DATA DRIVEN SALES RESOURCE ALLOCATION IN A 21ST CENTURY COMMERCIAL MODEL

A CXO BLUEPRINT FOR TRANSFORMING THE TERRITORY AND QUOTA PLANNING PROCESS TO ACCELERATE REVENUE GROWTH
I. THREE KEYS TO OPTIMALLY ALLOCATING REVENUE TEAM RESOURCES IN A 21ST CENTURY COMMERCIAL MODEL

Digital technology – notably the advent of advanced analytics and AI – offers tremendous potential to improve the productivity, engagement, speed, and financial contribution of revenue teams. These technologies can accelerate sales growth and create firm value by optimizing the allocation of revenue team resources and multiplying the return on selling assets at B2B companies.

This paper explores how a new generation of growth leaders are taking advantage of the data and technology assets within their sales technology portfolios to better focus selling time, attention, resources and investment on the accounts and activities that generate the most revenue, profits, and firm value. It outlines how growth leaders (CXOs) are taking advantage of recent advances in advanced analytics and sales performance management solutions to transform the territory and quota planning process to generate more revenue with existing resources.

The planning, design, management, evaluation, and optimization of sales territories and quotas is a complex, lengthy, labor intensive, and data-rich process that is ripe for transformation. The TQP process directly impacts an organization’s ability to realize its revenue, profit and share goals because it aligns growth resources, assets, and investment with market opportunity. Managers can simultaneously increase sales and reduce costs while dramatically increasing the speed and quality of planning by applying 21st Century selling principles analytics to transform the sales territory and quota planning process.

This analysis highlights three primary ways business leaders can transform their approach to territory and quota planning to unlock more growth and firm value from existing selling assets and offerings:

1. **Process automation.** Digitizing the process of planning, managing, and optimizing territory boundaries, seller targets and quota assignments will make it faster, less expensive and more data-driven, accountable, and collaborative. This includes streamlining the planning and design of territories and quotas, providing more visibility into performance against goals, and speeding up the process of making mid-period adjustments and plan reviews.

2. **Improved planning parameters and inputs.** Leveraging AI and massive new sales data sets can significantly improve the accuracy, predictability, and quality of plan inputs. This includes curating and combining inputs and data sources into value-added analysis that derives better and more accurate planning inputs, including estimates of seller capacity, productivity and profitability, sales forecasts, and opportunity potential.

3. **The ability to evaluate more optimization scenarios.** Deploying advanced analytics, models, and algorithms makes it easier for managers to develop, evaluate, and optimize many different scenarios and variables to make better optimization and resource allocation decisions. Models can speed up the analysis of a wider variety of trade-off decisions and factors throughout the planning and optimization process – including tuning territory boundaries,
cutting historic revenues by product, channel, industry, and geography, and adjusting opportunity allocation based on cost, staffing, and sales force emphasis as well as external influencers such as competition, market factors, and seasonality.

Business leaders, sales executives, territory managers, and sales operations professionals can learn more about these best practices by taking our self-directed-online educational content in territory and quota planning (or TQP) best practices and participating in planning workshops and simulations to build that accelerate skill development, capture the collective knowledge of sales management, and arrive at a consensus approach to aligning resources with opportunity.

**15 AREAS ANALYTICS AND MODELS CAN IMPROVE TERRITORY AND QUOTA PLANNING, DESIGN AND OPTIMIZATION DESIGN PARAMETERS AND PERFORMANCE OUTCOMES**
II. HOW ANALYTICS ARE TRANSFORMING SALES RESOURCE ALLOCATION AND PERFORMANCE IN A 21ST CENTURY MODEL

A new generation of data-savvy growth leaders are taking advantage of advanced analytics, AI and a new generation of interconnected sales performance management solutions to improve the productivity, engagement, allocation, and financial contribution of their revenue teams. These technologies offer tremendous potential to accelerate sales growth and better align selling assets with market opportunity to create firm value.

A mix of customer, demographic, financial, and market forces are accelerating the digital transformation of the commercial model. Business to business growth leaders are struggling to adapt to massive shifts in buying demographics, channels, and behavior have combined with the rapid evolution and convergence of digital selling technologies and the pandemic-induced displacement of sales teams.

