

# SALES TERRITORIES: A CONCEPT

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**ABSTRACT:** The task of assigning the sales territories to the sales representatives has a significant effect on the functional efficiency of the sales department. The sales representatives do not work within the boundaries of the organization. For them, working at the market place is the prime responsibility. In case the territories are not assigned by clear planning, there is likely to no control over the activities of the sales representatives. Also, in case the territories are too large or too small, the performance is bound to be affected. In case the nature of the territories is not homogeneous, the comparison of the performance of the sales representatives becomes difficult. With this background of the difficulties that can arise in case of unplanned territory allocation, it is of prime importance that the managers plan the territories of the companies very carefully.

**KEYWORDS:** Territory, Sales territory, Territory design, Sales person, Tentative territory.

## INTRODUCTION

The territory can be defined in terms of the size of the area in which the sales representatives operate as well in terms of the number of customers. Operationally, it is better to define the sales territory as *a grouping of customers, and prospects assigned to an individual sales person*. This definition lays more stress on the customers and prospects in an area instead of the size of the territory. A company might prefer to keep more sales representatives in a densely populated metropolitan city and keep a few sales representatives in an area with a lesser density of the customers and prospects.

## 1 PURPOSE OF ESTABLISHING SALES TERRITORIES

The task of setting up sales territories is a continuous process and in constantly updated or revised keeping in view, the changes that occur in the marketplace. The sales territories are primarily set up to facilitate planning and control of sales operations. **The reasons of establishing the sales territories can be stated as under :**

- **Proper coverage of market-** In the present competitive world, the market coverage is the key to gaining competitive advantage. The opportunities of the marketplace cannot be wasted and allowed to go into the hands of the competitors. So, the competition, to provide adequate coverage of the market. The territory design must match with the sales programmers to achieve better coordination of the operation of the sales department as a whole.
- **Controlling the sales expenses-** While sales department is a major source of returns to the company, it is also a major cost center because of the investment and the costs incurred in achieving the sales. The territory design has a key role to play in controlling the sales expenses. The sales representatives have to report to their area sales managers and regional managers. So, an error in the territory design would affect their organization structure also that thereby adding to the sales expenses. Thus, the territory design has to be optimum to achieve the maximum sales at the, lowest possible costs to increase the profitability.
- **Facilitating evaluation-**The sales representatives are evaluated for their performance so that they can be adequately compensated. In order to achieve a fair evaluation, the sales representatives must have an equal platform for evaluation. The well designed sales territories facilitate their evaluation. The territories must-be so designed that they can be considered as homogenous for comparing the performance of the sales representatives.
- **Coordination-**The territories help in achieving the coordination between personal selling and advertisement. If alone, both of them cannot be an effective means to achieve higher sales. It is their combined effort, which can achieve the sales objectives. By the allocation of territories, the specific requirement of each area can be studied and the advertisement and the sales promotion scheme can be designed accordingly.

## 2 STEPS FOR TERRITORY DESIGN

The steps for designing the sales territory vary with the nature of business operation. For example the principals followed while designing the sales territories would be very different in case of FMGC companies like Hindustan Levers, P&G etc. in comparison to consumers durable companies like Maruti, BPL etc. Still some generalization can be drawn regarding the steps for

setting of the sales territory :

- (i) **Selecting a basic geographical control unit.**
- (ii) **Estimating the sales potential in control units.**
- (iii) **Designing tentative territories from control units**
- (iv) **Adjusting for coverage difficulty and redesigning the territory.**

➤ **Selecting a basic geographical control unit.**

The starting point in the planning of the sales territories is the basic geographical unit. The commonly used geographical control unit in India is the district or the state. In case of metropolitan cities, the territories are allocated as per residential/business localities. While selecting a control unit, it is preferable to keep them small and allocate them on the basis of geographical proximity in order to facilitate the sales operation subsequently.

➤ **Estimating the sales potential in each control unit**

Once the basis of a control unit is established, the sales potential of each control unit is estimated. The sales potential is estimated not only in the present terms but also the future terms by estimating the number of prospects in a sales territory. For this, the customer profile must be defined and an estimate of the number of customers is made.

➤ **Designing tentative territories from control units**

The control units are combined to be converted into the tentative territories. The territories are always subject to change, so they have been termed as tentative. As a first exercise, contiguous control units are designated as territories, each containing approximately same sales potential. The number of sales persons required are estimated by dividing the sales potential and the average sales that can be realized by an individual sales person.

➤ **Adjusting and redesigning the territory**

The final step is to adjust the tentative-territories by adjusting them for coverage difficulty. The tentative territories should be so designed that each territory contains approximately the same sales potential. However, it must be accepted that even the territories with nearly equal sales potentials require different selling efforts. They also differ in the selling expenses also. The unrealistic assumptions are removed so that no differences in the characteristics of geographical control units exist.

## CONCLUSION

Setting up sales territories facilitates the planning and control of sales operations. Well designed territories help to improve market coverage and customer service, reduce selling expenses ratio, secure coordination of personal selling and advertising efforts and improve the evaluation of personnel performance. Good territorial design is based on thorough knowledge of sales potentials and difference in coverage. In assessing sales personnel to territories, management seeks the best alignment of selling efforts with sales opportunities and systematic plans for routing and scheduling. Sales personnel then help in accomplishing this.

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