Five Hidden Pitfalls of Territory Management

Sales territories play a critical role in your ability to hit revenue goals. They impact your quotas and incentives, and if you don't get them right, you risk losing your top performers and missing your revenue targets.

Unfortunately, territory design is not as simple as it seems, and it's a challenge for many companies to succeed at. The Sales Management Association reports that only 36 percent of organizations rate themselves as effective at sales territory management.[1]

That's not all. Poor territory planning can tank sales rep morale, increase turnover, and quickly get you off course from reaching your goals. However, there is a way for businesses to improve their territory design and management that's easier than you think—with data.

AND THE CONSEQUENCES HURT.

10%	**$100M**	**$10M**
According to Gartner, enterprises risk missing the equivalent of up to 10 percent of annual sales due to poor planning.[2]	For a company with a revenue target of $100M,	that's $10M potentially being thrown away.

The Best Territory Strategies Start with Data

One of the biggest threats to today's businesses is a "we've always done it this way" approach. With this mindset, you're basing your strategy and decisions on the experiences of a small group of people, limiting your scope. While your gut instincts may generally point you in the right direction, they don't allow you to see the entire picture, and as a result, your revenue performance suffers.

This approach is dangerous because selling environments are changing quickly, with further transformation critical for long-term success.

As a result, organizations are realizing they need factual data to better understand the companies and markets they're selling into and

79%

Salesforce reports that 79 percent of salespeople have had to quickly adapt to new ways of selling.[3]

adjust their go-to-market (GTM) strategies, including territories. Forrester research shows that 84 percent of

leaders say that making decisions based on trusted data—not gut-level instincts—is essential.[4] It's a proven strategy. Companies that adopt data-driven territory design—using both internal and third-party insights—achieve up to 30 percent higher quota attainment.[1]

But again, it can be difficult to know where to begin and how best to apply a data-driven strategy. To help you nail your territory planning and management, here are five common pitfalls and how you can use an intelligent, data-driven strategy to avoid them and increase your overall performance.

Pitfall #1: Outdated Territory Design

THE PROBLEM

YOU'RE RELYING TOO MUCH ON GUT INSTINCTS.

Traditionally, companies have followed a simple approach to territory planning, such as targeting large cities and metropolitan areas with NFL, MLB, NHL, or other professional sports teams. Although this is a quick rule-of-thumb measure and will ensure you're covering major markets, it's hard to get the spread right and you're potentially leaving out other high-opportunity areas.

For example, say you're basing your design on areas with NFL teams. The East Coast has a large concentration of teams in that area, and New York alone has two teams. Do you map those out into different territories or lump them together into one super territory? What about areas in the Midwest without a team like Nebraska, Kansas, or Oklahoma? Do you skip over those areas entirely?

The same logic applies even if your approach is simply going after the main areas you've always targeted. At the end of the day, it's outdated and falls victim to intuition bias. How can you be certain that you're targeting the right areas and maximizing your sales coverage if it's based on what you've always done and there are no facts to back it up?

It's simple—you can't.

THE SOLUTION

USE DATA TO DRIVE SALES TERRITORY PLANNING.

When it comes to territory mapping, data offers you the biggest edge. First, you need to take advantage of the internal historical data you already have on hand. This gives you a clear picture of your revenue-driving operations, how you've been successful in the past, and where you currently stand.

Typically, this is geographic information. For example, you might look at:

GEOLOCATION	PIPELINE	CRM
Where your existing customers are located	The areas your current opportunities are in	Where all of the accounts in your CRM system are located

A good place to start is with three data points. This enables you to cross-reference those insights more easily and create a simplified heat map to design territories in a more balanced way. As organizations grow, the data they use to inform territory planning should become more robust and begin to also include third-party insights (more on that in Pitfall #4).

Pitfall #2: Targeting the Right Accounts

THE PROBLEM
YOUR DEFINITION OF TARGET ACCOUNTS IS TOO BROAD.

Choosing geographies to go after is only half of your territory design formula. Your sales territories tell reps where the opportunity to sell is, but they still need to know what types of businesses to go after. Before you can target sales opportunities, you need to identify what your ideal customer looks like.

