

CHAPTER – 3

SALES FORCE MANAGEMENT PRACTICES IN LIC

INTRODUCTION:

Marketing stresses the importance of satisfying customer needs and wants through a process of exchange. Marketing occurs in virtually every aspect of life. Marketing and selling are directly related to each other. However, a new philosophy concerning the relationship between marketing and sales is emerging, with both functions being carried by the same person. Sales management plays an important role in marketing, especially for firms of insurance. Sales Management is generally acknowledged to be the backbone of marketing. Brech defines it as “the overall management of sales and it refers to only a specialized application of the process of management as a whole.” According to the American Marketing Association “the planning, direction and control of the personal selling activities of a business unit include recruiting, selecting, training, assigning, rating, supervising, paying and motivating; as these tasks apply to the personal sales force.” The ultimate objective of the sales management is to influence the consumer of the target market to get sales orders. Personal selling is the most frequently used promotional technique in business markets and management of the sales force is an important quality component of any selling effort. A sales force serves as a company’s personal link to customers.¹

The company’s sales force is one of its most important assets and it is the major component of the firm’s promotion mix. Sales force plays a deciding role in deciding the company’s fate because the firm’s revenues are derived from sales. Very frequently its effectiveness to the large extent determines to extent to which overall marketing objectives will be achieved this is especially true for firms in which the sales forces is a major element or various kinds of services (for example, insurance) or those that sell directly to the consumers.

Objectives of Sales Force

Companies must define the specific objectives they expect their sales force to achieve. The old idea was that the sales force should “sell, sell, and sell”. Later, the idea arose that sales representatives should know how to diagnose a customer’s problem and propose a solution. Salespeople do not try to sell a specific product initially. Rather, they show a customer-prospect how their company can help the customer improve its profitability. The sales force of a firm plays a very crucial role and they cover some of the objectives.

- 1) To keep and maintain continuous contact and business relationship with both existing and potential customers.
- 2) To understand and collect regularly information about customer needs and wants and send reports to the departmental head.
- 3) To book orders and help supply or deliver goods and services to all members of distribution channel without any bias and maintain regular relation and motivate them.
- 4) To meet their sales targets and maintain or follow sales policy, credit policy and pricing strategy.
- 5) To keep tracking customer satisfaction and take action as deemed fit.
- 6) To keep tracking a competitive position, particularly competitor's new products, promotional activity and pricing strategy.
- 7) To prepare and send comprehensive and useful reports regularly.
- 8) To co-ordinate sales programme with the superior office and other branches and territories for the benefit of the organization.

Sales managers today must develop an integrative management style using adaptive, problem-solving, extensive information, in many cases in an ever-changing marketplace. The overwhelming majority of business environment workers are service providers such as insurance companies, investment bankers, consultants, and information technology specialists. Sales managers in the current business environment must have the ability to add value, which certainly means functional expertise in sales and marketing along with knowledge of the industry. However, managers must also have the skills to lead, communicate, use changing technologies, build teams, motivate salespeople, form strategic alliances with customers, and build teams within the sales force. Sales managers need access to a flow of reliable information to initiate sound decision-making that turns of a dime. As a necessary pre-condition to high levels of sales force performance, empowerment, and control of their own work process, sales managers should also have a system of sharing information with the sales force.

These are times of drastic corporate downsizing in which sales organizations are expected to do more with less. Sales managers must also be more knowledgeable and possess a myriad of demanding new business skills. Many internal and external changers among organizations have dictated the need to conduct business differentially. Sales managers perform the sales force management function. They execute the entire human

resource management function in an organization. They recruit, select, train, motivate, compensate and control the sales staff for achieving the desired goals of the organization.

Many efforts are under way to make Indian companies more competitive. Typically, the focus is on internal processes and operational efficiency up to the facto gate, but no further. Unaddressed challenges lie in “factor forward” process, often including competitive sales force management. The quality and low cost services are

not enough – an efficient and effective sales force approach focused on customer value is an effective competitive weapon. This acquires urgency because of the fact that new competitors typically poach the best members of incumbents’ sales force at a time when the experience and dedication of star performers are most needed. Many companies are currently taking the necessary steps towards successful sales force management and are achieving growth even in today’s economic environment. Others have fallen further behind – whether they will be able to participate in the next economic recovery is doubtful.

