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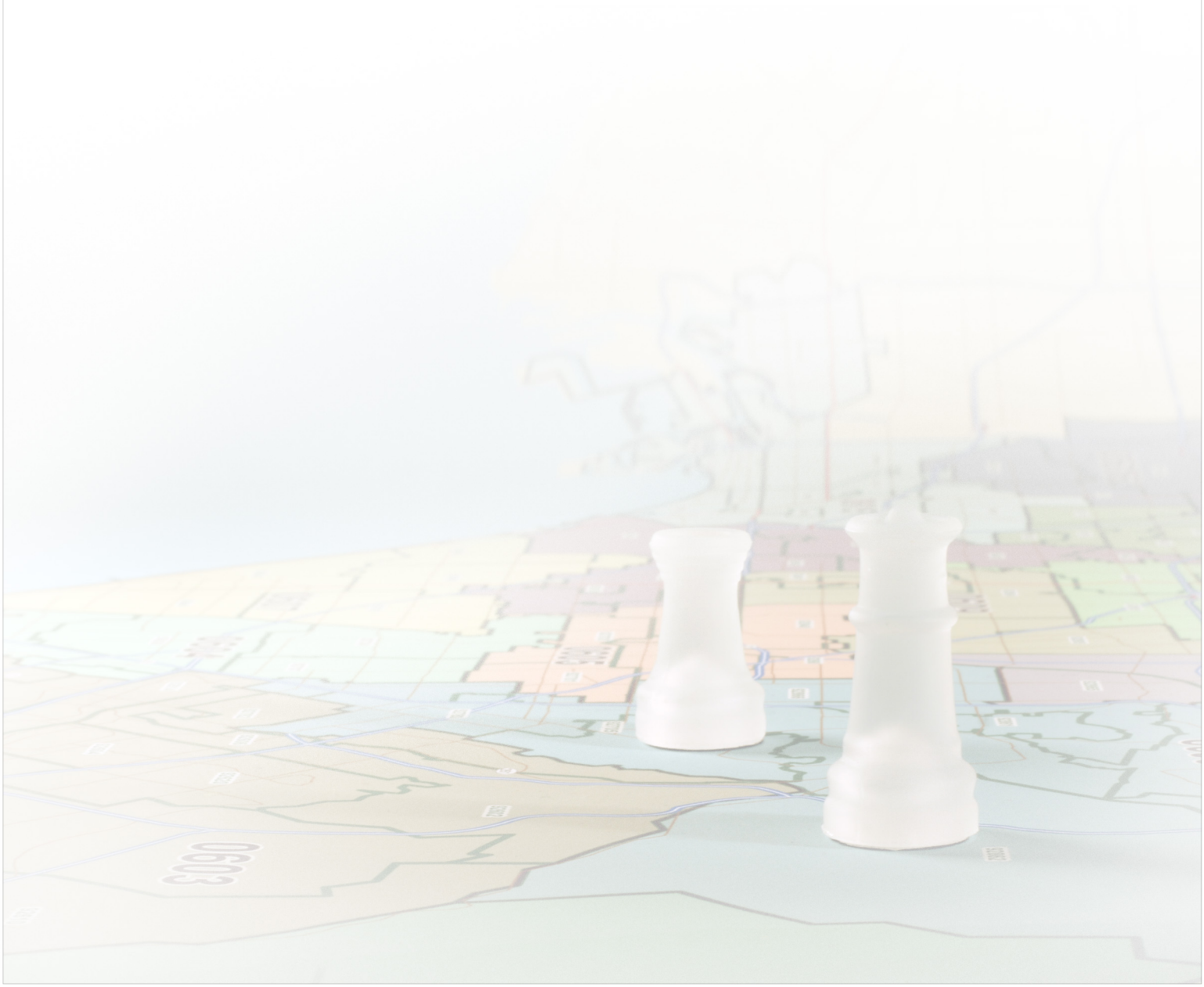
Optimizing Sales Territories Based on Workload

The Key to Increasing Productivity, Sales Coverage and Revenue

A Mapping Analytics Sales Management Brief



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Businesses undergo sales territory alignment projects to increase revenue and sales productivity while controlling or lowering the cost of sales.

"A salesperson's most precious resource is time. Workload analysis takes into account how much time is required to sell into different types of customer and prospect accounts — leading to more profitable, efficient and equitable sales territories."

The first inclination of many companies is to create new territory alignments based on revenue or potential revenue. The assumption is that territories balanced on a revenue goal are equitable and offer each salesperson an equal shot at making his quota.

However, balancing territories on revenue alone can lead to poor results. One salesperson's territory might consist of a few high revenue accounts that simply need to be nursed, while another salesperson has to scratch and claw their way among many smaller accounts to reach his revenue goal. The time necessary to sell into and service their territories is distinctly different.

In this situation, your sales team is not maximizing productivity, coverage, or revenue. For these reasons, you should consider the concept of workload when aligning or optimizing sales territories.

A Workload Model Strategically Addresses the 'Time' Factor

A salesperson's most precious resource is time. Workload analysis takes into account how much time is required to sell into and service different types of customer and prospect accounts — and the return in revenue you achieve for the time expended. This analysis offers a sales organization benefits on many levels:

- **Better understanding of your customers**. In a workload model, you allocate sales effort to the customers most likely to provide a return on that time. Who are those customers? You begin to find out by segmenting your customers into groups, based upon revenue, product mix, industries served, or other criteria important to growing your business. This classification will

provide insight into the distribution of and effort required to service your customers. As with any model, it's best to limit the number of classifications to produce a representative and workable model.

