

Sales Force Management - Chapter 4

Summary

SALES TERRITORY - THE CONCEPT AND PURPOSE

1. The Concept: "A sales territory is a grouping of customers and prospects assigned to an individual sales person." The territory is a "group of customers who can be conveniently serviced by a salesman."

2. The Purpose: Sales territories serve the following purposes:

- Provide better market coverage.
- Result in economy and economy of effort.
- Assist objective performance evaluation.
- Improve morale and motivation.
- Generate synergism.

3. Market Coverage: Proper design of territory provides better market coverage. Improper market coverage reduces market share. The design of territory must satisfy the following:

- Economical and convenient to reach each and every prospect.
- Reasonable distribution of work load among salesmen.
- Provide minimum travelling time and maximum servicing time.
- Establish good rapport with customers to solve their problem rather than mere selling.

4. Economy and Effort: Good design of territory and appropriate assignment of sales persons results in the following:

- Economy of effort.
- Economy of expenditure.
- Higher sales volume.
- Better profits.

Good territorial design assists reducing travel time which increases customer satisfaction and better profit.

5. Objective Evaluation of Sales Performance: Well designed territory and assignment of salesmen establish parity between authority and responsibility. This will also increase accountability leading to objective assessment of salesmen performance.

6. Morale and Motivation: Well designed sales territory increases sense of belongingness and spirit of competition. Salesmen consider their territory an opportunity to prove his worth and increase his fame through recognition and acknowledgement by top management.

7. Synergism: Proper design of territory will ensure synergism due to the following:

- Close co-ordination between various efforts like advertisement, personal selling and promotional activities.
- Close co-operation between various functionaries in the organisation and in particular with salesmen and dealers.

Close co-ordination of efforts and co-operation between salesmen and dealers ensures the following:

- Prior information in regards to release of new advertisement
- Prepares dealers on new policy of firms in regards to promotional steps like P.O.P. display, sharing of advertisement etc.
- Co-operation, co-ordination and effective control assist synergism.

SALES TERRITORY - DESIGN CRITERIA AND PROCESS (STEPS)

1. Design Criteria: Design of sales territory takes into account following aspects:

- Strengths and weaknesses of firm.
- Opportunities and threats of market.
- Marketing managerial resources to improve competitive position.
- Comprehensive sales plans which covers all territories and all products/ services
- Nature and characteristics of the customers.
- Number, competence level and experience of the sales force.

2. **Design Process (Steps):** Important steps are listed here:

- *Control Units:* Identification of basic control unit.
- *Sales Potential:* Determine sales potential in each control unit.
- *Sales Territory (Tentative):* Fix tentative sales territory comprising certain no. of control units.
- *Sales Territory (Final):* Fine tuning of sales territories for the purpose of equal work loads.

3. **Control Units:** This is the basic geographic unit which is small and easily identifiable. The advantages of identifying control units are:

- When big areas are counted smaller areas of lesser potential are ignored.
- These units remaining stable and easy to identify and manage.

4. **Sales Potential:** Having identified the control unit, the next step is to estimate sales potential in such control unit. Specification is made in regards to the prospects since such precise description assists salesman to locate and effect sales.

5. **Sales Territory (Tentative):** The shape and size of sales territory are as given below:

- *Size:* Size depends on the following parameters like number of territories, sales force size, and total sales volume of entire firm etc. Number of territories and maximum sales volume determine the size of territory.
- *Shape:* Shape of territory influence, distance of travel and ease of approach.

6. **Sales Territory (Final):**

Improvement of "tentative sales territory" becomes necessary because of the following facts:

- Territories of nearly equal potential, needs different selling efforts.
- Depending on the nature of territory and the customers, sales expenses will be different in territories having similar market potentials.
- Sales efforts, expenses and effectiveness depend on personality, experience, expertise and salesmanship of the salesmen.

