

How Do I Make My Quota? Territory Management Planner, Part 1

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Dimensions of EXCELLENCE™ is based on the four dimensions of performance and organizational excellence. These are the foundation for our development programs oriented to achieving performance and organizational excellence in sales, marketing, and customer service.

These white papers provide concepts and ideas based on the application of these principles of these programs and our work with our clients. We welcome your comments and observations on these topics.

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As sales people, much of the time we are buried in working on specific sales opportunities. Often we don't have a means of examining our own personal effectiveness. We do not have the simple tools to understand how we spend our time and whether we will be able to make our quotas. The territory management planner is a simple tool that helps you identify the following:

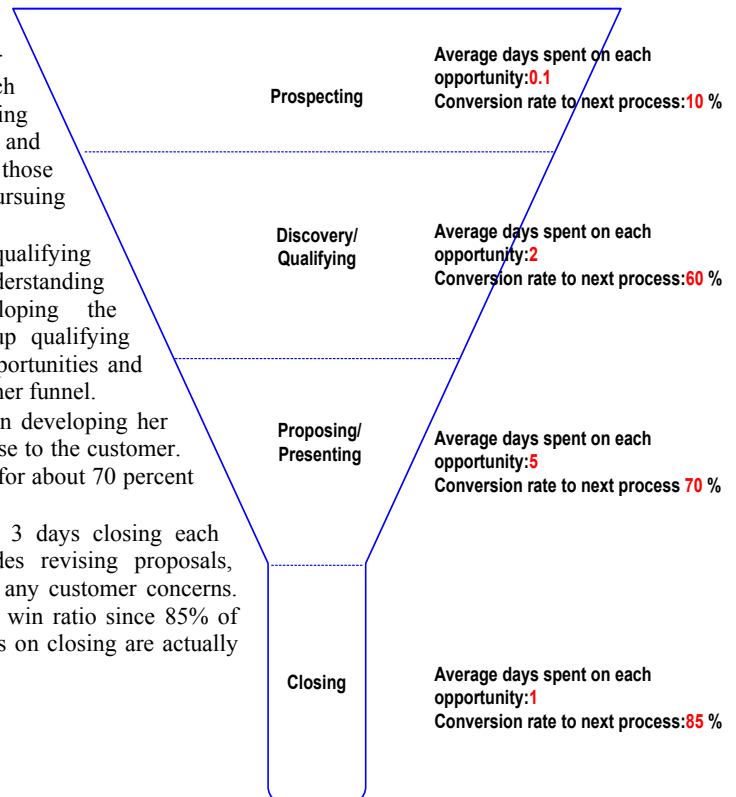
- How many opportunities you need to identify and develop in order to achieve your quota?
- What are your average hit rates and sales conversion ratios?
- What is your average sales cycle?
- How many "selling days" in a year you require to achieve your sales quota?
- What areas can you improve your own personal effectiveness, producing more sales, more quickly?

Most sales people are familiar with the funnel concept. We have taken this concept and adapted it as a territory management planner. In this, we define the stages in the selling process (this can be different from company to company), and other data pertinent to how opportunities or deals are moved through the selling process.

Case Study:

To demonstrate the benefit of the territory management planner, let's look at an example. Consider Nancy as our star sales person. Her quota this year is \$2 million. Each sale she makes averages at about \$200 K. This means that to make her quota, she needs to close about 10 deals this year.

- Nancy knows that she spends roughly one hour (0.1 days) for each opportunity in the prospecting stage of the selling process and that only 10 percent of those opportunities are worth pursuing and qualifying.
- She spends about 2 days qualifying every opportunity, understanding requirements and developing the opportunity. She ends up qualifying only about 60% of the opportunities and eliminates the others from her funnel.
- She spends about 5 days in developing her solution and presenting these to the customer. She is put on the short list for about 70 percent of these opportunities.
- Finally, she spends about 3 days closing each opportunity. This includes revising proposals, negotiating and answering any customer concerns. She has a reasonably high win ratio since 85% of the opportunities she works on closing are actually won.



