

Sales and Distribution Management
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Lecture - 34
Sales Territory

[FL] We shall now be beginning with our next topic in our course on Sales and Distribution Management and this topic is management of Sales Territories. Now this particular topic we shall be covering in 2 lectures which is lecture 34 and lecture 35 and the various concepts which we shall be discussing in this chapter are.

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Sales territory, the meaning of a sales territory, rationale behind formation of sales territories, the procedure for setting up or revising sales territories, the management of sales territories and routing and scheduling of sales personnel in the sales territories. So, this is what we shall be discussing in the next two lectures.

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Meaning of a Sales Territory

- A sales territory comprises both existing and potential customers, who are assigned to a salesperson
- Most companies group customers, and assign them to a sales person, dealer, distributor, or a marketing organization, and link these to a geographic territory
- A sales territory may or may not be linked to a geographic unit, and may or may not have geographic boundaries
 - The fundamental underlying the definition is that a sales territory is made up of customers, both current and prospective, rather than a geographical unit; the focal point is the customer, and not the geographical area
- A viable sales territory is one which comprises customers who would be willing and able to buy the company's products

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To begin with, first let us discuss what is a sales territory, now a sales territory comprises both existing customers and potential customers and they these are you know the entire group of existing as well as potential customers when entrusted to a salesperson or when assigned to a salesperson becomes a sales territory. So, a sales territory comprises both in extern a both existing customers as well as potential customers who are assigned to a sales persons.

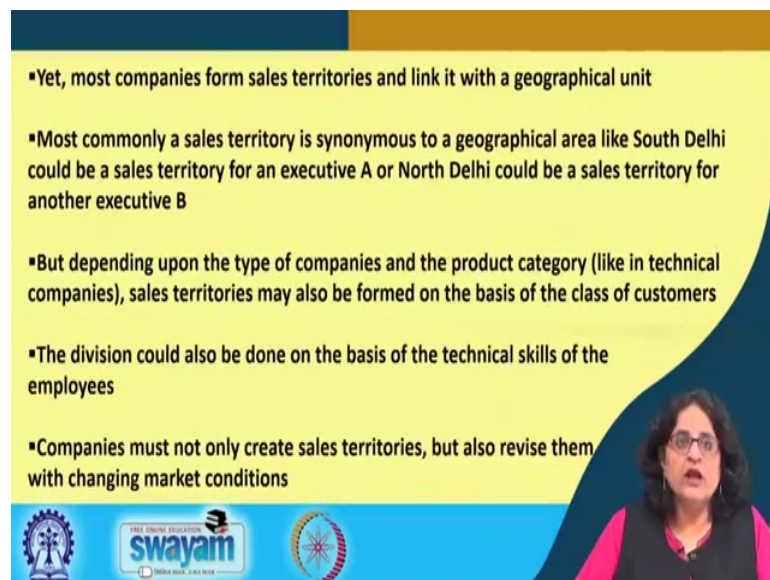
Now, most companies group customers and assign them to a salesperson or to a dealer or to a distributor or a marketing organization and link these to a geographic territory. However, a sales territory may or may not be linked to a geographic unit and may or may not have geographic boundaries. Yet most companies do so now, the fundamental underlying the definition of a sales territory is that the sales territory is made up of customers both current customers as well as prospective customers rather than a geographic unit.

So, the fundamental concept here is the customer whether he is an existing customer or he is a potential customer, the focal point is on the customer and not the geographic area that is why we say a sales territory may or may not be linked to a geographic unit and may or may not have geographic boundaries. It comprises existing and potential customers who are assigned to a dealer or a distributor or a salesperson or a marketing

organization which most often get linked to the territory. Now get linked to a sales territory.

Now a viable sales territory is one which comprises customers who would be willing to buy a company's product and would also be able to buy the company's product, what we are talking of here is that these customers you know whether current or perspective should be those who have a desire to buy a product or service offering and they also have the ability to pay for the same and this is what makes the make the territory a viable territory. So, a viable sales territory is one which comprises customers who would be willing and able to buy the company's products.

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- Yet, most companies form sales territories and link it with a geographical unit
- Most commonly a sales territory is synonymous to a geographical area like South Delhi could be a sales territory for an executive A or North Delhi could be a sales territory for another executive B
- But depending upon the type of companies and the product category (like in technical companies), sales territories may also be formed on the basis of the class of customers
- The division could also be done on the basis of the technical skills of the employees
- Companies must not only create sales territories, but also revise them with changing market conditions

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Now, yet in spite of the fact that the focal point or the or the focus here is the customer and not the geographic unit, yet most companies form sales territories and link it with a geographic unit. Most commonly a sales territory is synonymous to a geographical area like South Delhi could be a sales territory for executive A or North Delhi could be a sales territory for another executive sales executive B.

So, but depending upon the type of companies and the product category which the company you know is dealing with depending upon you know the class of customers sales territories may be formed. The division you know of these territories could also be done on the basis of the technical skills of the employees or of the sales personnel.

So, companies must not only focus on the geographic unit, but very often they also you know take care of the technical skills and abilities of the sales personnel and then they link it up with a unit or with a customer base and they define it as a territory. So, most commonly it is synonymous to a geographic area, but depending upon the type of companies and the product category sales territories may also be formed on the basis of the class of customers.

