



Territory Planning and Management

Territory Management

Effective territory planning and management is critical for maximizing sales performance. Well-defined territories ensure that you have the right people selling to the right markets, with no gaps and no internal clashes. Territories with the right mix of stability and opportunity motivate the sales force to reach their targets. Poorly defined or unfair territories can have a detrimental effect on the sales team.

“The more data the SalesOps and RevOps teams can provide to frontline leaders to assist in understanding the total available, the sales cycle for their territory, conversion rates and churn, the better they can optimize territory planning across their teams.”

Giving the sales force tools that show them the highest potential accounts in their territories can be invaluable. A Forbes.com article about optimizing a better sales strategy recommends leveraging data and KPIs:

Territories that are unbalanced or unfair can cost money and hinder a company's path to meet its revenue goal by:

- Missing market opportunities
- Failing to meet strategic objectives
- Losing top sales people
- Underservicing markets

In this guide, we cover:

- Different ways to define territories
- Signs that territory management could be improved
- Best practices for effective territory management
- Reducing risk with a territory management solution
- Beneficial outcomes of a territory management solution
- Territory management recommendations

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Different Ways To Define Territories

Chapter 01



There are several methods that can be used to define territories, including geography, products and services, markets, revenue potential, accounts, and hybrids.

Geographical territories

For products and services that need face-to-face sales interaction, geographical territories need to be defined. Ensuring fair territory distribution can be tricky, due to higher opportunities in certain areas, and increased travel requirements in others.

Product-based territories

For companies with different product lines, more than one sales representative may have the same client in a territory for each product. Where specialized knowledge of a product or service is required, having product-based representation makes sense.

Market-based territories

In many instances, the way a product or service is marketed and sold is heavily dependent on the target industry. In these cases, it makes sense to have a marketbased territory as the primary delineator.

Potential revenue-based territories

Potential revenue territory definitions are used to carve up balanced territories. These sub-territories are typically applied along with another means of territory alignment. Calculating the opportunities within each territory is a key part of balancing territories.

Named account territories

Larger organizations with significant customer relationships often design territories around specific named accounts. Territories can be made up of existing customers, potential customers, past customers, and can also be subdivided within these accounts by applying other territory definitions.

Hybrid territories

Depending on the size of the sales force and the number of products and services being sold, hybrid territory definitions are needed; for example, defining territories first by industry, then by geography.

Signs That Territory Management Could Be Improved

Chapter 02



Multiple issues such as those listed below can be symptoms of poorly-managed territories. These problems frequently drive companies to invest in a territory management solution:

Quotas are not reached:

Territory management and quota management go hand-in-hand. If a quota is unrealistic for the size or type of territory, the sales force is unlikely to reach their targets.

Strong leads are not pursued:

If too many potentially big accounts are assigned to a few sales representatives, those accounts may be under-served, and those opportunities will be lost.

Disengagement:

Sales representatives who feel that their territory wasn't assigned fairly are not likely to be highly productive or make positive contributions to a company's growth.

Turnover and recruiting issues:

Sales representatives take territories seriously. If they do not see an opportunity with an assigned territory, they are likely to look elsewhere. If word gets around that your territories are unbalanced, it may be difficult to attract top talent.

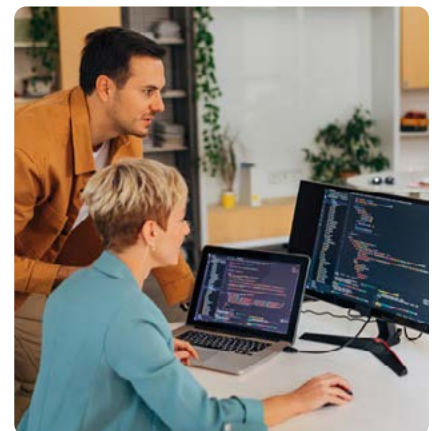
Difficulty accommodating exceptions:

In some cases, there will be special considerations that need to be factored in, such as a pre-existing relationship, a connection or customer preference to deal with a specific sales rep. These exceptions need to be able to be factored in without becoming unmanageable.

Territories need to be continually re-evaluated and realigned to help your company reach its maximum sales potential. Spreadsheets are not up to the task, and they can even be a hindrance if making changes to the existing territory structure is prohibitively complicated. If no one wants to touch the territories for fear of breaking the spreadsheet system, sales are most likely being compromised.

Accept that territories need continuous re-evaluation and rebalancing. Realignment sales territories should not be a major, rare event. They should be adjusted to accommodate the many variables in the sales equation such as market opportunity, economic situation, potential of sales reps, ability to deliver, market sophistication, product, and lifecycle stage.

Use historical data as a starting point, not an end point. Simply copying what you did last time is not an effective way to manage territories. By integrating other systems with a territory planning solution as part of an overall sales compensation management strategy, you can more effectively use current data and market intelligence to realign territories.



