

Sales Management

Session 5



Territory and Time Management

- **Opening Example**
- When T. S. Krishnamurthy, General Manager (Sales and Marketing) of a new company, Saragam Aluminium Ltd., was preparing the marketing plan, he thought of focusing the company's marketing efforts initially on the four southern states of India. This was a logical decision because the manufacturing unit was located in southern India at Anekal, near Bengaluru, and the marketing and company headquarters were also located at Bengaluru. He thought that the logistics as well as sales and serving expenses would be less in southern region as compared to the expenses in other regions.
- Also, initially, for a new company like Saragam Aluminium, the production would be less than 500 tons per month, against the installed capacity of 1000 tons of aluminium extrusions per month. Krishnamurthy was informed by the company's Managing Director that the installation of extrusion presses and other equipment would be completed by June 2015 and that the production would commence from July 2015.

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- **Opening Example**
- Initial production would be about 150–200 tons per month, which would go up to 300–350 tons in one year and about 500 tons by the end of second year.
- The major market segments for aluminium extrusions are building and construction industry (60 percent) with the main application being door and window frames. The automotive industry (for engine mounts, radiator frames and other applications), telecom industry (for telecom equipment) and solar power sector (for solar panels and mounting systems) are the other major market segments. The industrial applications account for the balance 40 percent of the total market size of 300,000 tons of aluminium extrusions. The industry is fragmented with 60 manufacturers of aluminium extrusions.

Territory and Time Management

- **Opening Example**
- In order to improve the market coverage and control the selling expenses, Krishnamurthy decided to set up sales territories. For this, cities were used as control units. Based on 2011 census, there were three tier-1 cities and 16 tier-2 cities in the five southern states of India. Cities were classified based on their population. The market potential of southern region was estimated at 25 percent of all India market potential (or market size) of 300,000 tons of aluminium extrusions. This worked out to 75,000 tons.
- Saragam Aluminium's sales potential was estimated at 4 percent of 75,000 tons, i.e. 3,000 tons for one year. However, for the accounting year 2015–16, since the company's production commenced in July 2015, for 9 months period, the company's sales potential was estimated at 2,250 tons. Krishnamurthy then calculated sales potential of each control unit by using the concept of multi-factor index, which is based on factors like population and income that influence sales of aluminium extrusions. Each tier-1 and tier-2 city has different multi-factor index depending on its population and disposable personal income.

Territory and Time Management

- **Opening Example**
- Thus, the sales potential of each city was estimated by multiplying the sales potential of the company by each city's multiple-factor index. Thereafter, Krishnamurthy estimated how much volume of aluminium extrusion each salesperson should sell so as to ensure profitable operation. Since this was a new company, there was no data available for the past sales, cost and profit contribution. Krishnamurthy, therefore, used his judgment to come up with a figure of 50 tons per month or 450 tons for 9 months' period of 2015–16 of sales goal or quota per salesperson. The sales territories were then made by collectively considering adjoining or nearby cities until the sales potential of each territory were equal or greater than the expected sales volume from each salesperson.

Territory and Time Management

- **Opening Example**

The next decision to be made by Krishnamurthy was the number of salespeople needed to achieve the sales volume goal. The most appropriate method for the new company to calculate the sales force size, as per Krishnamurthy, was sales potential (or break-down).

The following formula was used:

$$N = S/P (1 + T)$$

where,

N = The number of salespeople needed or the sales force size

S = The annual sales forecast for the company = 3,000 tons

P = The estimated productivity of the average salesperson = 50 tons per month \times 12 month = 600 tons

T = The estimated percentage of annual salespeople turnover = 20 percent

Therefore, $N = 3000/600 (1 + 0.20) = 6$ salespeople

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- **Opening Example**
- Thus, company hired and trained six salespeople. They were assigned to the sales territories determined earlier based on the ability index of the salespersons and their social background. The ability index included factors like product and market knowledge as well as communication and selling skills of the salespersons. The social background included the salespersons' fluency of the local languages and whether they lived in urban or rural environment.