Definition of Sales Force Management

Sales force management is defined as “the planning, direction and control of the personal selling activities of a business unit, including recruiting, selecting, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the personal sales force.”²

Objectives of Sales Force Management

The basic objective of sales force management is to determine how well individual sales person have performed. However, the results of salesperson performance evaluations can be used for many sales management purposes:

- (1) To determine the specific training and counseling needs of individual salespeople and the overall sales force,
- (2) To provide information for effective human resource planning,
- (3) To identify criteria that can be used to recruit and select salespeople in the future,
- (4) To advise salespeople of work expectations,
- (5) To motivate salespeople,
- (6) To help salespeople in setting career goals, and

- (7) To improve salesperson performance.
- (8) To ensure that compensation and other reward disbursements are consisted with actual salesperson performance,
- (9) To identify salespeople who might be promoted,
- (10) To identify salespeople whose employment should be terminated and to supply evidence to support the need for termination

Decisions of Sales Force Management

Competitive survival in the market depends on an aggressive, well-trained professional sales force. Today's market place demands salespeople who are keenly sensitive to customers needs and equipped with the technical knowledge and necessary communication skills to operate efficiently and effectively to the mutual advantage of both sellers and buyers. The function of sales management, then, is to ensure that the sales force is managed so that it is responsive to market conditions and requirements in a way that generates maximum profits to the firm.

Long term success of the firm in generating sales volume hinges upon the development of sales force. Sales force is an invaluable human resource of the firm. They have practically unlimited potential for growth and development. The effective management of sales force is a major task of sales management. Management of sales force requires some decisions to be taken by the sales executives. These decisions are concerned with the following areas:³

1. Establishing sales force objectives
2. Determining sales force size
3. Recruiting and selecting sales force
4. Training sales force
5. Compensating sales force
6. Supervision and direction
7. Motivation of sales force
8. Controlling and evaluating sales force

1. Establishing Sales force Objectives

Sales objectives have to be fixed by the sales manager in respect of total sales forces and for each salesman, in terms of volume market share or profit for the firm. If the objectives are once decided, then the size of sale force has to be determined.

In order to achieve aggregate sales objectives, individual sales people need to have their own sales targets, but increasingly profit targets are being used, reflecting the need to guard against sales being bought cheaply by excessive discounting. To gain commitment to targets, individual sales persons should be consulted. Sales managers can also set input objectives such as time spent developing new accounts or time spent introducing new products. Besides these, sales objectives are also expressed for individual members of the field sales force in terms of number of calls per day, average number of orders per day, average order size, order-call ratio, new business per day, etc. The extra and non-selling objectives may be expressed in terms of number of visits per day, number of order generation per day / week, number of retailer's salesmen to be trained per day, number of installations / servicings per day, etc.

2. Determining Sales force size

The size of sales force refers to the number of salesmen required to accomplish given selling objectives. The need for determining the size of the sales force arises because every salesman on the company rolls not only generates volume and profits but also costs money and managerial effort and attention in his supervision. However, the size of the sales force may be large or small in a company depending on the constellation of size determinants obtaining at the time of decision making. Some of the determinants of the sales force size include the number of present and prospective customers, market potential, market-share desired, quality of salesmen available, and frequency of sales calls needed. The size of the sales force, therefore, would be relatively larger when, for example, the number of customers composing the market is large, have sufficient sales potential require enough demonstration, and involve repeat selling calls. However, what is crucial from the managerial standpoint is the determination of the right size of the sales force which can accomplish the given selling objectives. Often it is found that the size is either too small or too large. The former is indicated by rising sales but poor customer servicing while the latter is indicated by declining sales and less than fully occupied salesmen. Therefore, what is crucial is the determination of the optimum size of the sales force. In this exercise, the past company experience, industry practice, and managerial judgment undoubtedly play a significant role. Nevertheless, there are models available to aid and assist marketing executives in determining the right size of the company's sales force.

To establish sales force size, the following method may be adopted which consists of five steps:⁴

- a. Customers are grouped into size classes according to annual sales volume.

- b. Desirable call frequencies (number of calls on an account per year) are established for each class.
- c. A number of accounts in each size class is multiplied by the corresponding call frequency to arrive at the total work load for the country, in sales calls per year.
- d. The average number of calls a sales representative can make per year is determined.
- e. The number of sales representatives needed is determined by dividing the total annual calls required by the average annual calls made by a sales representative.

Recruitment and Selection

After having determined the size of the sales force, the company has to recruit and select the right kind of persons to serve as salesmen. Basically, the recruitment and selection are the jobs of the personnel department of the company, but the marketing department may be called upon to either organize to wholly or actively assist the personnel department in this task. All this, however, depends on the size and structure of the company organization, level of functional specialization, and the managerial philosophy. Nonetheless, in every situation, the concern, interest and participation of the marketing people is active in respect of recruitment and selection of salesmen.

Meaning

Recruitment is an act of inducing qualified and appropriate people to get interested in and apply for a salesman's position with the company. It involves the identification, location, and stimulation of job aspirants. Since it is an ongoing process, usually companies maintain and continuously update the prospect files and develop contact with educational and training institutions and employment exchanges so as to get appropriate leads for locating candidates. In brief, recruitment means making people to aspire for a job with the company.

Selection is a consequence of recruitment activities and implies choosing the desired number of applicants for employment with the company from amongst those who have applied. It involves the process of matching educational, aptitudinal and personality attributes of the applicants with the man-specifications laid down by the company.

