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CONTENT

INFLUENCE OF SALES FORCE SIZE ON THE REVENUE GENERATION OF MARKETING ORGANIZATIONS IN LAGOS STATE.

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Abstract

Sales force is an important element of every firm promotional mix. How best to use this element to achieve set objective is one of the problem confronting Marketing Managers. This study therefore examines the relationship between Sales force and Revenue Generation of Marketing Organization in Lagos State. The objective of the study is to determine the influence of Sales force on Revenue Generation of the firm under investigation. The study sourced it data essentially from the Secondary Source through Examination of the Sales Revenue and Employment records of the selected firm. Far East Mercantile Company Limited was selected as a case study through random sampling from the study Population which comprises all the Marketing Organizations that are importing finished products in Lagos State. The study used regression analysis and test of significance in analyzing the time series data (i.e sales revenue and sales force employment data) obtained from the Organization record in order test the hypothesis.

The study discovered that R~ is 0.909 which implies that 91% of the total variation in the dependent variable (sales revenue) can be explained by the independent variable (sales force size). That is, sales force size has significant relationship on revenue generation.

The study recommends that in view of the importance of sales force in revenue generation, Marketing Organizations should make sure that sales force are well trained and motivated to enhanced their contributions to the organizational objectives.

Introduction

Given the growing global economic growth, the intense competition from the local and foreign producers and the dynamic nature of customers needs, Marketing organizations are faced with greater challenges of operating in a tough environment. To

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operate successfully in such environment, marketing organizations need to adopt appropriate strategy to be able to control a reasonable size of market. This can be done through effective utilization of promotional mix elements especially personal selling, which is otherwise known as sales force or sales people.

Sales force is one of the fundamental elements of promotional mix, if not the most crucial of all. This is because sales force of any firm serves as the firm's link to its customers. In fact, Kotler (2003) observes that sales force is the firm to many of its customers. This view was later buttressed by Nickel, Mchugh and Mchugh (2002) when they pointed out that it is the sales force that brings much needed information from their customers to their organizations. The importance of sales force activities to the nation's economy in general and organizations performance in particular are exemplified in the views of the following authors. Kotler (2003) says that U.S. firms spend over $140 billion annually on personal selling more than they spend on any other promotional methods and that over 11 million Americans are employed in sales and other related occupations. In the opinions of Oyelami (1991), Ode and others (2000) Sales department (Sales force) is important because it is the revenue yielding department in any business organization. While given an elaborate view on the importance of sales force Peterson (1982) observes that personal selling is one of the most important functions needed for survival and growth. Sales persons can accomplish difficult, almost impossible things through advertising, sales promotion, publicity and public relations. They can tailor their messages to the characteristics and desires of particular prospects, modify ongoing presentations in accordance with feedback from prospects, they are in a position to ask for an order at strategic time and if turn down, they can communicate further, in an effort to recoup and obtain an order, it is much easier to ignore an advertisement than sales person (Sales force). In spite of all the aforementioned importance of sales force, the use of sales force as a vibrant strategy of reaching consumers and increasing sales and profit of marketing organizations became significant in the third world countries like ours. The use of personal selling is imperative in third world countries in view of the following observation; the insufficiency of media for advertising especially in rural areas, where a sizeable proportion of the population lives. The high illiteracy level, coupled with low income makes it difficult for majority of people to understand the advertising themes and slogans along with the media objects (Ode and others; 2000).

In order to tap the full potential of sales force. Marketing organizations in Nigeria and other Africa countries where other promotional mix elements (i.e. advertising, sales promotion, publicity / public relations, internet and other phone based selling units) are not as vibrant as personal selling should embark on strategic planning to improve sales force productivity through the adoption of a proper sales force selection strategy, right size of sales force, appropriate sales force structure, sales force motivation and compensation so as to make them especially effective, efficient and above all helpful towards the attainment of the organizational goals. Personal selling (Sales force) refers to a face to face presentation and promotion of products and services. It involves the search for new prospects and follow-up service after sale (Nickel, McHugh, McHugh, 2002). This study therefore examines the influence of sales force size on the revenue generation of Marketing organizations using Fareast mercantile company limited, Lagos, as a case study .

