CHAPTER V
SALES FUNCTION

Introduction:

Management of sales is the art of utilising the resources of premises, shop equipment, stock-in-trade, staff, ideas and goodwill so as to achieve maximum sales and services to the membership with the best possible economic result. A good sales organisation is essential to perform the above said function upto the expectations. The objective of sales management has to concentrate in achieving sufficient sales volume, providing ample contribution to profits and experiencing continuous growth. It must possess a sound sales organisation as "the success of any consumers stores is measured its efficiency in supplying goods and services that members need". The sales function not only sells the goods but also tries to sell more goods over and above the requirements through suggestive methods. John Jacques emphasises that "the basic attitude to selling must be persuading

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the customer to want what we have rather than supplying the customer with what he wants."²

The sales organisation has to perform the following two functions:

1. To stimulate, foster and satisfy the customers demand for the benefit of producers goods, and
2. to convert the potential demand as actual demand.

In addition to the above, the sales management has to concentrate in achieving sufficient sales volume, providing ample contribution to profits, and experiencing continuous growth.³

Sales Policy:

Sales policy may be described as the guidelines which are set up by Management within which the organisation seeks to reach its personal selling

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objectives. It is constituted with rules and regulations with regard to sales. Always sales depends upon customers who must be given due attention before the sales are effected. In order to achieve the goals every organisation has to formulate a good sales policy. In the opinion of Newman the sales policy should consist the following points:

1. The type of products and services to be sold.
2. Customers to whom products to be sold.
3. Price at which products to be sold.
4. Sales promotion.

Sales Policy in the Hindupur Co-operative Stores Ltd:

No written policy is followed by the co-operative stores but it is following the procedure of sales policy. It is dealing with different commodities viz., food grains & oils, groceries, general merchandise, cosmetics, stainless steel articles, electrical goods, plastic goods, textiles, text books and stationery and other requirements.

In the Hindupur Co-operative Stores, there is no separate sales manager to look after the sales management. The paid Manager will look after the sales in the stores. He is only whole responsible for the sales and he will abide restrictions issued by the President and Board of Directors. The paid manager supervises the salesmen and fix responsibility to their respective counters. The president attends the sales management functions along with other functions.

Location:

Right location is essential for a successful retail trade which determines the sales made and the profits realised. While determining the location the following principles must be kept in mind:

"A) The location should be convenient from view point of the customers. (b) The location should be such as may ensure larger sales. (c) The shop should be located at a place where the cost of management could be kept low". 5

Viewed from this angle, the Hindupur Cooperative Stores is located in a busy shopping bazaar named Nut Bazaar in the town. Though it is an old building with upstairs, it has got its own fame and name in rendering services to the consumers. The stores is functioning in the same building right from the beginning. Due to present prevailing circumstances in the town it is proposed to change the building to some other area in the town. It is also surrounded by a number of private shops dealing with specialised as well as mixed commodities. Hajela also agrees that the shop "should be located at a place when the competition is quite keen because it would provide better opportunity to the customers for comparing the quality of goods and prices." It is a rented building with full safe guards. It is a suitable for entire Hindupur taluk consumers in transportation, handling and in other facilities. It does not incurr more expenditure for rent, repairs and depreciation etc.

Price Policy:

Price policies are of great importance to the success of business. Price policy constitutes

the guidelines, rules to be adapted in determining the price of a product. The pricing policy should not deviate with the organisational objectives. Douglas opens that "pricing objectives may include a target return, a certain market share, maintenance of the status quo within an industry or high profits". Consumer stores follow the method of charging either at market price or below the market prices. In case the prices are fixed at market level it can build up profits and can declare dividends to members in proportion to their purchases. In this regard Arnold Bonner is of the view that "sales at current market price in conjunction with dividend on purchases, is part of the deeper principle of freedom underlying the Rochdale Principle." The consumer stores have to face cut throat competition from private traders as they sell below the market price. So the prudent price policy must cover all costs, acceptable to customer and the stores must earn profits for its


survival. No pricing policy is followed in the co-operative stores. The Hindupur Co-operative Stores is functioning as fair-price shop. So the store does not maintain price policy for the controlled and non-controlled goods.

