

How to Size & Build a Territory

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To determine whether this paper has any value for you, answer these questions about your current Territory Development program.

- Does most of the prospecting history for a territory leave when the current sales rep leaves the territory?
- Do opportunities 'in play' get lost when reps leave? ie, "Call me back next month..."
- Do new sales reps spend their first days in the territory cobbling together a list to call from scratch or from electronic or paper remnants?
- Do new sales reps call companies that previous reps had already called and correctly labeled as not qualified?
- Do new reps call customers by mistake?
- Do new reps know if another rep is calling the same company, or worse, calling the same person in a company?

If you answered yes to one of these, you have room to improve your Territory Development approach. If you answered yes to more than one, you have a mess on your hands. This paper can help.

The challenge is to design a Territory Development plan that does three things:

1. Has **the right amount** of targets based on the effort the sales rep is expected to apply towards generating new customers from it.
2. Will, over time, become a list of **only qualified targets**.
3. The database of targets **is owned and controlled by management**

1st Goal - The right amount of targets. The simple answer to this question is this: The number of targets they can call in a year. No more, no less.

As a practical matter, the coin of the realm when using the telephone to prospect a territory is a dial. There are only so many dials that a rep can do each year (even though many sales managers believe different) and the use of those dials determine the number of targets (aka Territory Size) a sales rep can handle.



As an extreme illustration of this issue, if a rep could make 5000 dials a year, the territory should have somewhere in between 5000 names they will call only once and 1 name they will call five thousand times. So, the question here is how you determine "somewhere in between." The answer is arithmetic: six numbers will illuminate this issue. (You can request a free calculator to this yourself at info@klpz.com)

1. The first number is **how many minutes a day** the sales rep commits to prospecting. In our sample calculator, we will start with a commitment of one hour per day.

2. Next, let's determine the **average number of calls** they will make in our ideal pursuit of a single target (before we recycle them for another pursuit later in the year.) Typically, the maximum number of times to call is determined by "the point of diminishing return" or the point at which it makes more sense to call someone new than to call this target one more time. The average number of calls is usually less than the maximum since you do reach some people, plus you find out on the first call that some targets that are out of business. In our example, we call 4 times maximum but the average is 2.5.

3. The next number is the **average time spent** in the pursuit of one target. This is the number sales managers get wrong most often. In a given hour on the phone, other than dialing the phone and leaving a voicemail (or having a conversation,) a sales rep is often required to do other things before they can make another call. A few of these are recording what happened, setting the time for the next call, sending an email, putting the record away, getting the next one, reviewing it's history... paperwork, mostly.

In our example, we will use an number from our observation of telephone prospectors; 6 minutes on average per target

4. Now, an easy one, **how many days a year** does our sales rep have available to make calls. We would exclude vacation days, the days spent at quota club and company holidays. In our example, we expect 220 days of telephone prospecting.

5. Now, **how often per year** do we want to pursue a Target? For some markets, it is smart to call every quarter, for others once a year is frequent enough. Every product and market is different but you must have a Best Practice which defines frequency. We will use twice a year.

6. Finally, **how good is your list?** Our final number is the percentage of names that need to be replaced from the sales rep's starting list. In the ideal list, there would be no company out of business and no company that does not fit the profile of a perfect customer. (That list is actually a goal of Territory Development, which is covered next.)

Count on replacing a certain percentage of targets as the year progresses. We assume one out of four names will be replaced.



The most common reaction to the calculations is "that's not a lot of targets." Our response: we are in the business of making this number larger.

The goal of assigning the right number of targets is achieved by using simple math to get a good "compass reading" on how many targets can actually be pursued in a year by a typical sales rep.

Cold Calling Minutes per Day	60
Average Number of Steps taken in your Best Practices.	2.5
Average Time to Complete a Step	6.0
Number of Cold Calling Days per Year	220
Number of times, on average, a target will be pursued per year.	2.0
Percent of replacement targets needed to keep the calling pool at the right level.	25%
Number of Targets needed per Rep	550

2nd Goal - A list of Only Qualified Targets. That is to say, I know that every target on my list (aka My Territory) is a good candidate for my product. Not because they fit the "profile," but because someone in my company (including me) has spoken with someone at the target company and has qualified them, if only at a cursory level.

The implication here is that someone also spoke with a lot of companies that are not qualified in order to "cull" the territory down to these of higher value.

Conceptually, here is how this works. In the first year I call 900 targets; I disqualify a third, qualify a third and don't determine what the other third are. Next year, I now have 300 qualified targets, 300 I didn't make a determination about last year and 300 new ones. Of the 600 not qualified, I disqualify a third, qualify a third and don't determine what the other third are. And so it goes every year until the preponderance of the targets I call are qualified.

As a practical matter, you will not reach the goal of a 100% qualified territory. The reason is that you cannot work a list of that many qualified targets by yourself; your pipelines would be bulging. Your territory would get divided up because you don't have the bandwidth. The real goal is to have a way to get to the goal. And, that brings us to the third overall goal.

3rd Goal - Targets are owned and controlled by Management. For a lot of companies, not owning their prospecting database is very, very expensive. You know who you are from the opening questions.



Rather than give a new sales rep the map of their territory and the admonition to “hit the phones;” wouldn't you like to say “here is your territory, pick up where the former rep left off.”

To sharpen the issue a bit, even if you own your database, you may not have control. Just because you have thousands of names in your CRM does not mean you control what is done with them, when or how. You have an electronic storage device; but you don't really control the pursuit of those targets.

Real control would be to hold a sales rep accountable for the pursuit of each target assigned to them in a Best Practice your design for how you want them pursued.

This is the issue we see each day as we review with companies why they should move their targets from their CRM and place them in specialized automation. They not only have ownership, but the all important control, including the ability to hold a rep accountable for prospecting them according to company standards.

Our business is helping companies implement a sustainable, consistent prospecting program that their sales reps will adopt. We assist companies in the design of the ideal prospecting program for their product and market; and then make it fast, easy and productive for the sales reps to execute the plan.

If telephone prospecting controls your destiny, you should investigate a better way to **control your telephone prospecting**. The end result might just be a Territory Development approach that will pay dividends for the long run.

