

WHITE PAPER

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your
Sales Territories and
Sales Responsibilities



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2

Contents

Part 2: Establishing Your Sales Territories and Sales Responsibilities

- Page 3. Summary
4. Balance Equals Manageable, Sustainable Performance
5. Visionary Goals and Objectives
5. Account Types
6. Sales Potential
7. Establishing Your Sales Territories
10. Aligning Your Sales Team Responsibilities
11. Conclusion
11. Looking Ahead to Parts 3 and 4



How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities

Summary

Building a highly-efficient sales structure demands manageable sales territories and empowering responsibilities. Balance is critical. A balanced sales structure has *the right people in the right jobs selling the right products to the right customers in the right territories*. But balance takes analysis and planning.

You should compare the Account Types for your current and preferred customers. Comparing your *ideal* account mix to your current client mix tells you where to concentrate your effort.

A pre-year sales forecast can show you the effort required, growth potential, size of market, and possible obstacles. Also consider whether your territories should be geographic or based on the products and services you provide. Each type has advantages and disadvantages regarding cost, account exclusivity, specialization, management levels, and management control.

Analyzing your current sales team is also essential to make sure their strengths align with the skills required. You'll also need to assess their workloads, as well as whether they should function as specialists or generalists, hunters or farmers.

With proper analysis of these and other critical factors, you can establish a balanced sales structure set up for optimum performance and overall sales success.



*This White Paper is the second of four in this series from Sales Xceleration. For more information about how Sales Xceleration Advisors can help your company with sales strategy, process, and execution, contact us today at **1.844.VP4SALES**.*

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



A balanced sales structure is highly functional. It has the right people in the right jobs selling the right products to the right customers in the right territories.

Balance Equals Manageable, Sustainable Performance

With your goals and objectives defined (see Part 1 of this series), building a highly-efficient sales structure demands that you establish manageable sales territories and assign your salespeople the responsibilities that can empower them – and your company – to thrive. This is a balancing act, and you will need to consider a number of key factors when determining the most balanced sales structure for your organization.

Why is balance so important?

A sales structure that is balanced is essentially a highly-functional system, one that has a seemingly natural synergy. In such a system you will have *the right people in the right jobs selling the right products to the right customers in the right territories*. In such a system, there is little confusion regarding authority and responsibility. In such a system there should be no "turf wars" and no frustrations that one salesperson acquires the best accounts in an area or that others don't pull their weight. And, in such a system, balance makes sales management easier and sales compensation less of a mystery.

But balance doesn't just happen. It takes analysis and planning. And just as the shifting of weight in a system that has achieved equilibrium can upset its balance, so can even small changes to a sales structure. A balancing act requires constant attention and *action* to keep it in balance.

So, what factors come into play when seeking to create and maintain a balanced sales structure? There are many, and some might be more important in certain organizations than in others. In most cases, these factors apply to decisions regarding both the definition of sales territories as well as the assignment of sales responsibilities.

Let's take a closer look at some of these critical factors:

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How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Visionary Goals and Objectives

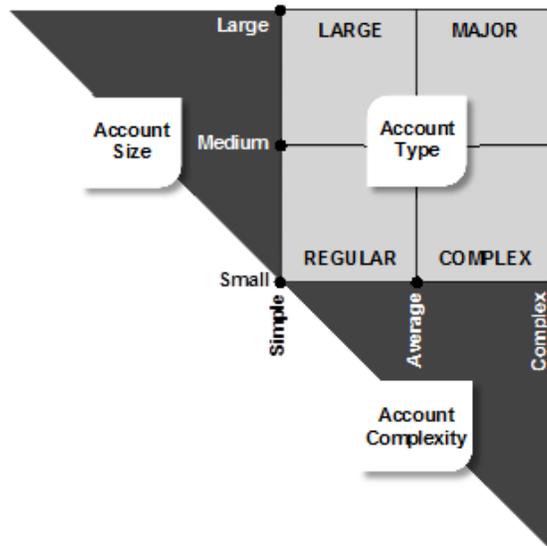
Building a highly-efficient sales structure is rooted in a clear vision of success, concrete and achievable goals, and strategic plans and tactics that drive sales and sustainable growth. As noted in Part 1 of this White Paper series, vision is both the foundation of success and the launching pad to help your sales team reach that destination. Meaningful goals, the kind that will make that vision more tangible, must be specific, measurable, attainable, realistic and timely. What's more, they should be based on relevant data from last year's performance, answers to key questions about next year's direction, and a statistical model that enables the creation of individual sales quotas that are equally challenging for each member of the team.

