

# Managing Sales Territories for Maximum Sales Force Productivity

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SALES MANAGEMENT ASSOCIATION'S

**2012 SALES FORCE PRODUCTIVITY  
CONFERENCE**

OCTOBER 23 - 25, ATLANTA

[SALESMANAGEMENTCONFERENCE.COM](http://SALESMANAGEMENTCONFERENCE.COM)

# Varicent Overview

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An IBM Company, founded in 2003

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ICM and SPM is all we do

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Part of IBM's Performance Management Group

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

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

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# TerrAlign Overview

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Founded in 1987

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Focus on Territory Optimization and field force deployment

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

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Global experience – delivered projects in 30 countries

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# Topics

1

Territory Optimization Versus Territory Management

2

Trends in Designing And Managing Sales Territories

3

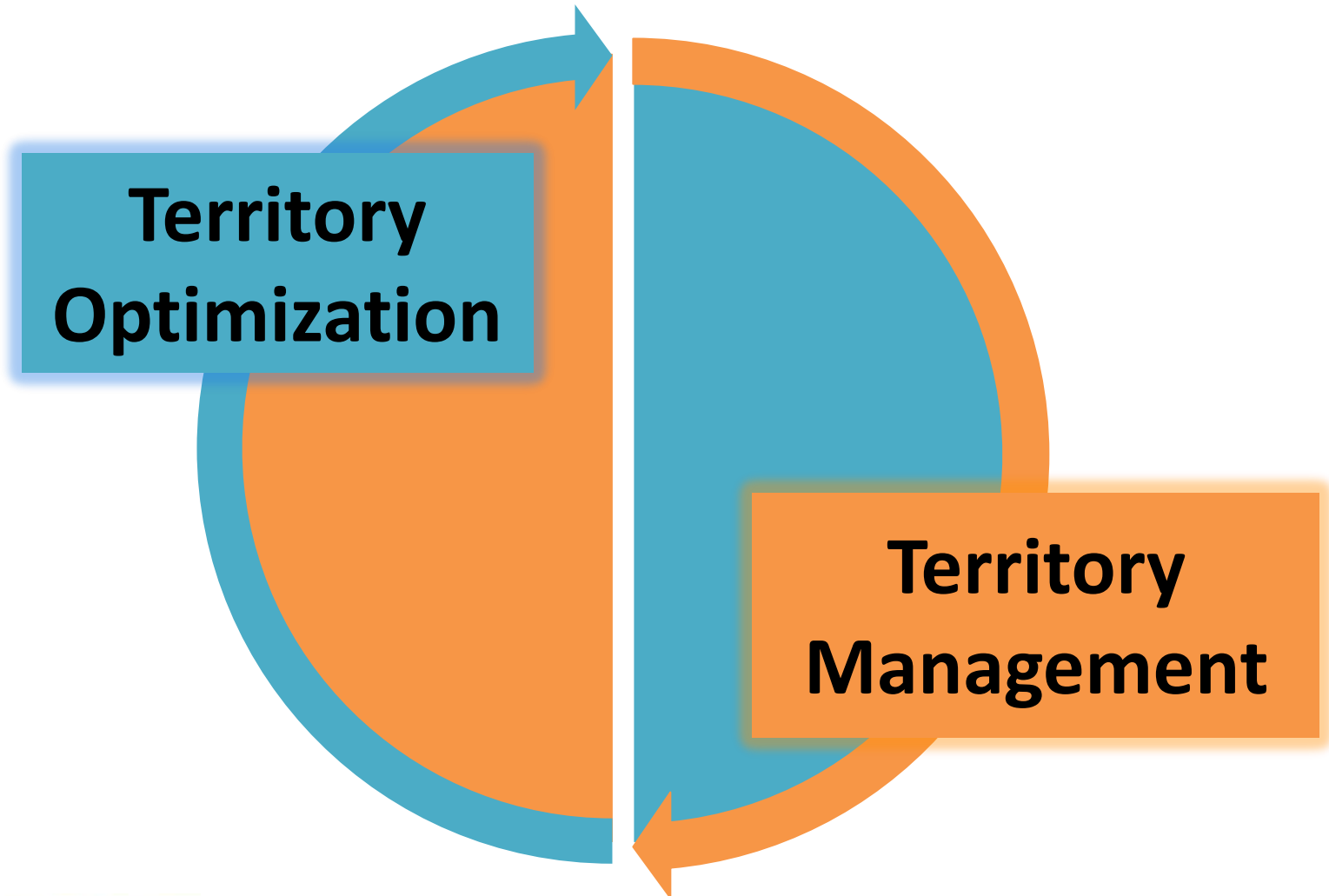
The End to End Process

4

Best Practices and Getting Started



# Distinct But Connected



# Optimization vs. Management

## 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***



# Where Does Territory Management Fit?

***“Territory management is the critical link between SFA and Sales Performance Management”***



# Gartner®

“

*Companies that invest in territory management software capabilities will gain 1% to 3% more revenue than they otherwise would have achieved.”*