The confluence of these market dynamics has created a “perfect storm” of six macro trends that are accelerating the adoption of a 21st Century Commercial Model that is digital, data-driven, and more measurable. The constraints they impose on sellers will force them to reimagine their technology portfolios and management schemes in ways that unlock the full potential of digital technology and advanced analytics to increase firm value and improve firm financial performance. In particular:

- A revolution in advanced sales analytics and the rapid emergence of huge sales engagement data sets will make advanced analytics the primary driver of value creation and sales productivity gains over the next decade. This will particularly impact the allocation of people, time, and attention by shifting from geographic to algorithmic coverage models, establishing customer priorities based on future value and win probability and making better predictions about seller capacity, profitability, and performance. In addition, advanced algorithms are also changing the nature of sales territories and account priorities. Business leaders are analyzing customer engagement data from a variety of internal and external sources to identify customer intent, probability of winning a deal, the cost of doing so, and the value of the relationship when consummated. Many business development reps allocate their time and attention to hand raisers and high probability customers and stakeholders identified by computers. More will do so in the future as these assignments get faster and easier to make and deploy.
The growing size, complexity, and cost of the sales and marketing technology portfolios are forcing businesses to reconfigure, rationalize, and connect them to value. This will lead to interconnected growth technology ecosystems that better support value creating sales and marketing activities. For example, the next generation of sales performance management (SPM) software is transforming the way sales organizations plan sales territories and quotas, operationalize their coverage models, and pay their sellers, making it much easier for organizations to integrate data from CRM, ERP, Incentive Management and Sales Enablement systems. This focus on value will dramatically improve the allocation and return on selling assets.

Expanded work from-home policies and the elevation of millions of millennials into management and buying roles have pushed “new school” digital buying behavior into the mainstream. This is forcing traditional face-to-face selling teams to shift engagement to digital, social, text, and online collaboration platforms and deliver faster answers, better content, and more personalized solutions.

The shift to virtual and remote selling as accelerated the adoption of and changed the nature of customer engagement, market coverage and seller performance. The challenges of managing displaced, digital, and disconnected revenue teams has increased the role of virtual selling in the channel mix and accelerated investment into technologies that improve the visibility, speed, and engagement of remote revenue teams. This is forcing organizations to rework the assumptions underlying their selling architectures about the mix of online and face to face customer engagement, the treatment of customers, the cadence of selling, and the role of geography in their coverage models. In addition, remote selling has growth leaders challenging the entire notion of geographic and account-based territory boundaries is being challenges. “In a virtual selling environment, the future sales territory might potentially be better determined by time zone or an algorithm that defines win probability and next best customer call rather than physical geography or key account assignments,” according to Michael Smith of the Revenue Enablement Institute. For example, today a high-powered selling team that includes a mix of industry, account and product experts can do one meeting in the morning in Dallas and another later that day in Seattle and the idea that one sales rep will cover a limited geographical territory becomes redundant. If strong personal connections can be developed online, sales reps no longer need to be shackled to a pre-defined slice of geography. Using an effective online platform, clearly and easily illustrating concepts and plans through a window for example, an e-sales rep can be standing in Coeur de lane, Idaho presenting to a client in New York.

A highly intensified focus on accountability for sales and marketing is forcing growth leaders to prove the contribution of their sales and marketing assets, resources and investments to firm value and financial performance. Boards and
CEOs are demanding that their managers prove and quantify the financial contribution of sales and marketing assets—including customer-facing employees and the content, data, sales technology, and digital channel infrastructure that support their selling efforts. This is forcing growth leaders to reconfigure their technology and data strategies in ways that optimize the return on these selling assets and quantify their impact on profits, revenue growth and firm value.

These forces—combined with the establishment of advanced analytics and AI into mainstream sales and marketing operations at over 90% of enterprises—will compel business leaders to finally transform their commercial models and lead to a golden age of selling technology. This will involve a major shift from a physical to a digital and data-driven selling infrastructure that will drag a range of critical but underutilized growth technologies—including digital commerce, sales enablement, and advanced analytics—from the “trough of despair” into mainstream adoption.

It will take leadership to fuel this transformation. “A new generation of growth leaders—CXOs—are deploying proven but underutilized technologies, including AI, sales enablement, and virtual selling channels at scale, to double the engagement, productivity, speed and visibility of their revenue teams,” according to Michael Smith, Managing Director of Blue Ridge Partners.

Ultimately, this new commercial model will manifest itself in a complete rethinking of the sales and marketing technology stack. This new generation of leaders will distinguish themselves by how they get their sales technologies to work together to support their processes and create value. They will stitch together the building blocks in their technology stacks around three logical technology ecosystems with the most obvious opportunities to generate higher returns on their selling assets to grow sales, profit, and firm value.

