17 Salesforce evaluation

OBJECTIVES

After studying the chapter, you should be able to:

1. Understand the meaning of salesforce evaluation
2. Understand the salesforce evaluation process
3. Know how standards of performance are set in order that sales can be achieved
4. Understand how information plays a key role in the evaluation process
5. Set qualitative and quantitative measures of performance

KEY CONCEPTS

- appraisal interviewing
- qualitative performance measures
- quantitative performance measures
- salesforce evaluation
- salesforce evaluation process

17.1 THE SALESFORCE EVALUATION PROCESS

Salesforce evaluation is the comparison of salesforce objectives with results. A model of the evaluation process is shown in Figure 17.1. It begins with the setting of salesforce objectives which may be financial, such as sales revenues, profits and expenses; market-orientated, such as market share; or customer-based such as customer satisfaction and service levels. Then, the sales strategy must be decided to show how the objectives are to be achieved. Next, performance standards should be set for the overall company, regions, products, salespeople and accounts. Results are then measured and compared with performance standards. Reasons for differences are assessed and action taken to improve performance.

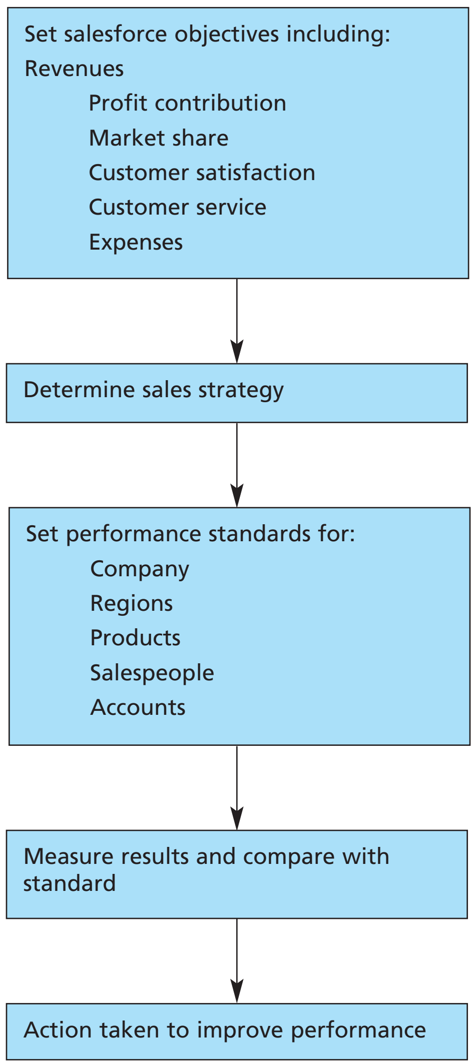

Figure 17.1 The salesforce evaluation process

17.2 THE PURPOSE OF EVALUATION

The prime reason for evaluation is to attempt to attain company objectives. By measuring actual performance against objectives, shortfalls can be identified and appropriate action taken to improve performance. However, evaluation has other benefits. Evaluation can help improve an individual's motivation and skills. Motivation is affected since an evaluation programme will identify what is expected and what is considered good performance. Second, it provides the opportunity for the recognition of above-average standards of work performance, which improves confidence and motivation. Skills are affected since carefully constructed evaluation allows areas of weakness to be identified and effort to be directed to the improvement of skills in those areas.

Thus, evaluation is an important ingredient in an effective training programme. Further, evaluation may show weaknesses, perhaps in not devoting enough attention to selling certain product lines, which span most or all of the sales team. This information may lead to the development of a compensation plan designed to encourage salespeople to sell those products by means of higher commission rates.

Evaluation provides information that affects key decision areas within the sales management function. Training, compensation, motivation and objective setting are dependent on the information derived from evaluation, as illustrated in Figure 17.2. It is important, then, that sales management develops a system of information collection which allows fair and accurate evaluation to occur.

The level and type of control exercised over international salesforces will depend upon the culture of the company and its host nations. The boxed case discussion highlights some important points.

