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 #TerritoriesQuotas

Sales Management Association Webcast

# Evaluating Territory and Quota Management Effectiveness

29 April 2014

Presented by



**OpenSymmetry**

Performance. Innovation. Whatever it Takes.

**Jon Clark**

Director Strategy Services, EMEA

**OpenSymmetry**

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# About The Sales Management Association



A global, cross-industry professional association for sales operations and sales management.

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Fostering a community of thought-leaders, service providers, academics, and practitioners.

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# Today's Speaker



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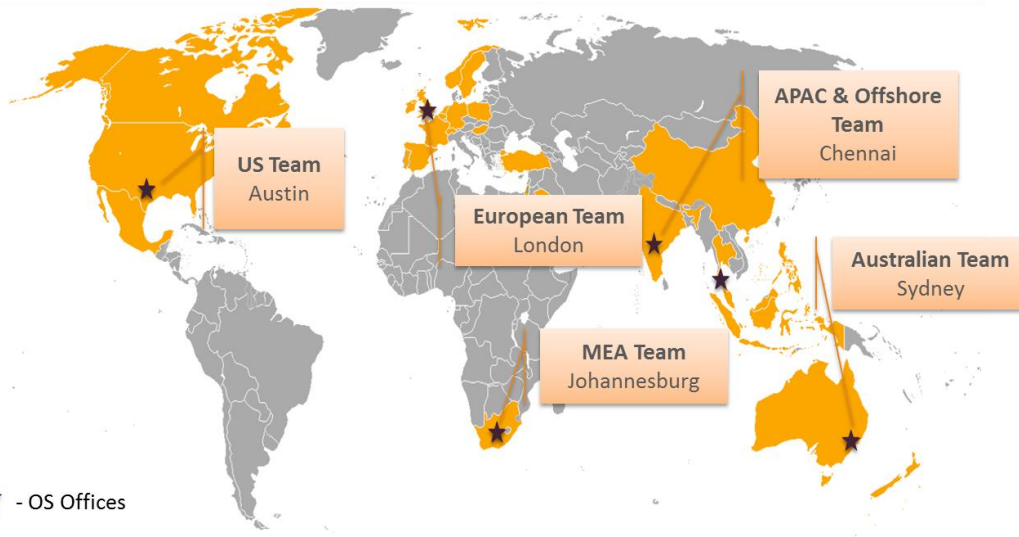
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# About OpenSymmetry

## Global experts



## in Sales Performance Management

100s of SPM  
implementations, with  
Offices in the US, UK, South Africa,  
Malaysia, and Australia...

**1000s of hours of hands-on experience  
within SPM**

**makes us the world's largest SPM consultancy**



# Agenda for Today

- The Imperatives to Act
- OS Methodology
- Case studies
- Next steps



# What is TQM?

**Territory Management** is a systematic, logical process that allows a sales rep to achieve optimal results from the potential customers in a given geographic area

Territories can be segmented according to a variety of criteria:

