Eliminating Territories

The most basic and fundamental building block of an traditional sales operation is the division of the marketplace into distinct, geographic territories.

Territories were extremely useful when a salesperson must visit with prospects to close a sale. Allocating territories minimizes the amount of travel salespeople need to undertake, which makes meeting face-to-face with prospects much more cost-effective and time efficient.

When selling via web-meetings, since the salesperson is no longer traveling to the prospect site, territories immediately become unnecessary and even harmful.

Instead, a marketplace should be viewed as a single defined sales unit if the process is going to be fully optimized.

This section will discuss how eliminating territories can become a very powerful weapon in a seller's arsenal when attempting to improve close rates and successful scale its operation.

Improved Equalization of Opportunities

No matter how hard sellers try, it is next to impossible to ensure that territories are equal to one another. This impacts the organization from two different perspectives. First, from management's viewpoint, it makes it difficult to establish a consistent quota plan, properly evaluate talent, and generate reliable forecasts. It also increases the chance that good sales professionals will fail because of a bad territory while bad sales professionals succeed not because of their inherent skill set but simply because the territory is fertile. This does not optimize sales results.

For the sales professionals, unequal territories are also a constant source of frustration, as these employees are typically evaluated by how well they perform in a given geographic region vis-à-vis other sales professionals operating in different regions. To this end, it is not unusual for a sales organization to rank its salespeople based on their achievement of quota. The results of this comparison process often impact compensation, performance evaluations, promotions, and even future job opportunities with different employers. As it is very important for a sales professional to do well compared to his or her peers, anything that artificially skews these results can sap morale, decrease job satisfaction, and hurt overall sales performance.

This inequality problem is taken off the table once territories have been eliminated from the mix. Instead of sourcing leads using a geographic arbitrator, leads can be randomly distributed to each sales professional. This guarantees that everyone is operating on an even playing field and has the same opportunities to succeed or fail, which should result in a happier, more productive sales force. Even more important, it allows management to compare the actions and results of each sales professional against the rest of the team objectively.

For example, if Salesperson A, B, C, and D are receiving the same number of leads, and these leads were distributed on a randomized round-robin basis, it should be relatively easy to compare each professional's ability to close deals. If Salesperson A has a close rate of 22% while Salespeople B, C, and D have close rates of 24%, 19%, and 8%, respectively, it is clear that D is not making the grade and should perhaps be replaced, as he or she is simply wasting valuable opportunities.

Optimized Lead Distribution

To maximize sales, it stands to reason that the sales force should concentrate its efforts on prospects that are most apt to close. Territories often constrain the seller's ability to accomplish this effectively. For example, a seller may determine that software companies are purchasing its product at twice the rate of other buyer segments. Therefore, the seller would like to concentrate efforts on this segment of potential buyers. However, having territories prevents the seller from taking full advantage of this opportunity. This is because the sales force is broken up into five geographic areas (Northeast, Southeast, Mid-Atlantic, Southwest, and Northwest), with one salesperson operating within each region.

In this example, the targeted software companies are not evenly spread out among these territories. Not surprisingly, there is a dramatically higher concentration of targets in the Northeast and Northwest, which means that the salespeople operating in these two territories have more leads than they can effectively handle and that business is being left on the table for competitors to pick up. Conversely, the salespeople operating in the other geographic areas have a paucity of strong software leads and are not able to take advantage of the market opportunity.

Contrast the above situation to the seller who does not rely on territories. Upon discovering the affinity that software companies have for the products, the seller would simply create a calling campaign and distribute all the software company leads in the United States equally among the five sales professionals.

This would optimize the opportunity.

Integrating Additions to the Sales Force

When geographic territories are used, it can be difficult to accommodate additions to the sales force. Adding a salesperson to an existing territory necessitates taking away potential prospects from an existing salesperson. Even if the territory can support an additional resource, the existing sales professional will have fewer leads to work with, which will certainly negatively impact his or her ability to cherry-pick opportunities. This can be very disruptive to morale, as it negatively impacts the ability of the existing sales professionals to earn.

A seller who is operating without territories will not be faced with this issue. When a new salesperson is hired, the distribution algorithm is simply changed to reflect the addition of the new professional. Assuming that there is not a paucity of leads, this addition will barely be noticed as the impact is spread among the entire team.