Fine tuning of tentative sales territory is done by bringing changes in removing some "Control Units" and adding some others. Fine tuning involves the following activities in order to determine the work load more effectively:

- Determine the number, location and size of customers and prospects in each tentative territory.
- Estimate time required for each sales call.
- Determine travel time between the calls.
- Pre-fix call frequencies.
- Calculate the number of calls possible within a given period.
- Adjust number of calls possible for a given class of customers (for a fixed time at a given call frequency).
- Finally check out the adjusted territories with sales personnel who had field experience in such area and make final adjustment.

ASSIGNING SALES PERSONNEL TO TERRITORIES

1. **The Objective:** In planning sales territories, we have assumed that sales persons are interchangeable and any salesperson can be assigned to any territory. However, the truth is different. Each territory presents different sales opportunities and sales efforts vary with individual sales person as well as the nature of territories. In other words objective of assignment is stated in the following words.

"Assign each sales person to the particular territory where his or her relative contribution to profit is the highest."

2. **The Criteria:** The criteria of assignment vary from organisation to organisation. These are summarised as follows:

- **Fixed Assignment:** Here salesmen selected and assigned to different territories are not disturbed from their assigned territories.
- **Free Assignment:** Here anyone can do assignment to any territory and transfer is very frequent.
- **Composite Assignment:** In this case sales territories are designed in such a way, that some territories are built to suit around individual sales persons for fixed assignment and another set to suit ability level of individuals.

3. **Assignment of Sales Personnel to Territories of Equal Potential:** A forecast of sales is obtained by multiplying sales potential by ability index of sales person. Assuming, say 30% sales as profit, the forecast of individual salesman's contribution is also calculated. Sum of these contributions is the maximum profit possible irrespective of how the sales personnel are assigned.

4. Assignment of Sales Personnel to Territories Containing Sales Potential Proportional to Sales Person's Abilities: In this case consider these territories are designed around individual sales persons so that sales potential is variable and again assuming same 30% sales as profit, the forecast of individual salesman's contribution is calculated. Sum of these contributions is the maximum profit possible.

5. Assignment of Sales Personnel According to Territories Containing Different Sales Potential: Here consider the total sales potential different for each sales territory and again calculate the forecast of individual salesman's contribution. Sum of these contributions is the maximum profit possible.

6. Optimum Assignment: The optimum territorial assignment is reached when incremental sales produced per rupee of sales expenditure are equal in all territories. Hence, it is wise to do the following:

- Fix upper and lower level of sales potential in each territory.
- Do not increase size of sales potential beyond "point of feasibility". This is the point beyond which incremental expenses exceed incremental profit.
- It is not realistic to assume individual ability index remain fixed. As coverage difficulty increases, this index goes down.
- Sales persons have different degrees of effectiveness in different territories.

ROUTING AND SCHEDULING OF SALES PERSONNEL

1. Objectives:

- To maximise sales by minimising wastage of time by sales personnel.
- To establish and maintain line of communication.
- To know the whereabouts of sales person.
- To improve sales coverage.
- To reduce non-selling time.
- To avoid back tracking.
- To improve size of average sales order.
- To improve profit.

2. Routing Plan: Routing plans are made based on the information such as numbers and locations of customers, means and methods of transports, the desired call rates, detailed maps showing important towns and cities, connecting routes like air, road, water ways and the border of territories and other major landmarks.

3. Call Scheduling: Call scheduling is more difficult than route planning. Based on desired call frequency rate for each customer on the route, call schedule is easily made as part of routing plan. It is impossible to set up fixed routing and scheduling plans.

4. Company's Role: Companies benefit from systematic routing and scheduling. However, most firms find it difficult to draw up detailed plans.

5. Routing, Scheduling and Control: These plans assist sales managers to exercise better control of sales forces. This also forms an integral part of the overall design of sales territories and assignment of sales personnel. Surprise checks and rewards to adhere to plans, improve their control.

SALES PROMOTION - THE CONCEPT, NATURE AND SCOPE

1. Definitions: In general, the sales promotion consists of three broad activities:

- Personal selling.
- Advertisement.
- Supplementary selling activities.