Importance

Both recruitment and selection are very important aspects of sales force management because on the effectiveness of these hinges the objective attainment and the success of the selling programme. Inducing a reasonably large number of persons with appropriate

attributes enlarges the sample out of which choice of effective salesmen is easy. When applicants undergo the process of selection a company gets those persons whose match with the man-specifications is the closest. Thus, company gets the most appropriate salesmen from amongst the applicants. Whenever recruitment and selection are not proper both the company and salesmen suffer. The company suffers in terms of unrewarding sales calls, poor volume generation, low profit margins, higher salesmen turnover and the like. The total and cumulative impact of a poorly selected salesman is always reflected in declining sales and profit curves. Likewise, salesmen also suffer in terms of loss of job interest, dissatisfaction, poor compensation and low morale. "There are several hidden costs of poor selection costs that cannot be expressed in terms of money, customer relations deteriorate, for excessive turnover (of salesmen) prevents establishment of close customer-sales person relationships- and eventually customers grow weary of seeing too many new faces".⁵ Recruitment and selection should, therefore, receive adequate management attention.

Job and Man-Specifications

However, before marketing management can proceed with the selection process, it is important to develop job description and man-specification so as to make this process objective and relevant to company needs. Job description is a statement defining the nature and content of the job and specifies the duties and responsibilities of the incumbent for the job. It provides an accurate and realistic picture of:

1. the specific job duties and tasks to be performed,
2. the nature and extent of responsibility and accountability,
3. the organizational relationship with peers, supervisors and other management personnel,
4. the conditions under which job is typically performed, and
5. the type of customer and sales contact involved.

Job description on the one hand specifies the concept of the job the incumbent will be expected to do and on the other hand helps management in preparing compatible man-specification.

Man-specification is a statement specifying the kind of person required for the job described. It lays down the educational qualifications, mental and physical strengths, and personal attributes of the persons being looked for by the company. Since a large number of

attributes may be involved it is extremely necessary to carefully identify and choose them. Besides, “in preparing man-specifications, precision, both in determining the necessary qualifications and in describing them, is a cardinal virtue”.⁶

Attributes of a Good Salesman

Many marketing managers and industrial psychologists have suggested a number of attributes a company should look for in an effective salesman. For example, Howard has suggested a list of 11 principal attributes, whereas Greenberg has come out with 10 such attributes.⁷ However, McMurry has identified five such attributes which broadly cover everything in an ideal salesman. These are: “a high level of energy, abounding self-confidence, a chronic hunger for money, well-established habit of industry, and a state of mind which regards each objections, resistance or obstacle as a challenge”.⁸ In an even shorter list, Mayer and Greenberg contend that to be successful a salesman must possess at least two basic personality attributes: (i) Empathy: the ability to identify with another person’s wants, problems, situation and so on; and (ii) ego-drive: the desire to compete, to persuade, to convince, and to win in face to face sales situations.⁹

Selection process

Having developed the job description and man-specification and invited person to apply for a salesman’s position in the company, the back-drop is ready to initiate the selection process. It comprises screening of application blanks, checking-up applicants’ antecedents with the references suggested, interviewing and testing. This process enables management to thoroughly screen and evaluate candidates against the job description and man-specification and helps to develop a panel of acceptable candidates from amongst whom the desired number may be employed. Amongst the different components of the selection process, the following deserve brief description.

1. **Application Blanks:** Although persons may be motivated and invited to talk and negotiate the job at the personal level, it is usual these days to ask them to apply formally on company’s application forms, called application blanks. These are filled in by the job aspirants as an indication of their willingness to be considered for employment with the company. An application blank contains a number of questions relating to personal history, educational background, experience, reasons for leaving the current job, if any expectations, references, etc.

2. **Tests:** In order to develop an in-depth understanding of the candidates, the company may administer him/her a number of psychological and other tests. The psychological tests attempt to identify and quantify more accurately the various personality traits and attributes that are not usually measured by the screening of application blanks or even interviews. Three types of psychological tests are used in the selection system of sales personnel: tests of ability, tests of habitual characteristics, and tests of achievement. Tests of ability attempt to measure how well a person can perform a particular task with maximum motivations. These are tests of best performance and include tests of mental ability (intelligence tests) and tests of special abilities, or aptitude tests. Tests of habitual characteristics attempt to gauge how prospective employees would act in their daily work normally, i.e., not when they are on their best behaviour. These are tests of typical performance and they include attitude, personality, and interest tests. Achievement tests are designed to measure “how much individuals have learnt from their training or education”.¹⁰ Besides, a company may also administer physical / medial tests to ascertain the physical fitness of the candidate for a hard and strenuous selling job.
3. **Interviews:** Interviews may precede or follow the administration of tests depending on the convenience of the company. Interviewing involves personal interaction between the candidate and interviewer(s) in either a formal / patterned or informal setting and is aimed at discovering the ‘salesman’ in the candidate. In companies, “virtually no salesman is ever hired without a personal interview, and there are no satisfactory substitutes”.¹¹ In these interviews a candidate is asked a number of questions originating out of application blanks so as to verify and interpret the facts contained therein as also to gather supplementary relevant information. Interviews also provide an opportunity to a candidate to ask questions about the job and reveal his expectations.
4. **Selection:** After having screened the application blanks, administered the various tests, and interviewed the candidates, the result of these different components of the process are compiled (duly weighted) and the final score is arrived at so as to prepare a panel of candidates eligible / acceptable for employment. Having prepared a panel, they are offered the position and if need be, the terms may be negotiated.

