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Abstract

In today's competitive and dynamic markets, one of the most critical challenges businesses face is how to improve the performance of their salesforce. The role of the salesforce has evolved from just implementing the selling function to become a core value creator for both the customers and the sales organizations. This study sought to establish the effect of sales territory design on salesforce performance in the detergent manufacturing companies in Kenya. The study adopted the positivism approach and a descriptive cross sectional design. The population of the study was the salesforce in the detergent producing companies in Kenya who are members of Kenya Association of Manufacturers (KAM) as at December 2018. There are 557 salespeople spread across the 40 detergent manufacturing companies in Kenya. The sample size was 326 respondents. The study utilized primary data which was collected by administering semi-structured questionnaires. The data was analyzed applying a mixture of both descriptive and inferential statistics to describe the manifestations of the variables in the data collected. Simple linear regression analysis was utilized to determine the extent to which the variables are related. The null hypothesis that sales territory design has no significant effect on salesforce performance in detergent manufacturing companies in Kenya was rejected. Thus, sales territory design has significant effect on salesforce performance in detergent manufacturing companies in Kenya. This therefore indicates that sales territory design is critical in determining salesforce performance in detergent manufacturing companies in Kenya. The study recommended that the detergent manufacturing companies and other stakeholders like Kenya Association of Manufactures should focus on the developing of efficient and effective sales territory frameworks that make it easy and cost effective for the salesforce to reach the customers and ultimately deliver more sales and at competitive prices

Keywords: *Sales Territory Design, Salesforce Performance & Detergent Manufacturing Companies*

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1.1 Introduction

In today's competitive and dynamic markets, one of the most critical challenges businesses face is how to improve the performance of their salesforce. For many firms, the salesforce is the only organizational unit that generates sales revenue and profits (Miao & Evens 2013). The role of the salesforce has evolved from just implementing the selling function to become a core value creator for both the customers and the sales organizations (Zhang & Glynn, 2015). Sales territory design (STD) has been recognized as a key driver of sales performance (Fatima, 2017; Kwiatek, 2011; Liu, Tzeng, Lee & Lin, 2016). Kwiatek (2011) posits that businesses should divide or split their clients into groups or regions in order to efficiently steer marketing and distribution programs over separate spans and customer bases. It is a geographical area including the customer group or groups that is assigned to a particular salesperson or the sales team. All the activities of the salesman or the sales team needs to be conducted within that area. In the same way, various geographical areas will be assigned to different sales people or sales team. The underlying argument is that a well-designed sales territory makes it easier for a firm to balance the tasks and sales opportunities in an area to the salesperson assigned to cover that territory and grow revenue in a competitive business environment (Gordon *et al.*, 2012).

It is important for organisations to consider issues on territory management as an essential aspect of sales management as the organisations' success to a larger extent depends on sales and revenue for the organisation as indicated by Zoltners *et al.* (2009). The sales territories are established by making sure that they capture the existing customers as well as potential customers to a distribution representative (i.e. salesperson), branch, or an intermediary (retailer or wholesaler) as suggested by Jobber and Lancaster (2009). When defining sales territory, the emphasis is not on the geographical area but rather on the characteristics of the customers Zoltners *et al.* (2009). One of the responsibilities of an effective sales manager is to be able to adapt and deploy the territory concept that meets the needs of the company's specific go-to-market strategies which addresses the present market dynamics.

Kotler and Keller (2012) indicated that one of the objectives of sales territory design is to have a maximum coverage of the entire market. This implies that effective design of sales territory can allow the channel players to spend more time with existing and also make room for prospecting. Simpkins (2014) suggested that a well design sales territory can set a company apart from competition as it can optimise the role of the key distributors and that of the territory sales representatives to achieve proper market coverage. Darmon (2018) explained that it is imperative that organisations allocate and define clearly the responsibilities of each salesperson accurately and resourced them to perform well. The sales territory management must aid a cost-effective journey plan by making available information on customer details to help the sales representative to serve them better. Customer relationships are best developed over a long period of interactions between the distributor and the customers. Sales territory management ensures regular visits and interactions (Piercy & Lane, 2019). Without sales territory management system, distributors would travel to their customers from the sales office without any planned scheduling, eventually spending more time and money in traveling (Dent, 2018). Under the sales management system, the sales manager gets to evaluate the performance of distributors effectively when the distributors have been assigned to a specific sales territory. Evaluation can be done not only with respect to sales volume but also in terms of selling expenses, customer satisfaction levels, customer service, and other responsibilities of the distributor (Jobber & Lancaster, 2019).