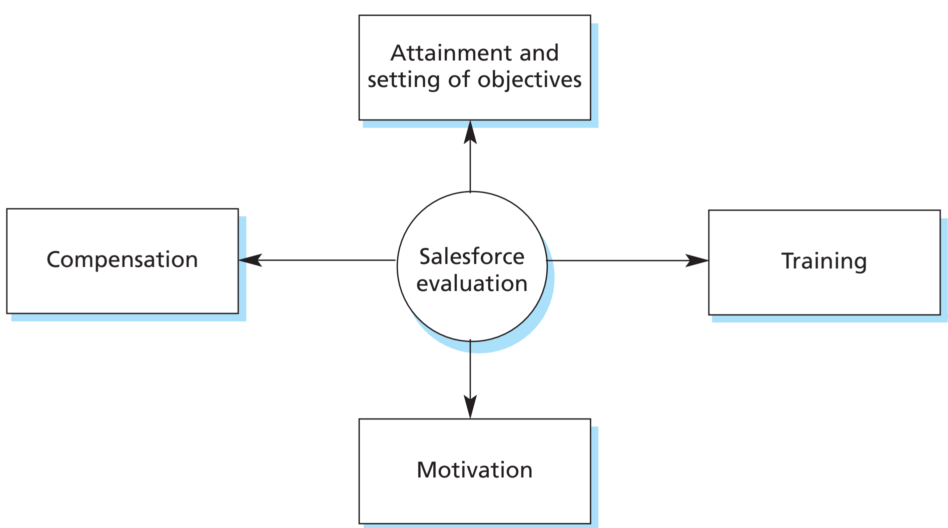

Figure 17.2 The central role of evaluation in sales management

Controlling international salesforces

The degree to which sales teams are controlled may depend upon the culture of the employing company. Many European and US companies are profit focused and so emphasise quantitative (e.g. sales and profit) control mechanisms. Many Japanese and Asian companies use less formal and less quantitative evaluation systems.

Control systems must take into account the local conditions in each overseas market. Furthermore, they should account for the type of salesforce employed (expatriates or foreign nationals). Systems that are used at home may be appropriate for expatriates, but for foreign nationals they may be alien to their culture and way of doing business.

Source: Based on Honeycutt, Jr., E.D. and Ford, J.B. (1995) 'Guidelines for managing an international sales force', *Industrial Marketing Management*, 24, pp. 135–44.

17.3 SETTING STANDARDS OF PERFORMANCE

Evaluation implies the setting of standards of performance along certain lines that are believed to be important for sales success. The control process is based upon the collection of information on performance so that actual results can be compared against those standards. For the sales team as a whole, the sales budget will be the standard against which actual performance will be evaluated. This measure will be used to evaluate sales management as well as individual salespeople. For each salesperson, their sales quota will be a prime standard of sales success.

Standards provide a method of fairly assessing and comparing individual salespeople. Simply comparing levels of sales achieved by individual salespeople is unlikely to be fair since territories often have differing levels of sales potential and varying degrees of workload.

17.4 GATHERING INFORMATION

The individual salesperson will provide much of the information upon which evaluation will take place. They will provide head office with data relating to sales achieved by product/brand and customer, a daily or weekly report of the names of customers called on and problems and opportunities revealed, together with expense claims.

Such information will be supplemented by sales management during field visits. These are important in providing more qualitative information on how the salesperson performs in front of customers, as well as giving indications of general attitudes, work habits and degree of organisational ability, all of which supplement the more quantitative information provided by the salesperson.

Market research projects can also provide information on the sales team from customers themselves. A specific project, or a more general one which focuses on the full range of customer–seller relationships, e.g. delivery, product reliability, etc., can provide information on salespeople's performance. A market research study commissioned by Perkins Engines found that salespeople with technical backgrounds were basing their sales presentation on features which were not properly understood by their audience.[1] This led Perkins Engines to retrain their salesforce so that their sales presentation focused upon a simple presentation of features and the customer benefits which arose from those features.