However, while selecting and appointing a salesman it should always be understood that if one has to be appointed he should be rigorously screened; having appointed once he

should be retained – retained, he should be trained and retrained, adequately compensated, and effectively motivated.

5. Training sales force

Sales training is the effort an employer puts forth to provide salespeople job-related culture, skills, knowledge, and attitudes that should result in improved performance in the selling environments. Training can be defined as the development of skills and faculties, to do a particular job in the given way through systematic teaching and guidance. It involves showing, doing and checking the way it is being done.

According to Edwin B. Flippo, “Training is the act of increasing knowledge and skill of an employee for doing a particular job”.

According to National Society of Sales Training Executives (USA), “Sales training is the intentional and sound application of ordinary human sense to the problem of helping the sales personnel to make the most of its talents”.

Training substitutes or supplements experience of sales personnel. It helps to achieve improved job performance. It helps the new sales personnel to perform their jobs satisfactorily and it increases to performance of existing sales personnel. Sales training methods accelerate the process of learning. Training is the act of increasing the knowledge and skills of an employee for doing a particular job. Training involves the development of skills which are usually necessary to perform a specific job. The purpose of training is to bring a positive change in the knowledge, skill, attitude of sales force, and to improve the performance of work. Training gives knowledge about sales techniques, nature of work, market conditions, competitors, market strategies, general information about the company, technical features of the product, etc.

Many companies induct the new sales force into the field almost immediately, supplied with samples, order books and a description of the territory. Much of their selling is ineffective. Today's customers expect salespeople to have deep product knowledge, to add ideas to improve the customers' operations, and to be efficient and reliable. These demands have required companies to make a much higher investment in sales training. Today new sales force may spend a few weeks to several months to the training. The median training

period is 28 weeks in industrial product companies, 12 in service companies and 4 in consumer product companies. Training time varies with the complexity of the selling task and the type of person recruited into the sales organization¹².

6. Sales Force Motivation

Motivation is intrinsic, but it is the task of the sales manager to motivate his sales team. This involves creating a climate in which everyone gives his or her best performance.¹³ Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired action – a compliment, a pay rise, a smile, a promise of promotion, praise, public recognition of merits and so on. Motivation ignites the will to work. It moves the people to take a desired action.¹⁴

Some sales representatives will put forth their best efforts without any special coaching from management. To them selling is the most fascinating job in the world, they are ambitious and self starters. However, the majority required encouragement and special incentives. This is especially true of field selling; representatives usually work alone, their hours are irregular and they are often away from home. They confront aggressive, competing sales representatives; they have an inferior status related to the buyer; they often do not have the authority to do what is necessary to win an account; and sometimes they lose large orders they have worked hard to obtain.

The problem of motivating sales representatives have been studied by Churchill, Ford, and Walker¹⁵. Their basic model says that higher the sales person's motivation, the greater the effort. Greater the effort will lead to greater performance; greater performance will lead to greater rewards; greater rewards will lead to greater satisfaction and greater satisfaction will reinforce the motivation.¹⁶

Sales people, especially outside sales forces, require a high degree of motivation. Management faces the challenge in motivating these people. People differ in what motivates them and the motivations change over a person's life. A young sales person is more likely to be motivated by money, whereas an older sales person may be more interested in recognition. Sales executives can draw from a wide assortment of specific motivation tools. Financial incentives – compensation plans, expense accounts, fringe benefits – serve as basic motivators, but they do not always push people to exceptional performance. Non-financial rewards – job enrichment, praise from the management, recognition and honour awards – may stimulate some people. Sales meetings and sales

contests are often used alternatives. Many firms provide cruises, resort trips and other travel incentives as reward to top performing sales people.¹⁷

7. Compensating sales force

Compensating salesmen for their services is also an important managerial task. Through a compensation plan management of a company co-relates efforts, results and rewards to salesmen, controls them and builds, develops and stabilizes the sales force so as to ensure satisfied consumers. However, a compensation plan to be effective should be simple, fair, flexible economical and should ensure a living wage and attainment of the sales objectives. In order to develop an appropriate compensation plan, management has to formulate the job description, evaluate the job, determine the industry structure and compensation level and components, identify special company needs, decide methods of compensation and then test and install the plan. The level of compensation in a company depends on the quality of their salesmen, level of advertising, intensity of training, bargaining strength, and company's financial strength. In a company compensation may be composed of fixed salary, variable commission or bonus, reimbursement of expenses, and other fringe benefits. It may be paid in the form of a straight salary straight commission or a combination of salary and commission. Besides, salesmen may also be rewarded by provision of different incentives such as bonus and profit sharing.