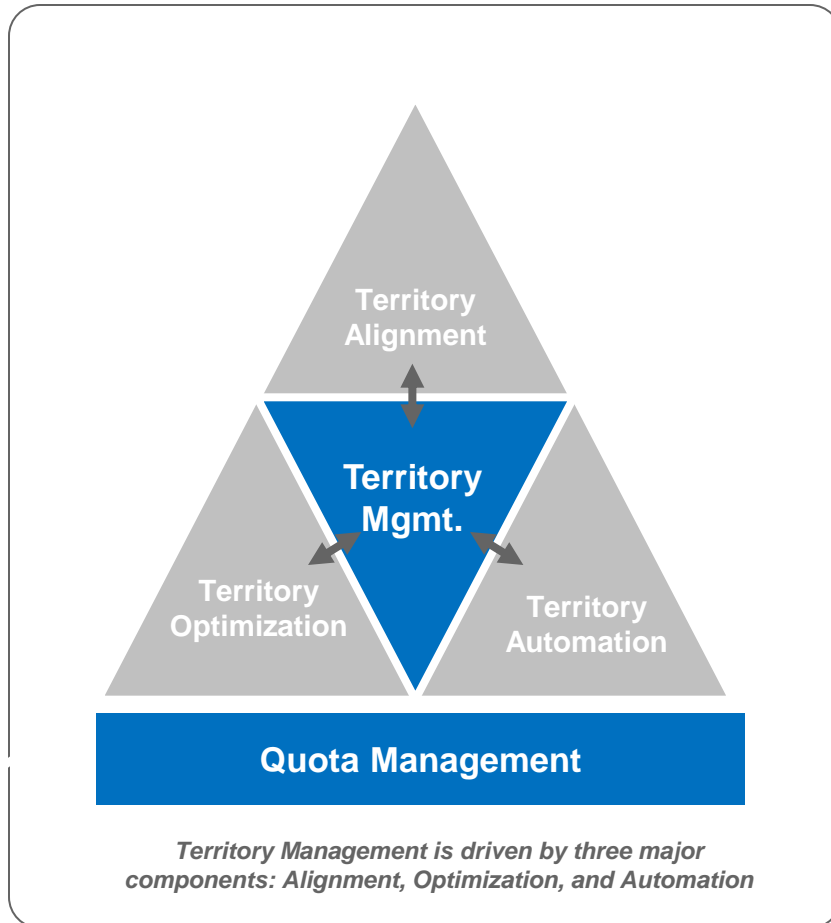
- Geographic
- Customer needs
- Product offerings
- Sales potential

*Up to 7% of Sales lost as territories are not properly aligned*

Assigning individual sales target to a sales unit is known as **sales quota management**. The sales unit can be assigned to a sales rep, distributor, dealer or territory. Quotas are tactical in nature and are derived from the company's strategic sales objectives.



# Components of TQM



## Territory Alignment

- Supports the corporate goals and sales strategy

## Territory Optimization

- Establishes fair territory alignment supporting strategy
- Drives equitable sales target allocations impacting profitability
- Can use mapping tools to support design process

## Territory Automation

- Improves transparency and ensures efficient tracking of quota attainment
- Enables fast response to account/staff turnover



# An Effective TQM is Vital

- Delivers an effective response to the demands of the ***sales strategy***
- Improves ***sales performance*** - expect up to 15% increase in revenue from territory optimization
- Drives high level of responsiveness to customer demands and buying preferences – ***higher customer satisfaction***
- Happy customers who receives the right level of contact – increasing ***market share***
- ***Motivated sales staff*** who have a fair challenge – more staff achieve testing quotas, account changes handled quickly, especially with face to face communication
- ***Accurate and timely performance reporting*** – ability to adjust and course correct
- ***Robust governance*** that provides the business with control as circumstances change – reducing unexpected impacts



# Pain Points – Territory Management

## Unclear Go-To-Market

- Unclear sales strategy
- Poorly defined roles
- Account segmentation absent or based on outdated market intelligence

## Inequitable Approach

- Misallocation of account size and type
- Unequal territories leading to unfair quotas

## Inaccuracies

- Insufficient data and few analytical tools leading to poor data analytics
- Difficult to assess territory alignment consistency and fairness
- Inaccurate/ineffective roll up to targets through the sales management structure

## Inefficient Process

- Manual process with many handoffs and corrections
- Poorly informed process – lack of accurate market, customer or historical performance data
- Tedious and time-consuming task for sales management and finance

## Lack of Flexibility

- Inability to react quickly to account or staff churn
- Inability to introduce new crediting rules to reflect new products/services or role responsibilities

## Lack of Transparency/Accountability

- Failure to communicate territory optimization process
- Failure to communicate account changes in timely fashion



# Pain Points – Quota Setting

## Unclear Go-To-Market

- Unclear sales strategy
- Poorly defined roles
- Quotas do not reflect requirements of strategy, changing economic situation or launch of new products for example