Simply going after any and all companies won't result in high win rates and will only hinder rep productivity. Without a specific target customer to go after, your team is wasting valuable selling time on less-than-ideal prospects and struggling to prioritize deals already in the pipeline. This is time your team can't afford to lose, especially when the average salesperson spends only 32 percent of their time selling.[3]

THE SOLUTION
MAP YOUR IDEAL CUSTOMER AND HONE IN ON THOSE COMPANIES.

The best place to begin building your target account profile is based on your own historical customer data. Your existing customers offer a wealth of information about the types of businesses you successfully sell to.

START BY GATHERING AND EXAMINING AS MUCH INFORMATION ABOUT YOUR CUSTOMERS AS POSSIBLE, INCLUDING:

▶ Company size and structure

▶ Industry and verticals

▶ Common challenges prior to buying

▶ Readiness to buy

▶ Who was part of the buying committee

The more information you can compile around successful deals, the better you'll be able to go after similar prospects. A detailed target customer profile also helps salespeople prioritize deals, allowing them to focus their efforts strategically on those most likely to close in the shortest amount of time.

Pitfall #3: Balancing Territories and Sales Coverage

THE PROBLEM
NOT ALL TERRITORIES OFFER THE SAME OPPORTUNITY.

Let's be honest: unbalanced territories KILL sales morale. You know the dread of being assigned a "dead" territory and watching your peers exceed their quota in prosperous, high-performing areas.

Or perhaps you get assigned a decent territory, but you're in it with a team of 15 other reps. This leaves slim pickings and huge competition among the reps because the area is oversaturated. Either way, it's discouraging, frustrating, and makes hitting your targets in an already difficult territory even more stressful.

Even the perception of unbalanced, unfair territories can wreak havoc on your sales team and create a downward spiral of poor performance. It leaves reps with different levels of opportunity to hit their quota. Some are raking in deals in abundant areas, while others are struggling in inadequate, under-qualified, and oversaturated territories.

THE SOLUTION
BALANCE SALES TERRITORIES WITH DATA INSIGHTS.

Again, data is essential to building strategic territories not only to motivate reps effectively but also to reach your revenue goals. You need each territory to provide reps with an abundance of potential customers and opportunities to hit (and ideally, exceed) their quota. And each territory needs to have the right amount of salespeople without over-saturating or underserving the area.

To do that requires an extensive look at your revenue-driving processes, goals, and historical performance, including:

SALES CAPACITY

Understanding the number of partially and fully-ramped reps you have on deck right now will help you map territories equally based on the number of resources you have on the sale floor. This also helps spread your reps evenly across your entire territory map.

AVERAGE RAMP TIME

When a rep leaves, you lose time and resources while you replace and ramp a new hire. Knowing this attrition game and the time it takes for new salespeople to ramp to full productivity will help you adjust your hiring and capacity strategy so that you have new hires ready if you need to adjust territory assignments to avoid a serious hit to your revenue potential.

PAST PERFORMANCE

Knowing how your team has performed historically and your current goals helps you gauge the number of sales resources you'll need in each territory. Examine how many reps typically hit or exceed quota and that will also inform your capacity planning and help you spread reps evenly throughout your territories.

Pitfall #4: Missing Whitespace Opportunities

THE PROBLEM

YOU'RE LEAVING MONEY ON THE TABLE OVERLOOKING AREAS YOU'RE NOT SELLING INTO.

One of the biggest threats companies face with poorly designed territories is missed opportunities. Again, this is because of intuition bias and is usually part of the "we've always done it this way" mindset. When organizations overlook areas, it's often because they've deemed them unworthy, meaning they don't provide adequate selling opportunities worth assigning a rep. Without the data to back that decision, you're ultimately leaving money on the table.

When you're not maximizing your territory reach, you're creating space for your competitors to move in and beat you to potential deals. And without a data-driven approach, you're unable to identify these areas, justify overlooking or targeting them, and adjust your territories to maximize sales potential.

THE SOLUTION

THE MORE DATA YOU HAVE, THE MORE OPPORTUNITIES YOU'LL UNCOVER.