They may also be you know done on the base of skills of the employees and it is very very important here to reemphasize the point that you know the while a sales territory comprises existing and prospective customers and may or may not be linked to a geographic unit yet most companies do so and they form the sales territories and they link it up with a geographical unit.

It is very important here also to emphasize that it is not only the creation of a sales territory that is important, but these sales territories may need adjustments, readjustments, revisions, etcetera, they may need to be modified from time to time depending upon the market conditions. So, we when we speak about the sales territory we define it in terms of the customer base which is assigned to a sales person or to a marketing unit be that be it the dealer or the distributor. And this customer base here could be the current customer base or the prospective customer base put together assigned to a salesperson is what constitutes a sales territory.

Again the focus is on the customer and not the geographic unit or the geographic territory, yet companies do link it with a geographical unit and depending upon the type of company and the kind of products that the company is selling for example, technical product etcetera sales territories may be formed and they may also be formed on the basis of the class of customers. The division could also be done on the base of skills of the salesperson, because the knowledge skills and abilities of the salesperson are extremely important and they must be a best fit or a good fit between their knowledge skills abilities and the kind of products they are dealing with or the customers they are handling.

So, depending upon the type of company and the product category sales territories may also be formed on the basis of the class of customers, they may also be formed on the basis of the technical skills of the sales personnel, but in most cases the sales territory is

linked to a geographic unit and but yet the focal point remains the customer what become more important is the customer whether it is the current customer or the prospective customers who are assigned to a salesperson or to a dealer or to a distributor who actually this is what actually is a fundamental definition of a sales territory. So, a sales territory comprises customers, both actual and prospective assigned to a salesperson.

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Rationale Behind Formation of Sales Territories

- Sales territories lead to improvement in sales force performance, and overall benefits for the company.
- The sales force is kept motivated through rewards and incentives earned for their performance, and they continue to bring profits for the company

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Now, what is the rationale behind formation of sales territories? Now sales territories you know lead to improvement in sales performance as we shall see shortly and this brings in lot of benefit for the organization, it leads to you know you know high profit, sales, revenues, it leads to larger market shares, it leads to customer generation, it leads to customer retention. So, sales territories overall help an organization perform much better in terms of sales in terms of revenue, profits, market shares and customer you know generation customer retention.

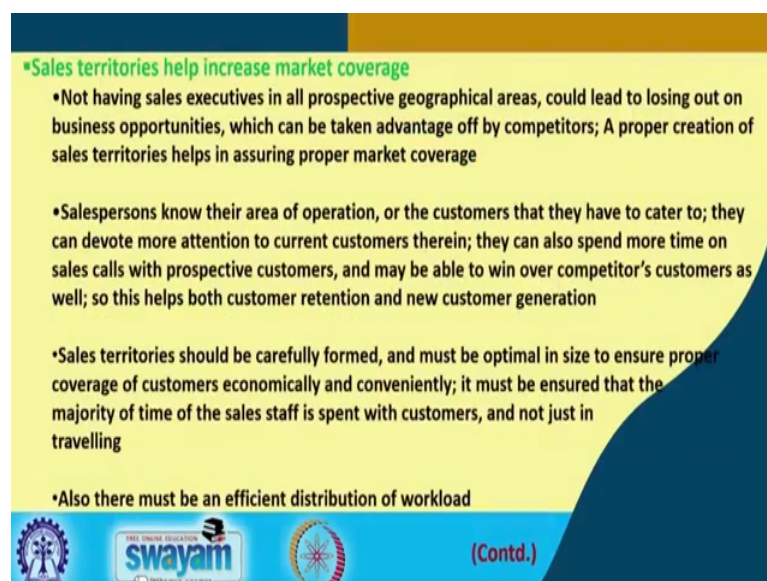
So, overall what we are talking of that when organizations form sales territories they are benefited in a huge way in a big way and clear cut you know peripheries are demarcated with inverse sales persons must perform within must they must attain their sales quotas. And the sales force forces kept motivated towards rewards and incentives earned for their performance in those sales territories and they continue to bring profits for the organization.

So, in a nutshell what we are talking of is that you know sales territories need to be formed because they bring they lead to you know improved performance of the organization, in terms of you know better market coverage increased market coverage by the salesperson you know customers are better taken care of and sales persons know with the areas or the territories within which they must perform and or conduct their activities.

So, customers are you know given more attention to both selling and non selling activities can be conducted, sales volume can be generated, a company can earn profits, market shares and overall the organization can benefit also because salesperson performance get links to the incentives and commissions you know based on the kind of performance they would you know the kind of effort they would put into the social territories and the kind of performance they are they can you know bring for the company.


So, because of this reward linkage with their performance in a well defined specific territory the sales forces kept motivated and they continue to bring profits for the organization. So, the it is a sales territory and formation of sales territories affects the organization at large and it also affects sales persons performance in the respective territories, which means that they can earn higher incentives and rewards and that keeps them motivated, it keeps their morale high and you know it makes them perform better day to day.