"Sales promotion is that component of the marketing mix that *continuously* creates and applies materials and techniques that *reinforcing* and supplementing the materials and techniques provided by other components, increases the capacity and desire of sale people, distributors and dealers to sell a company's product and make consumers *eager* to buy it."

3. Nature: From the definitions given above we find sales promotion consists of the following elements:

- Sales promotion is a continuous process.
- Sales promotion reinforces the marketing mix including advertisement.
- Sales promotion ultimately increases the eagerness of customers to buy the product.
- Sales promotion must always be treated as a separate function, no matter how interrelated and connected to advertising it becomes.
- Sales promotion is the other half of the job begun by advertisement which by itself cannot complete the sales.

4. Objective: Basically promotion has three basic purposes as given below:

- Communicate with consumers on marketing information.
- Persuades and convince buyers to buy the product.
- Act as powerful tools of competition for attaining and sustaining competitive advantage.

It is essentially a persuasive communication, in a form of non-price competition and must be planned as part of total system

5. Scope: The activities involved in sales promotion are (1) Personal selling (2) Advertisement (3) POP displays (4) Exhibitions (5) Demonstrations (6) Premium services & gifts (7) Use of coupons (8) Rebates (9) Dealer/Distributor Incentive (10) Contests (11) Direct marketing (12) Awards.

PRINCIPLES OF SALES PROMOTIONS: Following constitute the 15 principles of sales promotion:

1. Promotion should add value to the products/services.
2. Promotion be branded and make them exclusive.
3. Focus of promotion must be the future sales for long-term basis.
4. Look for opportunities of repeat sales.
5. Give promotion a theme to help reinforce advertisement.
6. Promotion efforts must be "target-specific."
7. Promotion efforts must be specific and stated in quantifiable terms.
8. Support your best (frequent) customers with rewards.
9. Do not miss cross-promotional opportunities.
10. Establish personal rapport with customers and promotional steps must reinforce the same.
11. Presentation must be of "top class" nature, even if it costs extra money.
12. Promotion steps must be rewarding *for* sales staff.
13. Make promotion interesting, and easy to attract customers.
14. Make promotional activities with fun' and frolic.
15. Test each of the promotional steps before launching.

SALES PROMOTION STRATEGY AND STRUCTURE

1. Introduction: Sales promotion strategy consists of following steps:

- Planning.
- Design (Production).
- Execution.

Since strategy and structure are interrelated, great care must be given to develop a plan which improves integration, interpersonal relations and coordination between various functional departments like R&D, engineering and others.

2. Market Research: A programme well begun is half done. Therefore ensure following in market research:

- Depend on hard *facts* and not on "hunches"
- Do not depend too much on inconclusive research studies/surveys.
- Do not base on small samples, as "little knowledge is dangerous."
- Questionnaire must be clear, relevant and adequate.
- Ensure sample size is adequate and sample represents faithfully the target group.
- Make the analysis statistically sound and correct.
- Ensure the "Report" includes all relevant aspects.
- Ensure "Agency" commissioned to undertake the study has n6 "axe to grind."
- Research should find out what customer wants to buy and sell if to him, instead "sell what we have produced."

3. Co-ordination of Sales Promotion and Advertisement: Following methods are used for improving co-ordination between the two:

- Combine both these functions and entrust the responsibility to a single individual like "Director, Advertising & Sales Promotion."
- Establish "sales promotion section" in each division under a manager. Once the programme is ready, Advertisement Department pass on relevant materials to unit sales promotion managers, who carry on the programme with the Divisional Manager.
- Sales promotion must be co-ordinated with personal selling. In order to do so, sales training must include sales promotion programme.

4. Promotion Mix: Promotion mix forms the total system which consists of the following:

- *Advertisement* It is an impersonal salesmanship for mass communication. It is a "persuasive communication" as well as a "tool for competition."
- *Publicity:* It is a non-personal simulation of demand by placing commercially significant news about it or secure favourable presentation/review of it in mass media like newspaper, radio, TV and internet.
- *Personal Selling:* Best way of oral, face-to-face persuasive communication.
- *Promotion:* All activities promoting sales other than advertisement, publicity and personal selling.