**Pricing Policy adapted in the Co-operative Stores:**

Fixation of prices does not arise in the case of controlled commodities as it is done by the Government or Federation as the case may be. For the remaining commodities i.e., non-controlled goods the following procedure is adapting in fixing the prices by the co-operative stores.

\[
\text{Sales Price} = \text{Cost Price} + \text{Incidental Charges} + \text{Sales Tax} + \text{Sales Margin.}
\]

Cost price refers to the cost of purchases. Incidental charges includes transportation and charges incurred to receive commodities from the purchase point to the godown. Sales tax imposed as per the State Government rules and regulations at different rates. Sales margin vary from one commodity to the other commodity. The stores fixes margin at 5 per cent on purchases for all commodities except controlled goods. The controlled goods sale at government rates.
Mode of Sales:

In general the godown-keeper will be in-charge of all the goods received from suppliers, for co-operative stores. The paid manager gives necessary instruction to the sales agents with regard to sales. Most of the commodities are sold at stores itself as there is no need of getting commodities from godown. The credit system is also allowed in the sales mode. But no separate entries are made for creditors and debtors. The Manager and salesman will be held responsible for unto do things in the store.

The credit system induces the customers to spend more beyond their earning capacity. By this promotion of thrift becomes difficult and it leads to indebtedness. So, "cash sales are necessary to inculcate the debit of thrift and distinguishes the stores from the retail traders who generally sell on credit to attract and enslave customers." 9 Co-operative stores sells goods to individuals on cash basis in order to get funds for quick business turn-over and also on credit basis in order to provide

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the credit facilities to the members. The Hindupur Co-operative Stores sells goods to Government Institutions viz., Government Hospitals, Government Hostels, Sub-jail, Navodaya School, Blind School, Childrens Home and Educational Institutions on credit basis on the condition that payment should be made within a stipulated period (30 days). The Hindupur Co-operative Stores is facing several problems with shortage of funds due to lack in prompt payment of debts.

Payment System:

In the co-operative stores the payment will be made through Manager only. He acts as a cashier for all transactions in all times. He will take assistance of sales assistants if he likes so. The manager's sole responsible for cash dealing in the store in all stages of the stores organisation.

Extent of Sales:

The sales effected by the Hindupur Co-operative Stores during 5 years i.e., from 1983-84 to 1987-88 is examined with the Table 5.1.
TABLE 5.1

EXTENT OF SALES

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Sales</th>
<th>Percentage of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1983-84</td>
<td>6,26,838</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>1984-85</td>
<td>4,80,619</td>
<td>- 23.00</td>
</tr>
<tr>
<td>3.</td>
<td>1985-86</td>
<td>7,58,165</td>
<td>57.75 -</td>
</tr>
<tr>
<td>4.</td>
<td>1986-87</td>
<td>8,69,372</td>
<td>14.67 -</td>
</tr>
<tr>
<td>5.</td>
<td>1987-88</td>
<td>5,74,777</td>
<td>- 33.89</td>
</tr>
</tbody>
</table>

Source: Balance Sheet of the Hindupur Cooperative Stores Ltd., Hindupur.

The Table 5.1 depicts that there is no steady growth of sales in the study of five years. There was sudden fall of sales by 23.00 per cent in the year 1984-85 as against previous year. This was due to decrease in the general merchandise and other items. The sales further decreased in the year 1987-88 to the tune of 33.89 per cent compared to the previous year due to decrease in sales food grains, general merchandise, stainless steel articles.
Commodity-wise Sales:

The study further a commodity-wise sales is shown in Table 5.2.