Many systems can share useful data with a territory planning solution:

- Customer Relationship Management
- Human Capital Management
- Enterprise Resource Planning
- Financial Planning and Analysis
- Operational Sales Management
- Quota Planning
- Incentive Compensation Management

Reassess territories based on the current sales hierarchy:

As sales representatives are added to or leave the sales force, territories need to be readjusted. In some cases, it may make sense to have a team cover a territory.

Iterate based on modeled quota scenarios:

Before finalizing a plan, the effects of proposed adjustments to territories and quotas should be modeled so that the best scenario can be predicted and implemented. An automated territory planning system with the capability for modeling can be extremely valuable.

Share updated territory information with the sales team in a timely fashion:

The sales force needs time to prepare to effectively sell. Territory assignments are critical and must be communicated well before a quota timeframe starts.

Communicate territory boundaries clearly:

If people do not understand the territory boundaries, there are sure to be gaps in coverage and clashes with multiple representatives claiming the same account.

Use tools that are up to the task of effective territory planning and management:

Spreadsheets cannot keep up with changes and allow proper modeling of proposed territory realignment. A territory planning and management solution that is purpose-built for the task of defining and revising territories is critical to implement effective sales planning best practices.



Reducing Risk With a Territory Management Solution

Chapter 03



A territory management solution can eliminate and greatly reduce many risks associated with a legacy or manual spreadsheet system.

Risk	Improved Territory Management Solution
Gaps in coverage	By modeling proposed territories and centralizing data, the risk of leaving coverage gaps or spreading resources too thin is greatly reduced
Time wasted on low potential accounts	If territories are properly balanced, the sales force can focus their efforts on high revenue, best-opportunity accounts. If too many of those accounts are assigned to a small subset of the sales force, they may be neglected.
Not meeting quotas	With a territory and quota management solution, executives and managers have an up-to-date view of sales so that any gaps or risks can be acted on right away, preventing end-of-month surprises.
Salespeople not understanding targets	With a territory and quota management solution, targets can be clearly communicated, and salespeople have visibility on their objectives and opportunities.
Lack of transparency	Whether it is an auditor or a salesperson who asks to see what targets were set, when and why, a business needs to be able to provide the information. A territory management solution provides a high level of transparency.
Lost market opportunities	Manual systems often result in slow, confused territory assignments. A territory management solution can greatly speed up the rollout process while reducing unrealistic or underwhelming target setting. Territory management also makes it easier for the sales team to understand expectations and begin addressing market opportunities faster.
Poor plan performance	Designing effective sales programs can be extremely complex. By using a territory management solution to model the effects of proposed plans, organizations are more likely to develop plans that are achievable, motivating, and that meet corporate objectives.

Beneficial Outcomes of a Territory Management Solution

Chapter 04



Effective territory management has multiple benefits that exceed reaching sales targets.

Outcome	Territory management solution
Improved agility	With the faster planning and rollout capabilities of territory management, companies can react to market opportunities by re-aligning the sales team quickly.
Reduced frustration and turnover	Being expected to meet unrealistic targets is a problem that top sales performers won't endure for long. Territory management solutions share the rationale behind territory assignments, offering evidence that expectations are achievable, resulting in higher job satisfaction and motivation.
Improve scalability	By reducing the administrative burden of territory management, the sales force can be expanded more easily to meet market demands without requiring an increase in administration for territory reassignment.
Improved visibility and line of sight on sales	When paired with an incentive compensation management solution, territory management solutions offer performance insights into managers, individuals, teams, and regions which can be used for coaching, better planning, and strategic decision making.

Territory Management Recommendations

Chapter 05



For best results using a territory management solution, it is important to follow these recommendations:

- Ensure the territory planning approach is aligned to the go-to-market strategy
- Draw from historical territories while remaining open and flexible to make necessary changes
- Create multiple territory plans and analyze the benefits and drawbacks of each plan
- Actively plan quotas in conjunction with territories to get a feel for how sales goals will be achieved in each version of the territory plan
- Decide, and communicate how temporary territory gaps will be covered and credited
- Ensure that your territory planning process includes mechanisms for feedback from finance, sales leadership and executive leadership
- Consider the relationship between territory setting and quota setting
- Choose the best territory management solution for your specific business needs
- Always consider the change management and communication aspect of territory reassignment

In order to successfully implement a territory management solution, multiple factors need to be considered, including:

- Knowledge of your industry
- Features and limitations of the software application
- Best practices associated with market-leading approaches to territory management

As sales performance management specialists, we have the experience and leadership needed to solve your territory management challenges.



Contact us to learn more about how Argano can help you implement and manage effective, efficient territory management as part of a sales performance management solution.

About Argano

As the world's first and largest digital consultancy focused exclusively on high-performance business operations, Argano supports the full transformational journey through strategy, design, execution, and ongoing managed services – enabling businesses to maximize their growth, profitability, commercial agility, intelligence and customer satisfaction, guaranteed. Learn more at argano.com.