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The study was conducted in the detergent making industry firms. The detergent making industry in Kenya is dominated by a few global and local players namely Diversey and Ecolab who jointly control about 50% market share of the commercial detergents' market with Unilever at 35% market share, Proctor and Gamble at 25%, Bidco Africa at 5% and Kapa Oil Industries at 6% market share are the key players in the household detergents sector (Consumer Insight, 2018). The detergent manufacturing sector in Kenya occupies a central role both in terms of providing employment and as a key component of the manufacturing sector which in 2018 contributed 10% of the Kenyan gross domestic product.

1.2 Research Problem

The detergent manufacturing sector in Kenya occupies a central role both in terms of providing employment and as a key component of the manufacturing sector which in 2018 contributed 10% of the Kenyan gross domestic product. The sector employs about 3,000 employees directly and creates about 5,000 jobs indirectly (KAM, 2019). It is an important sub sector in helping the government to achieve the Big Four Agendas of food security, affordable housing, manufacturing and affordable healthcare to all citizens and in achieving the vision 2030 goals.

The concept of salesforce performance has received a considerable empirical support (Piercy *et al.*, 2004; Kuster & Canales, 2008). This research support rests on the finding that the overall sales organization effectiveness of a company is directly related to the salesperson factors, although that is not the only factor that affects it but other factors such as organizational factors and environmental factors. Based on these studies, the effectiveness of sales organization and the performance of salespersons or distributors are closely correlated, but conceptually distinct. Thus, effectiveness is an overall evaluation of organizational outcomes that can be in part attributed to the performance of salesperson.

Various studies have shown different results on the relationship between sales territory design and salesforce performance. For instance, Fatima, (2017); Adusei, Tenkorang and Tweneboah, (2016); Ríos and López, (2013); and Piercy, (1999) found moderate correlation between the variables. In contrast, Kwiatek, (2011); Zoltners, *et al.*, (2011); and Verbeke *et al.*, (2011), either found insignificant relationship or no relationship at all between sales territory design and salesforce performance. To bridge the gap, this study sought to establish the effect of sales territory design on salesforce performance in the detergent manufacturing companies in Kenya.

1.3 Research Objective

To establish the effect of sales territory design on salesforce performance in the detergent manufacturing companies in Kenya.

1.4 Research Hypothesis

H₀: There is no significant relationship between sales territory design and salesforce Performance in detergent manufacturing companies in Kenya

2.1 Literature Review

2.2 Theoretical review: Equity Theory

Equity theory (ET) is a cognitive theory concerned with how individuals perceive inputs and outputs in organizations (Cron, 1983). It was formulated in the 1960s by Stacy Adams. Although initial studies on equity theory focused on perception of pay inequality and its influence on performance (Campbell & Prichard, 1976), current research have expanded the use of equity theory to variety of employee/organization situations (Telly, French & Scott, 1971). Recent studies have supported the use of equity theory is an ideal framework which can be used to evaluate the reactions of the salesforce to territory designs and changes. Adams (1963) argued that employees strive to achieve equity between the inputs that they bring to a job and the outputs that they receive from it compared to the perceived inputs and outputs of others. Inputs are the contributions which an employee brings to the organization and maybe inform of age, education, effort, hard work, experience and skill. Outcomes are the results that are being reviewed and maybe inform of salary, rewards, punishments, recognition, praise, achievement, reputation and satisfaction (Goodman, 1974).

The composition of equity in the organization is founded on the proportion of inputs vis-a-vis outputs. An employee assesses his inputs and results versus that of the rest and in circumstances of inequality, encounter cognitive dissonance than individuals' in equitable circumstances. The greater the perceived inequality an individual experiences, the bigger is the strength of the behavioral tendency towards minimizing inequality (Campbell & Pritchard, 1976). For example, the bigger the apparent inequality of a sales territory, the higher the tendency that a salesperson will modify their inputs or change their view towards their customers. Critics of ET argue that employees might not only judge equity/inequity based just on their inputs and the results but they are likely to evaluate the entire system that dictates those inputs and outputs. Consequently, in a business environment, one may perceive that his or her pay is impartial to the rest of the employees, but perceive the whole remuneration process as unfair (Carrell & Dittrich, 1978). In the current study, equity theory was used to assess the influence of sales territory design on the performance of the salesforce.

