
QUESTIONS CHAPTER FIFTEEN

1. A sales manager for a large consumer packaged goods firm argues that \$350,000 should be cut from the media advertising budgets of the firm's various products and used to hire five more company sales people. Her rationale is that at today's media prices hiring five more sales people can generate more sales volume than spending \$350,000 in advertising. How would you evaluate this argument? Under what conditions might the sales manager be right? Under what conditions might she be wrong?
2. The 100-member sales force of the firm mentioned in question 1 calls on national, regional, and local supermarket chains. They are responsible for gaining authorization for purchases from chain headquarters and winning shelf space in, and providing merchandising service to, individual stores in each chain. The company's product line consists of 10 varieties of cookies, seven kinds of crackers, and five snack products. Suggest two ways in which such a sales force might be organized. What are the benefits and limitations of each? Which would you recommend and why?
3. The sales manager of the consumer package goods company cited in questions 1 and 2 has asked you as a consultant to prepare a report discussing how best to service the firm's 10 largest accounts which account for over 40 percent of the company's sales. Prepare an outline of your recommendations.
Prepare a separate report (outline) of how you would handle the company's over 1,000 small accounts (those buying less than \$1,500 per year).
4. The Spano Company is a medium-sized manufacturer of electrical components that it sells to manufacturers in a number of industries. The firm's managers estimate that there are 500 large A customers and potential customers for its products who should be called on twice a month on average. There are another 500 medium-sized B accounts that should be visited four times a year. Spano sales people have been averaging three sales calls per day over the past year, and each sales person gets two weeks of paid vacation. How many sales people should the Spano Company have on its payroll?
5. Spano Company's sales manager has been requested by the firm's marketing director to itemize ways the sales force can benefit from newer technology. He also wants to know whether using newer technology could result in reducing the sales force, without endangering customer satisfaction.
6. A manufacturer of computer systems targeted at engineering design firms compensates its sales people primarily with a fixed salary, although it also pays a small bonus if the sales person makes a specified number of proposals to potential new customers during the year. Does this compensation plan make sense for such a firm? Why or why not?
7. Describe a situation (type of product, target market, competitive strategy, etc.) where you would recommend that a sales force be compensated by a straight commission. Explain the rationale for your recommendation.
8. A manufacturer of power equipment used by building contractors compensates its sales people with a modest salary plus a substantial commission based on dollar sales volume. The compensation plan is open-ended in the sense that there is no limit to the

amount of commission sales people can earn. Indeed, some of the more experienced members of the company's sales force earn well into six figures. The firm's rationale is that "we don't care how much we pay our sales people, because their compensation relates to their volume of sales." What possible problems could result from this policy?

9. You are the marketing manager for a biotechnology firm that hopes to gain the government's approval for a large number of new prescription pharmaceuticals over the next several years. You are in the process of building a sales force in anticipation of this flow of new products. Which objectives should that sales force focus on? Which selling activities would be critical for accomplishing those objectives?

10. Given your answer to question 9, what kinds of people would you want to hire for your new sales force—and why? What kind of a compensation package would you design to motivate such sales people?

11. Not unlike advertising, ethical problems are inevitable in the life of a sales person if for no other reason than success—both compensation and promotion—are typically defined in terms of sales volume. What ethical difficulties result from the use of such an outcome measure to measure a sales person's performance—and what should a company do to minimize the negative impact on ethical behavior?