Effective Revenue Rescue

A similar situation occurs in revenue rescue scenarios. Typically, when a sales professional who is assigned to a territory leaves the employ of the seller, the territory stops being worked until a new salesperson is hired. In the short term, in an attempt to rescue revenue immediately, management will typically pass “live” leads to existing professionals to try and save deals. For a number of reasons, this approach tends to be unsuccessful in a territory-based company.

Unless there are other sales professionals working in the territory, it is difficult, if not impossible, for someone else to jump in and cover a new geographic area. Even if they have the available bandwidth to deal with the new opportunities, it is likely that the sales professional will cherry-pick the leads and only “run” those with a chance of closing in the immediate short term. The covering salesperson fully realizes that when someone new is hired, the leads are going to be given back to the new professional in order to maintain the region’s integrity. This is a particularly serious issue, considering the fact that the average sales force experiences 30 percent turnover per year.

Eliminating territories can dramatically improve the effectiveness of the revenue rescue efforts. Since there is no territory to preserve, existing leads owned by a departing sales professional can be intelligently and permanently reallocated among the existing sales staff. This dramatically increases the chance that they will be fully worked, especially if the sales automation system is programmed to ensure this result.

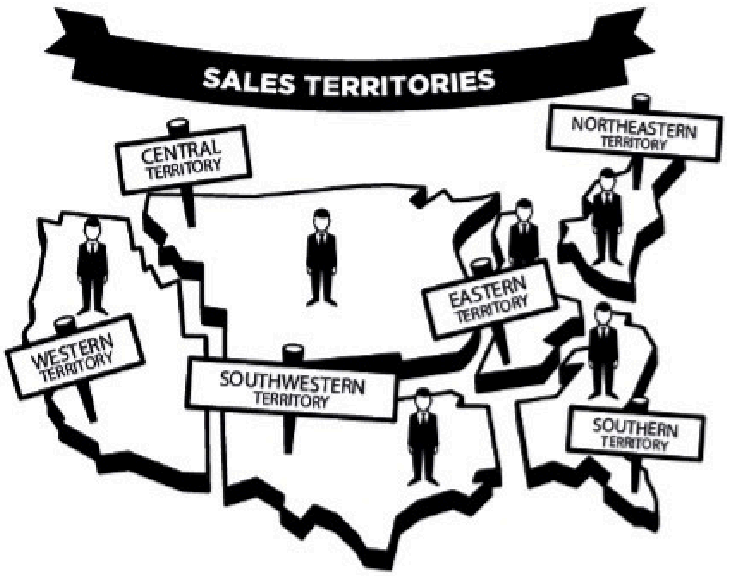
Territory Ownership

One of the by-products of a geographic, territory-based sales organization is that typically the sales professionals operating within the territory "own" the space. This often means that the sales professional is responsible for everything that occurs with prospects — and even sometimes customers — in the defined market area. As a result, the salesperson normally wants absolute control, or close to it, over everything that might impact his or her ability to generate income. The practical impact of this is twofold. First, the sales professionals will often find themselves handling non-sales-related tasks, which can dramatically reduce the sales professional's throughput and increase the sales operation's expense. Second, in this environment, the salesperson is right to demand—and management should agree within reason—the necessary freedom from micromanagement of the sales process.

In the absence of territories, the various sales assets (e.g., leads, prospects, opportunities, and customers) become the undisputed property of the COMPANY, rather than the individual salesperson. This expanded outlook can help the team optimize how each interaction is handled with every prospect and client. For example, one of the best way to influence behavior is to manipulate the allocation of leads. This is something that is almost impossible to do in a territory-based environment. For example, professionals that perform actions correctly might get additional leads from the sales system, which should result in more income. Similarly, compliance with sales processes can be encouraged through bonuses or even participation in special events such as President Club trips.

ELIMINATION OF TERRITORIES
in a Sales Assembly Line Environment

TRADITIONAL SALES STRUCTURE



- Prevents Collisions
- Minimizes Travel
- Improves Close Rate
- Lowers Cost of Sales

SALES ASSEMBLY LINE STRUCTURE

When selling via a web-meeting sales force, territories are completely unnecessary and even harmful. Instead, a marketplace should be viewed as a single defined sales unit to better optimize the sales process.

ELIMINATION OF TERRITORIES BENEFITS

	EFFECTIVE PERFORMANCE COMPARISON			EFFICIENT REVENUE RECOVERY				EFFECTIVE ON-BOARDING			
SALES PER	A	B	C	A	B	C	D	A	B	C	D
DEMOS	25	25	25	24	24	24	24	24	24	24	
CLOSE RED	10	12	18	32	32	32	0	24	24	24	24

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