No. of Printed Pages : 5 **MS-062**

MANAGEMENT PROGRAMME

Term-End Examination

December, 2017 01017

MS-062 : SALES MANAGEMENT

Time : 3 hours *Maximum Marks : 100*

(Weightage : 70%)

Note : *(i) Attempt **any three** questions from **Section-A**.*

*(ii) **Section-B** is **compulsory**.*

*(iii) **All** questions carry **equal** marks.*

SECTION - A

1. (a) Discuss growing importance of personal selling. Explain various situations conducive for personal selling.

   (b) Explain various steps of Negotiation.

2. (a) Describe objectives of sales displays. What are the principles of effective displays ? Explain.

   (b) Discuss some principles of effective presentation.

3. Explain various objective and parameters of monitoring of sales force performance.

4. Write short notes on **any three** :

   (a) Sales control system

   (b) Types of sales quotas

   (c) Sales territory planning

   (d) Difference between advertising and personal selling

   (e) Functional sales organisation structure.

SECTION - B

5. Read the case study given below and answer the question that follow :

Fred Abbott, sales manager of Midland Office Engineering, was having difficulty convincing his boss, General Manager John Racklin, to accept his proposed sales budget. Although sales had increased 1 to 2 percent each of the past five years, Midland had experienced a steady decline in net profits. Abbott believed that it was his responsibility to improve profits through cutting expenses and increasing efficiency, and he proposed the establishment of a sales budget to curb selling expenses, which he contended had gotten out of line. Although the company currently had no formal sales budgeting program, Abbott firmly believed that one was absolutely necessary if the sales operation was to contribute to the overall improvement of the firm's net profit picture.

Midland Office Engineering was started in Kansas City, Mo., in 1972 by Edward Hawkins, an architect / interior designer. He found that the materials available for office modernization and restructuring were inadequate in terms of flexibility, price, and appearance. Modular office partitions and furniture offered tremendous savings in down time and loss of productivity for the users of the offices and flexibility in terms of future changes. Existing modular materials were unimaginative and too expensive, in the opinion of Hawkins, so he designed his own line of equipment and established the Midland Company to produce and market it with co-founder John Racklin. The company had experienced an annual growth rate in sales of 15 to 20 percent during its first ten years. However, sales had stabilized somewhat over the past three years, averaging about 2.5 percent growth each year. During the same three years, net profits declined by more than 6 percent. In 1985 sales amounted to $12.4 million and yielded net profits of $243,00, or 1.96 percent of sales. This was down from a high of 8.4 percent profit in 1982.

Midland products were sold in twenty-eight states by a sales force of twenty-three persons who operated out of five branch sales offices. The sales force was paid on a straight-commission basis. Earnings ranged from $20,000 to over $35,000, with the average just under $26,000. Midland's sales force sold in forty-eight of the fifty largest metropolitan areas in the United States. The company estimated that it had captured 10 percent of the office modular equipment market.

Abbott's plan for establishing a sales budgeting program for the Midland sales department consisted solely of forecasts of sales expenses. He planned to determine the expenses involved in selling Midland products by scrutinizing the records of the branch offices and headquarters. He proposed to ask each of the five branch managers to submit itemized records of salespersons' salaries, travelling expenses, overhead and maintenance, clerical costs, and the costs of branch management and supervision. Abbott suggested that the itemized records include expenses for the previous year, the average for the past five years, and a forecast of expenses for the coming year. Combined with the branch office sales operating expenses were to be the expenses of the headquarters sales staff and sales management salaries and expenses, and all other costs attributable to the sales effort. The forecasts of the branch office and headquarters expenses for the coming year were to be combined to form the sales expense budget.

Abbott proposed to limit the sales budget exclusively to forecasts of sales expenses for at least three years. At that time, he expected to develop forecasts of sales volume and combine them with expense forecasts into a complete sales budget or projected statement of income and expense. It was Abbott's contention that the sales budgeting program must proceed slowly to gain acceptance and cooperation from everyone affected. Hence, he suggested a three -year interval between establishment of the sales expense budget and the sales budget complete with sales volume forecast.

The general manager, John Racklin, opposed having the company adopt' any kind of sales budgeting procedure. He argued that sales budgets were nothing more than unreliable guesses and did not constitute a valid basis for executive action. He claimed that so many variables affected the forecasts of expenses and sales volume that the accuracy of any estimate was questionable. He also felt that any attempt to curb sales expenses through budgetary procedures would result in a reduction in the overall sales effort, harming both the company's sales and profits.

Abbott knew it was a complicated matter to establish a sales budget program. However, he felt it should and could be done despite the general manager's reluctance to accept the idea of a sales budget.

Questions :

(a) Whose side of the argument do you favour ? Why ?

(b) Evaluate critically Abbott's proposal for a sales budgeting program for Midland Office Engineering Company.