Specifically, we are seeing growth leaders actively “knitting together” the data and technology assets within their sales technology portfolios to better allocate selling time, attention, resources and investment on the accounts and activities that generate the most revenue, profits, and firm value.

These federations of sales technologies will immediately yield very big returns for two reasons. First, they will leverage existing and underperforming people, technology, and data assets. Second, they will connect these underperforming data and technology assets to value by measurably improving resource allocation, channel economics, salesperson performance, account health, and value-based performance measurements.

One of the biggest immediate ways B2B selling organizations are creating value is by leveraging advanced sales analytics and Sales Performance Management solutions to automate and digitize the allocation of sales resources across channels, target accounts and territories. Transforming the territory and quota planning, design and optimization process can dramatically improve revenue and profit growth, the return on your selling assets, and firm value.

Sales territory and quota planning is a critical business process that allocates sales time, attention, resources, and investment to the biggest revenue and profit generating opportunities. Optimizing sales resource allocation is a large opportunity to create firm value because the majority of businesses allocate significant resources and assets in their revenue teams based largely on “gut feel”, history and management judgment—and have not yet leveraged data and analytics to better measure and optimize the return on those selling assets. A B2B sales organizations will invest between 10-40% of their total budgets into their revenue teams and the programs that support them—yet much of that effort is wasted on low value accounts and
opportunities and about half of those sellers will fail to achieve their quota objectives on average. Well-designed and aligned territories and quotas increase the return on growth investment because they enhance salesperson productivity, reduce selling expense, improve customer and opportunity coverage, and establish a sound foundation for all other performance management activities.

Business leaders can unlock significant value in their businesses and measurably improve their return on selling assets by better managing the sales territory and quota planning process and leveraging digital technology and analytics to optimize resource allocation.

The process of planning, managing, and optimizing sales territories and quotas is ripe for transformation because it a complex, lengthy, error-prone, and labor-intensive undertaking for most sales organizations, even in “normal” circumstances. Effective territory and quota planning forces growth executives and sales management to balance multiple objectives, accommodate a range of complicating factors, and constantly adjust to changes in the market, staffing and the go-to-market approach. In addition, in order to optimally plan, design and refine territory boundaries and seller quota assignments that are precise, accurate, fair, profitable, and attainable involves collecting, analyzing, and modeling between ten and fifty or more qualitative and quantitative data inputs from both across the company and external sources.

**THE KEY TRADEOFFS AND STAKEHOLDERS IN THE TERRITORY AND QUOTA PLANNING PROCESS**

Recent changes in the economy, buying behavior and selling models have amplified this complexity, and will require most firms to consider multiple adjustments in sales territories and quota assignments as market conditions change, product innovation accelerates and the commercial model continues to become more digital, data-driven, distributed, and diverse.

At the same time, a revolution in AI has introduced new solutions and modeling tools that can dramatically simplify and optimize complex territory and quota design problems and make the territory and quota management, evaluation, and optimization more data-driven, agile, accurate, and automated. Recent advances in advanced analytics, modeling and sales performance management tools provide the opportunity to dramatically improve the TQP process, the quality and impact of its outputs, and the resources, labor, time, and effort involved in managing it. Advanced modeling techniques offer the potential to improve the accuracy, effectiveness and predictability of territory and quota plans.
**Generating more revenue growth from sales assets.** Companies that digitize their territory alignment process increase revenue up to 15% through better resource allocation, tight alignment between sales territories and the go to market strategy, improved sales productivity, and goal attainment according to research by the SMA.\(^\text{12}\) Optimizing territory design alone can **increase sales by 2 to 7%**, without any change in total resources or sales strategy because an optimally designed and well-balanced, and aligned territory plan can improve seller productivity by 10-20% and save costs according to research by the Alexander Group.\(^\text{16,4}\)

**The agility to reach to the market faster.** The most efficient organizations are using automated workflow processes to get efficiency gains of two to three times when compared to counterparts using manual or spreadsheet-driven processes.\(^\text{5}\) Data driven automation can help streamline the planning cycle from 60-35-day planning cycle by automating the collection and analysis of many data inputs and facilitating the collaboration with the 6-12 different organizations that need to align territories and quotas with the overall go to market, compensation and corporate growth strategy of the company.\(^\text{4}\)

- Organizations that use automated technology for territory design have up to 20% higher sales achievement than the average.\(^\text{12}\)
- **Reducing the overall cost of selling.** B2B organizations can achieve a 10-15% cost reduction (or reallocation) with territory optimization and employment by matching territory size with revenue and profit growth opportunities, reducing the number of territories; and lowering cost channels.\(^\text{4}\)

Despite the potential to unlock revenue and profit growth, most organizations have not embraced a 21\(^{\text{st}}\) Century Model for transforming the territory and quota planning process. Today, only a few best of breed organizations are tapping into the full potential of their internal and external data and qualitative insights available to them when they establish their plans.