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•Sales territories help increase market coverage

- Not having sales executives in all prospective geographical areas, could lead to losing out on business opportunities, which can be taken advantage off by competitors; A proper creation of sales territories helps in assuring proper market coverage
- Salespersons know their area of operation, or the customers that they have to cater to; they can devote more attention to current customers therein; they can also spend more time on sales calls with prospective customers, and may be able to win over competitor's customers as well; so this helps both customer retention and new customer generation
- Sales territories should be carefully formed, and must be optimal in size to ensure proper coverage of customers economically and conveniently; it must be ensured that the majority of time of the sales staff is spent with customers, and not just in travelling
- Also there must be an efficient distribution of workload

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Now, let us go a little more into this and see how sales territories help organizations and help sales force, sales territories help increase market coverage. Not having sales persons in prospective geographical areas, could mean that a company could lose out on new business opportunities, which would then be taken advantage of by the competitors. So, a proper creation of sales territories helps in assuring a proper market coverage.

Sales persons know their area of operation, they know the customers that they have to cater to, they can give more attention to those customers, they can give more attention to current customers. So, they spend more time on the sales call you know with the prospective customers and may be able to win over the competitors customers as well. So, this helps both in customer retention as well as new customer generation.

Because sales persons know their area of operation and they know the customers that they have to deal with. So, they give they can give more attention to their current customers which would mean you know follow up calls, goodwill, you know better customer relationships, when they call upon their existing clients or customers they also get to know the problems being faced by the current customers. And the sales persons could offer solutions to these problems through the products or services that they can offer and this would mean that the existing customer would become be more satisfied, would have more you know confidence with the salesperson and with the organization and this would mean future business for the salesperson and the organization.

On the other hand because they know their area of operation, they can also spend time on you know developmental selling which is earning new customers, they can make calls to prospective customers make presentations you know and may be able to win over the competitors customers as well. So, this would mean new customer generation. So, sales territories help both you know in customer retention as well as customer generation.

Sales territories should be very carefully formed and must be optimal in size to ensure proper coverage of customers economically and conveniently, it must be ensured that the majority of the time that the sales force spends is with the customer and not just in travel. So, they must be also it must be ensured that there is an equitable work load, a distribution of workload and there is an efficient distribution of workload which the sales persons can manage it effectively and efficiently and be able to contribute towards organizational profits.

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***Well-defined sales territories can help improve sales and profit performance, and lead to higher market shares**

- Coordination of 'place' and 'promotion' decisions, as well as coordination between personal selling, advertising and the other elements of the promotion mix, help increase sales performance
- Sales personnel play a key role in synergizing the effects of advertising with personal selling

***Sales territories help in sales planning and effective control**

- Sales persons roles and responsibilities, as well as objectives and targets can be fixed, and their performance can be better controlled with respect to attainment of targets and selling expenses
- They can be better evaluated when assigned to a territory, as the sales territory acts as a basis for evaluation; however, while doing so the problems and challenges specific to the territory should be taken care off
- Good territorial designs help in minimizing selling expenses; and maintaining healthy sales volume and selling expense ratio
- Selling expenses can be better controlled, and because of sales volumes derived from increased market coverage, selling expenses as a percentage of sales gets reduced

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Second well defined sales territories can help improve sales and profit performance lead to higher market shares, as we just said that you know when people know their area of operations they can put in more effort in those areas of operation in those well prescribed territories, also the coordination of place and promotion decisions, place being the third P and promotion being the fourth P of the marketing mix. So, the coordination between the 2 as well as coordination between personal selling advertising and other elements of the communication makes all the promotion makes will help increase sales performance. A sales personnel play a very key role in synergizing the effects of advertising and personal selling we have discussed this in our introductory lectures on this particular course.

Also third sales territories help in sales planning an effective control. Sales persons, roles and responsibilities, as well as the quotas and you know that have to be achieved can be fixed and their performance can be better controlled with respect to attainment of these quotas and the selling expenses, attainment of sales target sales volume targets and selling expenses.

Sales persons can be better evaluated when assigned to a territory as the sales territory acts as a basis for evaluation; however, while sales managers are doing this they must be very careful to take into you know account and to address the problems and challenges specific to a territory you know there may be a territory where there is very little potential or they may be our territory where there is huge potential, they may be a

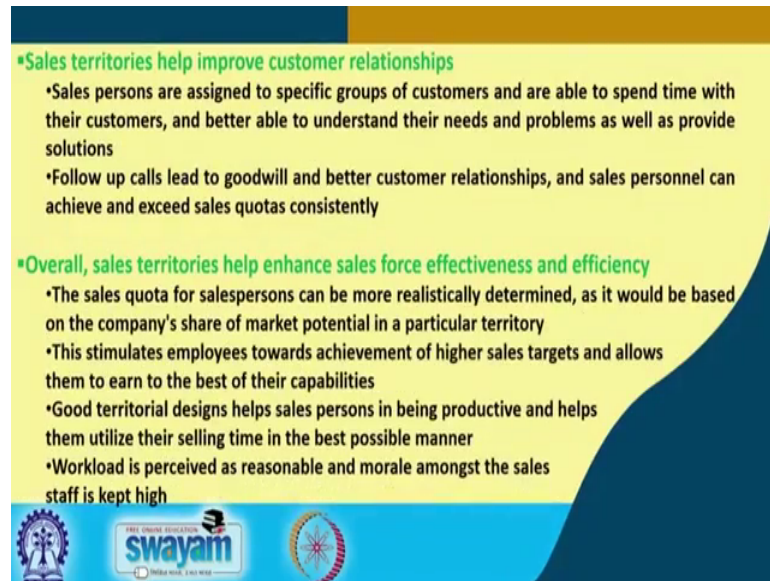
territory where there is immense competition there may be another territory where competition is less.