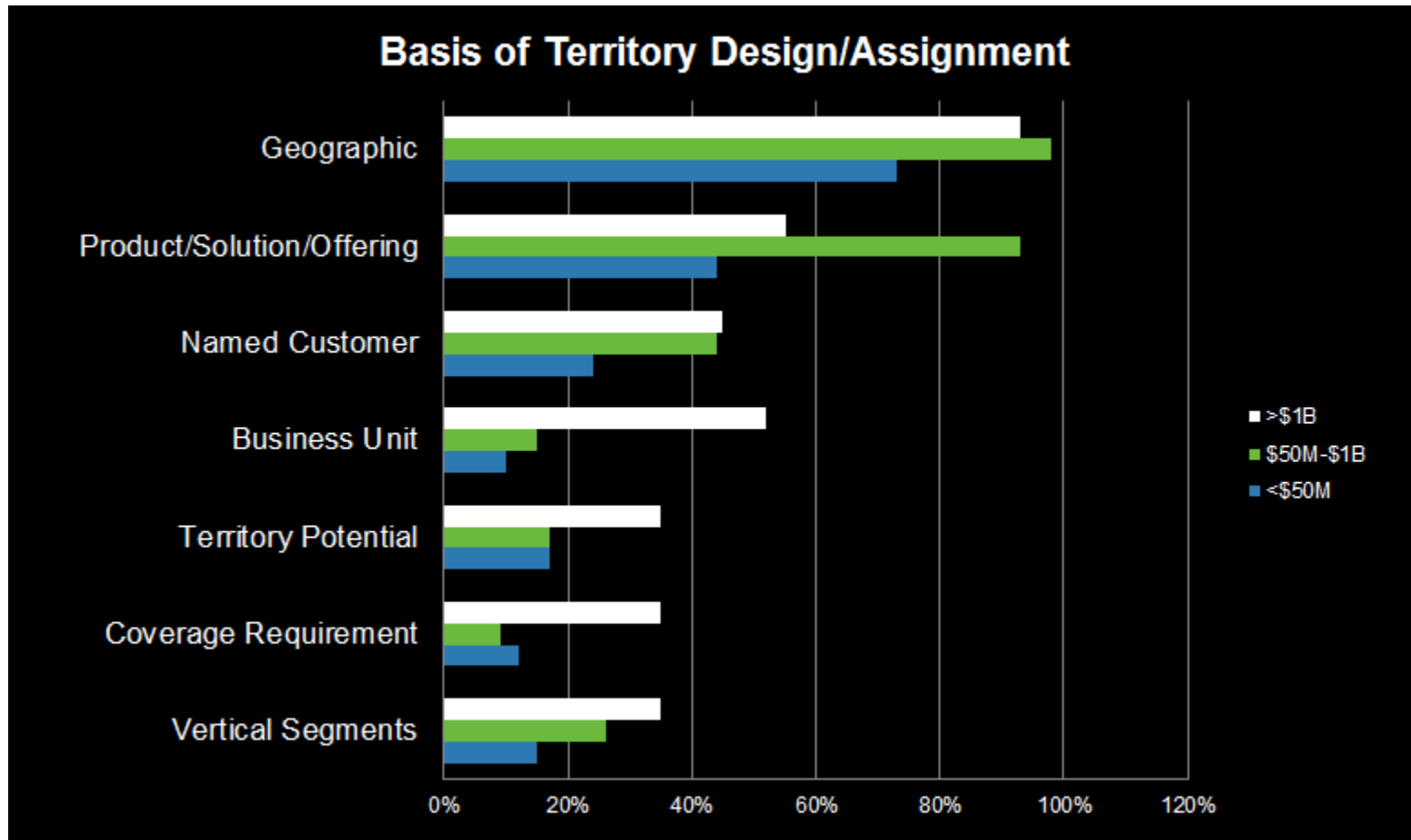
# Flash Poll

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

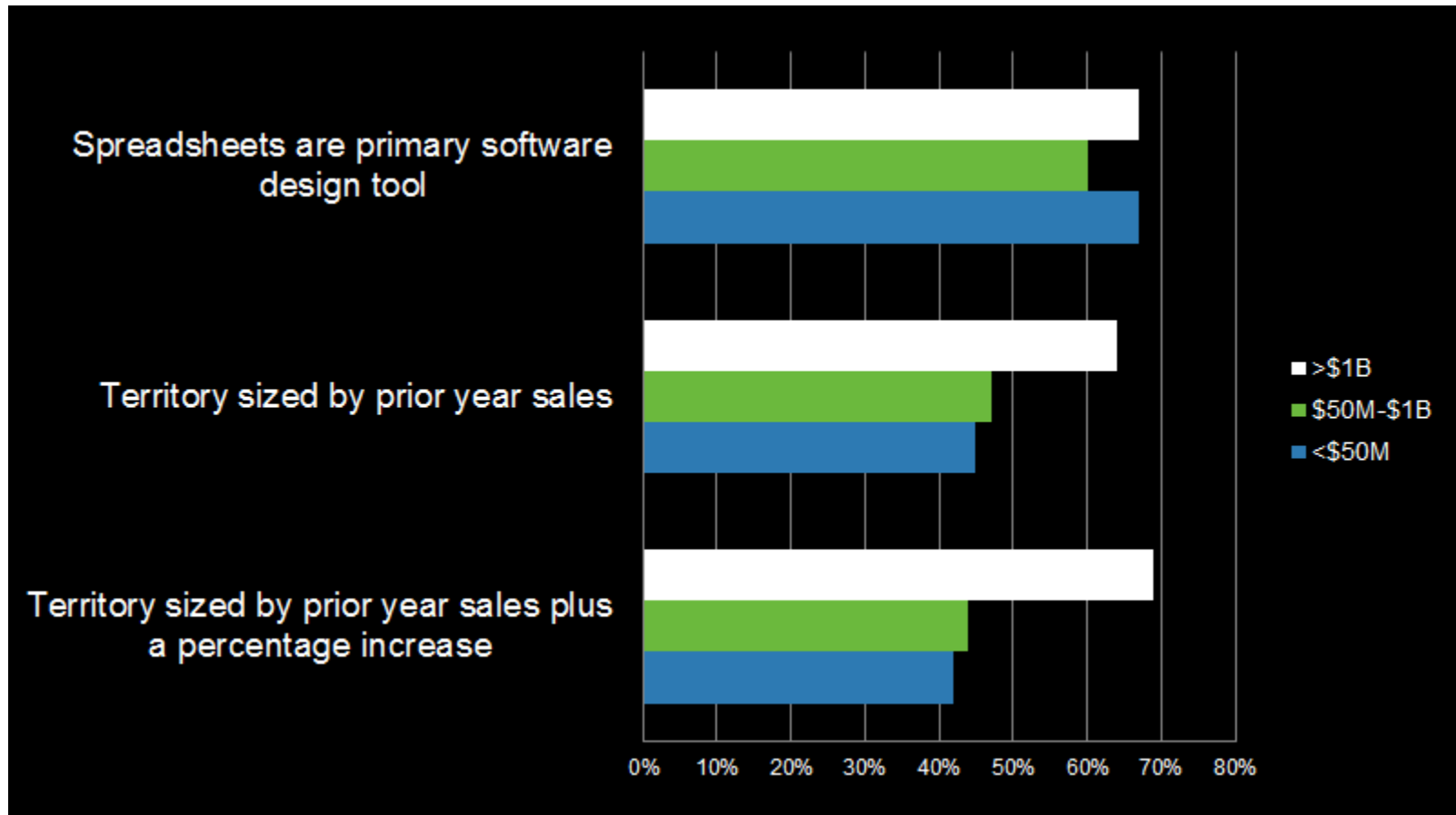


