

Sales Territory Design

Meaning

Deploying a sales organization is an expensive proposition. Whether money is being spent on putting reps in the field, developing an inside sales team or selling through channel partners – or a combination of all three – cost of sales is often one of the largest line items in the corporate budget.

When sales territories are out of balance, organizations spend too much money and time on low-potential customers, while spending too little on high-potential customers. As a result, sales organizations can leave millions of dollars in lost productivity unrealized.

Before designing territories and assigning accounts, make sure to understand the sales strategy. Think of this approach as “Structure follows strategy.” For example, if the growth strategy involves expansion into new vertical markets, consider new channel partners with vertical market expertise or positioning subject matter experts as sales resources. If the strategy involves increasing sales productivity, then travel time and sales workload are of utmost importance.

Steps for Designing Territories

Step 1: Segment customer base and analyze market potential

Organizations that have conducted analysis of their territories first segmented their customer base to understand the market. To do so, they relied on 4 pieces of data:

- a) **Customer Master Database** – You need to know the current accounts, where they are and what they are spending.
- b) **Complete set of Opportunity records** – What opportunities are in the pipeline and what is the total potential?
- c) **Complete set of Lead records** – What is at the top of the pipeline?

d) Third party suspect database – How large is the market for your product or service? What is the potential for organizations that have been touched?

Needless to say, the more accurate your Sales Force Automation data the better.

Step 2: Rank your talent

With these 4 inputs you can assess the true potential of your market. The next step is to look at your sales reps. Ask the following questions:

- What was revenue attainment per rep last year?
- How much potential is in their territory patch?
- How many current customers and opportunities are in their patch?
- How many ideal company prospects are located in their territory?

Stack rank the reps based on these criteria. You will need this data later to ensure the top reps are in the best territories.

Step 3: Map customers and prospects

Determine where each prospect and customer is located. Choose locations where the buying center would be located (typically HQ). Determine what each account is currently spending and the workload required to service the account. This is also the time to consider your sales org structure. How many of those accounts are Enterprise, Key Accounts and SMBs? What types of reps will be calling on each account?

Step 4: Create territories

You can now create territories and assign relative quotas and compensation packages based upon realistic potential. Consider the number of customer accounts and their potential spend. Do the same for prospect accounts. Finally, think about the workload required in each territory.

Step 5: Review territory map

Take the sales rep stack ranking you created in Step 2. Are the top reps managing the territories with the top potential? You may need to move reps into new territories. You need to ensure the best people are managing the best territories. You may also need to add and subtract accounts based on analysis.

Reasons for Establishing Territories

The main motive of establishing sales territories is to simplify the planning and controlling of the selling function.

Following are some reasons for establishing sales territories –

1. To obtain thorough coverage of the market

According to the division of sales territory, the activities are assigned to salesperson. This helps in market coverage, rather than the salesperson selling the product according to his ambition. It helps the sales manager to monitor and take updates accordingly from different sales managers.

2. To establish the salesperson's job and responsibilities

It's very important to establish jobs and responsibilities for salespersons. Sales territories help in doing so because the task is assigned to the salesperson and he is responsible and answerable for the same.

Once the task is assigned, frequent checks are done to monitor the calls; it helps to determine the work of each salesperson. If the sales manager finds the workload for a particular person is more, the work is divided and reassigned equally. This creates motivation and interest to work.

3. To evaluate sales performance

In an organization, the sales territory is compared from the previous years to current to find out the difference, i.e., the increase or decrease in sales volumes. It helps to work on the difference accordingly. This is done with the help of sales territory as the activities are assigned in a proper manner and gathering of data and evaluation becomes easy.

The comparison to evaluate sales performance is done on the following basis –

- Individual to District
- District to Regional
- Regional to Entire Sales Force

By this comparison, we can evaluate and determine where the sales force is contributing for high volume of sales.

4. To improve customer relations

As we know, salespersons have to spend most of their time on road to sell the products but if the sales territory is designed in a proper way, the salesperson can spend more time with the customers (present and potential). This helps in building rapport and understanding the needs better.

Sales of a company can increase when a customer receives regular calls and the salesman has to visit the customers on the basis of calls. The salesman and the customer get time to understand each other and resolve their issues regarding demand and supply. This also helps in increasing the brand value of the company.

5. To reduce sales expenses

Once the geographical areas are decided, the company gets a proper picture as to the areas that can be assigned to the salespersons. He/she needs to cover that area so that there is no duplication of work by sending two salespersons in the same area.

The selling cost of the company gets reduced and leads to increase in profits. There is also an advantage to the salesperson for few travels and overnight trips.

6. To improve control of the sales force

The performance of a salesperson can be measured on the basis of calls made to customers, the routes taken and the schedules. In this case, the salesperson cannot deny if the results are not positive.

The salesperson has to work on the same routes, schedule and everything is predetermined. This results in better control of the sales force.

7. To coordinate selling with other marketing functions

If the sales territory is designed properly, it helps the management to perform other marketing functions as well. It is easy to perform an analysis on the basis territory as compared to the entire market.

The research done by the management on marketing on territory basis can be used to set sales quotas, expenses and budgets. The results can be satisfactory if the salesperson helps in advertising, distribution and promotion when the work is assigned on territory basis instead of the market as a whole.