- **Very few are data driven.** Fewer than 20% of selling organizations have a data-driven, quantified understanding of the total market opportunity and untapped customer potential, survey of 870 B2B executives worldwide by Bain & Company.\(^\text{8}\)

- **Most are not very good at it.** Only 36% of sales executives and performance professionals say they are effective at territory design and the majority (79%) feel they have inadequate off-cycle and mid-year territory evaluation practices.\(^\text{12,9}\)

- **And most sales operations teams still do it manually.** Most organizations still manage sales quota and territory planning on spreadsheets, as direct consequence they largely fail to finish planning before the upcoming sales period starts. “The number of variables and permutations involved in modern territory and quota planning have increased dramatically,” reports Michael Smith of Blue Ridge Partners. “This additional rigor yield more precision, higher goal attainment and greater opportunity realization. But businesses that still use spreadsheets to manage their sales quotas and territory planning, they fail to get their updates completed and accepted by the field two thirds of the time.”
III. OPTIMALLY ALLOCATING REVENUE TEAM RESOURCES IN A 21ST CENTURY COMMERCIAL MODEL

The Five Ways Growth Leaders Are Reimagining the Role of Technology in Growth and Value Creation in a 21st Model.

For decades business to business organizations have invested in CRM, Sales Enablement, and Marketing Automation technologies in an effort to accelerate sales growth, multiply the return on selling assets, and create firm value. In the last five years, the level of spending on sales and marketing analytics has grown to almost 10% of overall sales and marketing budgets according to analysis by the Duke Fuqua School of Business. While we’ve seen sales and marketing technology generate real value for revenue teams, overall, it has never fulfilled its immense promise.

For decades, the sales and marketing technology stack has been a universe of technology assets revolving around a central system of record of sales – namely CRM. After 30 years the return on selling assets – people, data, technology, and content – still falls below managers’ expectations, and even further below their potential to create firm value by any financially valid measure. Deploying 21st century innovations in a 20th century management framework has resulted in Return on Assets, Return on Investment, sales productivity, and performance that are unsatisfactory to sales and marketing leaders – and undecipherable to CEOs and CFOs in most cases.

“We’ve reached the point where the proliferation of sales and marketing technology tools and the maturation of the growth technology stack have made the traditional approaches most organizations use to manage and measure these assets untenable,” warns Chris Hummel, Managing Director of the Revenue Enablement Institute. The number of tools in the modern selling system has multiplied. The fragmented and tactical management of these expensive growth assets makes it very difficult to stitch together technology and data in ways that create value.

Equally important is the reality that no single tool is going to solve every problem completely. In practical application, it takes three or more steps to move, transform, and deploy information and content from one system to the person or place it can create value. For example, the process of organizing, managing, recommending, and intelligently deploying sales content to a salesperson at the moment they need it takes at least three steps and likely spans many systems. The same applies to the rapidly growing stockpiles of data about customers. Capturing, aggregating, analyzing, and deploying insights based on customer interaction data is a multi-step journey. That’s why the best revenue enablement solutions now span three or four established technology categories and almost defy description. As evidence, every solution we identified in our analysis of 100 technologies that enable the 21st Century Commercial Model connects at least two parts of the ecosystem to create value. A third of them effectively connect three or more parts. This dynamic diminishes the usefulness of conventional technology.
marketing, analyst research, catalogs, benchmarks, and evaluations. It also explains why the technology portfolios of most organizations are littered with tools that are duplicative, difficult to use, or disconnected from the other parts of the system.

To effectively manage this complicated ecosystem of technology, business leaders are going to have to reimagine their sales and marketing technology portfolios with value creation as the goal. They’ll be forced to look across technology silos and islands and take a broader view of how data, content, and technology assets are supporting sales and creating new revenues. We propose a new framework – the 21st Century Commercial Model – designed to help business leaders unlock the potential of their large investments in sales and marketing technology and advanced analytics to accelerate revenues, increase profits and create firm value. This simple but comprehensive model provides a leadership roadmap to rationally reconfigure their sales and marketing portfolios from the “top down” to ensure they deliver value and directly support revenue and profit generation.