- **Accurate assessment of sales productivity.** Once you determine the classification system, you can focus on the sales process for each account segment. Calculating the time necessary to sell into and service each segment, and knowing the revenue returned for that effort, provides valuable insight into your sales productivity.

- **Higher return from your sales resources.** Workload analysis allows you to develop a sales coverage model to distribute and focus sales resources on those accounts where the balance between sales effort and revenue is optimized. In other words, you can align resources to maximize customer satisfaction and revenue.

- **Equity and high morale among sales team**. When workload and potential are balanced, your sales team operates in an environment of equity and high morale, leading to greater productivity, more revenue, and lower turnover.

Type/Class	Size/Definition	Call Length	Call Frequency	Annual Work Load
A1	Key Accounts	Individually assigned	70/year	Varies
A	More Than $1,000,000	5 hrs.	70/year	350.0
B	$250,000 to $1,000,000	4 hrs.	60/year	240.0
C	$100,000 t $250,000	3.5 hrs.	35/year	122.5
D	$50,000 to $100,000	2.5 hrs.	15/year	37.5
E	Less Than $50,000	2 hrs.	4/year	8.0

An example of account classification. Key accounts are few and individually assigned. All others are segmented by revenue, with data estimated for call length, call frequency, and annual work load in hours.

Developing the Workload Model

Workload models require two inputs: selling hours available in a salesperson's year and the selling time required to service each type of account. In calculating the selling time available for an average rep, keep in mind that the 40-hour workweek is a myth. Here is an example of calculating a selling year:

Selling Year = (Number of Selling Days * Average Selling Time per Day)

- Number of Selling Days = (52 weeks * 5 days) – (avg. vacation days) – (company meetings) – (training) – (etc.)
- Average Selling Time per Day = time spent at selling location – (drive time, administrative time, etc.)
- Example: (200 selling days * 5.5 hours/day) = 1,100 selling hours per year per rep

Calculating the length and frequency of sales calls required to service each class of accounts might require estimates. There may be little empirical data in an organization regarding call length and frequency. Therefore, estimates should be checked against reality early and often. The key point is that a workload model is unique to the organization. It should make intuitive sense, satisfy the strategic goals of management, and reflect the reality of your sales organization.

Identify Sales Resources Needed

The workload number for each account is added to the account record in your customer database. This is the variable you use to balance sales territories.

The sum of the workload for all accounts lets you determine overall effort you must apply and the number of sales reps needed to achieve your sales coverage goals. Using the example of 1,100 selling hours per year per rep, you can divide the total workload in the database by selling hours per year per rep to determine the number of sales reps needed.

(Total Workload / 1,100) = Number of sales reps required

By evaluating your estimated workload requirements by customer segment and the number of sales resources required to service those segments, you now can optimally allocate the available resources. In the example workload model (chart below), you can compare the percent of the workload to the percent of revenue, and draw conclusions to support decisions:

- Class A accounts require 18.5% of the workload to deliver 45.9% of the revenue. This is a healthy relationship, since you want to nurture and leverage your best accounts.

- B and C are potential growth accounts. If your organization wants to move B and C accounts to become A accounts, you must invest a greater percentage of workload into these accounts than they currently deliver in revenue.

- Class D and E accounts are problematic, also requiring more workload than the revenue they deliver. Using this model, your organization may have the evidence it needs to make key decisions, such as a hybrid approach with D accounts (both inside and outside sales), or turning over E accounts to an inside telesales team. In these cases, you can re-allocate the workload as appropriate to A, B, or C accounts.

Account Class	**A**	**B**	**C**	**D**	**E**
Size Definition	**$1,000,000+**	**$250,000 - $1,000,000**	**$100,000 - $250,000**	**$50,000 - $100,000**	**Less Than $50,000**
Call Length	5.0	4.0	3.5	2.5	2.0
Call Frequency	70	60	35	15	4
Workload Units	350.0	240.0	122.5	37.5	8.0
% Selling Year	31.8%	21.8%	11.1%	3.4%	0.7%
% Man Year	17.5%	12.0%	6.1%	1.9%	0.4%
# of Accounts	29	83	117	106	813
Total Workload	10,150.0	19,920.0	14,332.5	3,975.0	6,504.0
% of Workload	18.5%	36.3%	26.1%	7.2%	11.9%
Revenue	$64,870,741	$41,391,688	$18,244,492	$7,422,777	$9,272,966
% Revenue	45.9%	29.3%	12.9%	5.3%	6.6%

Recommendation

Before undertaking a sales territory alignment project, consider the advantages of using a workload model to help balance and optimize territories. A workload analysis not only produces valuable data for territory alignment, it can provide insight into the makeup and deployment of your sales resources, allowing you to make more informed sales management decisions.

Mapping Analytics has worked with large and small sales organizations for almost 20 years to provide strategic sales territory alignment services, along with necessary sales territory alignment software and data to achieve continued success.

Please contact us for more information at (585) 271-6490 or on the Web at www.mappinganalytics.com.