The rest of this study is divided into eight sections; section two discusses statement of the problem and section three deals with objective of the study. Section four examines the existing literature on the subject matter and section five presents the methodology used in collecting the relevant data for the study. Section six presents and discusses the data that were gathered from the field. The final section draws conclusion from the findings of the study.

Statement of Problem

The intense competition, changes in the consumer needs, incessant advancement in technology, continue growth in global economic have made marketing organizations to be highly vulnerable to these uncontrollable environmental risks. Business today, operates in a dynamic environment. The number, extent, and pace of changes in the external environment mean that no person or business can afford to be complacent (Cook, 1995), hence, the need to tap the potentials of sales force. To operate successful in the global market today, Enterprises in the developed and developing world should rise up to surmount these challenges by making judicious use of sales stimulating elements.

Consequently upon this, marketing organizations need to put up an appropriate selling strategy and out of all the sales stimulating or promotional strategies, personal selling seems to be the most vibrant as Bovey and Thill (1992) rightly observed that personal selling has helped achieved the standard of living we enjoy today, and it plays an increasingly significant role in our expanding global economy. They went further to say if it were not for the handwork of millions of sales people over the years, many of our modern day conveniences might not exist. Even million Naira advertising campaigns and sales promotions cannot accomplish what sales person can when it comes to convincing people to buy. It is this general believes on the potency of personal selling that informs this study to examine how marketing organizations can strategically plan personal selling activities to improve sales force productivity through the adoption of an appropriate selection strategy, right structure and size of sales force to be to stand their vulnerability to environmental risks. In view of this, the study specifically examines;

— What relationship exists between Sales Force Size and Revenue generation?

— Determine the approach use in establishing appropriate Sales Force Size.

Objective of the Study

Marketing organizations worldwide are operating in the market to satisfy the needs of their customers, makes profit and better the lot of society in general, to be able to do this; marketers need to have control over a reasonable size of market. This will not however happen accidentally, marketers have to plan for it, through the adoption of sales stimulating strategies. Though, there are various sales stimulating tools marketers can use such as advertising, sales promotion, personal selling and public relations. Personal selling is the major tool that can be used to reach this goal. Hence, this study focuses on how marketers can utilize personal selling to boost their sales performance in an economy where the extent and pace of changes in the market behavior are not predictable. It is the light of this that the study sought the following objective:

To determine the influence of sales force size on revenue generation.

To determine methods and approaches an enterprise can use in determine its sales force size.

To proffer recommendations that will assist marketing organizations on effective use of their sales force size.

Literature Review

According Longman Dictionary of contemporary English (2000) sales force or sales people refers to the group of people who have been trained and organized for the specific purpose of selling their company's products or a group of people who persuade other people to buy their company's products. In the view of Kotler (2000) personal selling is a face to face interaction with one or one prospective purchasers for the purpose of making presentations, answering questions and procuring order. It involves sales calls by a filed representative (field selling) and assistance by a sales clerk (retail selling) and informal invitation from one company executive to another. Donaldson (1990) views personal selling as personal contact with one or more purchasers for the purpose of making sales. While Stanton (1981) on his part define it as individual personal communication, in contrast to the mass, impersonal communication methods of advertising, sales promotions and the other promotional tools. Onu (2000), Elijah (2001) and Adewumi (1988) observe that personal selling can be used to create product awareness, arousing interest, developing product preference, negotiating prices, closing sales and providing post transactional reinforcement.

In the views of Elijah (2001) and Oyelami (1991) the relevance of sales force or personal selling to marketing organizations is in the functions they are performing. They engage in the "art of salesmanship", answering objections, conduct market research and intelligence work, render technical assistance, advice both the company and customers, communicating information to existing and potential buyers about products and services as well as promoting the image of the firm they represent. While supporting this claim Kotler (2003) says that regardless of the selling context, sales people perform the following functions; prospecting, targeting, communicating, selling, servicing, information gathering and allocating products to customers. The types of sales force a marketing organization has depend on the type and nature of the products the firm is selling and the market it is serving. However, Kotler (2003) and Oyelami (1991) pointed out that sales force may be classified into a deliverer, an order taker, a missionary, a Technician, a demand creator and a solution vendor.