FIVE WAYS TO CREATE VALUE IN THE 21ST CENTURY COMMERCIAL MODEL

The 21st Century Commercial model above outlines the three keys to improving the utilization and return on legacy large investments in sales support and digital marketing infrastructure and the content and data they generate. These include:

- Monetizing revenue engagement data from first party systems and third-party data sources
- Better leveraging sales support infrastructure assets, including CRM, Content, and Learning systems
- Improving the return on customer facing technology by integrating the digital marketing infrastructure with sales and service teams.

The center of the framework is a Revenue Operating System that leverages analytics and AI to effectively connect growth technology, data, and content assets to the five ways enterprises create growth and value.

The 21st Century Commercial Model framework explicitly outlines these five specific ways growth leaders can deploy sales and marketing technologies to create value:
1. **Revenue Resource Optimization: Optimally allocating people, time, and effort.** In the short term, some of the most practical and impactful ways data-driven algorithms can create value is to help with the basics of lead prioritization and qualification, recommending the next best sales action that will lead to success, and reallocating sales resources to the right accounts, territories, and markets. A wide range of AI tools are now available to help sales teams prioritize opportunities based on buyer intent, recommend next best sales actions, and automate or augment the day-to-day planning, content gathering and data entry that eats up two thirds of selling time. AI tools can also create algorithmically derived customer response models to help take the guesswork and gut feel out of aligning sales resources across geographies, accounts, and business lines.

2. **Revenue Enhancement: Better packaging, pricing, and personalizing offerings.** Sales teams can use analytics to improve the “4Ps” of selling by optimizing pricing dynamically based on willingness to pay and personalizing products and proposals to deliver and capture more value from sales transactions. For example, more disciplined and algorithmic pricing offers up to five times the profit potential of cost and growth initiatives because it can expand margins by 3-10% with existing resources and improve earnings multiples with limited investment. And rising customer demands for more relevant and personalized content and offerings are regarded as the top way remote buying behavior will change the go to market model in the Remote Sales Productivity Study.  

3. **Revenue Team Management: Better developing teams and accounts.** Front line sales managers can use AI to significantly improve cross sell, account penetration and the performance of the “B and C players” on their revenue teams. They can now use advanced analytics to automate the evaluation and coaching of sales talent, create measures of seller performance based on activity and behavior, and improve the coverage and penetration of key accounts using Account Based Marketing (ABM) data and insights. This will yield significant value because most (57%) of sales leaders regard visibility into seller activity and performance as their top sales productivity challenge and even more (62%) lack confidence in their organizations ability to cross-sell, upsell or expand key account relationships, according to Miller Heiman.

4. **Revenue Intelligence: Managing and measuring the financial return on growth investments.** Advanced analytics can give business leaders much better visibility into account health, pipeline accuracy, opportunity potential, and create better incentives for all customer facing resources based on account profitability and contribution to firm financial performance. Visibility into these factors were identified as the top four drivers of sales performance by sales leaders and effectiveness professionals. Building KPIs based on activity and engagement makes practical sense in the face of remote selling and the fact that linear waterfall metrics don’t accurately reflect the ways customers buy or revenue teams sell.

5. **Revenue Channel Optimization: Improving selling channel effectiveness.** AI enabled service automation, virtual assistants, contactless selling, and conversational intelligence tools can significantly improve the cost, effectiveness, and experience in virtual, direct, and physical sales channels. In the short term these tools automate sales tasks, guide sales conversations, leverage agent time and capture sales conversations for analysis, prioritization, and personalization.

Using advanced analytics to create and capture value in these five ways will be the primary driver of growth in the next decade. It is also the key to improving the historically low returns on sales assets – including people, data, technology, and content. These five value drivers will also help them prioritize efforts to connect the dots across their technology portfolios in ways they generate revenues, profits (EBIDTA) and firm value.
How Business Leaders are Using Advanced Analytics and Digital Technology to Optimally Allocate Revenue Team Resources

In the short term, some of the most practical and impactful ways data-driven algorithms can create value is to help with the basics of lead prioritization and qualification, recommending the next best sales action that will lead to success, and reallocating sales resources to the right accounts, territories, and markets. These tasks are easier for organizations to execute with limited analytics acumen and data scientists in short supply, according to Leonard Lodish, Professor of Marketing at the Wharton School of Business. “There’s a broad continuum of applications of AI in the selling model ranging from relatively simple to very complex. There are many high-impacts and simple to implement sales AI applications most organizations can be taking advantage of today,” reports Professor Lodish. “Organizations are dramatically improving sales performance by using algorithms to help with the basics of account and lead prioritization and qualification, recommending the content or sales action that will lead to success, and reallocating sales resources to the places they can have the most impact.”

