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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR THREE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 334**

**COURSE TITLE: SALES MANAGEMT**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 08/04/2021 TIME: 12.00-2.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of THEE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

**The Dangers of Complex Compensation Systems**

Researchers studying sales force compensation have long been guided by the principal-agent theory. This theory, drawn from the field of economics, describes the problem that results from conflicting interests between a principal (a company, for instance) and an agent hired by that principal (an employee). For example, a company wants an employee’s maximum output, but a salaried employee may be tempted to slack off and may be able to get away with it if the company can’t observe how hard the employee is working. Most incentive or variable pay schemes—including stock options for the C-suite—are attempts to align the interests of principals and agents. Commission-based plans for salespeople are just one example.

Salespeople were paid by commission for centuries before economists began writing about the principal-agent problem. Companies chose this system for at least three reasons. First, it’s easy to measure the short-term output of a salesperson, unlike that of most workers. Second, field reps have traditionally worked with little (if any) supervision; commission-based pay gives managers some control, making up for their inability to know if a rep is actually visiting clients or playing golf. Third, studies of personality type show that salespeople typically have a larger appetite for risk than other workers, so a pay plan that offers upside potential appeals to them.

During the 1980s several important pieces of research influenced firms’ use of commission-based systems. One, by [Rajiv Lal and several coauthors,](http://www.jstor.org/stable/184057?seq=1#page_scan_tab_contents) explored how the level of uncertainty in an industry’s sales cycle should influence pay systems. They found that the more uncertain a firm’s sales cycle, the more a salesperson’s pay should be based on a fixed salary; the less uncertain the cycle, the more pay should depend on commission. Consider Boeing, whose salespeople can spend years talking with an airline before it actually places an order for new 787s. A firm like that would struggle to retain reps if pay depended mostly on commissions. In contrast, industries in which sales happen quickly and frequently (a door-to-door salesperson may have a chance to book revenue every hour) and in which sales correlate more directly with effort and so are less characterized by uncertainty, pay mostly (if not entirely) on commission. This research still drives how companies think about the mix between salaries and commissions.

**QUESTION ONE**

1. Explain the conflict interests in compensation according to the principal-agent theory. (4 Marks)
2. Explain in detail why commission based compensation is considered the best compensation model overtime. (6 Marks)
3. Explain why a firm will choose other compensation models over the commission based. (4 Marks)
4. Explain the basic requirements of an effective compensation model. (10 Marks)
5. Discuss the three common compensation structures in sales. (6 Marks)

**QUESTION TWO**

1. Explain the advantages of the lecture form of training sales force (4 Marks)
2. Explain the Purposes of sales force Performance Evaluation. (12 Marks)
3. State the roles of a territory sales Manager. (4 Marks)

**QUESTION THREE**

1. Discuss five functional activities in sales management. (10 Marks)
2. Explain in detail the common traits of a successful sales person (10 Marks)

**QUESTION FOUR**

1. Define the following terms giving appropriate examples.
2. Prospecting (2 Marks)
3. Persuasive selling (2 Marks)
4. Gaming (2 Marks)
5. Discuss the most methods of sales force training. (8 Marks)
6. Discuss the key departments that the sales team coordinates with to achieve results. (6 Marks)

**QUESTION FIVE**

1. Discuss common training aids and Material used in sales training and explain the importance of each. (8 Marks)
2. Explain the sales in considered inherently difficult. (8 Marks)
3. Describe the advantages of using jury of executive opinion method. (4 Marks)