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- **Opening Example**
- Thereafter, the sales goals or sales quotas for each salesperson were discussed and finalized by the sales manager to whom all the six salespersons reported. The sales quotas or targets included a combination of three elements, viz. the sales volume in tons and rupees; the selling expenses like travelling, lodging, food, customer entertainment and development of new customers (this was an important task since business development of aluminium extrusions involved industrial applications in automotive, telecom, solar power, and other industries). Yearly sales quotas were broken down to monthly and quarterly targets for the purposes of reviewing the performance and taking corrective actions, wherever required.

Territory and Time Management

DEFINING A SALES TERRITORY

- A sales territory consists of existing and potential customers assigned to a salesperson.
- The territory may or may not have geographical boundaries.
- However, generally,
 - a salesperson is assigned to a geographical area consisting of present and potential customers.
- For instance, a salesperson is asked to look after the customers located in Mumbai territory.

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DEFINING A SALES TERRITORY

- In most companies,
 - it is beneficial to assign salespeople to geographical territories,
 - consisting of present and potential customers.
- In many companies,
 - salespeople are assigned to sales territories that are not properly designed.
- Research has found that more than 50 percent sales territories are not designed correctly,
 - resulting in lower sales

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REASONS OR BENEFITS FOR SETTING UP SALES TERRITORIES

- (i) Increased Market (Or Customer) Coverage,
- (ii) Reduced Selling Expenses,
- (iii) Better Sales Force Performance Evaluation,
- (iv) Improved Customer Relationship,
- (v) Increased Salespeople's Effectiveness,
- (vi) Improved Coordination,
- (vii) Benefited Salespeople And Company.

Territory and Time Management

PROCEDURE FOR DESIGNING SALES TERRITORIES

- The design of sales territories is very important to salespeople and the company management,
 - as the performance on sales and profits is linked to the well designed sales territories.
- The ideal objectives in territory design are
 - to have equal opportunity (or sales potential) and
 - equal sales people workload for all sales territories.
- Typically, these objectives are difficult to achieve in practice,
 - although sales managers do make great efforts to achieve the same.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps involved in designing the sales territories.



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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

SELECT A CONTROL UNIT

- The first step in territory design is to select a geographical territorial base,
 - called ‘control unit’, that will be used in the territory analysis.
- In general, the sales manager should select the smallest control unit.
- Commonly used control units are **states, metropolitan areas, cities, districts, towns and pin-code areas.**

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

FIND LOCATION AND SALES POTENTIAL OF CUSTOMERS

- The next step is
 - to find the location and the sales potential (or business potential)
 - of the present and prospective customers
 - within each control unit.
- Location information of present customers should be available from the company's sales database.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

FIND LOCATION AND SALES POTENTIAL OF CUSTOMERS

- However,
 - the information on prospective customers can be obtained
 - not only from the company's salespeople,
 - but also from outside sources.
- For industrial products and services,
 - where often there are a few buyers,
 - identification of business (or B2B) customers is desirable and possible.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

FIND LOCATION AND SALES POTENTIAL OF CUSTOMERS

- Estimation of the total sales potential of all customers in each geographical control
- Classification of the customers based on their sales and/or profits potential.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

DETERMINE BASIC TERRITORIES

- The third step in designing sales territories is to decide the basic or fundamental territories.
- This can be done by using either the
 - build-up method or
 - the breakdown method.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

DETERMINE BASIC TERRITORIES

Build-up Method

- The build-up method equalizes the workload of salespeople and
 - is commonly used by the manufacturers of industrial products and services or
 - by the companies that want selective distribution strategy.