They may be a territory where you know you know this the overall expenditures incurred travel, boarding, lodging are very high and there may be other territories where it is not so high. So, you know while evaluating sales personnel with respect to you know target achievement or quota achievement as well as while assessing them in terms of you know the selling expense ratio it is very very important that sales managers you know address problems and challenges specific to the territory. Because otherwise the appraisal or the evaluation mainly may turn out to be unfair and unjust which would lead to demotivation amongst the sales force.

So, good territorial designs help in minimizing selling expenses and maintaining a very healthy sales volume and selling expense ratio. Selling expenses can be better controlled when territories are prescribed and because of sales volume derived from increased market coverage you know selling expense as a percentage of sales gets reduced. So, that again means that overall the company would be able to earn very high net profits.

So, what we are saying is that selling expenses can be better controlled and because of the sales volume derived from the increase market coverage, sales expenses as a percentage of sales gets reduced and selling expenses will be much less as compared to you know the kind of sales that can be generated and this would mean that net profits are something which would increase.

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***Sales territories help improve customer relationships**

- Sales persons are assigned to specific groups of customers and are able to spend time with their customers, and better able to understand their needs and problems as well as provide solutions
- Follow up calls lead to goodwill and better customer relationships, and sales personnel can achieve and exceed sales quotas consistently

***Overall, sales territories help enhance sales force effectiveness and efficiency**

- The sales quota for salespersons can be more realistically determined, as it would be based on the company's share of market potential in a particular territory
- This stimulates employees towards achievement of higher sales targets and allows them to earn to the best of their capabilities
- Good territorial designs helps sales persons in being productive and helps them utilize their selling time in the best possible manner
- Workload is perceived as reasonable and morale amongst the sales staff is kept high

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Sales territories also help improve customer relationship sales, people are resigned to specific groups of customers, they are able to spend more time with them as I just said they can call upon them post sales they can inquire on the customers problems you know and they can also you know suggest remedies or solution to those problems through their products and services. They can better understand the needs and problems, they cannot offer you know solutions to them and follow up calls lead to goodwill and better customer relationships and sales person can achieve an exceed quotas consistently.

Overall, sales territories help enhance sales force effectiveness and efficiency, the sales quota for a salesperson can be more realistically determined as it were based upon the company's share of market potential in the particular territory. So, while the quota is being fixed the market potential would be judged as well as the territorial market potential would also be judged and accordingly quotas would be set which would be more realistic.

So, this would allow employees to earn to the best of their capabilities and that stimulate them towards achievement of higher sales targets. They would be you know more interested to achieve such targets which they feel are realistic and attainable and so the employees would be able to perform well and earn to the best of their capabilities.

A good territorial design will help them being productive and also help them utilize their selling time in the best possible manner. Workload is which perceived as it will be

workload would also be perceived as equitable and the morale amongst the sales force would be kept high. So, we see that you know when companies form sales territories it not only helps the organization at the macro level, but also helps the sales force performance at the it contribute significantly to sales for performance at the micro level.

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Procedure for Setting up or Revising Sales Territories

- A good territorial design must ensure equal opportunity in terms of sales potential as well as equal workload for salespersons across all sales territories
- There are four steps that are involved in setting up and revising sales territories:
 - Selecting a basic control unit
 - Determining location of and sales potential in control units
 - Combining control units, and deciding basic territories by using the Build-up method or the Break-down method
 - Making adjustments and forming final territories

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Now, let us come to the procedure for setting up or revising sales territories now. As we just said a good territorial design is very very important and it must ensure equal opportunity in terms of sales potential as well as equal workload for sales persons across all sales territories.

Now, when I few minutes ago I mentioned that when we talk about sales territories they often get linked or related to geographic unit or a geographic base and it is often seen that most of these territories differ in terms of their characteristics. Not all of them are similar the some you know in they are not all of them are similar in terms of potential, in terms of competition, in terms of you know the other kind of characteristics you know a challenges and complexity.

So, while those issues are important and need to be addressed it is even more important that the salespersons must perceive that equal opportunity is being granted to them to generate sales, to earn incentives, to earn rewards, and workload is equal for all of them, because if there is some kind of an iniquity it would again lead to demotivation among salesforce.

So, we go back to Stacey Adams equity theory where you know we spoke that each and every employee or each and every salesperson often thinks of equity or equitable treatment being meted out to him in terms of opportunities in terms of rewards, etcetera. So, here it is very very important that you know equal opportunity is provided to the sales personnel across territories and this opportunity should be in terms of the sales potential as well as in terms of the reward and the incentives that they can earn along with achievement of sales targets.

