becomes his sales territory. Each of the territory is served by one or more salesmen.

In simple terms, territories divide up your total target market into smaller segments that can be better managed by reps.

Benefits of using sales territories

By implementing sales territories, you empower your sales team to use their time and resources efficiently. The top benefits of using sales territories include:



- Fair opportunities for each team member to make sales and earn commission
- Coordinated efforts between team members to capture every customer and avoid targeting the same leads
- Even workloads between sales representatives and less burnout
- Improved accountability for each individual's performance in their territory
- Customized service for clients based on the needs of their demographic
- Lower travel expenses and less time traveling because of physical territory boundaries

Factors Determining Allocation of Sales Territories

The allocation or division of sales territories among the salesmen is based upon several considerations or factors, such as the nature of the product, the potential demand for the product in the area, the extent of competition present in the area, transport and communication facilities available, channels of distribution, types of customers, the capacity of the salesmen, the types of customer services to be provided, the sales expenses ratio, etc. Each of these factors are explained in detail.

1. Nature of the product

First, the nature of the product is of utmost importance. There are certain consumer items which have constant demand in the market. They are high turnover goods and they need little selling efforts. Thus, for such products a large territory can be assigned. For luxurious, bulky and durable articles, which need concentrated selling efforts small sales territory can be assigned.

2. Demand for product

While allocating sales territories to salesmen, the demand for a particular product should also be taken into account. If the demand for a particular product is constant and frequent, then the whole sales field can be divided into small sales territories. However, in case of low demand and infrequent purchase of articles, the size of the sales territory should be large.

3. Transport facilities

The marketing of a particular product depends to a large extent on the availability of transport facilities. If the transport facilities like road, railway and air links etc., are satisfactory, then large sales territories can be allotted to salesmen. However, areas having poor transport facilities should be divided into very small sales territories. If the company provides vehicles such as a car or motor cycle for the salesmen, then larger sales territories can be assigned.



4. Competition and Frequency of Contact

Competition cuts the size of the territories and increases the frequency of contact. In other words, the salesman has to meet dealers and customers very frequently in highly competitive areas. On the other hand, limited competition or near monopoly situation lengthens the frequency of contacts between the salesmen and the dealer/customer. In such situations, the salesmen can be assigned larger sales territories.

5. Population

The density of population in a particular area determines the size of the territories. In other words, if particular area of a territory is thickly populated, there arises the need to divide the sales field into small sales territories. On the other hand, if the area is thinly populated, then larger sales territories can be allocated to salesmen.

6. Distribution System

Very often the distribution system of a particular organization determines the size of its sales territories. In case the company sells through middlemen like wholesalers, dealers, retailers etc., larger sales territories can be allocated to salesmen. On the other hand, if the product is sold directly to consumers or very few middlemen are used, then small sales territories can be assigned to salesmen.

7. Advertising and Sales Promotion Activities

Companies which have widespread advertising and other sales promotion activities, can assign small sales territories to each salesmen in view of the demand for the product created by advertisements. This enables them to sell extensively in territories allotted. On the other hand, low advertised products need large sales territories for each salesman.

8. Ability and Experience of Salesman

The size of the sales territory also depends on the ability and experience of the sales force. Experienced and talented salesmen are able to sell more and, therefore, they can easily be allotted large sales territories. New and inexperienced salesmen are usually allocated small sales territories as their ability to sell is limited. A salesman is expected to produce maximum sales turnover from his area with the minimum amount of time and effort. The commonly used division are states, districts, cities and trading areas.



The allocation of sales territories is often followed by the planning of the route which a salesman should follow within his sales territory. The planning of the route involves the determination of places to be visited (including exploration of new markets), the number of customers to be contacted and the number of calls to be made every day by the salesman.

What is a sales quota?

A sales quota is an achievement benchmark set for sales individuals and teams. This goal is usually time-specific and must be achieved by the end of the month, quarter, or year.

Sales managers set quotas based on historical data and sales forecasting to ensure that the profits and revenue continue to grow for the business. Salespeople receive commissions and incentives for completing their quota in the specified period.

A sales quota is a monthly or quarterly performance benchmark that salespeople must reach to earn their incentive bonus. Sales quotas are set by sales leaders and are based on company objectives.