# What does the market say?



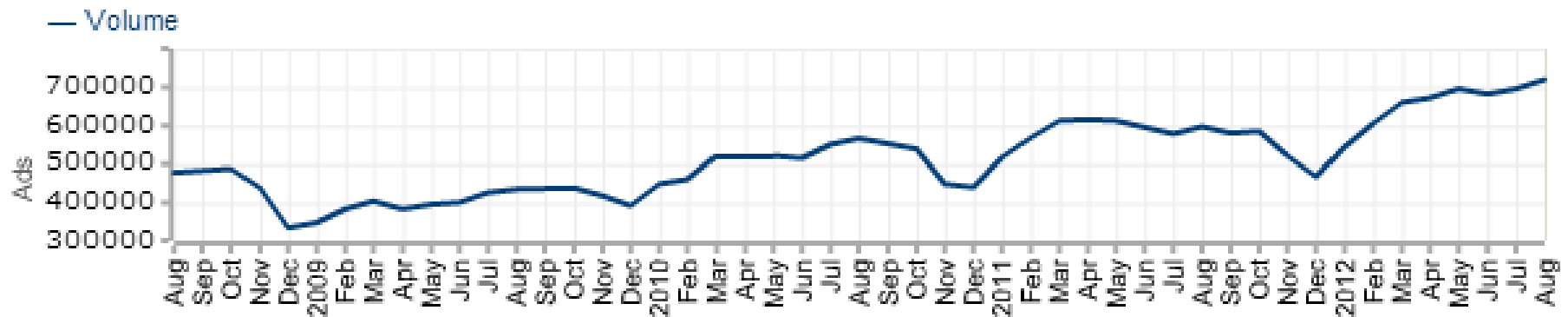
Source: CSO Insights 2012 Territory Management Report Key Trends Analysis