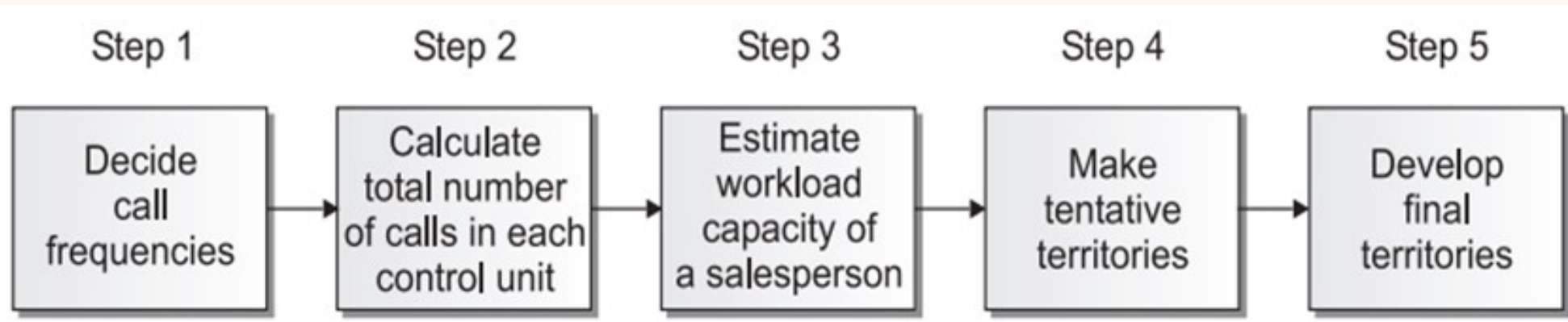
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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

DETERMINE BASIC TERRITORIES

- In this method, the basic territories are set up by building-up from the control units.



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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

DETERMINE BASIC TERRITORIES

Breakdown method

- equalizes the sales potential of territories and
 - popularly used by manufacturers of consumer products and services or
 - by firms that want to adopt intensive distribution strategy.

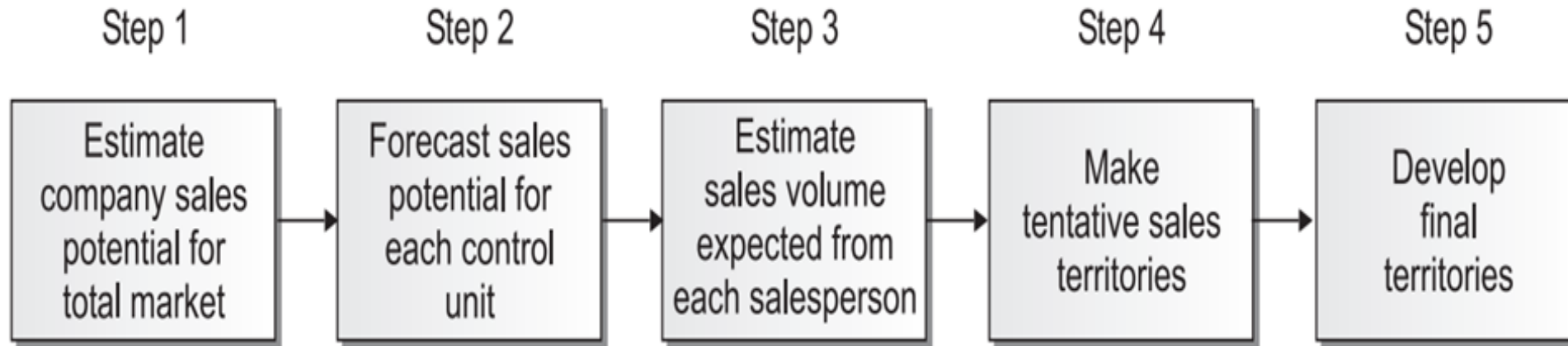
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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

DETERMINE BASIC TERRITORIES

Breakdown method



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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

ASSIGN SALESPEOPLE TO TERRITORIES

- Once the sales territories are designed,
 - the sales manager is ready to assign or allocate individual salespeople to each territory.
- In designing the sales territories,
 - we assumed that the salespeople have equal selling abilities and
 - that each salesperson would perform equally well in any territory.
- However, these assumptions are not realistic.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

ASSIGN SALESPEOPLE TO TERRITORIES

- In assigning salespeople to territories, the sales manager should consider two criteria:
 - (i) Relative ability of salespeople,
 - (ii) Salesperson's effectiveness in a territory.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

MANAGE TERRITORIAL COVERAGE

- After designing sales territories and assigning salespeople to different sales territories,
- the next task of the sales manager is the management of territorial coverage or in other words,
- how each salesperson should cover the assigned sales territory.