Purpose of setting Quota-

- Keeping your team accountable
- Aligning team efforts to meet your objectives
- Motivating your sales reps
- Developing incentives and fair compensation plans
- Setting challenging but achievable goals
- Eliminating unethical and immoral sales tactics
- Building long-term customer relationships

7 Steps to Set a Sales Quota

Creating a sales quota is a simple process, but knowing what to do and the order to do them is key. After creating hundreds of our own, we figured out a tried and true process to setting sales quotas that push your team without being unreasonable.



1. Identify Your Resources

The best place to start is with a sales quota calculator and template. Rather than doing all the math and creating formulas on your own, Hubspot's free calculator makes it easier than ever to find the numbers you need.

In just a few minutes, you'll know your drop-off rates, conversion rates, and a full picture of your sales pipeline.

Not only that but you'll also have more insight into how effective your team is at moving prospects through the different stages of your sales cycle. From there, you can use these numbers and the free template to set realistic monthly and quarterly goals.

When you sign up, you'll get everything you need to identify bottlenecks and improve your processes, including:

- Monthly & quarterly sales Goal setting template
- Dropoff and conversion rate calculator
- A guide to improving conversion rates
- Deal and MRR pipeline tracker

This is also an excellent time to look into integrating HubSpot's Sales Hub into your workflow. This powerful sales CRM comes with quote functionality, sales engagement tools, reporting and analytics, and everything you need to manage your sales pipeline.

There's a comprehensive free plan you can start with. It's better than many paid CRMs out there, so it's well worth at least signing up and seeing if it's a good fit. When you outgrow the free plan, paid plans start at just \$45 per month.

2. Choose an Appropriate Sales Quota Strategy

In our experience, there are five ways to arrive at an appropriate sales quota. The best strategy for you and your team depends on various factors, including your industry, the size of your business, and your business objectives.

Your strategy also heavily depends on how you track your team's performance. One way to ensure you've chosen the right strategy is to create a sales quota using all five. From there, you can gauge which one will be the best fit for you and your team.

Some strategies won't work with the information you currently have. So, you can immediately cross those off your list and focus on the remaining viable options.

Volume-based Quota

Volume-based quotas take into account the number of units sold over a specific period of time. Alternatively, you can look at total revenue rather than units sold.

For example, a sales manager may assign each sales rep a quota of 50 units per month. In this case, the rep has to sell at least 50 units to meet their quota. To encourage and continuously motivate the team, the sales manager may offer a commission or bonus for each unit sold beyond their quota.

Alternatively, the manager could set the individual sales quota at \$10,000 in generated revenue per quarter.

In practice, volume-based quotas work well for businesses with short sales cycles and fixed product pricing because a rep's actions are directly tied to sales within the time frame. If your



sales cycle takes several months, there are a lot of moving parts, and actions taken today won't pay off until the specified period of time is over. As such, it's difficult to set effective volume-based quotas for long-term sales cycles.

Activity-based Quota

Activity-based quotas require salespeople to complete a set number of actions such as attending a set number of customer appointments, leading a set number of demos, or making a set number of phone calls.

For example, a manager may assign a sales development representative a quota of 100 cold calls, 80 follow-up emails, and 15 product demonstrations every month. The sales manager then tracks the rep's activity on the CRM to monitor progress.

This system works best for business development representatives (BDRs) and sales development representatives (SDRs) who aren't directly involved in closing sales. Activity-based quotas also help ensure that everyone contributes to the sale rather than disproportionately relying on your closers.

Consider activity-based sales quotas if your business has long sales cycles or multiple customer touchpoints.

Profit-Based Quota

This quota is based on the gross or net profit of a salesperson, sales team, or product or service grouping's performance. Profit-based quotas are best suited to organizations with a wide range of products or services. Also, this quota system works well for businesses serving multiple markets or market segments.

For example, two sales reps are assigned a profit quota. Mary focuses on selling high-end gaming computers at a high cost, while Andrew focuses his sales efforts on the cheap but fast-moving computer accessories. Both sales reps might meet their profit quota, but the number is likely to be different given the divergent approaches.

Profit-based quotas tend to push salespeople to push products or services with the highest profit margin. In turn, the organization benefits from higher profits.