Table 5.2 depicts that the total sales came down from Rs. 626.83 in the year 1983-84 to Rs. 480.61 in the year 1984-85 due to decrease in the sales of general merchandise and other articles. But sales increased in the next year i.e., in 1985-86 due to increased sales in foodgrains and general merchandise. Further sales increased in the year 1986-87 due to increase in sales of general merchandise, groceries and text books. But to our surprise sales decrease in the year 1987-88 due to decrease in sales in foodgrains, general merchandise and stainless steel articles.

Sales according to Controlled and Non-controlled items:

Sales effected by the Central Stores consists of controlled and non-controlled items. The position of the same has been exhibited in Table 5.3.

Table 5.3 shows that the percentage of sales of non-controlled has gone up from 52.26 per cent in the year 1983-84 to 59.96 per cent in the year 1987-88,
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1983-84</td>
<td>280.15</td>
<td>13.65</td>
<td>210.10</td>
<td>14.70</td>
<td>57.27</td>
<td>15.06</td>
<td>35.60</td>
<td>-</td>
<td>-</td>
<td>626.83</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(44.74)</td>
<td>(2.17)</td>
<td>(33.51)</td>
<td>(2.34)</td>
<td>(9.13)</td>
<td>(2.40)</td>
<td>(5.67)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>1984-85</td>
<td>199.35</td>
<td>24.88</td>
<td>85.38</td>
<td>9.55</td>
<td>22.05</td>
<td>22.15</td>
<td>15.96</td>
<td>9.55</td>
<td>91.39</td>
<td>480.61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(41.47)</td>
<td>(5.17)</td>
<td>(17.75)</td>
<td>(1.98)</td>
<td>(4.58)</td>
<td>(4.60)</td>
<td>(3.32)</td>
<td>(2.07)</td>
<td>(19.01)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>1985-86</td>
<td>340.36</td>
<td>16.50</td>
<td>267.53</td>
<td>15.06</td>
<td>24.57</td>
<td>22.20</td>
<td>10.33</td>
<td>21.50</td>
<td>40.01</td>
<td>758.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(44.89)</td>
<td>(2.17)</td>
<td>(35.28)</td>
<td>(1.98)</td>
<td>(3.24)</td>
<td>(2.92)</td>
<td>(1.36)</td>
<td>(2.83)</td>
<td>(5.27)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>1986-87</td>
<td>300.06</td>
<td>35.15</td>
<td>320.55</td>
<td>16.28</td>
<td>32.76</td>
<td>16.05</td>
<td>9.98</td>
<td>11.10</td>
<td>128.00</td>
<td>869.93</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(34.49)</td>
<td>(4.04)</td>
<td>(36.84)</td>
<td>(1.87)</td>
<td>(3.76)</td>
<td>(1.84)</td>
<td>(1.14)</td>
<td>(1.27)</td>
<td>(14.71)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(40.04)</td>
<td>(8.02)</td>
<td>(30.30)</td>
<td>(4.20)</td>
<td>(2.42)</td>
<td>(2.09)</td>
<td>(4.18)</td>
<td>(8.72)</td>
<td>(100.00)</td>
<td></td>
</tr>
</tbody>
</table>


Note: Parenthesis denote percentages to total rows.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Controlled goods Rs.</th>
<th>Non-controlled goods Rs.</th>
<th>Total Sales Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983-84</td>
<td>2,80,450 (47.74)</td>
<td>3,46,388 (52.26)</td>
<td>6,26,838 (100.00)</td>
</tr>
<tr>
<td>2</td>
<td>1984-85</td>
<td>1,99,350 (41.47)</td>
<td>2,81,269 (58.53)</td>
<td>4,80,619 (100.00)</td>
</tr>
<tr>
<td>3</td>
<td>1985-86</td>
<td>3,40,360 (44.89)</td>
<td>4,17,805 (55.11)</td>
<td>7,58,165 (100.00)</td>
</tr>
<tr>
<td>4</td>
<td>1986-87</td>
<td>3,00,062 (34.51)</td>
<td>5,69,310 (65.49)</td>
<td>8,69,372 (100.00)</td>
</tr>
<tr>
<td>5</td>
<td>1987-88</td>
<td>2,30,147 (40.04)</td>
<td>3,44,630 (59.96)</td>
<td>5,74,777 (100.00)</td>
</tr>
</tbody>
</table>

Source: Progress Reports of the Co-operative Stores, Hindupur.