Also they must be a feeling of equitable workload, none of sales person should not feel that some of them have huge you know and huge responsibilities to undertaken lot of work to do and the others feel that it is actually not too much of load for them. So, if workload is not equitable that itself would also make the sales force feel demotivated. So, one is providing them with equal opportunity to generate sales so, this would mean you know equal opportunity in terms of sales potential and this again as I said would get related to the rewards and the incentives and the commissions which the sales force could earn or could you know be able to earn if they perform well.

And the second is in terms of the kind of workload where it must be you know ensured that the sales person gets does not feel that they are overburdened and people elsewhere a lesser burden. Otherwise it would lead to some kind of a demotivation or it would lead to you know a lowering down of morale in the sales team or in the sales force across territories.

Now, if you remember when we spoke about Stacey Adams theory of equity theory of motivation we spoke that people look for equity in terms of the kinds of efforts that we are putting in, as well as the kind of rewards that they are getting in. Now here again if there is any; if there is a if it is realized that there is an unequal opportunity which means that some territories are highly lucrative and have huge potential for sales and others do not, then people who are sent to territories where there is huge potential would be very happy because they would have a lot of opportunity to earn sales generate sales an earn commissions and incentives.

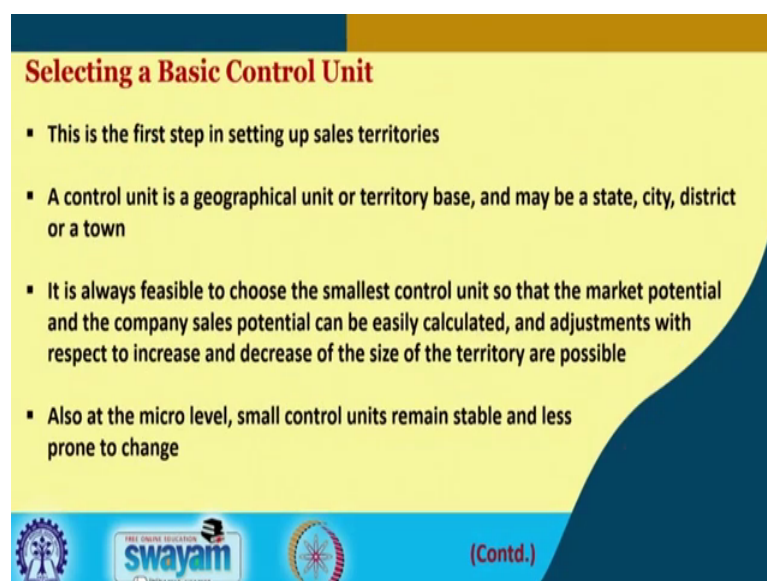
On the other hand those who are actually placed in territories where there is lesser potential would have lesser opportunity to generate sales and they would have lesser you know opportunity to earn profits sorry to earn rewards and incentives. So, this would

mean that they would be an feeling of iniquity with respect to opportunities and based on the opportunities the kind of efforts that they would put in would also you know vary, because though wherever there is a lot of opportunity people would put in efforts you know and try to get maximum, where there is lesser opportunity people may not be motivated to put in too much of an effort because the lesser opportunity may also mean there is huge amount of competition there and so it is very very difficult to make sales.

So, this again gets related to Vroom's expectancy theory also where effort gets related to performance and performance gets related to rewards. If you put all that together it is very very important that sales persons must perceive that there is equal opportunity for them to perform were in the market and earn incentives, commissions, rewards. They must also feel that the workload that is being given to them is something which is very very equitable and fair.


Now there are four different steps that are involved in setting up and revising sales territories, we start with selecting a basic control unit, then determining the location of and sales potential in the control unit, combining control units and deciding basic territories by using the buildup method or the breakdown method and then making adjustments and forming final territories. So, let us discuss each one of these in little detail.

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Selecting a Basic Control Unit

- This is the first step in setting up sales territories
- A control unit is a geographical unit or territory base, and may be a state, city, district or a town
- It is always feasible to choose the smallest control unit so that the market potential and the company sales potential can be easily calculated, and adjustments with respect to increase and decrease of the size of the territory are possible
- Also at the micro level, small control units remain stable and less prone to change

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So, first we start with selecting a basic control unit which is the first step in setting up sales territories, a control unit is a geographical unit or a territory base and it could be a state it could be a city, it could be a district, or it could be a town, of course, we started with this you know premise that a sales territory does not always mean a geographic accurate, but yet most companies link this you know a prospective and existing customer base with a territory.

So, here it is we first decide on a control unit and a control unit is a geographic unit or the territory base and it can be a state, it can be a city, it can be a district, or it can be a town. Now it is always feasible to choose the smallest control unit so, that a market potential as well as the company sales potential can be easily determined and adjustments with respect to the increase and decrease of the size of territory later on can be possible. So, it is always better to start with a small control or the smallest control unit.

Also at a micro level when you have small control units it is seen that they are more stable and less prone to change. So, it is always feasible that you choose the smallest control unit and this is the first step which we do where we look where we identify you know a basic unit which could be a state, a city, a district or a town.