# How Companies Set/Manage Territories



Source: CSO Insights 2012 Territory Management Report Key Trends Analysis

# Demand for Sales Jobs Hit New High



***“Sales occupations continue to be among the most in-demand jobs in the US.”***



# Strategy vs. Execution

- *“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

## 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?



# Self-Audit Questions

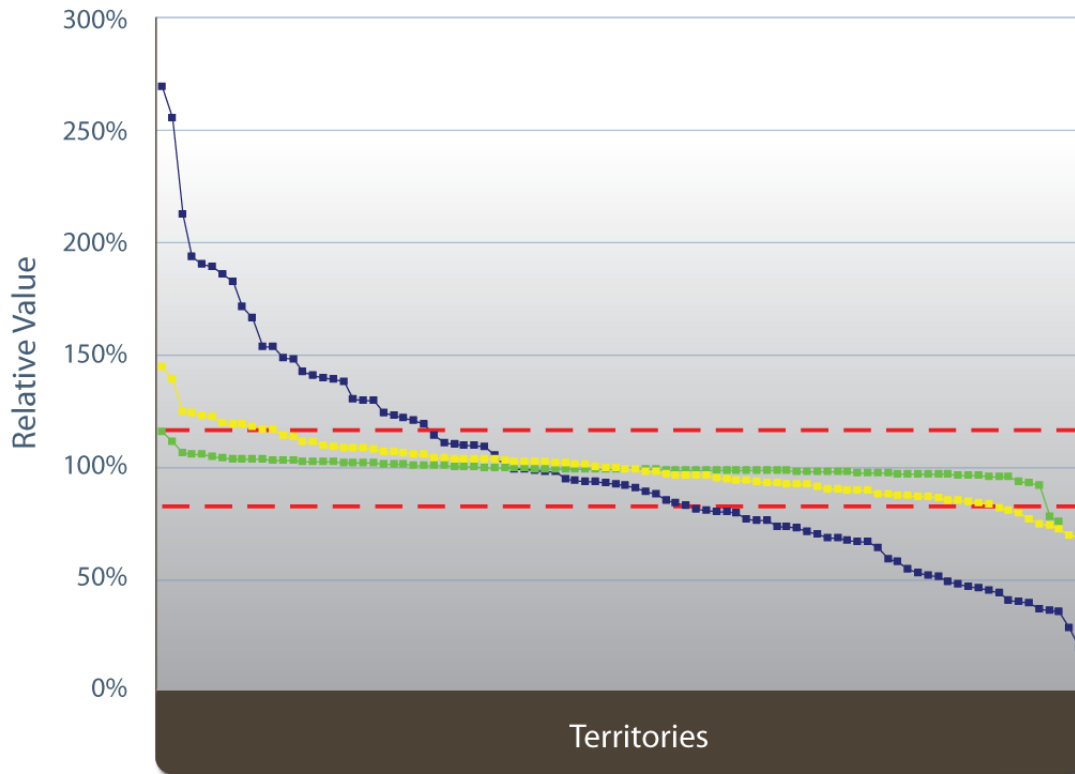
1. What sales intelligence metrics do you use?
2. Is your sales force sized to maximize revenue?
3. Are your salespeople:
  - Reaching the most profitable accounts?
  - Delivering the optimal call frequency?
  - On an efficient and effective schedule?
4. Do your territories:
  - Maximize salesperson productivity?
  - Support your reach and frequency goals?
  - Enable your reps to have a challenging, but achievable quota?