## Inequitable Approach

- Over-burdening top performers with higher quotas
- Quotas reduced for poor performance leading to poor performers never making target
- Negotiation of quotas favors more senior reps

## Inaccuracies

- No standardized quota-setting methodology
- Insufficient data and few analytical tools
- Poor data analytics
- Difficult to assess quota-setting consistency and fairness

## Inefficient Process

- Mid year changes create perception of gaming
- Manual process with many handoffs and corrections
- Tedious and time-consuming task for sales management and finance
- Lack of visibility into future market growth
- Sandbagging by reps (and management)

## Poor Link to Commission Payout

- Thresholds set very low (c. 50% of target), so that staff earn commission despite not achieving target
- Meaningless quotas with no impact on pay, performance or recognition

## Lack of Transparency/Accountability

- Failure to communicate quota-setting methodology,
- Failure to communicate quota in timely fashion
- Unclear ownership of quotas

## How are companies setting quotas?

**Aberdeen Research indicates actual achievement but against what targets levels:**

- Best-In-Class – 83%
- Industry Average – 66%
- Laggard – 31%



# Territory Optimization Market Trends

- A number of sectors under pressure on territory alignment as Go To Market changes to match customer buying patterns/requirements e.g. Pharma
- Greater awareness of the costs of poor territory alignment
- Organizations needing to become more agile in responding to staff and account churn
- Improvements in Optimization tools and wider SPM technology to enable Territory management
- Improvements in data analysis capability/management techniques driving territory alignment



# Quota Setting Market Trends

- **Majority of companies leverage quota-based incentives**
  - 77% have quota-based sales incentive plans
- **Use a combination of quota-setting methodologies**
  - 69% use territory potential/opportunity
  - 65% use sales management projections
  - 60% refer to historical data
- **And they change them frequently**
  - 56% of organizations adjust quotas during the year
    - Changes in territories or customer base (39%)
    - Shifts in business, economy, or industry (33%)
- **Half of companies do not use bottom-up data to set quotas**

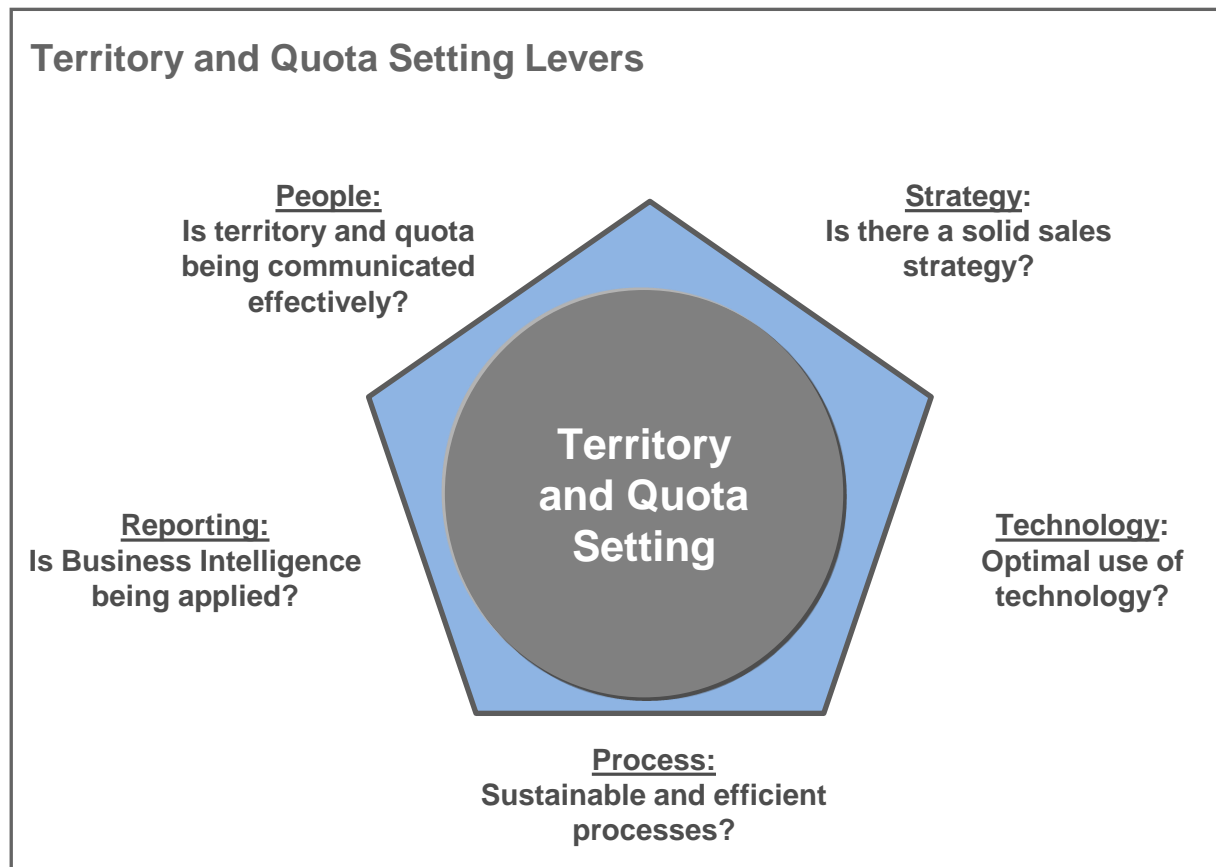
## How are companies setting quotas?