2.3 Empirical review

According to Fatima (2017), contentment of salesperson with sales territory design positively influences salesforce performance which in turn has a positive effect on sales organization efficiency. In the same vein Zoltners et al (2009) argue that poorly designed sales territories lead to poor sales as the salesforce spend too much time traveling from one account to another while salesforce in territories with too few accounts will spend time on nonproductive activities and in the long run may feel demotivated due to low sales and commissions and might end up exiting the business leading to lost sales. Grant et al. (2011) found that contentment with sales territory structure had positive impact on sales team motivation, job satisfaction and sales performance while Rajagopal (2010) argue that sales territory design does not directly influence salesforce performance as it is based on factors often beyond the control of the salespeople for instance the size of the salesforce, purchasing power of the accounts, geographical distribution of accounts,

time needed to service every account and magnitude of competition. From the reviewed literature it is evidenced that majority of the studies contend that sales territory design influences salesforce performance positively. The study empirically examined the impact of STD on salesforce performance in the background of a developing economy such as Kenya.

2.4 Conceptual Framework

The conceptual framework has been presented in Figure 1.

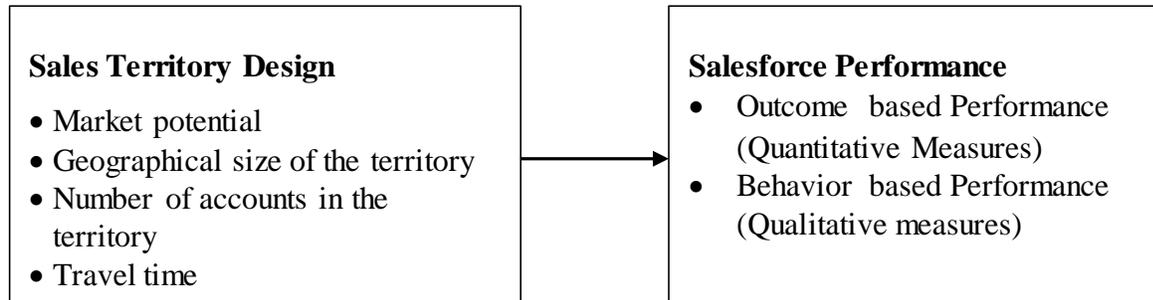


Figure 1: Conceptual Framework

3.1 Research Methodology

The study adopted the positivism approach as hypotheses have been formulated and analyzed to empirically test the relationships between the variables and the results was generalized. The research was part of theory testing and therefore positivism approach was most suitable. The study used a descriptive cross sectional design. Queiros, Faria and Almeida (2017), explain descriptive studies as investigations whose aim is to describe the phenomena under inquiry by establishing the characteristics associated with the subject population

The population of the study was the salesforce in the detergent producing companies in Kenya who are members of Kenya Association of Manufacturers (KAM) as at December 2018. There are 557 salespeople spread across the 40 detergent manufacturing companies in Kenya. Sales people' sample size was calculated utilizing the formula for finite population as suggested by Yamane (1967) quoted in Israel (1992). The sample size was 326 respondents.

The study utilized primary data which was collected by administering semi-structured questionnaires. The data was analyzed applying a mixture of both descriptive and inferential statistics to describe the manifestations of the variables in the data collected. Simple linear regression analysis was utilized to determine the extent to which the variables are related. The Simple regression analysis model was;

$$SFP_1 = \alpha + \beta_1 STD_1 + \varepsilon_1$$

SFP₁ = Salesforce Performance

α = constant (intercept), β_1 = regression coefficient, STD₁ = sales territory design, ε_1 = Error term

4.1 Results and Findings

The study was undertaken among sales people from detergent manufacturing companies in Kenya. The results indicate a response rate of 74.12%. Some of the respondents among the 25.88% did not respond despite several follow-ups and reminders. The study’s response rate was considered as very good for a survey research as supported by Creswell and Creswell (2017) who recommends a score of 70% as good.

4.2 Descriptive Statistics

The study “implored the respondents to indicate the extent to which they perceived the contribution of the sales territory design that is; market potential, geographical size of the territory, number of accounts in the territories, travel time and competition intensity had an effect on salesforce performance. The sales territory design variables were measured after the collapsing of the individual results into composite scores. Table 1 displays a summary of descriptive statistics results for sales territory design sub-components.

Table 1: Summary Descriptive Statistics for Sales Territory Design

Sales Territory Design	N	Mean Score	S.D	Cv (%)
Market Potential	232	2.85	0.92	32
Geographical size of the territory	232	2.99	0.94	32
Number of accounts in the territory	232	3.04	0.94	32
Travel Time	232	3.49	0.86	25
Competition Intensity	232	3.22	0.91	28
Overall	232	3.118	0.914	30

Source: Primary Data.