# Evaluating Size & Structure

Realignment Evolution



## 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 too often, don't work a full day, limited growth opportunity

## Give Each Representative Equivalent Opportunities

- Commission/ Award fairness
- Improved morale
- Productive account coverage

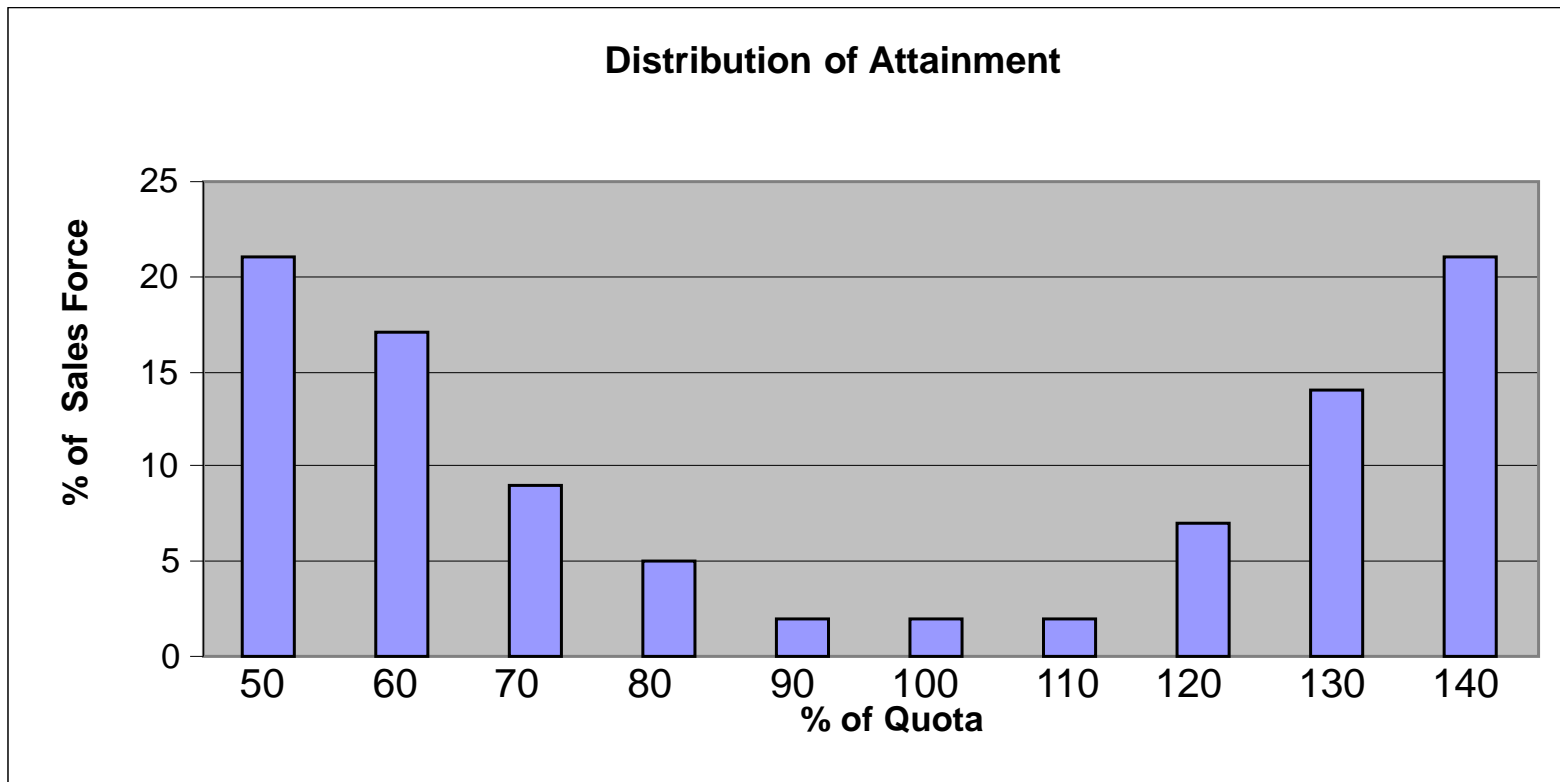
## Make Territory Coverage Efficient

- Business/Account locations
- Geography and driving time



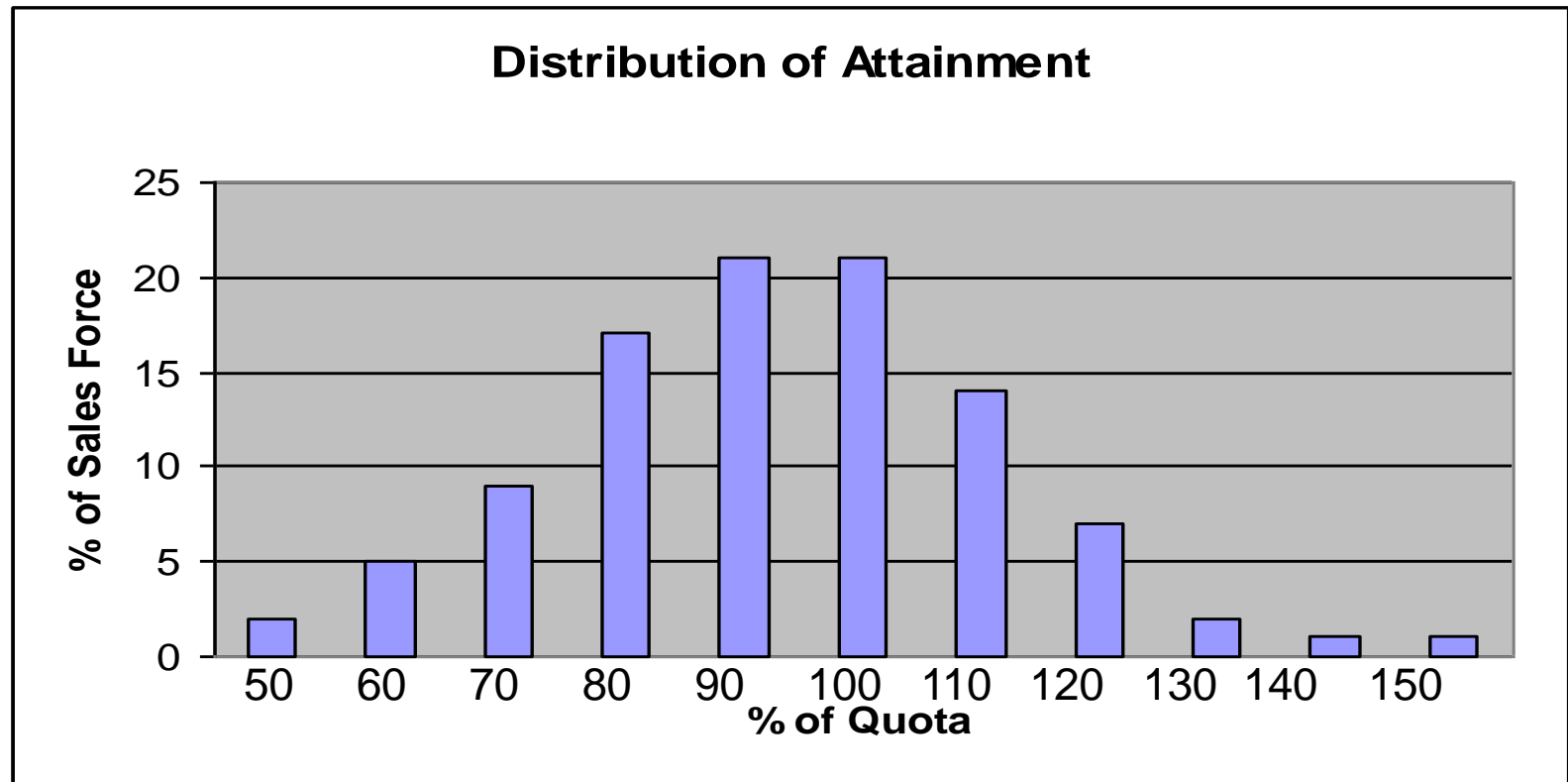
# Imbalanced Territories

Create Over and Underperformers,  
Regardless of Talent

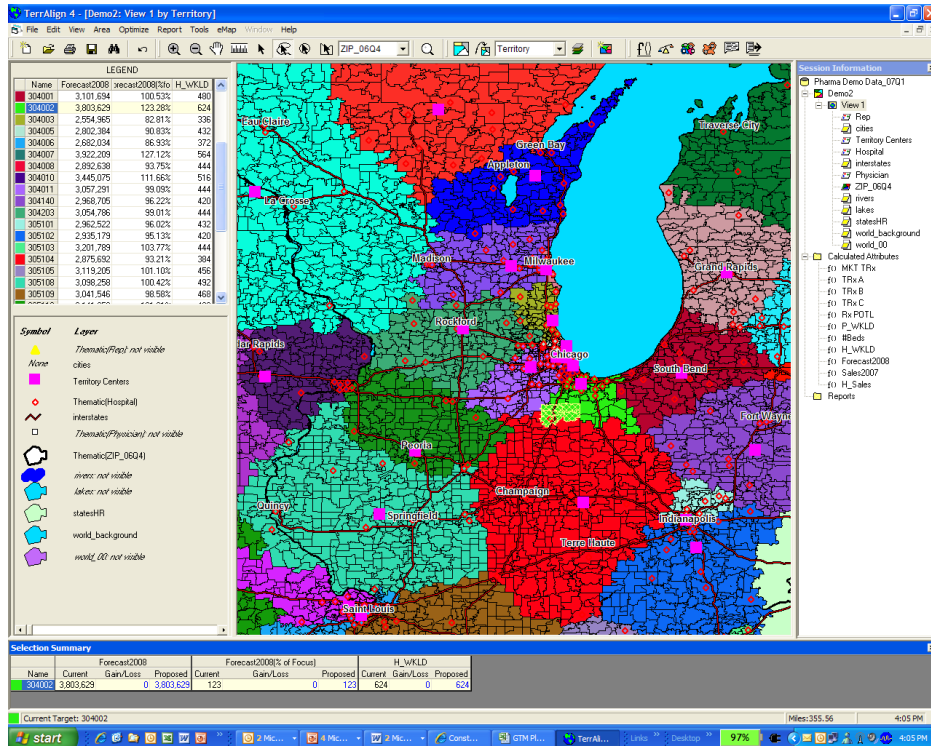


# Balanced Territories

Lead to Expected Incentive Compensation Costs, Aligned with Revenue



# Territory Design Best Practices

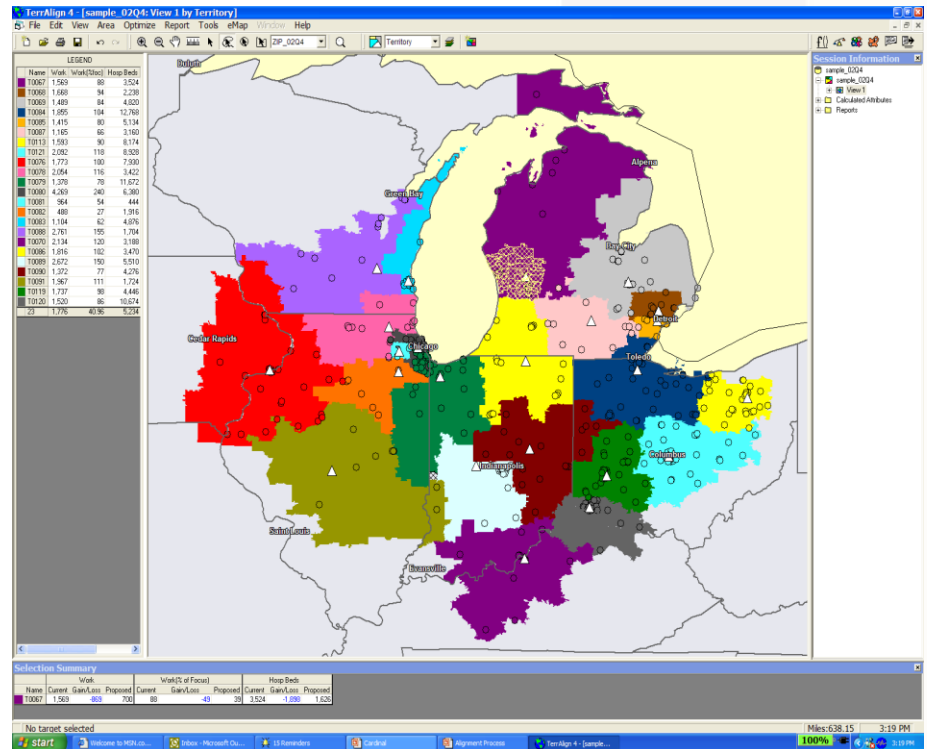


- Balance territories on metrics similar to the ones used to pay sales commissions
- Build territories from the ground up
- Build territories around customers, not sales reps
- Base quotas on opportunity from each territory
- Involve field managers in the territory alignment process



# 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

# How Tough Can It Be?

- 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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# How Things Can Get Complex

	<b>Territory Manager</b>	<b>Account Manager</b>	<b>Product Specialist</b>
<b>Account Assignment</b>	Geographic area	Named accounts in a geography	TM/AM Geographic area
<b>Account Assignment Exceptions</b>	<ul style="list-style-type: none"> <li>• Include account ABC from another geography</li> </ul>	<ul style="list-style-type: none"> <li>• Include account CDE from another geography</li> </ul>	<ul style="list-style-type: none"> <li>• Include accounts CDE and ABC</li> </ul>
<b>Crediting Rules</b>	<ul style="list-style-type: none"> <li>• All products</li> <li>• Accounts within geography who have not purchased for 12 months or more</li> <li>• Credit granted on order submission</li> <li>• All sales for the first six months after initial purchase</li> </ul>	<ul style="list-style-type: none"> <li>• All products except replacement parts</li> <li>• Accounts directly assigned</li> <li>• Credit granted on order</li> <li>• Account transfers out: All transactions within 3 months</li> <li>• Account transfers in: transactions as of date of transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Products beginning with SKU #s 6 and 8</li> <li>• Initial sales and replacement parts</li> <li>• Credit granted on order submission</li> </ul>