The compensation plan refers to the monetary as well as non-monetary expenses incurred by the sales organization, for paying the services rendered by the sales force. The compensation, thus, refers to the total payments, i.e., the contractual, for example, salary and wages and non-contractual, for example, welfare expenses incurred by the organization. The sales manager has to plan the levels of these payments for each position manned in his department in consultation with the personnel department of the organization.

The compensation and reward system is the single most important motivating factor for sales personnel in any industry or organization, all over the world. It is the key to direct the behavior of sales personnel in alignment with organizational objectives. Therefore, a Sales Manager needs to be very prudent while establishing compensation plans. A compensation plan must explain clearly what activities a salesperson is expected to carry-out, how performance will be measured, and how they can increase their compensation. Many organizations spend a lot of time re-formulating strategies to take advantage of emerging opportunities in the changing business environment. However, they seldom re-orient their

compensation plans to suit the changing needs of sales personnel. These plans also do not reflect the changes that have taken place as organizations, evolve in tune with changes in the business environment.

A well formulated compensation plan not only helps the sales force to direct selling activities and achieve sales objectives, but also influences effective implementation of the organizations marketing plan.

Amount of reward for the services rendered by a salesman has a great bearing on his efficiency. Payment of fair remuneration leads to high morale and increased productivity. The underline percept of the compensating system is attracting, motivating, and keeping salesmen as essential elements in creating and maintaining an effective increasingly capable sales force.¹⁸

The compensation plan is based on the objectives set by the marketing programme and the personal selling objectives. It should provide stability of earnings as well as incentives for salesmen to increase sales volume, profit and the like. It should be simple, easy to understand and inexpensive to administer. It should be fair to both the company and its sales force and competitive with compensation plans in the industry area. Apart from reimbursement of expenses and fringe benefits, there are five ways of paying compensation: (i) Salary plus commission plan (ii) Commission plus approved expenses plan (iii) Salary plus group commission plan (iv) Bonus and (v) Prize contests and performance incentives. Many companies use combination of the salary and commission and bonus plan.¹⁹

8. Supervision and direction

The sales manager leads from the front, from the back, from both sides, and encourages people within the sales team to stick to the basic plan of helping customers to decide about informed buying choices.

Sales manager is responsible towards salesmen of the organization. Sales manager acts as a link between salesmen and the top management. He is responsible for utilizing full energies of salesmen and at the same time he is to watch the interest of salesmen and develop team spirit among them. Among all the ideas and writings about leadership, three words stand out-people, influence, and goals. Leadership occurs among people, involves the use of influence, and is used to attain goals. Influence means that the relationship among people is not passive. Moreover, influence is designed to achieve some end or goal. Thus, the formal definition of leadership is the ability to influence other people toward the attainment of objectives.

Leadership is absolutely necessary to a sales manager's effectiveness. Sales Managers not only supervise but also lead. That brings to a point to understand the difference between salesforce leadership and supervision. Leadership is the ability to influence other people towards the achievement of specific goals and objectives. Research indicates that leadership ability can be achievement of specific goals and objectives. Research indicates that leadership ability can be learned. Leadership is a people oriented actions, which are different than administrative or problem-solving activities. Sales leadership requires that sales managers equip and empower the salespeople. They should understand each salesperson's needs and at the same time develop teamwork.

Supervision is directing of the day-to-day activities of the salespeople. Supervision is a part of leadership. Leadership requires more foresight and intuition than supervision, because supervision deals more with maintenance and improvement of the existing state, whereas leadership in most cases requires review of objectives and operations of the sales force.

Supervision at once both the direction and control of salesmen and continual development of their abilities. Direction and control exercised by the sales manager are acceptable to the sales force when they perceive that this will help them to accomplish their own personal objective also. Supervision must be tailored to needs of the individual sales person just as selling process must be tailored to individual customers. The skilled supervision has to formulate the best mix or combination of authority, knowledge and persuasion in accordance with the needs of the situation. Authority is expressed through orders and directions with necessary sanctions for disobedience. Persuasion is demonstrated through giving explanations for policy and reasons or the needs for action. Knowledge is executed in guiding and counseling the salesmen in their activities and work with certain customers. Supervision, direction and control involve: (a) Observing, monitoring and reporting the performance of the sales force, (b) Counseling and coaching sales people to remove the defects and weaknesses in their performance (c) Giving them adequate information regarding company plans and policies and changes in those policies. (d) Receiving feedback and solving their business and personal problems. (e) Motivating sales people through appropriate non-financial incentives in order to satisfy egoistic demands of sales people.²⁰