Finally, company records provide a rich source of information for evaluation. Records of past sales levels, calls achieved, expense levels, etc. can provide bases for comparison and indications of trends that can be used both for evaluation and objective setting.

17.5 MEASURES OF PERFORMANCE

Quantitative measures of performance

Assessment using **qualitative performance measures** falls into two groups. For both groups, management may wish to set targets for their sales team. One group is a set of input measures which are essentially diagnostic in nature – they help to provide indications of why performance is below standard. Key output measures relate to sales and profit performance. Most companies use a combination of input (behavioural) and output measures to evaluate their salesforces.[2] Specific output measures for individual salespeople include the following:

- sales revenue achieved
- profits generated
- percentage gross profit margin achieved
- sales per potential account
- sales per active account
- sales revenue as a percentage of sales potential
- number of orders
- sales to new customers
- number of new customers.

All of these measures relate to output.

The second group of measures relates to input and includes:

- number of calls made
- calls per potential account
- calls per active account
- number of quotations (in part, an output measure also)
- number of calls on prospects.

By combining output and input measures a number of hybrid ratios can be determined. For example:

1. Strike rate $= \dfrac{\text{Number of orders}}{\text{Number of quotations}}$
2. Sales revenue per call ratio
3. Profit per call ratio (call effectiveness)
4. Order per call ratio
5. Average order value $= \dfrac{\text{Sales revenue}}{\text{Number of orders}}$
6. Prospecting success ratio $= \dfrac{\text{Number of new customers}}{\text{Number of prospects visited}}$
7. Average profit contribution per order $= \dfrac{\text{Profits generated}}{\text{Number of orders}}$

All of these ratios can be applied to individual product and customer types and help to answer the following questions:

(a) Is the salesperson achieving a satisfactory level of sales?
(b) Is sales success reflected in profit achievement?
(c) Is the salesperson 'buying' sales by giving excessive discounts?
(d) Is the salesperson devoting sufficient time to prospecting?
(e) Is time spent prospecting being rewarded by orders?
(f) Does the salesperson appear to be making a satisfactory number of calls per week?
(g) Are they making enough repeat calls on different customer categories?
(h) Are they making too many calls on low-potential customers?
(i) Are calls being reflected in sales success?
(j) Are the number of quotations being made reflected in orders taken?
(k) How are sales being achieved – a large number of small orders or a few large orders?
(l) Are the profits generated per order sufficient to justify calling upon the account?

Many of these measures are clearly diagnostic. They provide pointers to possible reasons why a salesperson may not be reaching their sales quota. Perhaps they are lazy – not making enough calls. Perhaps call rate is satisfactory but call effectiveness, e.g. sales per call, is low, indicating a lack of sales skill. Maybe the salesperson is calling on too many established accounts and not enough new prospects.

Ratios also provide clues to problem areas that require further investigation. A low strike rate (order to quotations) suggests the need for an analysis of why orders are not following quotations. Poor call effectiveness suggests a close examination of sales technique to identify specific areas of weakness so that training can be applied more effectively.

A further group of quantitative measures will explore the remuneration which each salesperson receives. The focus will be on expenses and compensation. With respect to expenses, comparisons will be made between salespeople and between current year and last year. Ratios which may be used include the following:

- expenses/sales revenue generated
- expenses/profit generated
- expenses per call
- expenses per square mile of territory.

Such measures should give an indication of when the level of expenses is becoming excessive. Compensation analysis is particularly valuable when:

- a large part of salary is fixed;
- salespeople are on different levels of fixed salary.

The latter situation will be found in companies which pay according to the number of years at the firm or according to age. Unfairness, in terms of sales results, can be exposed by calculating for each salesperson the following two ratios:

- total salary (including commission)/sales revenue
- total salary (including commission)/profits.

These ratios will reveal when a compensation plan has gone out of control and allow changes to be made before lower paid higher achievers leave for jobs which more closely relate pay to sales success.