Cost-based Quota

Cost-based quotas are based on the cost saved per deal. This method works best where you are solely focused on controlling expenses. You typically see this type of quota system in service industries where field agents do not directly control revenue.

For example, a plumber may have quotas based on how much time they spend diagnosing and fixing a problem. In this case, volume or profit-based quota would not be an appropriate measure of their performance. However, the time they spend on each house call factors into the cost of doing business and is something the plumber can control.

Cost-based quotas help to increase staff efficiency and subsequently improve profitability.

Combination Strategy

As the name suggests, combination quotas combine more than one type of sales quota. A sales manager may assign both volume-based and activity-based quotas to a sales rep. This method works best for businesses with long sales cycles and multidisciplinary sales teams. Business-to-business (B2B) sales roles also typically include prospecting and closing deals. In this case, the manager may assign a sales rep a volume-based quota in addition to an activity-



based quota, such as performing product demonstrations or making a set number of cold calls.

3. Choose How to Set Your Quota

There is a distinction between the quota system you choose and how to implement it. Concerning the latter, there are two ways to go about implementing your quota system. These are the top-down and bottom-up approaches.

A VP of sales, founder, CEO, or other higher-ups set the sales quotas based on the organization's objectives in a top-down approach. The quota is communicated to the sales manager, who then figures out what needs to be done to achieve the targets. This process will involve assigning the quotas to sales reps or sales teams.

One of the downsides of this approach is top-down quotas tend to be overambitious. This scenario can cause the opposite of the intended effect, de-motivating sales reps rather than motivating them.

The bottom-up approach is a much better option. Here, the sales manager analyzes each sales rep's capabilities, past performance, and market opportunity. The manager then uses this data to create realistic goals for individual sales reps or sales teams.

With considerations such as the number of sales reps, average deal size, lead-to-close ratio, and the number of qualified leads, the ensuing sales quota is far more likely to be realistic than the top-down approach.

4. Establish a Baseline

As your plan starts to take shape, it's time to establish a baseline. The baseline is the minimum number of sales you need to make to stay in business. This figure acts as the foundation to build a realistic sales quota.

Make sure that your baseline is grounded on data. Some of the factors to consider when coming up with your baseline include historical sales, seasonality, and market influences.

5. Calculate Your Sales Quota

Once you have a baseline figure, set a quota that represents growth. For example, if your baseline is \$80,000 per month, 10% growth will give you a sales quota of \$88,000 per month. Another formula for calculating your sales quota is multiplying the average number of closed-won deals per month by the average contract value. Once you have the base sales quota, you can adjust it for growth like in the above example. This formula requires historical data but can be a basis for setting accurate quotas.

Remember to adjust your sales quota to historical trends, market influences, and seasonal variations.

Market influences may be tricky to predict, but some obvious factors include a shortage of supplies, increased competition, or dramatic market growth or contraction. You can use your forecasting data to help you account for market influences.



Additionally, most businesses see a variation in revenue during different seasons. Tailor your sales quota to match this seasonality. For example, you can set individual goals for each quarter depending on your projections.

If you don't have historical data, a sales forecast can help you determine an accurate baseline. From here, you can calculate the sales quota to reflect your desired growth.

6. Determine Your Review Period

Your review period depends on the length of your sales cycles. Typical review periods include weekly, monthly, or quarterly. A short review period can help you identify problems and take corrective measures before the end of the quarter.

On the other hand, quarterly or more extended review periods give sales reps enough time to make up for lost sales. This is especially true for seasonal businesses. Choose the review period that makes the most sense for your type of business.