9. Controlling and evaluating sales force

Finally, the sales manager has to ensure that goals are achieved. This involves performance review and thus a productivity analysis of the sales person. In the performance review the sales manager has to review whether the targets, in terms of sales, market coverage, new customer development and profit have been achieved. This is done through sales invoices, sales reports, interviews with customers and a structured performance appraisal format. The sales manager has to be careful in rechecking with customers about the quality of service provided by the sales person and their satisfaction with him. It is better to discuss customer feedback in aggregate, or as feedback from the territory as a whole. The sales manager must then advise and help the sales person to overcome any negative feedback.²¹

The success or failure of an organization depends on how efficiently the sales performance is managed. Therefore, improving performance appraisals should be among the highest priorities of contemporary sales executives and managers. Performance evaluation is defined as the degree to which employee behavior and the result of this behavior induce organizational goals, relative to an explicit standard of success.

Salesperson evaluation is complex, as the selling process takes place outside the view of the sales manager. Sales force evaluation is difficult. As the sales manager may not be present during the performance of the sales activities, the company has to identify certain parameters on the basis of which a salesperson's performance can be tracked. The evaluation process should involve behavioral criteria in addition to sales criteria.

Sales Force Management in Life Insurance Corporation

Life insurance includes ordinary life, annuities and pensions. The risks of death due to any reason both natural and unnatural are covered during the policy period. There are two main life insurance products-term insurance and pure endowment. All other policies are variations of these two basic policies. Term insurance is taken for a particular period. If death takes place during the term, the claim is paid. If death does not take place nothing is paid to the insured²².

In India, most of the products are endowment-type where the savings component is predominant. Under this, every policy will result in a claim either by maturity or by death claims. If death does not occur, the policy expires on a specified date i.e., date of maturity.

Premium rates are based on three variables: mortality rate, interest rate and expenses. Interest earned on premiums help to reduce the periodical premium, which is normally the same during the insurance period and is known as level premium. Since these policies are long-term; for as long as 15, 20, 25 years, the premium amounts are invested by the insurance company in the long-term income yielding securities as per the IRDA regulations. Claims settlement is easy in case of these policies since they are only benefit policies and not indemnity policies. In case of maturity and installment claims, the person insured collects the claim. Otherwise if he/she is no more, the assignees/nominees collect the claim amount. Several options like different types of accident benefits, coverage for major illnesses, payment in installments for specific needs like children's education and last survivor benefits are also available. The major goal of the insurance business is earning the maximum income out of the lie fund and matching the assets with liabilities. The surplus as stated above is distributed among the policyholders in the form of bonus or in case policies may be offered as a reduction to the premium payable. The backbone and front-line of the life insurance business is Insurance agents also called as sales force. Management of this sales force became an important activity in the present competitive environment.

Sales Force in LIC

In LIC there are two types of sales force is taken place they are:

1. Development Officers
2. Agents

Agents in Insurance field²³

Insurers at present are invariably corporate bodies. Being artificial persons their powers are fixed by their Memorandum and Articles of Association or their statute of incorporation. They have to transact all their business only through agents, whether they are directors at the highest level or other employees and field agents who solicit proposals for insurance. In the life insurance branch, the insurance agent is only an agent in a limited sense. In India, he has no authority to complete the contract in the name and on behalf of the insurer. He can only canvass for proposals and submit them for consideration to the insurer. The insurer may also impose other limitations on the agent, but they must be made known to the persons with whom the agents have to deal. Life Insurance agents of the LIC are not authorized to collect moneys, accept risks or bind the insurer in any way other than collect deposits towards first premium and initial expenses. They are not authorized or allowed to

advanced premiums on behalf of policyholders, nor to collect or pass receipts for money paid towards premiums. In respect of any un-authorized collections they are told that they will be acting as an agent of the party concerned and not of the insurer and warned that they alone will be answerable to the party for the consequences of such unauthorized action. But where the insurer allows the agents to collect the moneys and issue receipts for the amounts collected, the insurer must be deemed to have held out the agent as a person authorized to collect.

Insurance Agents

Insurance Agents who are licensed under Section 42 of the Insurance Act, 1938 are appointed by insurers for soliciting or procuring insurance business including the renewal or revival of policies of insurance and are remunerated by way of commission or other remuneration. Apart from these, there were Special Agents and Chief agents in life business before its nationalization. Now there is only one class of ordinary insurance agents for procuring business. Section 42 has been materially recast by way of consequential amendments made by the Insurance Regulatory and Development Authority Act, 1999. Sub-section (1) provides that the licensing of insurance agents shall be done by the Authority or by an officer authorized by it. The manner of licensing is to be determined by regulations to be made by the Authority²⁴