A study by Jobber, Hooley and Shipley surveyed a sample of 450 industrial products organisations (i.e. firms manufacturing and selling repeat industrial goods such as components and capital goods such as machinery).[3] The objective was to discover the extent of usage of sales evaluation criteria among small (less than £3 million sales turnover) and large (greater than £3 million sales turnover) firms. Table 17.1 shows that there is a wide variation in the usage of output criteria among the sample of firms and that large firms tend to use more output criteria than small organisations.

Table 17.2 shows that the use of input criteria is also quite variable, with statistics relating to calls the most frequently used by both large and small firms. Again, there is a tendency for large firms to use more input criteria when evaluating their salesforces.

The growth in the penetration of personal computers is mirrored by the development of software packages that provide the facilities for the simple compilation and analysis of salesforce evaluation measures. The creation of a databank of quantitative measures over time allows a rich source of information about how the salesforce is performing.

Alone, these quantitative measures cannot produce a complete evaluation of salespeople. In order to provide a wider perspective, qualitative measures will also be employed.

Qualitative measures of performance

Assessment along qualitative lines will necessarily be more subjective and take place in the main during field visits. The usual dimensions applied are given in the following list:

1. *Sales skills*. These may be rated using a number of sub-factors:
   - Handling the opening and developing rapport.
   - Identification of customer needs, questioning ability.
   - Quality of sales presentation.
   - Use of visual aids.
   - Ability to overcome objections.
   - Ability to close the sale.

Table 17.1 A comparison of the usage of salesforce evaluation output criteria between small and large organisations

Evaluative criteria	Small firms %	Large firms %	Statistically significant difference
Sales			
Sales volume	87.2	93.1	
Sales volume by product or product line	61.2	80.3	*
Sales volume by customer or customer type	48.2	59.5	
Sales volume per order	22.4	26.7	
Sales volume by outlet or outlet type	22.4	38.9	*
Sales volume per call	12.9	24.4	*
Market share	32.9	57.3	*
Accounts			
Number of new accounts gained	58.8	55.7	
Number of accounts lost	44.7	42.7	
Amount of new account sales	57.6	54.2	
Number of accounts on which payment overdue	41.2	38.2	
Proportion/number of accounts buying full product line	14.1	16.0	
Profit			
Gross profit generated	58.8	48.9	
Net profit generated	38.8	42.7	
Gross profit as a percentage of sales volume	47.1	45.0	
Net profit as a percentage of sales volume	38.8	34.4	
Return on investment	28.2	26.7	
Profit per call ratio	12.9	12.2	
Orders			
Number of orders taken	48.2	38.2	
Number of orders cancelled	14.1	13.7	
Order per call ratio	25.9	29.0	
Strike rate $= \dfrac{\text{Number or orders}}{\text{Number of quotations}}$	37.9	40.5	
Average order value	28.2	26.0	
Average profit contribution per order	21.2	16.8	
Value or orders to value of quotations ratio	29.4	21.4	
Other output criteria			
Number of customer complaints	23.5	22.3	

Note: *indicates significant at $p < 0.05$.

Table 17.2 A comparison of the usage of salesforce evaluation input criteria between small and large organisations

Evaluative criteria	Small firms %	Large firms %	Statistically significant difference
Calls			
Number of calls per period	49.4	69.7	*
Number of calls per customer or customer type	15.3	37.4	*
Calls on potential new accounts	56.5	53.8	
Calls on existing accounts	55.3	61.8	
Prospecting success ratio: $\frac{\text{(Number of new customers)}}{\text{(Number of potential new customers visited)}}$	28.2	32.8	
Expenses			
Ratio of sales expense to sales volume	38.8	45.4	
Average cost per call	21.2	30.8	
Other input criteria			
Number of required reports sent in	42.0	42.0	
Number of demonstrations conducted	23.5	22.3	
Number of service calls made	21.2	23.1	
Number of letters/telephone calls to prospects	14.1	7.7	

Note: *indicates significant at $p < 0.05$.