# 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

	Territory Manager	Account Manager	Product Specialist
Account Assignment	Geographic area	Named accounts in a geography	Geographic area
Account Assignment Exceptions	<ul style="list-style-type: none"> <li>Exclude certain named accounts</li> <li>Include named account ABC</li> </ul>	<ul style="list-style-type: none"> <li>Include account CDE from another geography</li> </ul>	<ul style="list-style-type: none"> <li>Include account CDE</li> </ul>
Crediting Rules	<ul style="list-style-type: none"> <li>All products</li> <li>Accounts within geography who have not purchased for 12 months or more</li> <li>Credit granted on order submission</li> <li>All sales for the first six months after initial purchase</li> </ul>	<ul style="list-style-type: none"> <li>All products except replacement parts</li> <li>Accounts directly assigned</li> <li>Credit granted on shipment</li> <li>Account transfers in: All transactions within 3 months</li> <li>Account transfers out: Revenue for contracts after transfer</li> </ul>	<ul style="list-style-type: none"> <li>Products beginning with SKU #s 6 and 8 where the product specialist is involved</li> <li>Initial sales only</li> <li>All accounts within assigned accounts</li> <li>Credit granted on order submission</li> </ul>
Credit Rule Exceptions	<ul style="list-style-type: none"> <li>Include transactions for named account ABC</li> <li>All products except replacement parts</li> </ul>	<ul style="list-style-type: none"> <li>Include transactions for account CDE</li> </ul>	<ul style="list-style-type: none"> <li>Include SKU families 6 and 8 transactions for account CDE</li> </ul>

Replacement parts	Account CDE	Transactions for account CDE
All products except replacement parts	Account CDE	Transactions for account CDE
Accounts directly assigned	Account CDE	Transactions for account CDE
Credit granted on shipment	Account CDE	Transactions for account CDE
Account transfers in: All transactions within 3 months	Account CDE	Transactions for account CDE
Account transfers out: Revenue for contracts after transfer	Account CDE	Transactions for account CDE
Initial sales only	Account CDE	Transactions for account CDE
All accounts within assigned accounts	Account CDE	Transactions for account CDE
Credit granted on order submission	Account CDE	Transactions for account CDE
Include SKU families 6 and 8 transactions for account CDE	Account CDE	Transactions for account CDE

# ...Plus Lots of Change

- New roles being introduced
- Salespeople are being hired, leaving, moving, or being promoted
- The territory definitions change
- The product hierarchies changes
- 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

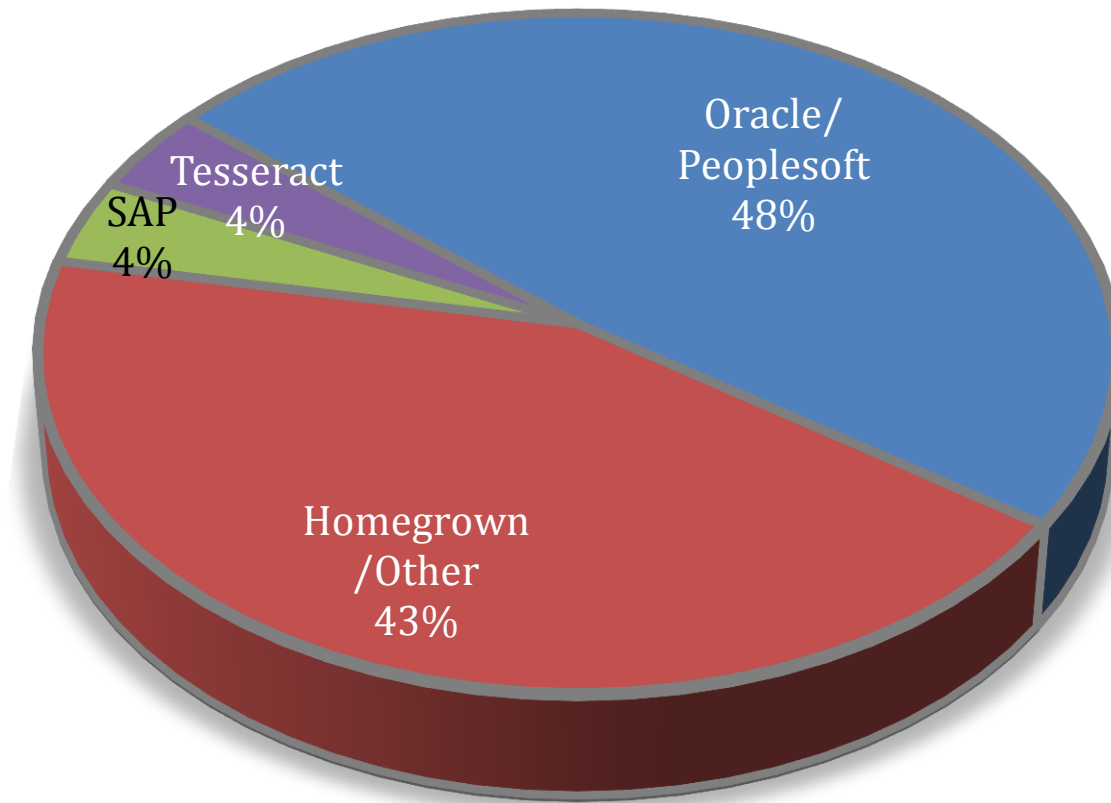


*Which people are in which roles (direct, indirect, overlays) and report to which managers*

*Who is responsible for existing customers, prospects, geographies, products, or whatever other attributes are used*