With a clear vision and solid, achievable goals in place, strategic planning can then begin to develop the necessary sales strategy and tactical sales processes that drive sales and fuel corporate growth.



Account Types

Armed with a clear understanding of your vision and goals, your company should also take stock of the types of customers you currently have as well as the ones you want to acquire. Here is a simple graph that can help you understand your current and desired account mix:



By finding where the lines cross between Account Size and Account Complexity on this graph, you can determine the Account Type for each customer.

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How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Account Types

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What can you do with this information? First, start with your ideal account mix across your entire company. What is the proportion of small clients to large ones? Of regular customer accounts to complex ones? Then, compare that to where you are currently. The difference between where you are and where you want to be tells you where to concentrate your effort . . . and what success looks like when you get there.

Understand that, for most organizations, not every customer account should be large and complex. While these types of accounts can be lucrative, they can also take longer to bring on board, take more effort to manage, and be more devastating to your corporate stability if lost to a competitor. It pays, therefore, to have a strategic mix of customers, including small and simple accounts, medium-sized ones with average complexity, and yes, perhaps some of those large and complex accounts. While large and simple-to-manage accounts are desirable, small and hard-to-manage accounts should be avoided.

It pays to have a strategic mix of customers in various Account Types,



Sales Potential

Identifying the types of customer accounts you want is a great starting point, but is it realistically achievable? One way to answer this question is by doing a pre-year sales forecast, both company-wide and by sales territory. In fact, this type of analysis can be an important factor in determining your sales territories based on effort required, growth potential, size of the market to be covered, and possible obstacles.

Simply put, sales potential can be forecast by quantifying the total number of current clients and prospects in a territory along with their buying power. In other words, if you could sell to every current client and market prospect in an area and get them to maximize their spending with your company, what would that total be? Remember that this is just the sales *potential*. Capturing 100% of any market in any territory is unrealistic. Still, it is good to know if the market is worth the effort in a given area.

Sales potential can be forecast by totalling all of your clients and prospects in a territory along with their buying power.

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Establishing Your Sales Territories

In addition to understanding the total sales potential in your market area, there can be many other relevant factors to take into account when setting up sales territories. The first of these is to consider whether you should set up your organization for geographic territories or for territories based on the products and services you provide (and how those can be represented by specialists on your sales team).



A **SALES TERRITORY** is that defined segment of customers or a delineated geographic area for which a salesperson or sales team is responsible.

Which Territory Structure is Best for Your Organization?

Each type of territory has advantages and disadvantages. Consider this comparison of geographic vs. product/service-based territories:

Factor	Advantage	Notes
Cost	Geographic	Geo-based sales territories can reduce travel costs. In national or international companies, cost reduction can be substantial if the salesperson lives in the heart of the geo-based territory.
Account Exclusivity	Geographic	In a geo-based sales territory, there is no confusion over whose account is whose. There are no "turf wars" if the turf is clearly defined and respected.
Specialization	Product/ Service	Especially for complex or expensive products or services, it can be advantageous for the salesperson to be a recognized expert and trusted resource.
Management Levels	Geographic	Organizations can often reduce the number of management levels supervising geo-based territories because the salespersons are essentially equal in representing multiple products or services.
Management Control	Product/ Service	When the salesperson is responsible for specific products or services, management can exert greater influence and control over how those products or services are presented, often down to the micro level.

Continued

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Establishing Your Sales Territories

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Other factors that can come into play in defining your territories include:

- Individual salesperson aptitude, especially when there is the need for each salesperson to handle large complex sales. (Are they capable?)
- Types and sizes of customers (a salesperson who covers a large, complex account might have capacity for fewer overall accounts)
- Industry vertical (particularly if a vertical diverges from the products and services represented elsewhere in your company)
- Market segments (key target markets vs. secondary markets served)
- Targeted account leads provided by non-Sales Rep lead generation personnel
- Density of market vs. total geographic areas served

Once you have decided that a market is worth pursuing, as well as your preferred type of territories, you'll also want to determine if your current sales team capacity can handle the workload for converting a reasonable number of those prospects into customers – and manage those customers once converted.

This brings us to an examination of your current sales team:

Salesperson Strengths

What are your current salespeople truly superior at achieving? Do their strengths align closely with the skills required to nurture and convert your desired prospects into active accounts? Do they have the account management skills necessary to handle existing and newly acquired accounts?