Note: Parenthesis denote percentages to total rows.

Sales Efficiency:

The efficiency of sales management can be tested with the help of stock turnover ratio.
Stock Turnover Ratio:

Stock-turnover ratio is also called as inventory turnover ratio. "The inventory turnover ratio is usually associated with the ratio of finished stock to the total turnover". This ratio indicates the effective utilisation of the capital employed in stores. This can be measured through the number of times the stock is rotated in a particular year by way of sales. This is calculated by dividing the sales with the average stock turnover ratio. The position is shown in Table 5.4.

**TABLE 5.4**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Sales (Rs.)</th>
<th>Average stock (Rs.)</th>
<th>Stock turnover ratio (in times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1983-84</td>
<td>626.83</td>
<td>36.73</td>
<td>17.40</td>
</tr>
<tr>
<td>2.</td>
<td>1984-85</td>
<td>480.61</td>
<td>24.98</td>
<td>19.20</td>
</tr>
<tr>
<td>3.</td>
<td>1985-86</td>
<td>758.16</td>
<td>52.85</td>
<td>14.30</td>
</tr>
<tr>
<td>4.</td>
<td>1986-87</td>
<td>869.93</td>
<td>48.52</td>
<td>17.90</td>
</tr>
<tr>
<td>5.</td>
<td>1987-88</td>
<td>574.77</td>
<td>16.88</td>
<td>34.00</td>
</tr>
</tbody>
</table>

Source: Records of Co-operative Stores, Hindupur.

Note: Average Stock = Opening Stock + Closing Stock

Stock turnover = $\frac{\text{Sales}}{\text{Average stock}}$. 

\[ \text{(Rs. in '000)} \]
The Table 5.4 indicates that there is steady growth in the stock turnover ratio from 17.40 times in the year 1983-84 to 34.00 times in the year 1987-88. This was mainly due to increased sales with reduced average stocks. According to consultancy and promotional cell, NCCF, if the stock turnover ranges between 9 to 12 times, it can be called fair performance. The Hindupur Co-operative Stores crossed the performance in all the years, generally leading to overstocks and particularly there was high ratio i.e., 34.00 times in the year 1987-88 resulting in stockouts.

SUMMARY:

Management of sales is the art of utilising the resources of premises, shop, equipment, stock-in-trade, staff, ideas and goodwill so as to achieve maximum sales and services to the membership with the best possible economic result. John Jacques emphasises that "the basic attitude to selling must be persuading the customer to want what we have rather

than supplying the customer with what he wants". Sales policy may be described as the guidelines which are set up by management. In the opinion of Newman the sales policy should consist type of goods, consumers, price and sales promotion. No written policy is followed by the Hindupur Co-operative Stores. The Hindupur Co-operative Stores does not fix the price for the controlled goods. The Hindupur Co-operative Stores fixes margin at 5 per cent on purchases. There is no steady growth of sales in the study of 5 years. There was sudden fall of sales by 23.00 per cent in the year 1984-85 as against previous year. This was due to decrease in the general merchandise and other items. The total sales come down from ₹ 626.83 in the year 1983-84 to ₹ 480.61 in the year 1984-85 due to decrease in sales. Sales come down from 626.83 in the year 1983-84 to 480.61 in the year 1984-85 due to decrease in the sales of general merchandise and other articles. The percentage of sales of non-controlled goods has gone up from 52.26 per cent in the year 1983-84 to 59.96 per cent in the year 1987-88. There is steady growth in the stock turnover ratio from 17.40 times in the year 1983-84 to 34.00 times in the year 1987-88. This was due to increased sales with reduced average stocks.