- **Top-Down Simple Increase (18%):**  
*Everyone gets the sale growth goal over prior year final results or quota*
- **Individual Last Year Plus (27%):**  
*Management gives everyone different growth goals*
- **Bottom-up Sales Potential (7%):**  
*Based on cumulative sales input about client opportunity*
- **Fair Share Allocation (24%):**  
*Bottom-up sales potential used to allocate top down overall number proportionately*
- **Hybrid/Combination (24%)**



# TQM Framework

OS uses a holistic framework to evaluate the current state and determine the future state of the “Territory and Quota Management” at any client. The framework is based on five levers



# TQM Framework: Maturity Assessment

	Stage 1 Ad Hoc	Stage 2 Emerging	Stage 3 Developing	Stage 4 Differentiated	Stage 5 Optimized (Best In Class)
Processes & Workflows	<ul style="list-style-type: none"> <li>No repeatable, measureable processes</li> <li>No integration</li> <li>No formal Sales or Perf Plans</li> <li>No Governance</li> </ul>	<ul style="list-style-type: none"> <li>Stable Level of Service</li> <li>Process Management Inconsistent</li> <li>Workflow diagrams not consistently utilized nor repeatable</li> </ul>	<ul style="list-style-type: none"> <li>Standards program in place</li> <li>Policies defined</li> <li>Solid level of service</li> <li>Standardized Workflow diagrams</li> <li>Basic process for review and Improvement</li> </ul>	<ul style="list-style-type: none"> <li>Process and Workflow integration is occurring with few gaps</li> <li>Workflows becoming standardized and consistent.</li> </ul>	<ul style="list-style-type: none"> <li>On-going process integration</li> <li>Comprehensive capabilities management</li> <li>Process-centric culture</li> <li>Workflows are documented</li> <li>Consistent, repeatable processes with CPI</li> </ul>
Technologies & Tools	<ul style="list-style-type: none"> <li>Low degree of Automation</li> <li>Heavy Manual Processes</li> <li>Multiple Platforms</li> <li>Few Tools or Obsolete Tools</li> <li>No Automation</li> </ul>	<ul style="list-style-type: none"> <li>Limited degree of standardization</li> <li>Inconsistencies across the enterprise</li> <li>Redundant applications</li> <li>Very basic tools</li> <li>Little Automation</li> </ul>	<ul style="list-style-type: none"> <li>Standard applications and systems</li> <li>Release management</li> <li>Consistent technologies</li> <li>Solid portfolio of tools</li> <li>High degree of automation</li> </ul>	<ul style="list-style-type: none"> <li>Environment &amp; infrastructure more standardized</li> <li>Improved Applications portfolio</li> <li>Manual elements most eliminated</li> <li>Touch-points more seamless.</li> </ul>	<ul style="list-style-type: none"> <li>Highly standardized environment</li> <li>Maximum reliability, supportability and efficiency</li> <li>Long term Technology program</li> <li>Effective applications portfolio</li> <li>Release management</li> <li>Highest degree of automation</li> <li>Integrated Portfolio</li> </ul>
Reporting & Analysis	<ul style="list-style-type: none"> <li>Few Metrics Tracked</li> <li>No KPI/KPO Visibility</li> <li>No RCA or CPI</li> <li>Minimal Executive Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Inconsistent Metrics</li> <li>Unclear tracking, trending &amp; analysis</li> <li>Undefined Methodology</li> <li>Informal Process</li> </ul>	<ul style="list-style-type: none"> <li>Balanced metrics</li> <li>Consistent Methodology</li> <li>Measure, Review and Improve processes</li> <li>KPI/KPOs defined</li> </ul>	<ul style="list-style-type: none"> <li>SPM highly refined model</li> <li>Standard, Repeatable Reporting &amp; Communication</li> <li>Analytical structure fairly strong</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive SPM model</li> <li>Management by Fact culture</li> <li>Consistent, Repeatable processes</li> <li>Continuous Process Improvement</li> </ul>
