Managing Sales Territories for Maximum Sales Force Productivity

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TerrAlign

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Varicent, an IBM Company
An IBM Company, founded in 2003

ICM and SPM is all we do

Part of IBM’s Performance Management Group

Global partners: Accenture, Deloitte, ZS Associates, Microsoft, OpenSymmetry...

Offices in CA, US, Mexico, UK, Hong Kong, Singapore & Australia
TerrAlign Overview

Founded in 1987

Focus on Territory Optimization and field force deployment

Global partners: Salesforce.com, Varicent, IMS Health, Salesway

Global experience – delivered projects in 30 countries
### Territory Optimization

- Who should own what
- How can we cover more accounts with the same or less headcount
- Are quotas equitable
- How do unbalanced territories impact cost of commissions

- *Planning focus, strategic to the use of resources and comp/quota approach*

### Territory Management

- Who owns what
- Who gets paid on what
- What if accounts change territory mid year
- What about splits, roll ups, and claw backs

- *Mission critical, everyday, to accurate payments and ability to keep sales focused on sales*
“Territory management is the critical link between SFA and Sales Performance Management”
Companies that invest in territory management software capabilities will gain 1% to 3% more revenue than they otherwise would have achieved.”

Gartner paper: “Top Processes for CRM Sales”, January 2010
Flash Poll

What variables do you use to define territories?

1. Geographic
2. Product/Solution/Offering
3. Named Customer
4. Business Unit
5. Territory Potential
6. Coverage Requirement
7. Vertical Segments
What does the market say?

Source: CSO Insights 2012 Territory Management Report Key Trends Analysis
How Companies Set/Manage Territories

Spreadsheets are primary software design tool

Territory sized by prior year sales

Territory sized by prior year sales plus a percentage increase

Source: CSO Insights 2012 Territory Management Report Key Trends Analysis
“Sales occupations continue to be among the most in-demand jobs in the US.”

http://www.wantedanalytics.com/insight/  By Ashley Rowe on October 5, 2012
• “A strategy, even a great one, doesn’t implement itself” - Jeroen De Flander

• “However beautiful the strategy, you should occasionally look at the results” – Sir Winston Churchill

• “Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.”—Sun Tzu
Some Key Sales Operations Processes

- Strategy & Plan Design
  - Sales Strategy
  - Sales Coverage Model
  - Incentive Measures
  - Budgeting
  - Territory Optimization

- Plan Setup & Administration
  - Quota Administration
  - Hierarchies
  - Territory Definitions
  - Crediting Rules
  - Plan Distribution

- Compensation Processing
  - Compensation Calculations
  - Credit Assignment
  - Payment
  - Dispute Resolution
  - Adjustments
  - Audits Trail
  - Coaching

- Reporting, Analysis & ‘Correction’
  - Results vs Objectives
  - Earnings Estimation
  - Forecasting & Modeling
  - Audit Trail
  - Coaching
Territory Optimization
Territory Optimization Challenges

- History & Inertia – “but I’ve always had this account…”
- Millions of possibilities
- What are the right balancing metrics?
- Who owns the process? What tools do they have to help?
1. What sales intelligence metrics do you use?
2. Is your sales force sized to maximize revenue?
3. Are your salespeople:
   – Reaching the most profitable accounts?
   – Delivering the optimal call frequency?
   – On an efficient and effective schedule?
4. Do your territories:
   – Maximize salesperson productivity?
   – Support your reach and frequency goals?
   – Enable your reps to have a challenging, but achievable quota?
Doing More With Less

2 reps
50 states
270 quota
1 will achieve
Millions spent to design coverage

249 reps
44k zips
$2M quota
90% will achieve
Thousands spent to design coverage
Evaluating Size & Structure

**Balance “Work”**
- Reps with too much work can’t reach all accounts with optimal calls, have more potential and win awards easier.
- Reps with too little work call on accounts to often, don’t work a full day, limited growth opportunity.