7. Communicate Performance Expectations

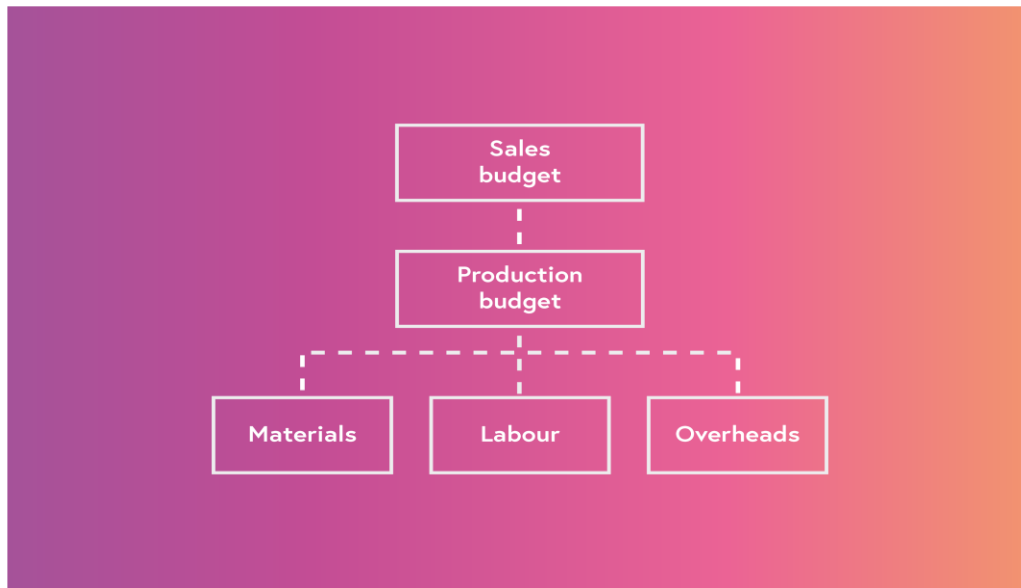
After a thorough review of your sales quota, communicate performance expectations to the sales reps. Share the specific number, as well as the rationale behind the figure. Additionally, speak to the sales reps about how you will measure their performance. Be sure to include your sales compensation plan in this discussion.

Ask for feedback and make adjustments where necessary. Alternatively, save the input for a future date after you have reviewed your team's performance.

A sales quota is only useful if everyone is on board. However, a well-thought-out and articulated sales quota should go down positively with your sales reps.

Sales Budget

Sales budgets are financial plans that estimate the total revenue a company makes in a specific period. Companies measure this in both dollars and units and use it as a tool to predict how their business may do. Understanding how sales budgets work can help your business be more efficient in reaching its sales goals and maximize its profit. In this article, we discuss sales budgets, provide steps for how to develop one and offer sales budgets examples.



The **sales budget** is usually the first budget that a business will produce – all of the other budgets, such as production, materials and labour, will all be based on the sales level that is being budgeted for. The sales budget will therefore inform and drive each of the budgets that follow it.

Benefits of calculating a sales budget:

- Improving cash flow management
- Building actionable strategies to reach sales goals
- Determining overhead costs
- Streamlining business processes

How to develop a sales budget

Here are some steps to take to develop a sales budget for your company:

1. Select a period of time

Determine the period to use for your sales budget. This may be either monthly, quarterly or annually. Companies most often use an annual evaluation, but you may consider looking at a shorter period of time as well.

2. Gather sales prices

Compiling a list of sales prices is important for calculating your sales budget. Get the prices for your various products or services. Also, consider any prices your company may use later on due to factors, such as sales or increased demand.



3. Collect sales data

Research data from your company's sales in your selected period of time to determine how many items you might sell. For instance, if you are examining your winter quarter, consider looking at data from last year's winter quarter. By looking at past sales, you can predict how many units you may sell in the future.

4. Look at industry market trends

Stay up-to-date on current market trends. This includes looking at market fluctuations and preferences toward certain trends through research. Knowing the state of the market trends can help you determine whether your product or service may still be relevant during your calculated time.

5. Communicate with your customers

Consider talking to your customers to see what they plan to spend in the selected time period. It's particularly helpful to look at your long-term customers' spending patterns. Also, consider that some customers may purchase during a specific time of year which can impact certain quarters.

6. Create your forecast

After gathering information about your previous sales, market trends, customer intentions, you can calculate your sales budget. To do this, multiply the expected number of units sold by the current sales price. For example, if a book shop expects to sell 120 books in their quarter one and each book costs \$12, their sales budget would be \$1,440 ($120 \times \$12 = \$1,440$) for their first quarter.

7. Compare results

Once your designated time period ends, compare your actual results with your predicted sales budget. Look to see how closely your actual results were to your estimations to help you determine how accurate your calculations were. Your results can help you take effective measures in the future to get more accurate calculations.