

Commercial Management

Lecturer : Dr. Leul Girma



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Course & Class Information

Course: Commercial Management

Program: Bachelors in Business Administration and Management (BBAM)

Credits: 6 ECTS

Mode: Onsite / Blended

Class 4: Sales Planning and Territory Management

Lecturer : Dr. Leul Girma

Main Teaching & Learning Materials

Core textbook

- Principles of Management
- Principles of Marketing
- Case studies and real-world examples
- Academic articles and selected readings



Objective and Learning Outcomes

Objective:

To develop understanding of sales planning and territory management and how structured approaches support improving sales performance and decision making.

By the end of this class, students will be able to:

- Understand the role of sales **planning in business performance**
- Explain key concepts of **forecasting, quotas, and territory allocation**
- Identify factors influencing sales **forecasts and targets**
- Recognize challenges in territory **design and management**
- Link sales planning **decisions with business outcomes**

Sales Planning and Territory Management

Sales planning and territory management refer to the systematic process of **forecasting sales, setting targets, and allocating sales resources** across markets to support effective decision making and business performance (Kotler et al., 2017).

It focuses on:

Sales forecasting → estimating future sales performance

Sales quotas → setting realistic and achievable targets

Territory allocation → distributing sales areas and responsibilities

Workload balance → aligning effort with market potential

Sales performance → supporting strategic and operational decisions

Role of Sales Planning Tools

Sales planning tools provide structured frameworks to support **forecasting**, **quota setting**, and **territory management**, enabling more effective and data-driven decisions (Kotler et al., 2017).

Key characteristics:

- Simplify **sales planning complexity**
- Support **systematic analysis and decision making**
- Improve **forecast accuracy**
- Help identify **market opportunities and gaps**
- Enhance **sales performance and efficiency**



Overview of Sales Planning Tools

Sales planning tools focus on supporting **forecasting**, **quota setting**, and **territory allocation** to improve sales effectiveness and decision making (Kotler et al., 2017).

Key tools:

- **Sales Forecasting Methods** → estimate future sales performance
- **Quota Setting Techniques** → define sales targets for individuals and teams
- **Territory Allocation Methods** → assign markets and customers to salespeople

Sales Forecasting

Sales forecasting is the process of estimating future **sales performance** based on historical data, market analysis, and managerial judgment to support planning and decision making (Kotler et al., 2017)



Key characteristics:

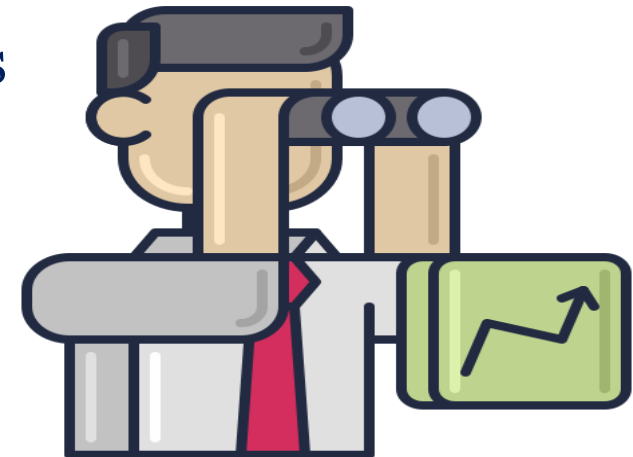
- Based on **historical data and trends**
- Incorporates **market analysis and assumptions**
- Can use **qualitative and quantitative methods**
- Supports **planning and resource allocation**
- Reduces **uncertainty in decision making**

Sales Forecasting Process

Sales forecasting follows a structured process to estimate future **sales performance** using data and analysis (Kotler et al., 2017).

Key steps:

1. **Define the objective** → what needs to be forecasted
2. **Collect relevant data** → historical sales, market information
3. **Select forecasting method** → qualitative or quantitative
4. **Analyze data and trends** → identify patterns and changes
5. **Develop the forecast** → estimate future sales
6. **Review and adjust** → refine based on assumptions



Forecasting Techniques

Forecasting techniques provide different approaches to estimate future sales depending on data availability (Kotler et al., 2017).

Main techniques:

- Trend Analysis → uses past sales patterns to predict future sales
- Moving Average → smooths fluctuations over time
- Sales Force Composite → uses input from salespeople
- Market Analysis → considers external factors (competition, demand)



Trend Analysis Technique

Trend analysis estimates future **sales performance** by identifying patterns in historical data over time (Kotler et al., 2017).

Key characteristics:

- Uses **past sales data** (e.g., monthly sales)
- Identifies **growth or decline trends**
- Assumes patterns may continue in the short term
- Provides a **simple and practical forecasting method**



Case: Sales Forecasting

A consumer electronics company in Berlin is preparing its **sales forecast** for the next month across three product segments: **Basic**, **Mid-Range**, and **Premium**.

Historical Sales Data (Units Sold):

1. **Basic Segment:** 200 → 180 → 160 (**declining trend**)
2. **Mid-Range Segment:** 150 → 170 → 190 (**steady growth**)
3. **Premium Segment:** 80 → 100 → 130 (**strong growth**)

Step 1: Trend Identification

The company begins by analyzing **historical sales patterns**:

1. **Basic** → consistent decline due to reduced demand
2. **Mid-Range** → stable upward trend
3. **Premium** → rapid growth indicating shifting preferences

Step 2: Evaluation of Key Factors

Next, the manager evaluates additional **forecasting variables** (Kotler et al., 2017)

- **Price adjustment** → 10% price reduction for Basic segment
- **Promotion campaign** → planned for Mid-Range products
- **Competitive pressure** → new entrant in Premium segment
- **Seasonality** → expected increase in overall market demand
- **Customer preference shift** → growing interest in higher-quality products

Step 3: Impact Analysis

Each factor is assessed in relation to segment trends:

1. **Basic** → price reduction may **slow decline**, but not reverse trend
2. **Mid-Range** → promotion + trend → **accelerated growth expected**
3. **Premium** → strong demand continues, but competition may **moderate growth**

Step 4: Forecast Development

The manager integrates **trend analysis** with **market factors** to estimate next month's sales:

- **Basic Segment:** ~150 units (decline stabilizes)
- **Mid-Range Segment:** ~220 units (growth supported by promotion)
- **Premium Segment:** ~140 units (growth with competitive constraint)

Step 5: Managerial Insight

The final sales forecast reflects not only past data but also strategic judgment and market dynamics, improving decision making for inventory, staffing, and sales targets (Kotler et al., 2017).

Understand the Sales Forecasting Framework

The sales forecasting process can be viewed as a structured framework, where each step contributes to a more accurate and reliable forecast (Kotler et al., 2017).

Each step includes:

1st task – Data collection: historical sales and market information

2nd task – Trend identification: patterns in sales performance

3rd task – Factor evaluation: internal and external influences

4th task – Analysis: interpretation of data and variables

5th task – Forecast development: final estimated sales outcome

Further reading

- Kotler, P., Keller, K. L., Brady, M., Goodman, M., & Hansen, T. (2017). *Marketing Management* (3rd European ed.). Pearson.
- Bright, D. S., et al. (2019). *Principles of Management*. OpenStax.
- Chaffey, D., & Ellis-Chadwick, F. (2019). *Digital Marketing* (7th ed.). Pearson.

Key Takeaways

- **Sales forecasting** estimates future **sales performance** (Kotler et al., 2017)
- Follows a structured process: **data** → **trends** → **factors** → **forecast**
- **Multiple variables** influence forecast accuracy
- **Managerial judgment** improves forecast reliability
- Supports better **planning and decision making**

Thank you



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