2. *Customer relationships*.
   - How well received is the salesperson?
   - Are customers well satisfied with the service, advice, reliability of the salesperson, or are there frequent grumbles and complaints?
3. *Self-organisation*. How well does the salesperson carry out the following?
   - Prepare calls.
   - Organise routing to minimise unproductive travelling.
   - Keep customer records up to date.
   - Provide market information to headquarters.
   - Conduct self-analysis of performance in order to improve weaknesses.
4. *Product knowledge*. How well informed is the salesperson regarding the following?
   - Their own products and their customer benefits and applications.
   - Competitive products and their benefits and applications.
   - Relative strengths and weaknesses between their own and competitive offerings.
5. *Co-operation and attitudes*. To what extent will the salesperson do the following?
   - Respond to the objectives determined by management in order to improve performance, e.g. increase prospecting rate.
   - Co-operate with suggestions made during field training for improved sales technique.
   - Use their own initiative.

What are their attitudes towards the following?

- The company and its products.
- Hard work.

An increasing number of companies are measuring their salespeople on the basis of the achievement of customer satisfaction. As Richard Harrison, a senior sales manager at IBM, states: 'Our sales team is compensated based on how quickly and how efficiently they achieve customer satisfaction'.[4]

The study by Jobber, Hooley and Shipley also investigated the use of qualitative evaluative measures by industrial goods companies.[5] Table 17.3 shows the results, with most criteria being used by the majority of sales managers in the sample. Although differences between small and large firms were not so distinct as for quantitative measures, more detailed analysis of the results showed that managers of small firms tended to hold qualitative opinions 'in the head', whereas managers of large firms tended to produce more formal assessments, e.g. in an evaluation report.

As mentioned earlier, the use of quantitative and qualitative measures is interrelated. A poor sales per call ratio will inevitably result in close scrutiny of sales skills, customer relationships and degree of product knowledge in order to discover why performance is poor.

Table 17.3 A comparison of the usage of qualitative salesforce evaluation criteria between small and large organisations

Evaluative criteria	Small firms %	Large firms %	Statistically significant difference
Skills			
Selling skills	81.9	86.9	
Communication skills	77.1	85.4	
Knowledge			
Product knowledge	94.0	90.8	
Knowledge of competition	80.7	83.1	
Knowledge of company policies	56.6	68.5	
Self-management			
Planning ability	77.1	76.2	
Time management	54.2	61.5	
Judgement/decision-making ability	74.7	68.5	
Report preparation and submission	63.9	77.7	*
Personal characteristics			
Attitudes	91.6	88.5	
Initiative	92.8	83.1	
Appearance and manner	90.4	86.9	
Aggressiveness	45.8	50.8	
Creativity	49.4	56.9	

Note: *indicates significant at $p < 0.05$.

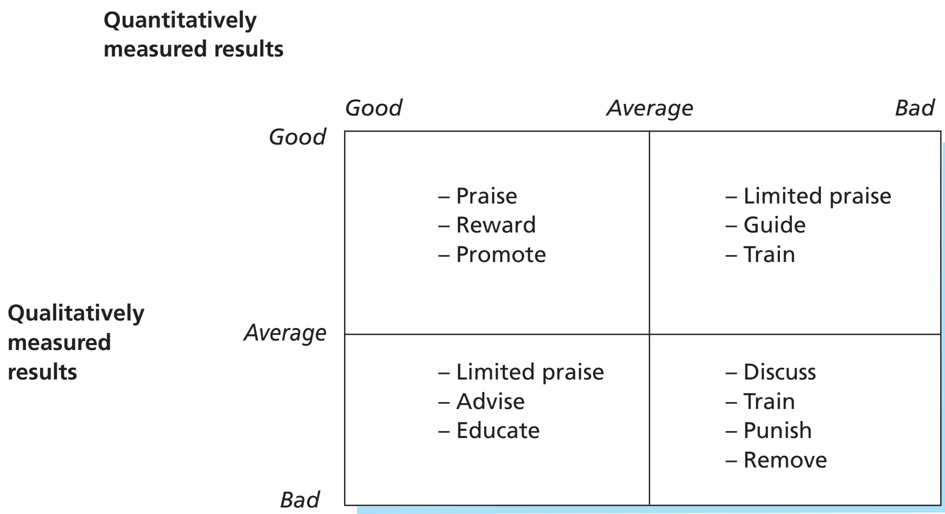

Figure 17.3 Salesperson evaluation matrix

Sales management response to the results of carrying out salesforce evaluation is shown in Figure 17.3. Lynch[6] suggests four scenarios with varying implications:

1. *Good quantitative/good qualitative evaluation*. The appropriate response would be praise and monetary reward. For suitable candidates promotion would follow.
2. *Good quantitative/poor qualitative evaluation*. The good quantitative results suggest that performance in front of customers is good, but certain aspects of qualitative evaluation, e.g. attitudes, report writing and market feedback, may warrant advice and education regarding company standards and requirements.
3. *Poor quantitative/good qualitative evaluation*. Good qualitative input is failing to be reflected in quantitative success. The specific causes need to be identified and training and guidance provided. Lack of persistence, poor closing technique or too many/too few calls might be possible causes of poor sales results.
4. *Poor quantitative/poor qualitative evaluation*. Critical discussion is required to agree problem areas. Training is required to improve standards. In other situations, punishment may be required or even dismissal.

For an evaluation and control system to work efficiently, it is important for the sales team to understand its purpose. For them to view it simply as a means for management to catch them out and criticise performance is likely to breed resentment. It should be used, and be perceived, as a means of assisting salespeople in improving performance. Indeed, the quantitative output measures can be used as a basis for rewarding performance when targets are met. In essence, controls should be viewed in a positive manner, not a negative one.

Winning or losing major orders

A key qualitative evaluation question that sales managers have to ask is: 'Does it appear that we are going to win or lose this order?' This is particularly important for major sales. For example, a sales manager may be asked by the managing director: 'Will you find out whether the Saudis are really going to place that new big aero engine order? I have to tell the board next week so that we can decide whether we will have to expand our plant.'

The obvious response would be to ask the salesperson in charge of the sale directly. The problem is that many salespeople delude themselves into believing they are going to be successful. How do you come to terms with the fact that you are going to lose an order worth £5 million? Asking the direct question 'Bill, are we going to win this one?' is likely to get the answer 'Yes, the customer loves us!' What the salesperson really means is that the customer likes the salesperson, not necessarily the product.

Consequently, the sales manager needs to probe much more deeply in order to assess the situation more accurately. This involves asking a series of who, when, where, why and how questions. It also means that the sales manager needs to work out what would be considered acceptable (winning) answers, and what would be thought of as unacceptable (losing) responses. Table 17.4 gives an example of the use of this procedure in connection with a £10 million computer sale. The losing answers are thin and unconvincing (e.g. the director of MIS would not have the power to authorise an order of this size).

The salesperson is deluding themselves and misleading the sales manager. The winning answer is much more assured and provides clear, credible answers to all of the questions (e.g. an executive director is likely to have the power to authorise a purchase of this magnitude).

Table 17.4 Winning and losing orders

Question	Poor (losing answer)	Good (winning answer)
Who will authorise the purchase?	The director of MIS.	The director of MIS but it requires an executive director's authorisation, and we've talked it over with them.
When will they buy?	Right away. They love the new model.	Before the peak processing load at the year end.
Where will they be when the decision is made – in the office alone, in their boss's office, in a meeting?	What difference does that make? I think they have already decided.	At a board meeting. But don't worry, the in-supplier has no one on their board and we have two good customers on it.
Why will they buy from us? Why not their usual supplier?	We go way back. They love our new model.	The next upgrade from the in-supplier is a big price increase, and ours fits right between their models. They are quite unhappy with the in-supplier about that.
How will the purchase be funded?	They've lots of money, haven't they?	The payback period on reduced costs will be about 14 months and we've a leasing company willing to take part of the deal.