While fewer than half (46%) of sales reps currently have data insights on customers’ propensity to buy, the majority (62%) of high-performing salespeople see a big role for guided selling that ranks potential opportunity value and suggests next steps. This is because a wide range of AI tools are now available to help sales teams prioritize opportunities based on buyer intent, recommend next best sales actions, and automate or augment the day-to-day planning, content gathering and data entry that eats up two thirds of selling time. AI tools can also create algorithmically derived customer response models to help take the guesswork and gut feel out of aligning sales resources across geographies, accounts, and business lines.

**OPTIMALLY ALLOCATING PEOPLE, TIME, AND EFFORT IN A 21ST CENTURY COMMERCIAL MODEL**

Sales leaders are taking advantage of advanced analytics to optimize the allocation of sales resources and seller time with data-driven algorithms that increase the return on selling resources in a variety of ways. These include:

- **Territory design and coverage models** - There is a big opportunity to optimize the deployment of sales resources by developing data-driven models that map the response functions by market, territory, and segment. Staffing and allocating sales resource across territories is often done by the seat of the pants or gut feel at best. Sales Performance Management solutions like Varicent digitize and automate the process of designing territories.

- **Recommending the next best sales action** - Sales reps spend almost 10% of their time on call planning and content preparation. Sales Enablement solutions are now using AI to recommend content based on customer preferences, past success, and client need. Sales Engagement Platforms create next best offer algorithms to recommend content,
playbooks, and even in-call guidance with real time flash cards). Only 37% of sales reps report they get algorithmic suggested next steps on an opportunity according to the Salesforce state of Sales survey.

- **Opportunity prioritization** - Sales reps spend 7% of their time prioritizing leads and opportunities. But a range of solution providers have emerged that support predictive lead scoring and lead prioritization models based on customer engagement data from inside and outside the organization. For example, Sales Engagement Platforms can prioritize daily tasks and plays for sales teams using real time buyer intelligence from billions of sales interactions. Third party data providers can make those models even better by enriching them with customer intent data that lets them know a prospect is in market for a solution.

- **Selling time optimization** - A range of sales automation technologies are now able to automate, assist or eliminate a range of low value-added tasks that nibble away at seller time, productivity, and motivation. Sales Automation software solutions can effectively automate tasks including CRM data entry, data management, finding information, list building and repetitive selling tasks like dialing, screening calls, and capturing contact information. Digital adoption software makes it faster and easier to find and use mission critical sales tools that provide competitive intelligence, selling content, automate RFPs, record sales calls, and recommend next best-selling actions.

- **Measuring and maximizing customer lifetime value** – Sales Analytics solutions and customer data platforms can combine CRM data with other customer engagement, operational data, and buyer intelligence sources to create robust customer lifetime value models that allow leader a 360-degree view of account health from a sales, marketing, and service perspective.

- **Talent assessment and optimization** – Integrated learning and development solutions are using AI to evaluate selling skills and performance based on activity analysis, conversational intelligence, and performance against standards.

One of the best ways your organization can accelerate sales growth, multiply the return on selling assets, and unlock more firm value is by making the territory and quota planning process more digital and data driven.
Territory and quota planning is a critical business process because it is essential to aligning growth resources, assets, and investment with market opportunity to maximize growth, profits, and firm value. Optimizing territory and quota plans create value by realizing the most possible revenue, profit, and growth opportunity with least risk and cost.

Ensuring that the resources of the business are aligned with the opportunities in the market is the single most important job of any business leader, according to the Cam Tipping, Partner at the Revenue Enablement Institute. “It’s called building a business strategy and there’s a reason we do it” shares Tipping. “Of the many resources at a leader’s disposal (time, money, people, etc.) one of the biggest is the sales team and you would think that aligning your troops with the best opportunities would be second nature to an experienced sales executive. In reality, for most businesses it’s not. Far from it.”

Recent advances in digital technology, advanced analytics and the next generation of interconnected sales performance management solutions offer B2B growth leaders enormous potential to maximize their revenue opportunity and the return on selling assets while limiting the risks of seller turnover, missing sales targets or compromising the customer experience.

There are a dozen ways technology can improve the territory and quota planning process from a business and financial perspective.

