Sales Territories

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Sales territory

Consists of

A number of present and potential customers, located within a given geographical area and assigned to a salesperson, branch, or intermediary.

Benefits of good territory

- Enhances customer coverage
- Reduces travel time and selling costs
- Provides more equitable/fair rewards to sales reps, Aids evaluation of sales force
- Increases morale – good territory design results in productive sales person who are being evaluated & rewarded in a fair manner

Design Territories

1. Select a control unit for territorial boundaries
2. Determine location and potential of customers
3. Determine basic territories
4. Assign salespeople to territories
5. Set up territorial coverage plans for sales force
6. Evaluate the effectiveness of the design on a continuing basis

1. Determine basic control unit for Territorial Boundaries

Region – N, S

Zip-code area

province

Sales territory

Control unit

City

Metropolitan statistical area

2. Determine location & potential of customer

- Location - from each selected control unit
- Prospective customers – identified with the aid company sales reps & outside source
  - Trade directories
  - Subscription lists from trade journals
  - Classified telephone directories
3. Determine basic Territories

• Buildup method
  – Combine small geographical areas based on the number of calls a salesperson is expected to make
  – Suited for manufacturers of consumer products or companies that want intensive distribution

• Breakdown method
  – Approximately equal segments based on sales potential
  – More popular among manufacturers of industrial products that want selective distribution

Example of call frequency for different customer classes

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Call Frequency</th>
<th>No. of Accounts</th>
<th>No. of Calls per Year</th>
<th>No. of Calls Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2 per month</td>
<td>10</td>
<td>240</td>
<td>5</td>
</tr>
<tr>
<td>B</td>
<td>1 per month</td>
<td>25</td>
<td>300</td>
<td>15</td>
</tr>
<tr>
<td>C</td>
<td>1 every 2 ms</td>
<td>15</td>
<td>90</td>
<td>10</td>
</tr>
</tbody>
</table>

4. Assigning Salespeople to Territories

• Reps differ in selling effectiveness and
  – Experience, age, physical condition, creativity, selling skills

• Sales rep may succeed in one territory & fail in another

• Sales performance also may be influenced by differences in local customs religion, and ethnic background

5. Revising Sales Territories

• Indications of need for adjustment
  – Territorial potential Increased during the time

  – Selling task changes – demanding more value-added services

  – Territories are too small
Routing the sales force (I)

1. Straight line pattern (A)

Area A
Area B
Area C

Routing the sales force (II)

2. การเดินทางแบบใบไม้

Routing the sales force (III)

3. การเดินทางในเมืองหลัก

Case

- Sales people normally are prohibited from going outside their territorial boundaries in search of business. Sometimes, however, a customer located in one district will voluntarily seek out a sales rep or branch office located in another district. Perhaps this customer can realize a price advantage by buying outside his or home area.
  - What should be the position of the seller in these situations?
  - Should it reject such business? Why?
  - Should it insist the order be placed in the territory where the customer is located? Why?
  - If the order is placed in the foreign territory, should the salesperson in the customer’s home territory be given any commission or other credit? Why?