Section 182 of the Indian Contract Act, 1972 describes Agent as, "A person employed to do any act for the employing authority known as the PRINCIPAL". The Act does not prohibit any minor from being appointed as an agent. But Section 42 of the Insurance Act, 1938, says that only a person who has completed 18 years of age can be appointed as an Insurance agent. The chief duties of the insurance agent are²⁵ (1) To procure insurance business; (2) To assist both the policyholder and the insurer to conserve the business so procured (3) to service the policies introduced by him, and (4) To extend the services to the policies even if not introduced by him, but on request. The agent binds the principal by his actions. The agent has a dual role to act on behalf of the insurer with the policyholder and on behalf of the policyholder with the insurer. But the agent is representative of the insurer only. He has to develop a relationship with the policyholder. His relationship with the policyholder is stronger than the insurer's relationship with the policyholder. It is also stronger than his relationship with the insurer. The agent thus has a duty to be in touch with the policyholder for a longer time. He has also to update his knowledge continuously to enable him to

discharge his assigned duties. This is one step nearer to becoming a professional. The IRDA wants the agents to become professionals.

Agents in LIC

LIC of India (Agents) Regulations 1972 which came into force from May 1, 1972, were framed by the LIC in exercise of powers vested in it under Section 49 of the LIC Act, 1956 for regulating the method of recruiting agents of LIC and the terms and conditions of their employment and work, such as their qualifications for appointment, functions, amount of business to be secured, payment of remuneration by way of commission, gratuity, etc., including that on discontinuance of agency, termination of agency and other matters. The total number of Agents on our roll is 13,37,064 as at 31.03.2011 as against 14,02,807 as on 31.03.2010. The number of active agents is 12,93,816 as at 31.03.2011 as compared to 13,40,067 as on 31.03.2010. In order to motivate and recognize high performers amongst agents a premium Club called the "Corporate Club" was formed w.e.f the Membership Year 2004-2005. The other 5 clubs which were formed to recognize Agents who perform consistently year after year, viz. Chairman, Zonal Manager, Divisional Manager, Branch Manager and Distinguished Agents, have also shown good growth.

The details of membership strength of various clubs are furnished in the Table given below :

MEMBERS OF VARIOUS AGENTS' CLUB			
Name of Club	Membership Year		
	2010-11	2009-10	2008-09
Corporate	82	70	86
Chairman	37153	31664	25693
Zonal Manager	29952	24967	20225
Divisional Manager	49720	40694	35367
Branch Manager	83719	72743	62558
Distinguished Agents Club	31504	38672	49204
Total	233130	208810	193133

Source: LIC Annual Report 2010-11, p. 66.

The Corporation has a scheme of Urban Career Agents and Rural Career Agents Scheme to promote the cause of professionalizing the agency force. They are given stipends at the start of their career to enable them to settle down in the profession. As on 31.3.2011

there are 13357 Urban Career Agents and 19694 Rural Career Agents. City Career Agents Scheme was introduced in 2010 to provide all Development Officers an opportunity to recruit stipendiary agents. The Corporation introduced Chief Life Insurance Advisor Scheme, 2008 on 12.04.2008 with an objective of increasing its market presence through more agents by utilizing capabilities of existing high performing agents for organisational growth. In the third year of the Scheme as on 31.03.2011, First Premium of Rs. 2788.95 crore (8.78% growth) with 23,31,005 Policies (11.49% growth) was generated with the help of 1,48,558 Agents on roll (8.02% growth) supervised by 25,639 active Chief Life Insurance Advisor (6.37% growth).

LIC agents do not have authority to collect premium from policy holders. Rules 8 of the LIC (Agents) Rules, 1981 framed under S.48(2) (cc) of the LIC Act, 1956 prohibits agents from collecting premium on behalf of LIC. Keeping in line with the increasing customer expectation for more conveniences in premium payments and servicing, the Corporation has empowered select agents to collect the renewal premium through "Premium Points". Number of such "Premium Points" across the country increased to 15,567 as on 31.03.11 as against 10,980 as on 31.03.10. An amount of Rs. 11,817.58 crore renewal premium was collected by these empowered agents who have issued 3.15 crore renewal premium receipts to the LIC customers.²⁶

Sales Force Management Practices in LIC

Life Insurance Corporation achieves its sales objectives through sales force. The sales force existing in the Corporation comprises of agents and Development Officers. The insurance selling is a type of personal selling. Personal selling is a face-to-face interaction with prospective buyers for the purpose of making sales. It is the most cost effective tool, particularly in building up buyer's preference, conviction, and action. Personal selling involves an alive, immediate, and interactive relationship between two or more persons. It permits all kinds of relationship to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. Effective sales people will normally keep their customer's interests at heart if they want long-run relationships. Personal selling is person-to-person communication and it is possible to get immediate feedback by observing personal selling is a component of the promotional mix, which in turn is one of the four p's of marketing.

Objectives of Sales Force in LIC

The objectives of personal selling in LIC include.

- (i) To serve the existing customers
- (ii) To get new customers.

The agents in LIC have to fulfil the objective of 12 policies in an Agency Year.