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

MANAGE TERRITORIAL COVERAGE

This task consists of three activities:

- Planning of efficient routes for salespeople,
 - Procedure for setting up a routing plan
 - Application and importance of routing
- Scheduling the salespeople's time,
 - Allocation of Time
 - Customer calls
- Using time management tools.
 - High Tech equipment,
 - Inside Salespeople,

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PROCEDURE FOR DESIGNING SALES TERRITORIES

Steps Involved in Designing the Sales Territories.

EVALUATE AND REVISE SALES TERRITORIES

- Evaluation of sales territories is done by first setting up qualitative and quantitative goals, performance standards or quotas.
- For example, monthly, quarterly and yearly sales goals, number of calls to be made to 'A', 'B' and 'C' type of customers located in each sales territory and customer service or customer satisfaction index or rating are some of the goals for salespeople.
- The second step in the evaluation process is the measurement of the actual performance of the salesperson assigned to the sales territory.
- In Third step compare the Actual Performance

Manpower Planning

- Manpower Planning which is also called as Human Resource Planning
 - consists of putting
 - right number of people,
 - right kind of people at the right place,
 - right time,
 - doing the right things for which they are suited
 - for the achievement of goals of the organization.
- Human Resource Planning has got an important place in the arena of industrialization.

Manpower Planning

- Human Resource Planning has to be a systems approach and is carried out in a set procedure.
- The procedure is as follows:
 1. Analysing the current manpower inventory
 2. Making future manpower forecasts
 3. Developing employment programmes
 4. Design training programmes

Steps in Manpower Planning

- **Analysing the current manpower inventory-** Before a manager makes forecast of future manpower, the current manpower status has to be analysed.
- For this the following things have to be noted-
 - Type of organization
 - Number of departments
 - Number and quantity of such departments
 - Employees in these work units
- Once these factors are registered by a manager, he goes for the future forecasting.

Steps in Manpower Planning

- **Making future manpower forecasts-** Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.
- The Manpower forecasting techniques commonly employed by the organizations are as follows:
 - **Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.
 - **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).

Steps in Manpower Planning

- The Manpower forecasting techniques commonly employed by the organizations are as follows:
 - **Work Load Analysis:** It is dependent upon the nature of work load in a department, in a branch or in a division.
 - **Work Force Analysis:** Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.
 - **Other methods:** Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

Steps in Manpower Planning

- **Developing employment programmes**
- Once the current inventory is compared with future forecasts,
- the employment programmes can be framed and developed accordingly,
 - which will include
 - recruitment, selection procedures and
 - placement plans.

Steps in Manpower Planning

- **Design training programmes**
- These will be based upon extent of diversification, expansion plans, development programmes, etc.
- Training programmes depend upon the extent of improvement in technology and advancement to take place.
- It is also done to improve upon the skills, capabilities, knowledge of the workers.