**Give Each Representative Equivalent Opportunities**
- Commission/Award fairness
- Improved morale
- Productive account coverage

**Make Territory Coverage Efficient**
- Business/Account locations
- Geography and driving time
Imbalanced Territories

Create Over and Underperformers, Regardless of Talent

Distribution of Attainment

% of Sales Force

% of Quota

- 50
- 60
- 70
- 80
- 90
- 100
- 110
- 120
- 130
- 140

Imbalanced Territories
Balanced Territories

Lead to Expected Incentive Compensation Costs, Aligned with Revenue

Distribution of Attainment

% of Quota

% of Sales Force

50  60  70  80  90  100 110 120 130 140 150

TerrAlign
Sales Resource Optimization
Territory Design Best Practices

- Balance territories on metrics similar to the ones used to pay sales commissions
- Build territories from the ground up
- Build territories around customers, not sales reps
- Base quotas on opportunity from each territory
- Involve field managers in the territory alignment process
Benefits of Optimization

- Increase sales and profits by 4% to 12% by full resource utilization
- Reduce travel costs on average by 10%-15%
- Ability to identify over and under-achievers and reduce unwanted turn-over
- Equitable territories lead to the ‘right’ quota and incentive plan, and therefore motivated, focused sales reps
Territory Management
• Get the checks out on time
• Make sure they’re accurate
• And . . .
  ✓ Be flexible and nimble for changing priorities
  ✓ Manage complex assignments
  ✓ Set accurate goals and targets
  ✓ Generate enthusiasm
  ✓ Deliver timely and insightful reports
  ✓ Resolve questions and disputes
  ✓ Do it with less headcount
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<table>
<thead>
<tr>
<th>Account Assignment</th>
<th>Account Manager</th>
<th>Product Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic area</td>
<td>Named accounts in a geography</td>
<td>TM/AM Geographic area</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Assignment Exceptions</th>
<th>Account Manager</th>
<th>Product Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Include account ABC from another geography</td>
<td>• Include account CDE from another geography</td>
<td>• Include accounts CDE and ABC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crediting Rules</th>
<th>Account Manager</th>
<th>Product Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>• All products</td>
<td>• All products except replacement parts</td>
<td>• Products beginning with SKU #s 6 and 8</td>
</tr>
<tr>
<td>• Accounts within geography who have not purchased for 12 months or more</td>
<td>• Accounts directly assigned</td>
<td>• Initial sales and replacement parts</td>
</tr>
<tr>
<td>• Credit granted on order submission</td>
<td>• Credit granted on order</td>
<td>• Credit granted on order submission</td>
</tr>
<tr>
<td>• All sales for the first six months after initial purchase</td>
<td>• Account transfers out: All transactions within 3 months</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Account transfers in: transactions as of date of transfer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Now Think About…

Dozens of job roles

Hundreds of people in each job

Thousands of exceptions

Hundreds or thousands of products

Millions of sales transactions
…Plus Lots of Change

• New roles being introduced
• Salespeople are being hired, leaving, moving, or being promoted
• The territory definitions change
• The product hierarchies change
• New products are being introduced monthly, sometimes weekly
• The market is being segmented to included Enterprise and SMB accounts
• There is a strategic goal to obtain strategic accounts (i.e. 5 new hospital accounts with a transactional sale > $100k)
The Territory Management Problem

Set Up and Processing
- Complex
- Error prone
- Long processing times

Maintenance
- Manual
- Error Prone
- Difficult to Audit

Analysis
- Limited Reporting
- Hard to Evaluate Effectiveness
- Difficult to Do What-Ifs
Territory Management Framework

- Reporting & Analytics
  - Which people are in which roles (direct, indirect, overlays) and report to which managers
  - Who is responsible for existing customers, prospects, geographies, products, or whatever other attributes are used
  - The rules required to ensure the right people are paid for their transactions

- Hierarchies

- Territory Definitions

- Crediting

- Workflow

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Hierarchy System of Record?