Designing the Sales force

Sales force serves as the Corporation's personal link to the customers. The sales people are the company to many of its customers and in turn bring back to the company much needed intelligence about the customer. Therefore, the Corporation needs to give its deepest thought to issues in sales force design namely size, structure, developing sales force objectives, strategy and compensation. After establishing the sales force's objectives, size, strategy, structure and compensation, the Corporation moves to recruiting, selecting, training, directing, motivating, compensating and evaluating sales force.

Recruiting and Selecting Sales force

The recruiting of agents and Development Officers is one of the important tasks of the Corporation. The methods of recruitment differ from agents to Development Officers. At the heart of a successful sales force operation is the selection of effective sales people. Putting the sales staff in the field is one key responsibility of the sales department. Personal selling strategy in both its dimension – the type of people required and their number – is to be implemented. Recruitment constitutes the sources of getting the people.

The Corporation follows certain guidelines to recruit the Agents. It is a systematic means of finding and including available candidates to apply to the Corporation for employment. Recruitment is selling. It is selling the idea that the organization is good place to work.

Recruitment is thus an important step in employment and subsequently the ultimate success or failure of such employment depends in large measure upon the methods and organizations by means of which the people are brought into the Corporation. If the sales force is not recruited in accordance with some systematic, proper manner, most of them are likely to be found inefficient and often quite unfit for the jobs allocated to them. Recruitment is a continuing complex and vital organ of the organization involving a careful consideration of a wide range of sources and a number of common practices.

Recruitment methods of Agents

‘Insurance Agent’ means any person licensed under section – 42 of the Insurance Act 1938 who receives or agrees to receive payment by way of commission or other remuneration in consideration of the soliciting or procuring insurance business including business relating to continuance, renewal or revival of policies of insurance.

The Development Officers will be in the lookout of agents. The IRDA (Insurance Regulatory and Development Authority) has prescribed some qualifications for a person to be given a license. The qualifications necessary before a license can be given are that the person must:

- (a) Be at least 18 year of age
- (b) Have passed at least 12th standard or equivalent examination if he is to be appointed in a place with a population of 5000 or more or 10th standard otherwise.
- (c) Have undergone training for at least 100 hours from an institution approved by the Corporation.

He should also have passed the pre-recruitment examination conducted by the Insurance Institute of India. Those who are successful at the examination will be called for an interview. This interview will be held at the Divisional Office. Final selection will be based on the written examination and interview. The selected candidates will be notified and they are given an All India agent’s code number and a License will be issued which is valid for 3 years. During this three year period, the Agent must get a minimum of 12 policies per year. The license will be renewed after three years. Before that if the agents fail to achieve the prescribed targets, they may be terminated.

Training methods of Agents

The training programmes will be held at Divisional Training Centers, Sales Training Centers, Zonal Training Centers for a period of 2 to 3 weeks. The training will be given in the areas of up-gradation of knowledge, skills and personality development. The agents will be trained aggressively and professionally in the areas of personal selling. The training programme will be of 100 hours duration. Out of these 100 hours 85 hours training will be given by the Divisional office, 10 hours by the branch office, 5 hours by the Development Officers.

An insurance agent will become unique if he has vision, knowledge, professionalism, reliability, strength, performance, customer relations. Out of these factors vision is the most important factor that makes an agent unique. Success for an agent depends on building a dynamic vision. Vision deals with values of human life, happiness of others.

An agent equips himself with proper knowledge and information about various policies and analyzes the needs of the customers.

An agent acts as primary source of financial information with commitment to provide financial planning, education, and information to his customer by maintaining life time relationship with customers. The main strength of the insurance agent is his ability to assess the needs of his customers.

Apart from having vision the agent possess imagination. For insurance selling, imagination can't help an agent to be a more dynamic and outstanding insurance agent but can also provide him more innovative and unique methods of presentation to his clients.

The sales personnel must be well acquired with the following information.

1. They must be able to inform the policy holders about the services available at LIC like use of information technology etc.
2. They must be able to intimate the policy holders about the nomination status under the policy and changes for speedy settlement of claims.
3. They should intimate policy holders about payment of premiums in time, wherever possible availing facilities like wide area network, internet, Online Payment etc.
4. Intimate about lapse of policy so that valuable cover is not lost.
5. Communicate with policy holders by taking their e-mail addresses, telephone and fax numbers etc.

Compensation for Agents

The Corporation offers an attractive compensation to the Agents. The compensation offered by the LIC would be in the form of commission. The rates of commission vary from policy to policy and plan to plan. These are the components of commission. The higher commissions stimulate the greater efforts of agents. Sales compensation plan is integrated to the motivational aspects. The compensation plan provides a fair living wage and related to performance. It provides a mechanism to integrate the Agent's personal goals and corporation's goals. Pay is linked to productivity. Commissions increase with increase in sales. These plans are useful when selling is more important than non-selling tasks.

Commissions are very powerful incentives to exert harder. Commissions provoke non-performers to leave.

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