Organization	<ul style="list-style-type: none"> <li>Poorly Defined Roles</li> <li>No Hiring/On-boarding plan</li> <li>Minimal Reward for Performance</li> </ul>	<ul style="list-style-type: none"> <li>Unclear Touch Points</li> <li>Informal Training</li> <li>Incomplete Resource Mgmt. Plan</li> </ul>	<ul style="list-style-type: none"> <li>Functional Alignment</li> <li>Clear Roles and Responsibilities</li> <li>Focused Training</li> <li>Good Employee Care Program</li> <li>Career Dev. Plan</li> </ul>	<ul style="list-style-type: none"> <li>Focused Career Development</li> <li>Effective Organization</li> <li>Communication Plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Highly Focused Organization</li> <li>Performance linked to Comp</li> <li>Optimal fixed vs. Variable Staff</li> <li>Clear roles</li> </ul>

1. Understand the current level of maturity for each of aspect of Territory and Quota Management
2. Leverage best practices to build the future state for TQM
3. Implement future state design
4. Sustain the future state



# Territory Alignment Best Practices

Ineffective	Aspect	Effective
Unclear strategy, poor alignment	<b>Alignment - territory alignment and corporate goals</b>	Clear strategy, account segmentation, territory design
Lack of clarity, role overlap/gaps	<b>Alignment drives sales role deployment</b>	Clear role definitions, how sales roles work together
Little, no explanation	<b>Communication of territory alignment</b>	Face to face meetings, clear link to quota determination.
Manual process, few factors used, poor governance	<b>Mapping of territories to generate fair alignment</b>	Fully automated process, robust governance, takes account of all variables
Unclear rationale	<b>Quota impact</b>	Clear link to quota determination
Crediting rules unclear	<b>Clear sales crediting</b>	Clear governance and link to incentives design
Poorly handled, delays	<b>Changes to territory/account responsibilities</b>	Accurate scenario modelling, changes/handover transparent, flexible/rapid process,



# Quota Setting Best Practices

Ineffective	Aspect	Effective
Unclear process, simplistic	<b>Calculation of quotas</b>	A well established process, factoring for market conditions.
Unclear, no explanation	<b>Communication of quotas</b>	Face to face, interactive, clear explanation
Manual, inaccurate	<b>Calculation of quota achievement</b>	Fully automated process, accurate, daily
Manual, complex	<b>Communication of quota achievement</b>	Using a simple, easy to use tool that is available to all sales people, is accurate and updated daily.
Poor, unclear	<b>Alignment between quotas and the corporate goals</b>	Quotas clearly derived from corporate goals.
Low, company not proactive	<b>Sales reps understanding of the justification for the quota numbers</b>	Proactive, regular
Unrealistic, unattainable	<b>In the eyes of the salesperson, how realistic is the concept of full quota achievement?</b>	Quotas seen as fair, equitable and credible
Unclear rationale/handover	<b>Handling of changes to territory/account responsibilities handled</b>	Accurate scenario modelling, transparent, comprehensive/ positive handover process.



