


Sales quota and administration

LEARNING OBJECTIVES

Quotas are fundamental parts of a company, because they provide the sales force with direction and goals. Selling by objectives (SBO) is a system that unites the sales force. This chapter should help you understand:

- What is a quota and types of quotas.
 - Why quotas are important.
 - The various types of quotas.
 - The methods for setting quotas.
 - Criteria needed for a good quota plan.
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WHAT IS A QUOTA?

- A quota refers to an expected performance objective.
 - Quotas are tactical in nature and thus derived from the sales force's strategic objectives.
 - A sales quota refers to an expected routine assignment to sales units, such as territory, districts and branches, etc.
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WHY ARE QUOTAS IMPORTANT?

- Quotas provide performance targets.
 - Quotas provide standards.
 - Quotas provide control.
 - Quotas provide change of direction.
 - Quotas are motivational.
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TYPES OF QUOTAS

- Sales volume quotas/ Breakdown total sales volume.
 - Profit quotas.
 - Expense quotas.
 - Activity quotas.
 - Quota combinations.
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Sales volume quotas

- Sales volume quotas includes rupees or product unit objectives for a specific period of time.
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Sales volume quotas

It is set in the following areas:

- Product line
 - Product range
 - Individual established and new products.
 - Sales division
 - Sales territories
 - Sales districts
 - Branch offices
 - Sales force (individual)
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Profit quotas

- Useful in multi product companies
 - Quota is set in terms of profit
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Types of profit quotas

- **Gross margin quota**

determined by subtracting cost of goods sold from sales volume.

- **Net profit quota** determined by subtracting cost of goods sold and salespeople's direct selling expense from sales volume.



Expense quotas

- **Expense quotas** are aimed at controlling costs of sales units.
 - Often expenses are related to sales volume or to the compensation plan.
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Activity quotas

Activity quotas set objectives for job-related duties useful toward reaching salespeople's performance targets.



Types of Activity quotas

- Number of sales presentation made
 - Number of service calls made
 - Number of dealers visited
 - Number of calls made for recovery
 - Number of new accounts opened
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Quota combinations

- Combination of two or more than two quotas
 - Sales volume quota and activity quota
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METHODS FOR SETTING SALES QUOTAS

- Quotas based on forecasts and potentials.
 - Quotas based on forecasts only.
 - Quotas based on past experience.
 - Quotas based on executive judgments.
 - Quotas salespeople set.
 - Quotas related to compensation.
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Quota administration

- Prepare the way.
 - Schedule conferences with each salesperson.
 - Prepare a written summary of goals agreed upon.
 - Optional group meeting to share objectives.
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A good quota plan is smart

Specific

Measurable

Attainable

Realistic

Time specific



A simple three-way test to judge how well quotas and objectives are written:

- Test 1: Does this quota state exactly what the intended result is?
 - Test 2: Does this quota specify when the intended result is to be accomplished?
 - Test 3: Can the intended result be measured?
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SELLING-BY-OBJECTIVES MANAGEMENT

Selling by objectives (SBO) is the process whereby the manager and salesperson jointly identify common goals, define major areas of responsibility, and agree on the results expected.

SETTING OBJECTIVES AND QUOTAS IS A TWO-WAY PROCESS BETWEEN
MANAGER AND SALESPERSON