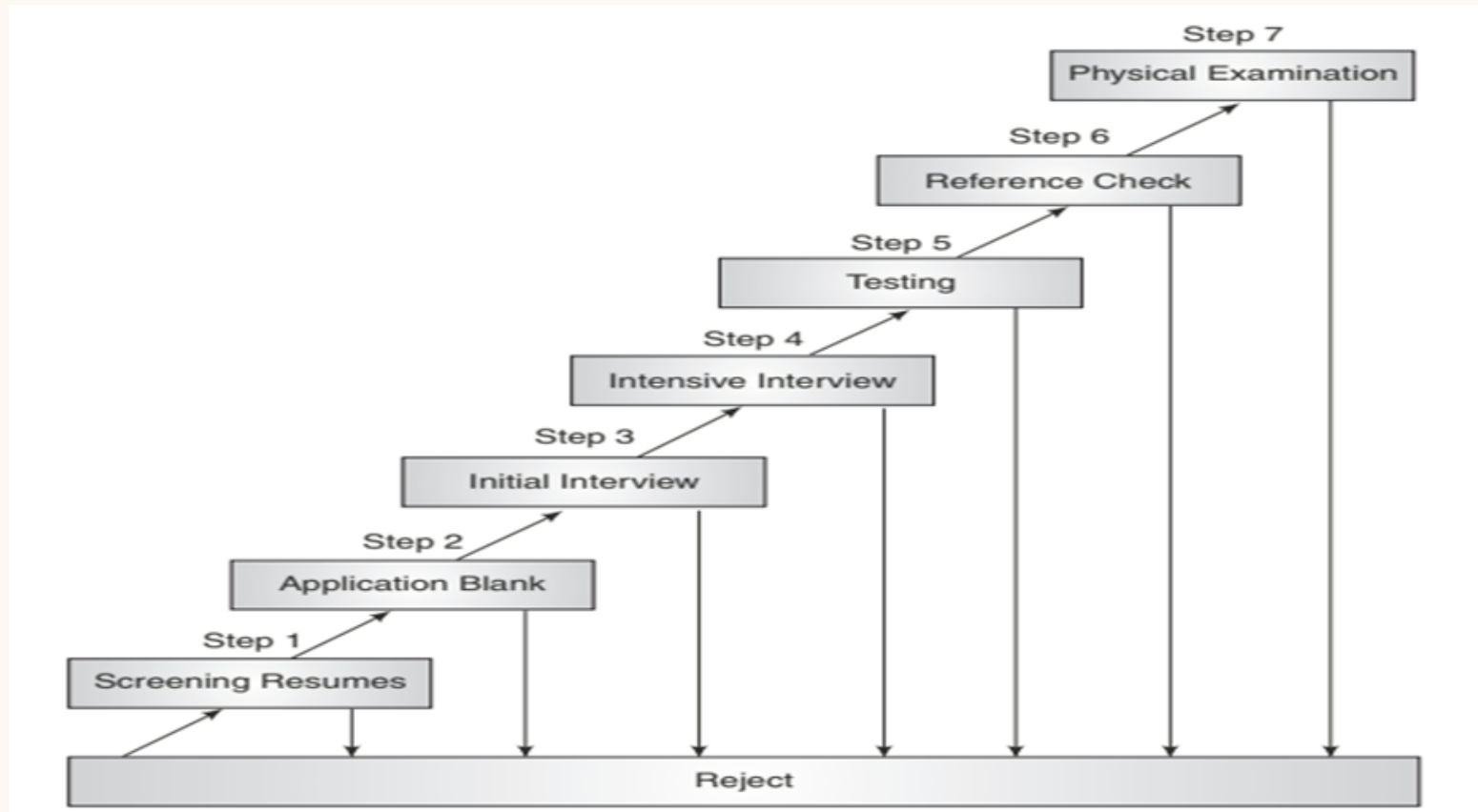
Recruiting the Sales Force

- Recruiting includes activities to get individuals who will apply for the job.
- The general purpose of recruitment is to provide a pool of qualified job candidates from where a company selects the right persons.
- This stage includes:
 - Finding or identifying the sources of sales recruits,
 - Evaluating and selecting the recruiting sources, and
 - Contacting candidates through the selected source(s).

Selecting the Sales Force

- The company should develop a procedure or process and tools
 - for measuring applicants against the job specifications or
 - qualifications that were developed in the planning stage.
- The second activity is to make the decision on selection.

Selecting the Sales Force



Major Steps or Tools in Selection Process of Salespeople