# Quota –Setting Methodology

There are a range of formulas from high simple to highly complex. The choice is limited by data and market understanding. Need to balance capability with target outcome

Method	Definition	Complexity	Data Dependent
Weighted index	Range of factors used – historical sales data, territory potential, account mix/churn. Increased sophistication using data and regression analysis		
Bottom up sales potential	Bottom-up sales potential used to allocate top down overall number proportionately		
Individual Last Year Plus	Management gives everyone different growth goals based on territory potential		
Fair Share allocation	Bottom-up sales potential used to allocate top down overall number proportionately		
Top Down simple increase	Everyone gets the sale growth goal over prior year final results or quota		
All in the same roles get the same quota	Same quota irrespective of account no./mix		





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# Case Study

# Territory and Quota Management: Case Study

## Animal Health Company

### Business Driver

- The company's current technology capability was limiting its ability to respond quickly and flexibly to market changes and strategy challenges. Lengthy manual workarounds
- Company wanted guidance on how it should develop its sales crediting and territory design capability

### Solutions

OpenSymmetry provided the following services to provide a clear way forward for the company:

- A **maturity assessment** of the companies **current** and **target future** sales crediting, quota setting and territory management capability using input from internal stakeholders and OS' methodology
- The development of a **business case** to support the implementation of a new automated solution based on cost savings from more efficient processes, business performance upside from faster implementation of strategy-aligned changes to crediting rules and territory alignment, reduced spend on external consulting and increased self-sufficiency for the administrative team
- A **market study** on the comparative capabilities and costs of a range of vendor solutions, including the organization and management of vendor demonstrations
- A **report to management** on a recommended way forward.

### OpenSymmetry's Value to Client

- Current state assessment of territory alignment and sales crediting
- Business case identified savings – time (\$300k), external consulting (\$150k), revenue increase (up to \$7m)
- Independent and insightful assessment of the technology options



# Conclusion: Benefits of Effective TQM

## Risk Avoidance

- Business risk
  - Reduced cost linked to manual processes
  - Reduced staff turnover
  - Improved governance
- Reduced territory misalignment
- More effective customer contact
- More accurate quotas

## Capability

- Better integration with other technologies
- Improved ability to model and launch new territory alignments quickly
- Improved ability to respond quickly to account changes
- More efficient business processes
- Lower reliance on external support

## Aspiration

- Increased sales performance – revenue/margin through accurate and timely individual and team performance reporting
- Better able to deploy new alignments, quotas and incentive plans more quickly
- Better engaged and motivated sales staff
- Better informed sales leadership to guide decision making on strategy, tactical changes



# Where to start?



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In your experience are there one or two things that companies need to do first for quota planning?



# New Approaches to Territory



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Are there new approaches to territory design?



# Ratio of Accounts to Reps



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How do you determine how many accounts to assign per sales rep?



# Timing of Quota Setting



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Is there a correlation between the timeliness of quota setting and the productivity of the rep?



# Transparency of the Design Process



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From your experience what are the best ways to make the process transparent?



# Case Study Example



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How did you get the rep to stop at the various sized vets in your case study?



# Value of Rep Activity



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How do you determine the value of “hunting” vs. “farming”?



# Unattainable Goals



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How do you establish “stretch targets” when a target has been deemed unattainable?



# Making Quota



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What is the ideal distribution of performance? How many reps should be at or above quota?



# Financial Penalties for Missing Quota



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Have you ever worked with a company that penalized reps for missing quota?





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**Thank You.**