- Oracle / Peoplesoft: 48%
- Homegrown / Other: 43%
- SAP: 4%
- Tesseract: 4%

Source: Compensation Analytics Survey Results (2011)
Where Is “Who to Pay” Determined?

- Comp System: 39%
- Source System: 35%
- Preprocessor: 22%
- Other: 4%

Source: Compensation Analytics Survey Results (2011)
## Traditional Approach

- Spreadsheets or homegrown systems which map each ID to various attributes
- Rule sets can reach tens of thousands
- Doesn’t address hierarchy management, workflow or credit processing

<table>
<thead>
<tr>
<th>Rep</th>
<th>Territory ID</th>
<th>Start Date</th>
<th>End Date</th>
<th>Customer Name</th>
<th>Theater</th>
<th>Region</th>
<th>Country</th>
<th>Sales Territory</th>
<th>Sales Channel</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>11-201</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>Dell</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Betty</td>
<td>11-201</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>Amazon</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jim</td>
<td>11-201</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>Newegg</td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Carrie</td>
<td>11-201</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>CDW</td>
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<tr>
<td>Zach</td>
<td>11-201</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>Insight</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tony</td>
<td>11-203</td>
<td>8/1/2010</td>
<td>7/30/2011</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>Mexico</td>
<td>Reseller</td>
<td></td>
</tr>
</tbody>
</table>
Making “The Matrix” A Challenge

• Mass Updates
• Manage Splits
• Set Territories
• What-if Analysis
• Temporary Coverage
• Leave of Absence
• Retroactive Territory Changes
• Alerts and Exception Reporting
• Geographic Mapping
• Workflow
• Integration with Other Systems
## A Few More Data Points . . .

<table>
<thead>
<tr>
<th>Perceptions Of Quota And Territory Assignments</th>
<th>Ability To Make Changes In Territory Management System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territory Logic Clear As Is My Ability To Make My Number</td>
<td>52%</td>
</tr>
<tr>
<td>Assignments Seem Fair and Equitable; Everyone Has the Same Chance To Succeed</td>
<td>72%</td>
</tr>
<tr>
<td>Manage Compensation Manually Or With Spreadsheets</td>
<td>46%</td>
</tr>
<tr>
<td>Percentage Of Reps Meeting/Beating Quota</td>
<td>65%</td>
</tr>
<tr>
<td>Rep Turnover Voluntary/Involuntary</td>
<td>15%/6%</td>
</tr>
</tbody>
</table>

*Source: CSO Insights 2012 Territory Management Report Key Trends Analysis*
Alternative Approach

Precedence And Exceptions

• Prescriptive rules-based model for territory/account assignments and crediting
• Based on ordering sequence and exceptions
• Significantly eases set up and maintenance
• Faster to process
• Improved accuracy
Precedence Approach In Action
Keys To Success

- Ensure goal alignment
- Reduce and improve reporting
- Allow enough time for data integration
- Consider testing requirements early
- Communicate, communicate
- Understand company policies
- Consider how to handle history
- Plan for growth and change
- Involve IT (early)
Latest Trends

• Adoption of mobile devices
• Increasing business complexity
• Increasing role of Finance
• More audit, compliance and visibility
• Integration with more applications
• Transition to the Cloud
### Getting Started

#### Territory Design

1. Analyze the data, but do it based on the assumption that all reps are created equal
2. Find the right metrics for your business; break success down to workload measure
3. Start at the lowest level and build up
4. After balancing territories, then determine opportunity and set quotas proportionally
5. Apply science first, then local knowledge

#### Territory Management

1. Establish guiding principles
2. Survey the field
3. Review current processes and confirm gaps/issues
4. Create alternatives paths – technology dependent and not dependent
5. Create the case for change
6. Find a field champion
THANK YOU.

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• Tap on “Managing Sales Territories for Maximum Sales Force P
• Tap on the check-in tab and check-in.
• Go back into the session and leave a review and a rating.