If you're sensing a theme around the necessity for data, you're on the right track. It's critical, and the more you have, the more effective your territories and stronger your sales performance will be. This is where you need to begin expanding beyond your own data and bringing in third-party information to guide territory design.

To drive revenue and grow your customer base, you need to be able to identify and tap into emerging markets and territories before your competition. Adding in third-party data helps you identify areas of opportunity outside your established territories and markets.

There are three main areas of data you'll want to tap into:

INTERNAL HISTORY

This is your existing data that helped build your ideal customer profile and historically successful target areas. You want to include this as a basis for your territories, but with third-party data, you can gain even more insights and compare against your own data.

GEOSPATIAL

Once you've identified your ideal customer profile, you can use that information to search for other areas where those types of businesses operate. This can include census data, business and building permit information, etc.

MARKET AND INDUSTRY

It's always important to be aware of economic and industry trends. This demographic information (usually available in the public sector) can help you identify new markets to sell into and different locations your ideal prospects are moving to.

Pitfall #5: Struggling with Manual Processes

THE PROBLEM
MANAGING TERRITORIES IS NEARLY IMPOSSIBLE TO DO EFFECTIVELY.

Sales Management Association reports that more than two-thirds (83%) of organizations rely on spreadsheets for territory design and management.[1] So it's no surprise that 64 percent are inadequate at it.[1]

It's nearly impossible to manage multiple sources of data in spreadsheets or other manual systems—especially when Xactly data shows that 80 percent of spreadsheets have at least one error.[5] Manual territory management puts you at a disadvantage with:

INEFFICIENT PLANNING Territory design is extensively long and resource-heavy, making it difficult to adjust in real time and collaborate with other teams.

LACK OF INSIGHTS Spreadsheets hold you data and can run calculations, but they can't provide actionable insights to help you make more intelligent decisions based on your information. And the time it takes to cross-reference all of that data is something teams can't do in a realistic timeframe.

INABILITY TO SCALE As organizations expand, their territories will become more sophisticated and require more data to cover new markets. Manually managed territories are difficult to scale and maintain, and will hinder you as you become more data-driven.

THE SOLUTION
AUTOMATION SIMPLIFIES PROCESSES AND AMPLIFIES DATA INTELLIGENCE.

The most effective way to achieve continuous data-driven territory management is with sales territory technology. This helps consolidate all of your data sources and centralize them into one location. You can then deploy your software to automatically process that data quickly and build out optimized territory maps.

Using sales territory technology, you gain a competitive advantage and are able to focus on strategic decisions with:

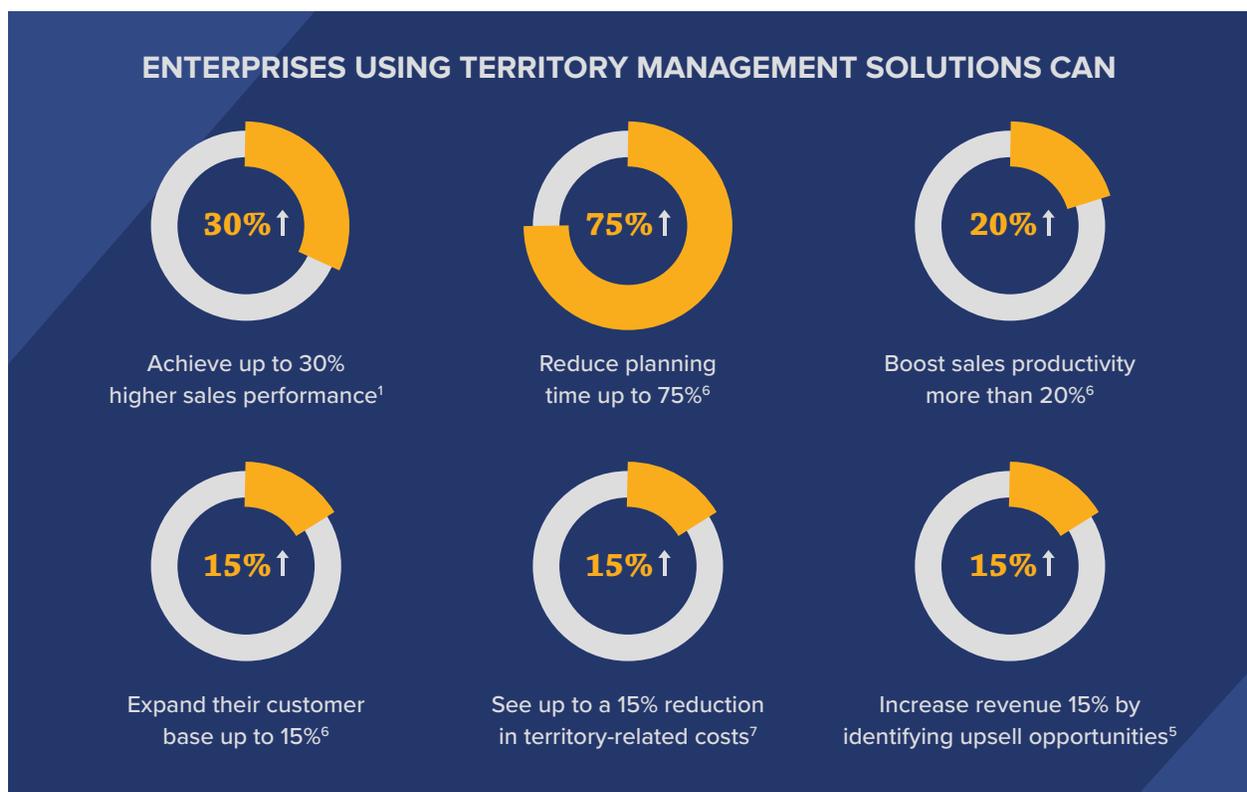| EFFICIENT PLANNING	BALANCE TERRITORIES	INTELLIGENT OPTIMIZATION
Territory technology reduces mapping time up to 75 percent, freeing up valuable resources and streamlining processes.	You can automatically analyze all of your data resources and ensure that territories are balanced, provide equal opportunity for salespeople, and maximize your reach across target markets.	With a specialized territory solution, you open the door to further optimize territories using artificial intelligence (AI) to design maps based on targeted criteria, including most profitable, cost-efficiency, industry verticals, and more.[5]

Making Data-driven Sales Territories a Reality

Avoiding these common pitfalls is crucial for every organization to effectively design and manage territories, accelerate growth, and drive revenue. A data-driven strategy allows you to build strategic target areas, but you also need the ability to continuously optimize and measure the effectiveness of your sales territories. Using sales territory like Xactly AlignStar opens the door to intelligent territory management.

With the ability to combine historical data with third-party insights, you can improve territory effectiveness and set your sales team up for success. Using AI, you can use that data to map balanced territories, equally spread sales coverage, and identify whitespace opportunities that maximize your sales potential and ultimately increase revenue.

ENTERPRISES USING TERRITORY MANAGEMENT SOLUTIONS CAN

30%↑
Achieve up to 30% higher sales performance[1]

75%↑
Reduce planning time up to 75%[6]

20%↑
Boost sales productivity more than 20%[6]

15%↑
Expand their customer base up to 15%[6]

15%↑
See up to a 15% reduction in territory-related costs[7]

15%↑
Increase revenue 15% by identifying upsell opportunities[5]

To learn more about how you can start adopting a data-driven approach to territory management, download "The Expert's Guide to Data-Driven Territory Management."

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ABOUT XACTLY

Xactly is leading the way in Sales Performance Management (SPM) delivering planning, execution, and optimization to ambitious and complex sales organizations. We partner with the world's leading enterprises to clear immediate sales roadblocks, enabling them to adapt with optimal sales capacity, territories, compensation plans and payment structures. Harnessing the power of AI, Xactly's scalable, cloud-based platform combines great software with the industry's most comprehensive 15-year data set to give customers the real-world insights they need to improve sales performance across the board by growing revenue, reducing risk, and containing costs.

Xactly Corporation, 505 S. Market Street, San Jose CA 95113

WWW.XACTLYCORP.COM   1-866-GO-XACTLY

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SOURCES

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2 Gartner	6 Simon & Kucher
3 Salesforce	7 Alexander Group
4 Forrester	