**WHAT ARE SALES QUOTAS AND HOW DO THEY MAXIMIZE REVENUE REALIZATION IN THE GO TO MARKET MODEL?**

A sales quota is an individual sales target figure assigned to each sales unit - such a salesperson, dealer, distributor, region, or territory, as a required minimum for a specified period, such as a month, a quarter, or a year. Sales quotas may be expressed either in monetary terms, in number of goods or services sold in volume or unit terms or a factor such as percentage growth or change. A strong quota planning process is one of sales management’s most important planning and management tools because it drives accountability for sales performance, offers a sales management platform for sales planning conversations and coaching, a process to judge current sales results and assess future sales opportunities. A sales quota provides the mechanism to recognize success and identify performance improvement opportunities.
Transforming the way your organization plans, design, manages, evaluates, and optimizes sales territories and quotas is an extremely high return activity because the process is complex, lengthy, labor intensive, data-rich, and mission critical to growth. Small improvements in the TQP process will have a big impact because it’s essential to aligning growth resources, assets, and investment with market opportunity and directly impacts an organization’s ability to realize corporate revenue, profit and share goals. Businesses can simultaneously increase sales and reduce costs while dramatically increasing the speed of planning, the productivity of sellers, and the return on selling assets by adopting 21st century selling principles and leveraging digital technology and analytics to transform the sales territory and quota planning process.

There are three primary ways to unlock value by transforming your organizational approach to territory and quota planning.

1. **Process automation** - Digitizing the process of planning, managing, and optimizing territory boundaries and seller targets and quota assignment to make it faster, less expensive and more data-driven, accountable, and collaborative. This includes digitizing the planning and design of sales territories and sales quota assignments, providing more visibility into ongoing performance, and streamlining the process of making mid-period adjustments and plan reviews.

2. **Data-driven planning** - Leveraging AI and massive new sales data sets to improve the accuracy, predictability, and quality of plan inputs. This includes curating and combining inputs and data sources into value-added analysis that derives better and more accurate planning inputs including estimates of seller capacity, productivity and profitability, sales forecasts, and opportunity potential.

3. **Algorithmic optimization** - Deploying advanced analytics, models, and algorithms to develop, evaluate, and optimize many different scenarios and variables to make better optimization and resource allocation decisions. Models can
speed up the analysis of a wider variety of trade-off decisions throughout the planning and optimization process – including tuning territory boundaries, cutting historic revenues by product, channel, industry, and geography, and adjusting opportunity allocation based on cost, staffing, and sales force emphasis.

The number of variables and inter-dependencies in territory and quota planning make it impossible to plan by hand or spreadsheet the scenarios needed to optimize the allocation and priorities of hundreds of reps across multiple products and many market segments without holding critical factors like sales force size, structure and territory design fixed, according to research by Professor Leonard Lodish of Wharton School of Business. Advanced Sales Management Models and the analytics built into Sales Performance Management Platforms make it faster and easier for management to evaluate more customer, product and activity scenarios for the many different organizations, levels and planning time horizons in a complex enterprise when optimizing territory plans and quota assignments.

A new generation of growth leaders are “knitting together” the data and technology assets within their sales technology portfolios to better allocate selling time, attention, resources and investment on the accounts and activities that generate the most revenue, profits, and firm value.

**Digitizing the Process of Planning, Managing, And Optimizing Sales Territories and Quotas**

As businesses grow and evolve their go to market approach to better develop the market - they add new selling channels, products, and market segments into their coverage model and selling strategy. This leads to more data inputs, seller roles, and functional stakeholders to include in the territory and quota planning process. Adding more variable to analyze, more scenarios to consider, and more tradeoffs to balance.

As a rule of thumb, the average B2B organization can take 60-70 days to plan and design territories when dealing with on average five different organizations (e.g., marketing, product, finance, human resources, and sales) and a limited number of data inputs to defining territory boundaries (e.g., historical baseline data, corporate growth targets, sales forecasts, and staffing budgets). Adding more stakeholders and data to the process will make your plans better and more aligned with the go to market process which is important. But more stakeholders and data inputs can also significantly increase the amount of time it takes to achieve a consensus about territory definitions. Particularly if an organization is managing the entire process on a spreadsheet.

For example, increasing the number of organizations involved in the territory and quota planning from three to six or more can double the amount of time it takes to plan, design, and align sales territories with other elements of the go to market mix. Adding more data inputs to the process – such as estimates of seller productivity and profitability, customer scoring and
“Today, the majority of organizations manage the territory and quota planning process using spreadsheets or home-grown systems to manage these increasingly complex processes,” according to Michael Smith. “As a consequence, most of these (two thirds) fail to finish planning before the sales period starts which means many revenue teams start of the year without fact-based upon assignments.”