If the outcome is a losing answer, the sales manager has to decide how important the sale is and how important the salesperson is. If they both have high potential, the sales manager, sales trainer or top salesperson should work with them. They should be counselled so that they understand why they are being helped and what the sales manager hopes they will learn. In the process, they will also realise that management cares about their development and the success it can bring to both parties.

If the salesperson is viewed as having high potential but the situation has low potential, only a counselling session is needed. Usually it is best done at the end of the day, driving back from a call, using an 'oh, by the way' introduction, and avoiding serious eye contact. By these means the salesperson's ego is not offended.

When the salesperson does not have high potential but the sale does, the alternatives are a little nastier. Perhaps the salesperson would be a candidate for redeployment to a more suitable post. When neither the salesperson nor the sale has much potential, the basic question is whether the salesperson is redeployed before or after the sale is lost.

17.6 APPRAISAL INTERVIEWING

Appraisal interviewing can provide the opportunity to identify a salesperson's weaknesses and to give praise when it is deserved. One method is to ask the salesperson to write down 5–10 expectations that they hope to achieve during the next year, e.g. to go on a presentation skills course, to go on a time management course, to have monthly sales visits from their sales manager, to meet targets, to move into marketing, etc. The sales manager then sits down with the salesperson and goes through this list, breaking it down into quarterly (three-month) sections. At the end of each quarter they have another meeting to see if expectations have been met or shifted in any way. These meetings also provide an opportunity to give or withdraw recognition and acceptance.

17.7 CONCLUSIONS

This chapter has explored the sales evaluation process. A model of the evaluation process is described. It begins with setting objectives, moves to the determination of sales strategy, the setting of performance standards, measurement of results against standards and finishes with action taken to improve performance.

A more detailed look at the kinds of measures used to evaluate salespeople was then taken. Two broad measures are used – quantitative and qualitative indicators. Such measures can be used to evaluate, control and motivate salespeople towards better performance.

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[2]Oliver, R.L. and Anderson, E. (1994) 'An empirical test of the consequences of behavior-based and outcome-based sales control systems', *Journal of Marketing*, 58 (4), pp. 53–67; Oliver, R.L. and Anderson, E. (1995) 'Behaviour and outcome-based sales control systems: evidence and consequences and hybrid governance', *Journal of Personal Selling and Sales Management*, 4 (4), pp. 1–15.

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[4]The quotation appears in Jap, S.D. (2001) 'The strategic role of the salesforce in developing customer satisfaction across the relationship lifecycle', *Journal of Personal Selling and Sales Management*, 21 (2), pp. 95–108.

[5]Jobber, Hooley and Shipley (1993) op. cit.

[6]Lynch, J. (1992) 'A new approach to salesperson evaluation', *Proceedings of the European Marketing Academy Conference*, Aårhus, July.

PRACTICAL EXERCISE

Dynasty Ltd

Dynasty Ltd is a radio paging service that has operated since the mid-1970s when radio pagers took Hong Kong by storm. Hong Kong still has the world's highest concentration of population carrying radio pagers, currently estimated at around 2 million. When the Hong Kong government decided to introduce a new telecommunications technology called CT2 (cordless telephone generation two), Dynasty jumped on the bandwagon of contenders in pursuit of a licence. After some negotiation it was awarded one of the four licences to operate a CT2 network in Hong Kong. The company is about to launch this service.

Dynasty's sales manager was charged with the task of setting up a salesforce for the market. While CT2 is a sophisticated technology, the sales manager felt that a deep understanding of the technology was not a prerequisite for her salespeople. Instead, how to deal with customers, who tend to be very time conscious and results orientated, was considered more important. It was felt that CT2 is a personal product. The new recruits should have experience in selling products to end-users and must have broad social contacts.

When reviewing his recruitment plan with her sales director it became apparent that the sales director had different ideas. The sale director was a strong advocate that new recruits must be familiar with the product and its technology since that is what they were selling. An inside knowledge of these new products would also impress would-be customers and give the salespeople an edge over the competition. The sales director favoured recruiting from within the telecommunications industry, since such people are familiar with the developments of the technology. Apart from that, they were likely to talk the same language as people working in engineering, technical support and service.