In a similar vain the sales force structure an organization adopts will depend largely on the number of products, market coverage of the products and type of customers the firm is serving. But writers' opinion in marketing literature such as that of Oyelami (1991), Ode and Others (2000) and Osuagwu (1999) is that marketing organizations can structure their sales force using Products, Markets, Territories and a combination of any of these which is known as a complex or hybrid structure. It is pertinent to note that, there is no one best structural pattern for all organizations. Marketing organizations should choose the one that allows it to achieve its set organizational goals. However, Kotler (2003) advised that established companies need to revise their sales force structure as market and economic condition changes.

The actual selling process can be likened to a chain; each chain must be closed successfully if the chain is to be stable. Each of the steps in the process must be culminated successfully or the salesman will fail to get order.

However, one step overlaps the other and therefore the sequence is sometime tailored to meet the situation at hand. The sales process according to Kotler (2003), Peter and Donnelly (1995) includes; prospecting and qualifying approaching the customers, presentation of products, demonstration, handling objections, making sales or closing and follows - up the sale.

Once marketing organizations have established their sales force structure, the next thing is for the organization to consider the size of sales force it needed to achieve its started objectives. In doing this, marketing organizations should realize that sales forces is one of the company's most productive and expensive assets as Kotler (2003) cautioned that it will increase both sales and costs.

Once the company establishes the number of customers it wants to reach, it can use a workload approach to establish sales force size. This method consists of the following face steps according to Kotler (2003).

(i) Customers grouped into size classes according to annual sales volume.

(ii) Desirable call frequencies (number of calls on an account per year) are established for each class.

(iii) The number of accounts in each size class is multiplied by the corresponding call frequency to arrive at the total workload for the country in sales calls per year.

(iv) The average number of calls a sales representative can make per year is determined

(v) The number of sales representatives needed is determined by dividing the total annual call required by the average annual calls made by a sales representative.

Suppose the company estimates that there are 1.000 A accounts and 2000 B accounts in the nation. A account require 36 calls a year, and B account requires 12 calls a year. The company needs sales force that can make 60,000 sales calls a year. Suppose the average sales representative can make 1,000 calls a year. The company would need 60 full - time sales representatives (Kotler 2003).

Methodology

The population of this study comprises all marketing organizations in Lagos State. The sample size of the study was however limited and stratified to all the Marketing Organizations that are importing finishing products for sale in the Nigeria market. The choice of marketing organizations in Lagos State results from the fact that most of such firms are headquartered in Lagos because of her proximity to the port and also due to the fact that Lagos is regarded as the nerve centre of commercial activities in Nigeria. Eventually, Far East Mercantile Company was selected out of 96 Marketing Organizations on the list of Lagos State Ministry of Commerce as at 2000 through random sampling. Thus, Far East Mercantile company emerges the sample firm that was studied. The data for the study was essentially sourced from the case study's records, that is. sales revenue and sales, force employment records from 1983 to 2003. The data were obtained at the company's Headquarter from the sales and personnel departments. The study also made use of the company's profile and personal discussion to take care of the areas where the examined records could not covered.

The analytical techniques used in analyzing the data collected for this study is regression analyze and test of significance which was used to analyze the time series data that was collected.

The following hypothesis are formulated to guide this study.

Ho: There is no significant impact between sales force size and revenue generation.

Hi: There is significant impact between sales force size and revenue generation.

Fareast Mercantile Company

Fareast Mercantile Company is a division of Chanrai Group, founded in 1860, came to Nigeria in 1890 and incorporated in 1953. The firm from inception ventured into merchandising of different imported goods from various parts of the world. The firm has been in active marketing operations all over Nigeria through her strategically selected channel members. As a leading marketing firm in Nigeria, Far East Company, deals in branded imported Food products. Tires, Fast Moving Consumer Goods and Electrical Appliances. The firm's range of products originate from m ost of the world renowned manufacturers such as Nestle, Frigidaire, Samsung, Scan Frost, Fire Stone, MRF, Konica. Malizia and Johnson and Johnson.

The firm has Area offices in in Lagos, Ibadun, Benin, Abuja, Port Harcourt and Kano and Head Office at Victoria Island, Lagos. Far East Mercantile Company also has Sales Representatives in charge of each of these products who are spread all over the major towns in the country.

Data Presentation and Analysis of Result

The results of the findings of this study are presented in this section. The data used are attached as an appendix to this study.

