The Big Picture

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The division and allocation of sales territory is a minefield of controversy and internal competition. Yet effective coverage of existing and prospective customers is shown, time and again, to be central to meeting company targets.

Responsibility for this lies throughout the organisation. Senior management and parent companies have a duty to clearly define market focus, financial expectations and vision for the future. Sales directors and managers need to translate these macro goals into local strategies. Salespeople, in turn, then need to focus their attention on building accounts which not only produce profitable business but help drive the company towards the longer term goals.

That said, many organisations have a laissez-faire approach to territory allocation. The core framework, established many years ago, goes unchallenged though closer inspection reveals a variety of 'special case' anomalies. This is not surprising given that salespeople tend to be wary of account changes and sales managers know well the impact this has on motivation and performance.

So, how do companies allocate their accounts?

Geography: allocation of accounts based on geographic location

Pros:
- minimises travel time and cost if salesperson lives in region
- facilitates local marketing / networking activities

Cons:
- allocation of multi-site companies and subsidiaries, particularly where purchasing decisions are made across sites
- can lead to a sense of isolation if salespeople are home-based

Size / value: by size of organisation or potential value of business.

Pros:

- encourages focus on accounts likely to meet order value expectations
- allows both small and large accounts to receive appropriate personal attention

Cons:

- difficult to reallocate if expected revenue is not achieved or company no longer meets criteria
- challenges in managing smaller customers and their sales staffs' expectations such that neither feels inferior to larger revenue accounts and their sales teams

Vertical markets: assigning of accounts based on specific industry sector eg insurance, utilities etc

Pros:

- salesperson thoroughly understands their customers' industry

Cons:

- leaves salesperson exposed to industry's economic fluctuations

New business vs account management: traditional hunter / farmer split, targeting salespeople solely on new business or existing accounts

Pros:

- encourages high degree of focus
- plays to strengths of different types of salespeople

Cons:

- difficult, controversial handover of accounts from new business to account management team
- can leave existing account managers with limited scope for personal and account development if sales are based on a narrow product set

Products: focus on selling a subset of products.

Pros:

- allows salesperson to develop detailed 'expert' product knowledge

Cons:

- often requires several salespeople to work within a single account, sometimes causing duplication of effort, customer confusion and internal competition

Named accounts: assigning of specific targeted accounts

Pros:

- clear focus and attention

Cons:

- can be demoralising if too restrictive
- requires a defined system for measuring potential

Alphabet: segmentation by first letter of customer name

Pros:

- easily understood
- useful for assigning leads

Cons:

- regarded as unfair if disparity in quantity and perceived quality of accounts
- difficult to split when team grows
- does not play to individual / team strengths

Channel vs direct: separation of accounts into resellers and end-user customers

Pros:

- allows end-customers and resellers to receive attention based on different needs
- offers the reseller protection that the supplier won't take the business direct

Cons:

- can result in direct and channel teams working on same bid, leading to internal competition

Speaking from experience

Ian Wells, MD of portal specialists, Mediapps, explains his preferred approach. 'Assigning geographic areas tends to be most efficient for us in terms of managing travel time and cost but within this we also focus on key 'named' accounts we want to win. There seems to be a trend in the IT industry to go vertical but you can end up with your salespeople spending more time driving around the country than in front of customers. Personally I'd rather build on wins in a particular industry by sharing the key success factors throughout the sales team and encouraging collaboration.

Like many IT companies we also sell both direct to end customers and through the reseller channel. Having separate teams for this definitely works but if there is a potential conflict I'd rather pay 'double bubble' and encourage everyone to work together than lose the business because of 'in-fighting'.

Antonia, an Advertising Sales Manager, has a similar model. 'We have a mix of advertising agencies and end customers. The key agencies are allocated as named accounts and this does ensure good attention. The rest of the territory is allocated alphabetically. It means there's no argument about where leads are allocated but it's not easy to split when you want to grow the team'.

Chris, practice manager with a large management consultancy, highlights the problems that arise when territories are not clearly defined. 'Our business is split between the public and private sector with specialist teams for each. This segmentation seems to make sense for our business. We have experimented in public sector with sub-dividing responsibilities below this level and this has caused problems. The consultants sell services but we also had individuals assigned to manage government framework agreements and a dedicated sales team. The intention was to improve account coverage but instead we found that one customer might be buying from three different salespeople whilst other opportunities were missed because everyone assumed it was someone else's area. We also tried a product specific sales model but found that this prevented the individual from selling the company - their focus became to narrow'.

Ian Wells agrees. 'In my experience assigning products results in salespeople competing with each other. I want my salespeople to sell everything. Product specialisation is for the technical team that supports them'.

Making changes

So, if you want to change the way you allocate accounts what should you consider?

The big picture
Ensure changes are made within the context of a wider change process and support organisational goals.

Focus on customers
Customers should be the winners! Manage their expectations, involve them in the process and listen to their feedback.

Where are you now?
Understand your current strengths and weaknesses - people, accounts, time and resource management, profit margins, products, markets, administration and culture. Wells recommends getting out more. 'Go out with your sales people, find out who their top customers are, give their forecasts a good reality check. This should be a two-way process - add value to their sales efforts, don't just check up on them. It will give you the information you need to make informed decisions'.

The ideal
What would you do if you were starting from scratch? How does this differ from where you are now? How could you migrate?

Sales culture
What is your sales culture? How will the new scheme affect this? Wells advocates a collaborative sales environment. 'I try to reward both individual and team performance so that individuals are incentivised to help each other to be successful - in particular by sharing knowledge and ideas. Some people think this approach is unfair on the most successful team members but it works well for us and helps to better plan and manage resources'.

Buy-in
Involve the team, as a group and individuals, early in the process. Consider forming a 'focus group' to explore ideas and work together to find the best solution. Most people are willing to compromise if it's their decision rather than one forced upon them.

Play to strengths
What makes sense for other companies may not be right for your business. Consider the strengths of individuals, the team and the company and target efforts accordingly.

Attention to detail
Consider as many 'what ifs' as possible. Anticipate how the changes may affect each individual personally and how to deal with any negative impact.

Implementation
It's rarely possible to make major territory change overnight without causing confusion amongst both sales team and, importantly, customer base. Conversely, some territory changes are phased in over such a long period, with so many 'special dispensations' that the new scheme is never fully implemented. Establish how quickly you can make changes without defocusing the team from their purpose.

Measure progress
Establish key performance indicators to measure progress and ensure you achieve the benefits you were aiming for.

As Antonia explains 'As sales manager you're often 'damned if you do and damned if you don't'. If you can see a better way of organising the sales team's efforts then you should do so. Short term pain is justifiable if it leads to longer term gain for all. Just make sure you've thought it through properly before you pass the point of no return'.