Discussion questions

1. Justify what general factors you consider should be taken into account when recruiting salespeople for the positions described in the exercise. In particular, suggest how the performance of such salespersons could be evaluated.
2. State whether you agree with the sales manager or the sales director or neither.
3. Suggest and justify the kind of commission structure that you would put into place.

PRACTICAL EXERCISE

MacLaren Tyres Ltd

MacLaren Tyres is a company involved in the import and marketing of car tyres manufactured in Asia. David MacLaren established the business in 1990 when a friend living in Singapore told him of the supply of tyres from that area which substantially undercut European prices. Although Asian tyres were not as long lasting as European ones (average 18,000 miles compared with 25,000), they were produced to a high standard which meant that problems like weak spots, cracks and leaks were no more serious than with European tyres.

MacLaren believed that a viable target market existed for the sale of these tyres in the United Kingdom. He was of the opinion that a substantial number of people were interested primarily in the purchase price of tyres. This price-sensitive target market could roughly be described as the mid–lower income family that owned a second-hand car which was over three years old.

He decided to buy a consignment of tyres and visited tyre centres to sell them. Initially business was slow but gradually, as distributors began to believe in the quality of the tyres, sales grew.

MacLaren was general manager and had recruited five salespeople to handle the sales function. A brief personal profile produced by MacLaren of each of his salespeople is given below.

Profiles of MacLaren salespeople

Peter Killick. Joined the company five years ago. Has an HND (business studies) and previously worked as an insurance salesperson for two years. Aged 27. Handles the Tyneside area. Gregarious and extrovert.

Gary Olford. Joined the company three years ago. No formal qualifications but sound track record as a car salesperson and, later, as a toy sales representative. Aged 35. Handles the Manchester/Liverpool area. Appears to be hard working but lacks initiative.

Barrie Wilson. Joined the company at the same time as Olford. Has an HNC (mechanical engineering). Was a technical representative for an engineering firm. Aged 28. Handles the London area. Appears to enjoy his work but lacks the necessary ‘push’ to be really successful in selling.

Ron Haynes. Joined the company three years ago. Has a degree in industrial technology. Previous experience includes selling bathroom suites and textile fabrics. Aged 29. Covers the Birmingham area. Appears to lack enthusiasm but sales record is about average.

Kevin Harris. Joined MacLaren Ltd two years ago. Has a degree in business studies. Only previous experience was as a marketing assistant during the industrial training period of his degree. Aged 25. Handles the Bristol area. Keen but still very raw.

Salesforce data

MacLaren decided that the time had come to look in detail at the sales records of his sales representatives. His plan was to complete a series of statistics that would be useful in evaluating their performance. Basic data for the last year relevant to each salesperson are given below.

	Sales (£000s)	Gross margin (£000s)	Live accounts	Calls made	Number of different customers called upon
Killick	298	101	222	1,472	441
Olford	589	191	333	1,463	432
Wilson	391	121	235	1,321	402
Haynes	440	132	181	1,152	211
Harris	240	65	296	1,396	421

Market data

From trade sources and from knowledge of the working boundaries each salesperson operated in, MacLaren was able to produce estimates of the number of potential accounts and territory potential for each area.

	No. of potential accounts	Territory potential (£000s)
Killick (Tyneside)	503	34,620
Olford (Lancashire)	524	36,360
Wilson (London)	711	62,100
Haynes (Birmingham)	483	43,800
Harris (Bristol)	462	38,620

Discussion questions

1. Evaluate the performance of each of MacLaren's salespeople.
2. What further information is needed to produce a more complete appraisal?
3. What action would you take?

Examination questions

1. Quantitative measures of the performance of sales representatives are more likely to mislead than guide evaluation. Do you agree?
2. Produce a balanced argument that looks at the differences between qualitative and quantitative measures of sales performance.
3. If a company loses a potential major order what should sales management do to alleviate the risk of this happening again?