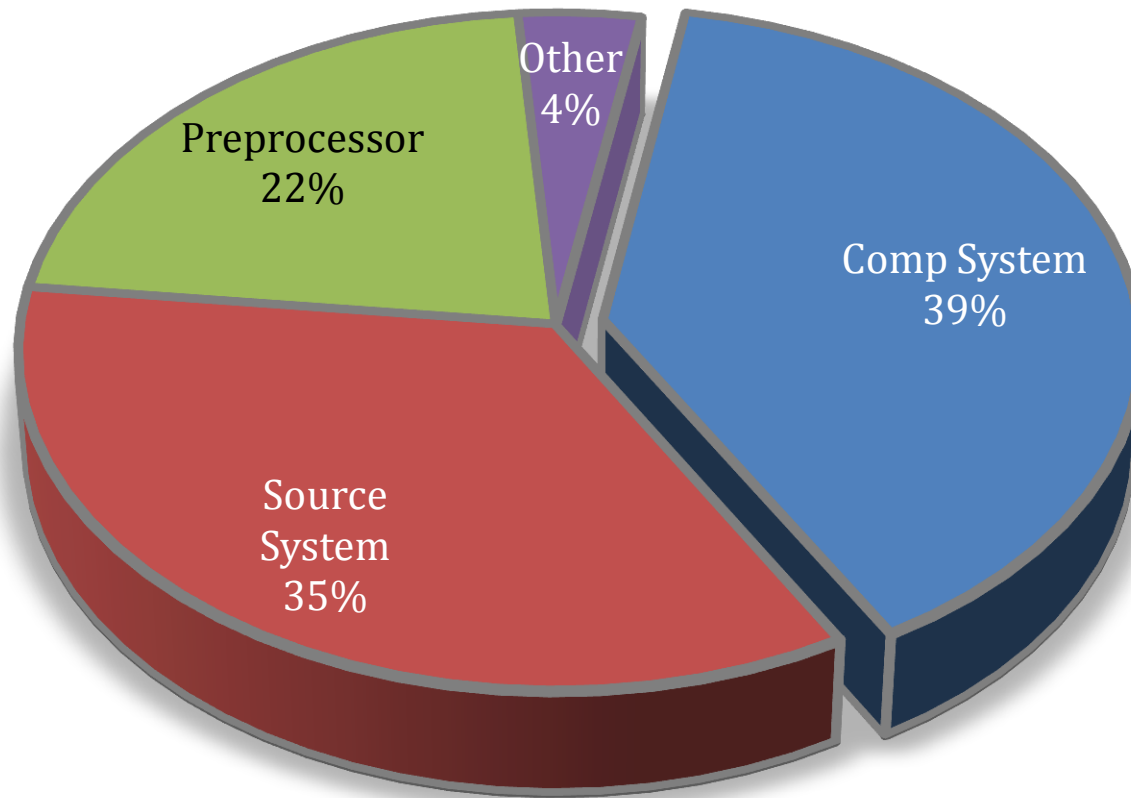
*The rules required to ensure the right people are paid for their transactions*

# Hierarchy System of Record?



Source: Compensation Analytics Survey Results (2011)

# Where Is “Who to Pay” Determined?



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

Rep	Territory_ID	Start_Date	End_Date	Customer_Name	Theater	Region	Country	Sales_Territory	Sales_Channel	Segment
John	11-201	8/1/2010	7/30/2011	Dell	*	*	*	*	*	*
Betty	11-201	8/1/2010	7/30/2011	Amazon	*	*	*	*	*	*
Jim	11-201	8/1/2010	7/30/2011	Newegg	*	*	*	*	*	*
Carrie	11-201	8/1/2010	7/30/2011	CDW	*	*	*	*	*	*
Zach	11-201	8/1/2010	7/30/2011	Insight	*	*	*	*	*	*
Steve	11-202	8/1/2010	7/30/2011	*	*	*	*	Mexico	*	*
Tony	11-203	8/1/2010	7/30/2011	*	*	*	*	Mexico	Reseller	*



# 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 . . .

Perceptions Of Quota And Territory Assignments	Ability To Make Changes In Territory Management System	
	Easy	Very Difficult
Territory Logic Clear As Is My Ability To Make My Number	52%	14%
Assignments Seem Fair and Equitable; Everyone Has the Same Chance To Succeed	72%	43%
Manage Compensation Manually Or With Spreadsheets	46%	70%
Percentage Of Reps Meeting/Beating Quota	65%	24%
Rep Turnover Voluntary/Involuntary	15%/6%	26%/18%

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

The screenshot displays the ASSIGN software interface. At the top, there are navigation tabs for Pending Changes (0), Activities (3996), Overrides (0), Rules (79), and Assignments (45). The left sidebar shows the user as Administrator and lists menu items: Dashboard, Activities, Hierarchies, Territories (selected), PSFF Rules, BIFF Rules, Assignments, Reports, and Users and Roles. The main content area shows the breadcrumb 'Home > Territory Sets > PSFF Rules' and a toolbar with icons for Back, Add Territory Group, Edit, Delete, and Pending Changes. Below the toolbar is a table of PSFF Rules.

	Name
1	<a href="#">Key Accounts</a>
2	<a href="#">PSFF Exclusions</a>
3	<a href="#">Special Case Overrides</a>
4	<a href="#">PSFF Zip to Territory</a>



# 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.

**Help us. Use the mobile app to rate and review this session.**

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- Tap “Agenda”
- 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.



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