The study takes the sales revenue generation (Y) as a dependent variable while the sales force size (X) is taken as an independent variable. The study discovered the following relationship:

$Y = -90.98 + 5.35X$

t - Value = (3.83) (13.42)

p-Value = (0.001) (0.00)

Adjusted R- Square = 0.904

F — Statistics = 180

The above result shows that there is a significant relationship between the sales force size and sales revenue generation. There is a positive relationship between the sales force size and sales revenue generation. This implies that as sales force size increases sales revenue generation increases.

The only hypothesis formulated to guide this study is that there is no significant relationship between the sales force size and sales revenue generation. The critical t value b ased o n 19 degree o f f reedom a t o ne p ercent s ignificance l evel i s 2.86. T he calculated t - statistics is 13.83. Since the computed t- statistics is greater than the critical t - statistics, we reject the null hypothesis that says there is no significant relationship b etween sales force size a nd sales revenue g eneration. We should then conclude that there is most probably a definite relationship between sales force size and sales generation. This is reinforced by the probability value of 0.000 which shows that the probability there being no relationship between the two variables is zero.

This study shows that there is positive relationship between the sales force size and the sales revenue generation meaning that as more sales force are employed more sales revenue are earned. It also implies that a reduction in the sales forces size will attract a reduction in sales revenue. This indicates further that it pays the organization to maintain an appropriate number of sales force size that allows her to attain its sales revenue generation objectives.

The result also demonstrates a high relationship between the variables. This is indicated by a high good fit of the adjusted R^2 of 0.904. This means that more than 90 percent of the sales revenue is explained by the sales force size. The F-statistic is also significant. This confirms the hypothesis tested above that there exist a significant relationship between the two variables.

Thus, the regression model is:

Sales Revenue = -90.98 + 5.35 (Sales force size).

From the statistical evidence above there exists a positive (direct) relationship between the predictor variable (sales force size) and dependent variable (sales revenue generated. Also the following are the findings from the organization survey research through informal discussion with the staff.

- The market expansion objective of the firm has been their guide in maintaining a right sales force size.
- Equally, increase in the number of products sold by the firm had also helped the firm determines the number of sales persons required and the structure to use.
- The firms entry point induction program and continuous training of sales force have enabled them to have a good knowledge of their company, product, market, industry and economy where they are operating.
- The sales force wants their firm to motivate them for higher performance through increment in their sales incentives.

Conclusion

Based on the findings of this study the following conclusion are made.

Firstly, the study concludes that since it has been proved statistically that there exists a significant relationship between the sales force size and revenue generation of marketing firms (i.e sales forces size has influence on the amount of revenue generation of marketing firms), Marketing firms should therefore, take advantage of this influence in planning strategically for the desired sales performance.

Also, since it has been statistically proven that sales force size has influence on the revenue generation drives of every marketing organization, then it is advised that adequate attention is given to the sales forces welfare as the onus to achieve the started sales revenue rests on them. Hence, sales force team should be well trained, compensated and motivated in order to meet the challenges posed by competitors in the market.

Finally, the study concludes further that firms should exercise caution in considering the likely rise in the size of their sales force. This because increasing sales force size or number will increase both sales and costs as we were cautioned in the conceptual frame work of this study.

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APPENDIX

Data on Sales Revenue Generated and Sales Force Size (1983-2002)

YEAR 1	SALES REVENUE (NM)	SALES FORCE SIZE
1983	15.3	7
1 984	17	12
1985	18.9	12
1986	23.	15
1987	30.	22
1988	37	25
1989	45	24
1990	60	40
1991	83	42
1 992	100	47
1993	130	50
1994	158.3	50
1905	200	63
1996	245.1	70
1997	275	78
1998	300	84
1999	382.9	90
2000	445	92
2001	505	96
2002	5682	102

Source: Field survey 2005

Variables Entered Removed.

Model	Variables Entered	Variables Removed	Method
1	Sales force size[a]	—	Entered

Source: Author's computer printout

a. Stands all requested variables entered.
b. Dependent variable: Sales revenue

Model Summary

Method	R	R. Square	Adjusted R. Square	Std. Error of the Estimate
1	.953[a]	.909	.904	54.7708

Source: Author's Computer printout
a: Predictors: (Constant), Sales force size.