

## SALES QUOTA

In the words of Philip Kotler, “A sales quota is the sales goal set for a product line, company division, or sales representative. It is primarily a managerial device for defining and stimulating sales effort.”

In the words of Cundiff and Stiff, “Sales quota is a quantitative goal assigned to a specific marketing unit, such as to a salesman or territory.”

Basically they are sales assignments, or goals and expectation of the top management expressed in volume or in rupee sales for a specific future period. It is a part of the company’s total expected market share that is assigned to the salespeople in each territory, a branch, a distributor, a selling agent, a dealer, or any other selling unit as a target to be achieved in a specific future period of time.

### **Objectives**

Sales quota is imposed in an organization to fulfil various objectives required to increase the sales of product and maximize profit.

Sales objectives help an organization in the following ways –

- They provide a standard to measure the performance.
- They help to control sales expenses for customer acquisition.
- They help define a target; this further facilitates motivation and enhanced performance.
- These help to identify and monitor the performance of salespersons.

These are some of the primary objectives of sales quota for an organization.

### **Functions of sales quota**

#### ***(I) To provide standards for evaluating performance:***

Quotas provide a way to determine which sales people, territory, other units of the sales organization, or distribution points are on average lower than average or above average work. They are measures to measure sales performance. The comparisons with quota sales

performance identify weak and strong points, but management must dig deeper to discover the reasons for variations.

***(ii) To provide objective and incentives for the sales force:***

Quotas provide vendors, distribution points and others involved in the sales activities, objectives and incentives to achieve certain level of performance. Many companies use quotas to provide their sales force incentives of increased remuneration as commissions or bonuses if the quota is exceeded and / or recognized for superior performance. Needless to say, that to be true motivators, sales quotas must be seen to be realistic and achievable and in a measure that can be surpassed.

***(iii) To monitor the activities of sellers:***

Quotas offer the ability to direct and control the sales activities of the sellers. Sellers are responsible for certain activities such as customer calls daily, calling for new accounts, which give a minimum number of events and realization of the enterprise. If the sellers fail to meet these quotas, the company can take corrective action to remedy the error.

***(iv) To assess the productivity of sales people:***

Quotas provide a yard stick to measure the overall effectiveness of sales representatives. By comparing actual results with SELLERS quotas areas of activity are determined where the sales force need help to improve productivity.

***(v) To control the selling:***

Quotas are also designed to keep selling expenses within limits. Some companies reimburse costs to sell only to a certain sales quota percentage. Other expenses bind to the seller of remuneration to limit unnecessary expenses. Spending quota helps companies define profit quotas.

***(vi) To make effective compensation plan:***

Quotas play an important role in the company's sales compensation plan. Some Indian companies follow the practice that their sellers receive a commission only when they exceed their allocated quotas. Companies can also use quota attainment in whole or in part as the

basis for calculating the premium. If the seller fails to achieve the minimum desired quota, he will not be allowed for any bonus.

*(vii) To evaluate the results of sales contest:*

Sales quotas are frequently used in conjunction with sales contests. Companies use most of the time “performance against quota” as the main base for giving rewards in sales contests. Sales contests are more powerful incentives if all participants feel they have a chance to win prizes based on the quota realization percentage which is a more or less equally common denominator. Therefore, it causes average seller to turn into an above average seller.

### **Importance of sales quota**

There are essentially three reasons for the use of sales quota. The sales managers use the sales quota for motivating salespeople. People with a mind to achieve higher things like the concept of sales quota due to its objectivity in measurement and subsequent linking with the reward system.

They also get a feedback on their performance through the achievement of quota in the organization. In a multi-product situation, the salespeople are directed to put their efforts in specific product categories that enable them to know where to concentrate for achieving the organizational goal.

Quotas always lead organizations towards management by exception. This means that the management focuses attention on the people who are highly performance oriented, and takes care of their interests in the organizational policies. Similarly, managers can devote more time to people who are poor performers, and attention can be given to their knowledge and skill building to improve their efficiency.

The management can also spend more time on high-performance individuals to learn the basic elements for which they outperform others and try to bring the same elements within others for improving their sales performance.

Sales quota also helps in giving directions to the salespeople's efforts and resources for specific ends, and targets the organization sets as important. It is seen in organizations that attainment of sales quotas is tied to the incentives and financial rewards of the organization. This rewards the desired type and level of corporate behaviour to reach at the organizational goals.

These represent the manager's expectations about the activities to be accomplished and the level of accomplishment targeted for the time being. Quotas help in providing a means for measuring performance through the measure of individual activity in the organization. Management compares the achievement of individuals with their targets and thus, quotas become the primary basis for evaluating performance.

Quotas serve as guidelines and direct the behaviour of salespeople because it also assigns authority as a formal right to exercise control. It gives the power to augment accountability and punish for noncompliance. The salesperson's acceptance of this provides the organization a control mechanism for smooth management.

This kind of control also serves as a self-supervisory mechanism in the organization where the salesperson can always measure his performance with the quota as they are set on sales volume, individual product line's sales volume, number of new accounts, and also expenses. Therefore, the salesperson confines his activities only to these measurable activities.

Quotas provide performance targets, standardize performance, and control the individual's performance, thereby directly influencing the level of motivation within the salespeople. Fixing a believable quota for the sales staff, linking it with the reward system, and then allowing people to perform towards achieving the quota within the specific time period constitute an effective process of performance management.

**(Q. What functions do quotas perform and why are they so important to a firm? 8Marks)**