



Sales Territory and Sales Quota

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ABSTRACT

Sales Territory is the basic unit of sales planning, sales control and a geographical area containing present and potential customers who can be effectively and economically served by as single salesman. A Quota is a quantitatively expressed goal assigned to a specific marketing unit such as to a salesman or territory.

Keywords : Sales Territory and Sales Quota

Meaning and Definition of Sales Territory

Market of every business and industrial enterprise is different. It may be local, it may be a state, it may be inter-state or it may be international. It depends upon many factors, such as- Size of the enterprise itself, Quantity of production, Quality of products, Nature of products, Number of customers etc. If the market of a business and industrial enterprise is quite large, it is generally divided into a number of segments so that the activities of Distributors, Dealers, Agents and Salesmen etc., may be properly checked and controlled. Division of a market into different segments is known as determination of sales territories.

Objectives of Establishing Sales Territories

Some of the important objectives of establishing sales territories may be as under-(i) To prepare sound plans for different territories according to the needs and requirements of individual territory (ii) To prepare different marketing programmes for different territories to implement these plans. (iii) To implement these marketing programmes effectively. (iv) To improve or to increase the share of market of the enterprise. (v) To check the repetition of marketing efforts in an area. (vi) To prepare different marketing policies and strategies to suit the particular circumstances of the enterprise. (vii) To have a control over selling expenditure. (viii) To motivate the salesmen. (ix) To evaluate the performance of selling force. (x) To control the activities of selling force effectively. (xi) To provide best possible services to the customers. (xii) To increase the sales and to increase the profits. (xiii) To launch special advertising campaign in a particular territory,

Methods of Establishing Sales Territories

There are many different methods of establishing sales territories and an enterprise may choose any of these methods according to its requirements. While selecting a particular method of establishing sales territories, various factors must be considered, such as-Number of customers, place of living of these customers, nature of products, policies of competitors in this regard, ability of the enterprise to manage and control different territories. Some methods of establishing sales territories commonly adopted by enterprises are explained hereunder :

(1) Country Unit- Business enterprises enjoying international market, adopt this method. Under this method, every country in which the products of the enterprise are sold, is treated as a separate sales territory. A sales representa-

tive is appointed for every such territory who is responsible for all the selling activities in his territory.

- (2) State Unit-** Business enterprises which carry on their business at national level, adopt this method under which every state in which the products of the enterprise are sold, is treated as a separate sales territory. A sales representative is appointed for every such territory who is held responsible for all the selling activities in his territory.
- (3) District Unit-** Some enterprises establish their sales territories at district level. Under this method, every district in which the products of the enterprise are sold, is treated as a separate sales territory. A separate sales representative is appointed for every territory and is held responsible for all the selling activities in his territory.
- (4) Trading Area Unit-** Some enterprises select some specific areas in which their products are sold at a higher rate and every such area is established as a different sales territory.
- (5) Other Methods-** There may be some other methods of establishing sales territories also. For example, some enterprises establish their sales territories on the basis of direction, such as North, South, East and West.

Advantages from planning of Sales Territories

Advantages of planning of sales territories may broadly be divided into two parts as follows :

- (1) Advantages for Business Enterprise-** Important advantages of planning of sales territories available to the enterprise are as follows-(i) Sales Representative of concerned territory may be held responsible for all the selling activities of his territory. (ii) Competition of each territory may be faced effectively, (iii) Different marketing policies, strategies and programmes may be prepared for different territories to suit the individual needs and requirements. (iv) Different advertising and sales promotion methods may be adopted for different territories to suit particular requirements. (v) Different marketing researches may be conducted for different territories. (vi) The activities of all the salesmen working in a particular territory can easily and effectively be controlled because they all of them work under the control of sales representative of their territory (vii) Selling overheads may be minimised.

(viii) Salesmen of different territories may be motivated in different manner.

- (2) Advantages for customers-** Some of the important advantages of establishing sales territories available to the customers are as follows are as follows-(i) Effective after-sale services may be provided to the customers of every sales territory. (ii) Grievances and problems of customers of every region may be easily and quickly removed. (iii) Maximum satisfaction may be provided to the customers of every territory because it provides an opportunity of coming in direct touch with the customers of every territory.

Meaning and Definition of Sales Quotas

Sales quota may be regarded as a specific sales target which is determined for a particular sales territory or for a particular salesmen. Every business and industrial enterprise determines such targets for all its sales territories and salesmen and these territories and salesmen are supposed to achieve their individual target. Sales quota may be expressed in terms of rupees or quantity or number of units of a product.

Objects of Assigning Sales Quotas

Some important objects of assigning sales quotas are as follows-(i) To determine quantitative standards for the performance of sales. (ii) To determine individual targets for the salesmen. (iii) To motivate the salesmen to achieve their individual targets. (iv) To organise sales competitions. (v) To establish effective co-ordination between production and sales. (vi) To find out the sales territories in which the product has poor performance. (vii) To find out sales territories in which the product has more demand. (viii) To establish effective budgetary control over sales. (ix) To determine the remuneration of salesmen. (x) To evaluate the performance of salesmen.

Factors Affecting the Determination of Sales Quotas

There are various factors which affect the determination of sales quotas. Some of the important factors are as follows -(i) Sales quotas of last year. (ii) Sales forecasts for future. (iii) Market potentialities. (iv) Product modification and improve-

ment. (v) Advertisement and sales promotion programme. (vi) Quantity of production. (vii) Ability of salesmen. (viii) Competition. (ix) Changes in the marketing policy and strategy of the enterprise. (x) Changes in the marketing policies and strategies of competitors. (xi) Changes in the purchasing power of customers.

Types or Methods of Sales Quotas

Important methods of determining sales quotas are as under :

- (1) Sales Volume- Under this method of determining sales quota, the quantity of product to be sold is determined for a particular salesman or sales territory. This method is adopted when the price of a product changes very frequently.
- (2) Amount of Sales- Under this method, amount of sales to be made is determined for a particular sales territory or a particular salesman. This method of determining sales quotas is most popular.
- (3) Budget Quotas- Under this method of determining sales quotas, different budget quotas are determined for different units of sales organisation of an enterprise for a certain period. These budget quotas may be determined on the basis of sales volume or amount of sales or selling overheads. Main object of remunerating budget quotas is to increase the profits of the enterprise by controlling selling overheads.
- (4) Activity Quotas- This method of determining sales quotas is quite different from other methods. Under this method, the quotas are determined for the activity of salesmen for a certain period. The examples of activity quotas may be-to maintain the quantity of sales of previous year; to maintain the amount of sales of previous year ; to establish contacts with a certain number of new customers or middlemen or distributors; to demonstrate the products of the enterprise etc. The management of the enterprise has also to co-operate with the salesmen to achieve their sales quotas.