Promotional steps can be of two categories: (1) Consumer promotion steps and (2) Dealer promotion steps.

5. Promotion Square Strategy: Promotion square strategy identifies four sides of equal importance. These are the PRODUCT, the BUYER, the FIRM and the CHANNEL. Choice of channel is very important as it affects "pull" and "push" strategy.

SALES PROMOTION PROGRAMME AND STEPS

1. Introduction: The other forms of promotion steps are (1) Local sales promotion programme, (2) Customer promotion steps, (3) Dealer promotion steps and (4) After-sales-service.

2. Local Sales Promotion Programme: This involves the following:

- Sales department must train dealers/distributor's personal selling staff on sale promotion methods/techniques.
- These persons must be provided with a "shopping bag" full of promotion materials.
- Sales persons on the field can design a tailor made sales promotion programme appropriate to each locality.
- Company's sales person should be given an individual sales-promotion budget with great deal of 'latitude' to use his discretion and initiate innovative promotion steps to suit each territory.

3. Customer Sales Promotion Steps: (a) Gift premium Services and Sales Aids (b) Discount Coupons (c) Rebate (d) Contest (e) Cash Discount (f) Direct Marketing/Mailing (g) Early Order Discount (h) Exhibition (i) Freight Allowances (j) Installment Selling.

4. Dealer/Distributor Promotion Steps: (a) Sales Incentive (b) Awards (c) POP Displays (d) Store Demonstration (e) Quantity Discounts (f) Functional/Trade Discount (g) Advertisement Allowances (h) Consignment Selling (i) Installment Selling.

5. After Sales Service: After sales service plays a vital role in sales promotion. Modern concept emphasises sales management to "satisfy the customer through our product and services." Efficient after sales service lays the foundation for "customer loyalty" and "repeated orders."

PROMOTION MIX AND THEIR CONTRIBUTION TOWARDS SALES AND BRAND PATRONAGE

1. Brand Patronage: Branding is the practice of giving specified name to a product or group of products from one seller. Customer preferences towards brands indicate (1) Brand insistence (2) Brand loyalty (3) Brand preference (4) Brand acceptance (5) Brand awareness (6) Brand unawareness.

2. Advertisement: Advertisement is a form of mass communication and involves (1) Choosing appropriate media most effective on target group (2) Designing appropriate message for transmission through the media and (3) Paying for space and time to the media owner. Advertisement meets the first step of communication fully and the third step of sustaining competitive advantage partly.

3. Publicity: Publicity is also called "marketing public relations" and is not paid for by the firm. Publicity differs from advertisement in the form of "message" and "payment" terms. Unlike advertisement, publicity need not have identified sponsor.

4. Personal Selling: Personal selling is a face-to-face promotional effort. Personal selling has better success rate in converting prospects to buyers, compared to advertisement.

5. Sales Promotion: Sales promotion consists of all activities to stimulate sales except advertisement, publicity and personal selling.

Strengths:

1. Stimulate positive attitude towards product.
2. Give extra incentive to customer to purchase product.
3. Gives direct inducement to make buying decision immediately.
4. It has flexibility and can be used at any stage in product life cycle.

Weakness:

1. These steps have short term impact on sales say 3 months.
2. It alone cannot bring up brand loyalty.

3. It can only supplement other sales effort like advertisement and personal selling.
4. Too many sales promotion steps may adversely affect 'brand image'. It might give erroneous impression of poor quality or over stock/non moving stock.
5. Sales promotion becomes ineffective when product reaches declining stage or of poor quality.

COMPARISON OF ADVERTISEMENT WITH SALES PROMOTION & PERSONAL SELLING

Advertisement: (1) Indirect persuasion of customers (2) Objective of advertisement is a long-term one to build brand awareness, image or loyalty (3) Adds value to product.

Sales Promotion: (1) Direct and open persuasion of customers (2) This is an immediate job of boosting sales (3) Alter price value relationship.

Personal Selling: (1) Individual person-to-person communication (2) Personal rapport assist building brand privilege or patronage (3) Assists "push strategy".

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