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Determining Location of and Sales Potential in Control Units

- The second step involves finding the location, and assessing the sales potential in each of the control units
- A concise and precise description of buyers is required, and based on the profile, the current and prospective buyers of products in a particular region are identified
- After they are identified and the numbers are determined, the next task is to identify the total sales potential for all customers in each geographical control unit. This would require:
 - estimating the market potential or the market forecast
 - classifying customers based on their sales and profit potentials

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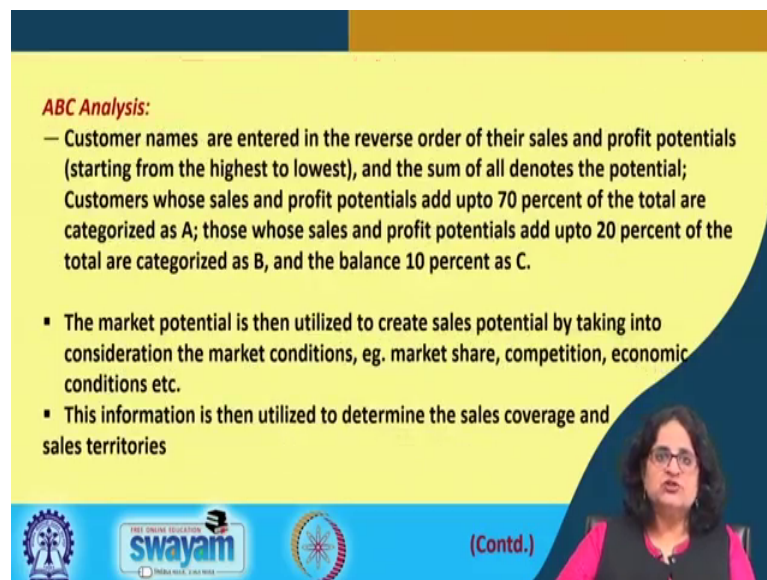
Second is determining location of and sales potential and control units, now this is the second step which involves finding the location and assessing the sales potential in each

of the control units. A concise and precise definition of the buyer here is very very important, now buyer here will mean both prospective buyers as well as actual or existing buyers and you know a precise definition or a description of the buyer is required and based on the profile you know the of the current and prospective buyers of products in a particular region the customer base is actually identified.

So, a concise and precise description of buyers is required and based on the profile the current and prospective buyers of products in a particular region are identified. What is important here is to very carefully define your buyer, what do you mean by the buyer and once you define the buyer based on it is characteristics, based on it is profile, the current and prospective buyers of your product in a particular region can be identified.

After they identified and the numbers are determined the next step is to identify the total sales potential for all the customers in each of the geographical control units. So, this would require 1, estimating the market potential and the market forecast and 2, classifying the customers based on their sales and profits potential.

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ABC Analysis:

- Customer names are entered in the reverse order of their sales and profit potentials (starting from the highest to lowest), and the sum of all denotes the potential; Customers whose sales and profit potentials add upto 70 percent of the total are categorized as A; those whose sales and profit potentials add upto 20 percent of the total are categorized as B, and the balance 10 percent as C.
- The market potential is then utilized to create sales potential by taking into consideration the market conditions, eg. market share, competition, economic conditions etc.
- This information is then utilized to determine the sales coverage and sales territories

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So, this brings us to the ABC analysis, we have also discussed about the ABC analysis in another lecture, where what we do is that we, the customer names are entered in a reverse order of their sales and profit potential starting from the highest to the lowest and the sum of all denotes the total potential. Customers whose sales and profit potentials add up to 70 percent of the total are categorized as A, those who sales and profit potentials

add up to 20 percent of the total are categorized as B, and the balance are categorized as C.

So, the market potential is then utilized to create the sales potential by taking into account market conditions for example, the market share, the existing competition, the economic conditions, etcetera and this information is then utilized to determine the sales coverage and the sales territories.

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Combining Control Units, and Deciding Basic Territories by using the Build-up Method Or The Break-down Method

- The next task in setting up sales territories is to combine units into tentative sales territories
 - The job here is to obtain a rough approximation of sales territories; no adjustments are considered as regards change in market conditions; it is assumed that the sales territories exhibit no differences and that sales personnel are of average ability
- This stage also involves determining the territory shape; this is a crucial decision as it affects both selling expenses that the salesperson would incur as well as the sales coverage
- The best shape is the one which minimizes the time on road and maximizes sales force potential
- Three commonly used shapes are – CIRCLE, WEDGE AND CLOVER LEAF