These are essential questions that occasionally lead to some harsh discoveries that your current sales team is not the team you need to succeed in your preferred markets. And THAT means that you must either train your current sales personnel to shore up their skills or bring in new sales talent ready to help you achieve your goals. It is important to note that some of the people who helped you get to where you are now might not be the people to take you to where you need to go next.

Your current sales team might not be the team you need to succeed in your preferred markets.

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Workload

Assuming that your current sales personnel are the right people for the jobs, you'll need to assess their workloads to determine if you:

- Have enough salespeople (overall and in the right roles)
- Have enough support staff
- Need to take certain tasks (lead generation, for example) away from the salespeople and assign them to others in your organization – or hire new personnel for such roles

To determine workload for your sales personnel, use this equation:

$$W = (A \times S) + (P \times C)$$

Where:

W is Workload

A is the number of Current Accounts

S is the time to service an active account

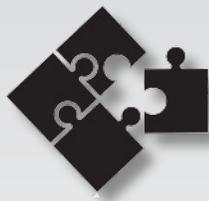
P is the number of prospects in the pipeline

C is the time it takes to convert a typical prospect into an active account

You might think you understand the workload for your sales personnel, but by using this equation you can gain more accurate insights that can help you allocate work and assign territories.

How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Aligning Your Sales Team Responsibilities

At this point, you have assessed several critical factors that can help you establish your sales territories. You have:

- Identified your goals and objectives based on your vision for the organization
- Defined the types of accounts you currently have and want to pursue
- Assessed the total sales potential by market area
- Determined your preferred type of sales territories
- Assessed the strengths of your current sales team
- Analyzed the individual workloads of your sales personnel

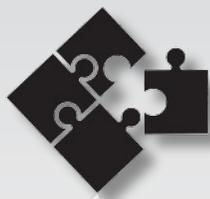
Now it is time to align your salesperson responsibilities with your preferred sales structure. To do this, you must first determine how many – and what types – of sales personnel are needed to achieve your objectives. This is based on the analyses you have already accomplished. But to put it further in perspective, you should answer these questions:

- Do you need and prefer *specialists* such as Account Managers who focus only on servicing existing accounts (especially larger customers)?
- Or should you use *generalists* that handle all aspects of sales and account management?
- What "roles" will they play in performing their duties? Will they be *hunters* pursuing leads or *farmers* nurturing leads into key prospects? Will they be an inside salesperson, a junior level Sales Rep servicing smaller accounts or a senior level salesperson focus on key, larger accounts?
- And finally, to whom will each sales staff member report? To a Sales Manager? If not, who takes on the responsibility of sales management and team leadership? The owner or CEO? Another key staff member? An outsourced sales leadership consultant, like an Advisor from Sales Xceleration? A senior salesperson acting as "Player/Coach"?
(Caution: Player/Coach is a dual role that is very difficult to master!)

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How to Build a Highly-Efficient Sales Structure

Part 2: Establishing Your Sales Territories and Sales Responsibilities



Establishing balanced sales territories and sales team responsibilities that are optimized for success requires considerable analysis and planning.

Aligning Your Sales Team Responsibilities

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Regardless of who takes the sales management role, understand that it is a time-consuming job that requires focus and skill to be done successfully while giving proper and continuing support to the sales team. Being a Sales Manager is a full-time job; if someone is only giving a portion of their time toward this role, you will get “part-time” results.

Conclusion

There is no one-size-fits-all magic formula for establishing the perfect sales territories and sales team responsibilities. Creating the best fit for your organization requires much analysis of your markets, overall sales potential, types of territories, sales team strengths and many more crucial factors. The goal, of course, is a sales structure with territories and responsibilities that are balanced and set up for optimum performance and overall sales success.

The experienced professional Advisors representing Sales Xceleration and our proven sales systems can help your company set up the sales structure best suited to your industry, your market, and your sales culture.

To learn more about how a Sales Xceleration Advisor can assist your organization, contact us at **1.844.VP4SALES** (1.844.874.7253). We look forward to discovering your needs and discussing how we can help you achieve your sales success goals.

Looking Ahead to Parts 3 and 4 in This Series

Having a clear vision, a strategic plan, well-established sales territories, and appropriate salesperson responsibilities are important elements in a highly-efficient sales structure. But these facets are only the beginning.

We'll cover additional essential components of a highly-efficient sales structure in parts 3 and 4 of this continuing White Paper series:

- **Part 3:** *Defining Your Sales Team Requirements*
- **Part 4:** *Recruiting, Hiring and Onboarding Top Sales Performers*