The results in Table 1 indicate that the mean score of the sub-variables of the sales territory design was 3.12 with a standard deviation of 0.91 and a coefficient of variation (Cv) of 30%. The CV of 30% implies that sales territory design is a strong contributor to salesforce performance. The sub-variable with highest manifestation is travel time with mean score of 3.49, followed by competition intensity with a mean of 3.22, number of accounts in the territory with a mean score of 3.04, geographical size of the territory with a mean score of 2.99 and finally market potential with a mean score of 2.85. The market Potential, geographical size of the territory and number of accounts in the territory had the highest coefficient of variation (32%) respectively, slightly higher than the other sub-variables, but it is still a good contributor to salesforce performance. The travel time had the lowest coefficient of variation (25%) compared to other variables, meaning that it was viewed as being manifested highly in the detergent manufacturing companies in Kenya and thus contributing highly to salesforce performance.

4.3 Hypothesis Testing

The objective was to determine the effect of sales territory design on salesforce Performance. A simple regression analysis was utilized where sales territory design was regressed against salesforce performance. The hypothesis formulated was that;

H₀: There is no significant relationship between sales territory design and salesforce Performance.

Simple linear regression analysis was used to test this hypothesis and the results are presented in Table 2.

Table 2: Model Fitness for Sales Territory Design

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835a	0.698	0.696	0.61729

As shown in Table 2, coefficient of determination of 0.698 shows that 69.8% percent of the variation in salesforce performance in detergent manufacturing companies in Kenya are accounted for by the changes in sales territory design. Thus, sales territory design is a major determinant of salesforce performance in detergent manufacturing companies in Kenya. The standard error of the estimate of 0.61729 indicated low variations.

Table 3: ANOVA for Sales Territory Design

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	202.27	1	202.265	530.807	.000b
Residual	87.64	230	0.381		
Total	289.91	231			

The ANOVA results in Table 3 indicate that the model for sales territory design on performance was significant in overall (F = 530.807, P-Value <0.05). Thus, the model was robust and fit for prediction. Table 3 shows the coefficient for sales territory design.

Table 4: Regression Coefficients for Sales Territory Design

	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.619	0.11		5.63	0.000
Sales Territory Design	0.808	0.035	0.835	23.039	0.000

The fitted model was;

$$SFP = 0.619 + 0.808STD$$

Where; SFP= Salesforce performance. STD= Sales territory design

The coefficient of sales territory design was significant ($\beta = 0.808$, $t = 23.039$, $p\text{-value} = 0.000 < 0.05$). Specifically, for every one unit increase in sales territory design, salesforce performance in detergent manufacturing companies in Kenya increases by 0.619 units holding other factors constant. The null hypothesis that sales territory design has no significant effect on salesforce performance in detergent manufacturing companies in Kenya was rejected. Thus, sales territory design has significant effect on salesforce performance in detergent manufacturing companies in Kenya.

4.4 Discussion of Findings

The study sought to establish the effect of sales territory design on salesforce performance in the detergent manufacturing companies in Kenya. The corresponding hypothesis was that there is no significant relationship between sales territory design and salesforce performance. The null hypothesis was rejected. It was concluded that sales territory design has a statistically significant influence on salesforce performance. The findings are in line with Grant et al. (2011) who found that satisfaction with sales territory design had favorable outcome on salesforce motivation, job satisfaction and sales performance. In the same vein Zoltners et al. (2009) argue that poorly designed sales territories lead to poor sales as the salesforce spend too much time traveling from one account to another while salesforce in territories with too few accounts will spend time on nonproductive activities and in the long run may feel demotivated due to low sales and commissions and might end up exiting the business leading to lost sales. The results support the resource based view, which focuses on how firms can use unique resources at their disposal to deliver superior performance than their competitors. A firm with unique and superior resources can design bigger and more effective sales territories compared to its competitors. The findings are also in line with Fatima (2017) who argues that satisfaction of salesperson with sales territory design positively influences salesforce performance which in turn has a positive impact on sales organization effectiveness.

5.1 Conclusions

The study determined the effect of sales territory design on salesforce performance. The study established a strong relationship between sales territory design and salesforce performance.

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Coefficient of determination indicated that sales territory design explained 69.8% of variation in salesforce performance. Further, the overall model was significant as depicted by F value. The significant relationship was further confirmed by the significant t-value in the coefficient table. This therefore indicates that sales territory design is critical in determining salesforce performance in detergent manufacturing companies in Kenya and therefore the hypothesis that there is no significant influence of sales territory design on salesforce performance is rejected.

6.1 Recommendations

The detergent manufacturing companies and other stakeholders like Kenya Association of Manufactures should focus on the developing of efficient and effective sales territory frameworks that make it easy and cost effective for the salesforce to reach the customers and ultimately deliver more sales and at competitive prices. Due to the strategic importance of the industry as a major contributor to the economy, the Government and policy makers need to give it more attention to ensure the development of the industry and accessibility and affordability of the products.

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