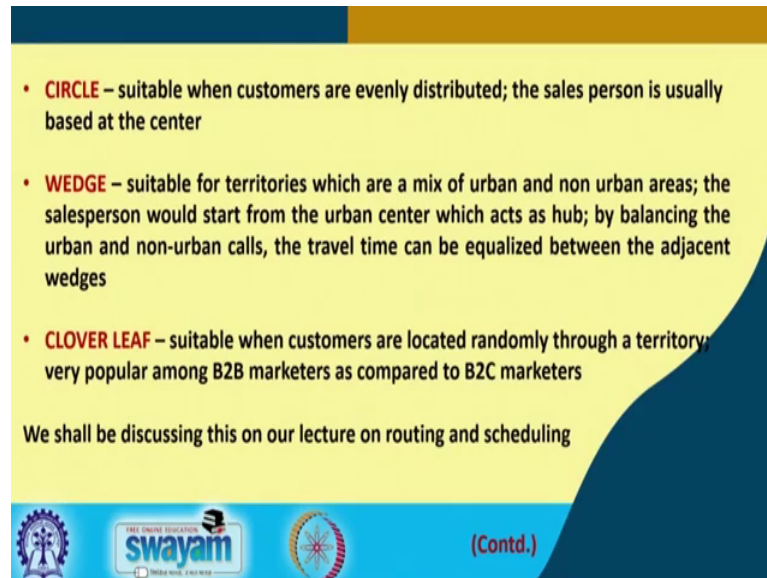
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Now, the third step in setting up of territories is to combine control units and decide basic territories by using the buildup method or the break down method and the job here is to obtain a rough approximation of the sales territories, no adjustments are considered as regards change in market conditions or you know territory characteristics. It is assumed that the all the sales territories are the same, the sales territories exhibit no differences and all the sales persons are of average ability, nobody is too good, nobody is too bad, they are all the same. So, the assumption that is made here is that the sales territories exhibit no differences and the sales personnel are of average ability.

So, this stage then also involves determining the territory shape and this is a very crucial decision which the company should you know take because the shape of the territory affects both the selling expenses that the sales person will incur, as well as the sales coverage that you could actually you know taken give attention to if he is performing well and if he is giving adequate attention. So, the best shape is the one which minimizes

the time on travel on road and maximizes sales potential. Three commonly used shapes are - the circle, the wedge and the clover leaf.

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- **CIRCLE** – suitable when customers are evenly distributed; the sales person is usually based at the center
- **WEDGE** – suitable for territories which are a mix of urban and non urban areas; the salesperson would start from the urban center which acts as hub; by balancing the urban and non-urban calls, the travel time can be equalized between the adjacent wedges
- **CLOVER LEAF** – suitable when customers are located randomly through a territory; very popular among B2B marketers as compared to B2C marketers

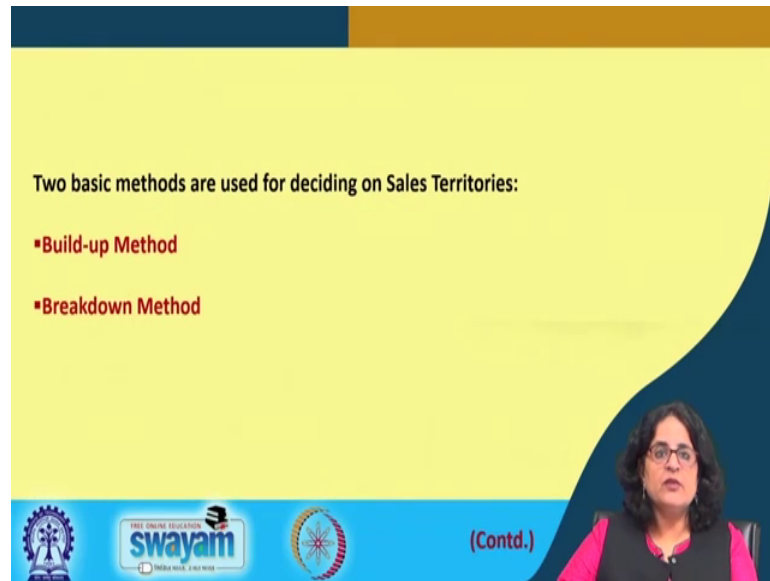
We shall be discussing this on our lecture on routing and scheduling

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Now, the circle is a shape which is suitable when customers are evenly distributed the salesperson is usually based at the center. The wedge is suitable for territories where there is a mix of urban and normal non urban areas. The sales person starts from the urban center which acts as the hub or the center point and by balancing the urban and non urban calls the travel time can be equalized between neighboring wedges.

Then we have the CLOVER LEAF, where which is suitable when customers are located randomly in a territory, but it is very very popular amongst industrial marketers as compared to you know market as compared to companies dealing with consumer products. So, we shall be discussing these shapes in our lecture on routing and scheduling which will be the next lecture.

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Two basic methods are used for deciding on Sales Territories:

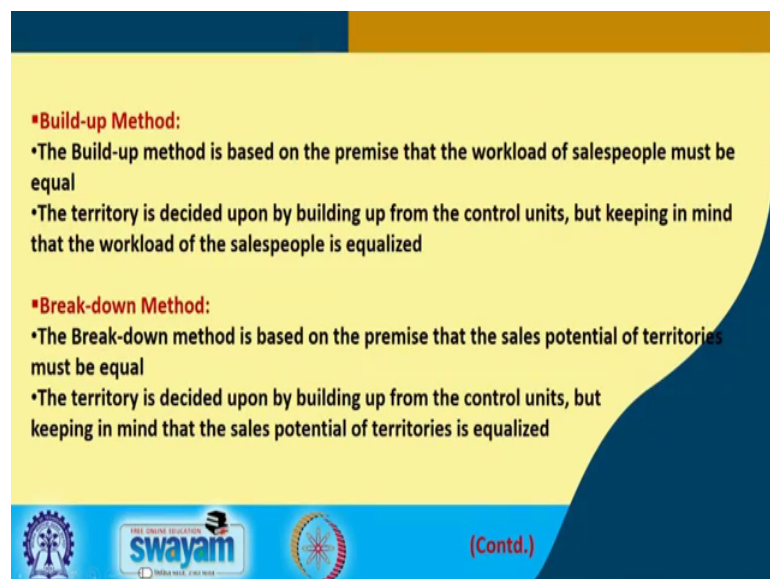
- Build-up Method
- Breakdown Method

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Now, the 2 basic methods which are used for deciding sales territories, the buildup method and the break down method, again we shall be dealing with the two methods in greater detail in the next lecture.

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▪Build-up Method:

- The Build-up method is based on the premise that the workload of salespeople must be equal
- The territory is decided upon by building up from the control units, but keeping in mind that the workload of the salespeople is equalized

▪Break-down Method:

- The Break-down method is based on the premise that the sales potential of territories must be equal
- The territory is decided upon by building up from the control units, but keeping in mind that the sales potential of territories is equalized

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But to give a brief you know explanation of what the build up and breakdown is, the buildup method is based on the premise that the workload of sales person must be equal and the territory is decided upon by building up from control units, but keeping in mind that the workload of the sales persons is equalized and the breakdown method on the

other hand is based on the premise that sales potential of territories must be equal. So, that everybody gets an equal opportunity to sell well, to sell more and to earn you know rewards and benefits. So, the territory is decided upon by building up from the control units, but keeping in mind that the sales potential of the territories is equalized.

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Making Adjustments and Forming Final Territories

- While tentative sales territories are drawn, these may need to be adjusted keeping in mind sales coverage complexities like (a) varying selling efforts and styles: potential, competition, customer type, etc.; (b) road conditions and transport facilities
- This would require:
 - Determining number of customers, location, size and profitability in a sales territory
 - Deciding on the number of calls required, frequency of calls and the duration of each call
 - Calculating the number of calls that can be made in a day and the length of time between calls (travel time between two calls in a day) for different categories of customers

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Finally, we come to making adjustments and forming final territories, now we started with an assumption that all territories are the same, they exhibit no differences and the sales persons abilities are the same yet we see that you know there are differences all always and you know while tentative sales territories are drawn these may need to be adjusted keeping in mind sales coverage complexity is like varying selling efforts and styles, market potential, competition, customer type, etcetera also road conditions and transport facilities etcetera.

So, this would require the readjustment and forming of final territories would require, determining the number of customers, both actuals and prospects, the location, the size, and profitability of each of them in a sales territory, deciding on the number of calls which should be made to the various categories of customers ABC; the frequency of calls that that you know for ABC and the duration of each call for the ABC category of customers each of those customers in A B and C.

Also calculating the number of calls that can be made in a day and the length of time between 2 calls which would be the travel time between customer A and customer B for

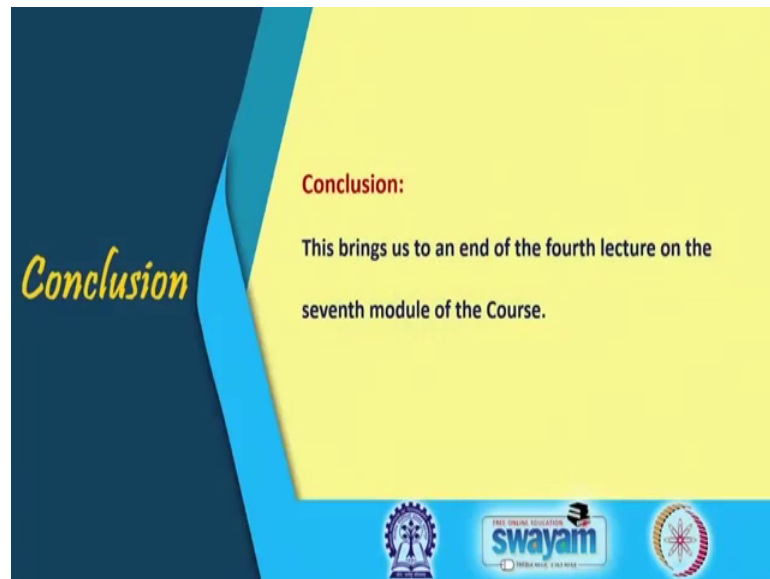
different categories of customers; so, keeping in mind all of this adjustments may need to be made to the tentative territories and final territories would then be formed, keeping in mind that the workload for the salespersons is equitable and keeping in mind that the sales potential for the different territories is equal.

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With this we come to an end of this particular lecture. The references are you know Still, Cundiff, Govoni, Puri Pearson India education, Panda and Sahadev Sales and Distribution Management 2011, 2012, Oxford University Press and then we have Havaladar and Cavale, sales and distribution management 2017 McGraw Hill.

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This brings us to an end of the fourth lecture on the 7th module of this course. We shall be continuing with this topic in the next lecture which will be lecture 35.

Thank you.