Based on Nancy's experience in her territory, she can complete the following table:

	Conversion Rate to the Next Stage	Total Opportunities Required In Stage To Make Quota¹	Average Person Days of Sales Related Activities In Stage	Total Person Days Required To Work Opportunities In The Stage²
Completed and won @ about \$200K per opportunity	100%	10		-
In the closing stage:	85%	12	3	36
In the proposing stage	70%	17	5	85
In the discovery stage	60%	29	2	58
In the prospecting stage	10%	290	0.1	29
"Selling Days" required to make quota				208

In analyzing this, Nancy now knows that she has a number of potential problems and ways that she can improve her effectiveness:

- First, just the time required to sell to make her quotas is about 208 days. There are typically fewer than 220 working days in a year, plus Nancy had wanted to take some vacation, had planned on attending training in new products, and needs to spend time supporting current customers and handling general administrative tasks. Based on the way she manages her activities in selling, she will not have enough time to manager her territory. How will she find the time to do everything she needs to do in her territory?
- In order to make her quota and close 10 deals in the year, she has to prospect through about 290 different deals. While the time spent prospecting each opportunity is not great, she must make sure that she can find identify an adequate number of opportunities. What would happen if she did not have enough leads to prospect the opportunities? If she only got 200 leads to prospect, she would fall very short of making her quota. On the other hand, if she had enough leads and could get someone else, perhaps a good telemarketer, to work with her, she could spend less time in the prospecting stage of the funnel and could spend her time in the more difficult portions of the funnel.
- Related to the previous point, if Nancy could find a way of getting much higher quality leads, requiring her to prospect on fewer customer and still make her numbers, she would be much more effective. If she could get higher quality leads, such that 20% of them went into the qualification stage, she would only have to prospect on half the number of leads, or 145. This would also save her about 14 days.
- After Nancy spends a lot of time working on developing a good proposal, only 70% of them get into final consideration and are put on the short list. If Nancy could find a way to improve the quality of the proposals she provides to 85%, in order to ultimately win 10 deals, she would only have to propose 14 opportunities, rather than 17 opportunities. Also, note that this has a ripple effect and she

¹ This is calculated by working backwards up the funnel from the won deals. If in the closing stage, you win 85% of the deals and you need to win 10 deals, you need to bring at least 12 opportunities into the closing stage of the funnel. To calculate the opportunities at each level, divide the number of opportunities in the following level by the conversion rate. For this example, it is (10 divided by 85%) or 12.

² This is calculated by multiplying the average time spent on each opportunity in the stage by the number of opportunities that are pursued in the stage.

would only have to qualify 23 and prospect 233 opportunities. The total impact on selling time is a savings of about 33 days or 16%.

- Another thing Nancy could do is to increase the average transaction value for each sale. As an example, she typically has not included service contracts in her proposals. The average service contract adds about 20% to each transaction. If she could do this, she would only have to close a little more than 8 deals. Again, this has an impact at all levels of the funnel.
- ...and there are a number of other areas that Nancy might look at improving her effectiveness and efficiency.
- Nancy now has some very powerful information about her personal effectiveness in her territory. She can use this information to help make sure that she is working on enough business to make her quota and to find ways to improve her productivity.
- Using the territory planner is easy. It only takes a few minutes to complete, yet it can give you tremendous insight into your territory. To start, you need to understand the following:
 - Your quota for the year (Total annual sales).
 - The average revenue from each order you win.
 - The stages in your selling process.
 - The approximate amount of time you spend on each opportunity in each step of the selling process, regardless of whether you pursue the opportunity or disqualify it.
 - The percentage of opportunities you move from one stage to the next (lower) stage of the funnel.

This use of the Territory Management Planner is just the first application of how the Planner can be used to improve your personal effectiveness. There are many other applications of the planner that can further improve your effectiveness and efficiency in focusing on the most important opportunities in your territory. We will cover these in future articles.

Partners In EXCELLENCE supports its clients in achieving performance and organizational excellence. This is done through consulting, development and training programs. The Territory Management Planner is a tool that Partners In EXCELLENCE uses to help sales professional measure and improve their effectiveness managing their personal territories. Similar tools have been developed for managers to consolidate territory activity for their teams, creating forecasts of very high integrity. Partners In EXCELLENCE can supply templates for these planners or work with you in defining a custom template for your unique selling process. For more information on the Territory Management Planner, improving the effectiveness of your sales, marketing and customer service organizations, or improving the results produced by your organization, please contact us at info@excellenc.com, or by phone at (949)305-7146.

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