Replacing spreadsheet-based planning can have significant benefits. Companies that digitize their territory alignment process increase revenue up to 15%. Data driven automation can help streamline the planning cycle from 60-35 day planning cycle with automation. And organizations that use automated technology for territory design have up to 20% higher sales achievement than the average.

Recent advances in Sales Performance Management (SPM) solutions and tools provide the opportunity to dramatically streamline and improve the Territory and Quota Planning process, the quality and impact of its outputs, and the resources, labor, time, and effort involved in managing it. There are five primary ways new technologies can streamline, automate, and enhance the territory and quota planning process.

1. Digitizing the planning and design of sales territories and sales quota assignments.
2. Helping to visualize, communicate and align those plans across the enterprise.
3. Helping sales managers, sellers, and incentive professionals to manage sales territories and quotas.
4. Building dashboards for ongoing evaluation, reporting, and stakeholder decision support.
5. Streamlining and speeding up the process of making mid-period adjustments and plan reviews.

There are a variety of tools and advanced technologies that can enhance and improve the process for planning, designing, managing, and evaluating territory and quota plans. Sales Performance Management (SPM) software is a fast-growing technology that tackles salesperson assignments and territories, quota management, incentive compensation administration, and sales and incentive performance reporting. Current solutions provide sales leaders and their operations teams management greater control, richer insight, and faster decision making. “The highest performing organizations are using advanced analytics and AI to connect the dots across traditional working silos to find ways to generate more revenues, improve operating efficiency and manage risks like sales rep churn,” according to Marc Altschuller, CEO of Varicent. “The next generation of sales performance management software allows revenue operation sand sales leader to integrate the plan, operate and pay process to create smarter and more balanced territory plans and quotas that can adapt quickly to shifting market realities.”

Sales organizations are increasingly using SPM solutions to recalibrate forecasts, recast seller performance expectations, and use analytics to better manage sales territories and quotas in rapidly changing environment. Some of the more impactful ways to digitize territory and quota planning include:

- Automating the process workflow - including data entry, analysis, and collaboration with stakeholders. “Organizations that have automated workflow processes are seeing efficiency gains of two to three times when compared to counterparts using manual or spreadsheet-driven processes,” according to Michael Smith, who has helped over 300 B2B organizations unlock more growth from existing selling assets in the last decade.
• Develop scenarios to test different resource allocations, sales assignments, roles, and territory configurations to find ways of managing more accounts with fewer reps and modeling the financial impact including forecasting costs, outcomes and commissions based on potential changes. The number of possible ways you can structure territories and allocate seller time effort and activities is nearly infinite in multi-channel organizations with many selling roles, segments, and products in their portfolio,” according to Cam Tipping, who has worked with over 100 global revenue teams to model and simulate their territory plans using real-world scenarios. “Sales Performance Management solutions and Business Simulations make it much easier for operations teams, territory managers and individual sellers to explore the potential of the many different ways they can allocate allocating time, effort, and while fine tuning their day-to-day mix of customer, product, and activity priorities.”

• Seller performance management – Advanced analytics provide more accurate and empirical measures of seller productivity, performance, and profitability which are important design parameters for “bottom up” calculations of seller workload, capacity, and sales quota assignments. They also make it easier to track performance of sellers within a selling period. Today, only a fraction of organizations (6%) are able to give their sales teams access to the daily reports of progress and status, or near real-time data, they need for day-to-day sales territory management and decision support.⁶

TOOLS FOR PLANNING, DESIGNING, MANAGING AND EVALUATING TERRITORY AND QUOTA PLANS

• Automating quota management including mapping visualizations and dashboards for ongoing evaluation and decision support to help make quota tracking “active” and provide sales managers the KPIs they need to actively manage performance of their territory teams and individual reps against those goals.

• And dashboards that automate the collection and reporting of key metrics required for actively managing quota attainment and providing decision support in real time. For example, 57% of companies use dashboards to monitor territory performance and opportunity metrics to monitor territory performance and health - this was cited as the biggest gap in territory management, and a need to move from "gut feel" and anecdotal management feedback to more data-driven KPI to guide decisions and adjustments.⁵
Leveraging Advanced Analytics and AI to Maximize Revenue Opportunity and The Return on Selling Assets

The territory and quota planning process is an inherently complex and data-rich business process. It requires analyzing many data sources to create design inputs, balancing a range of business trade-offs, inputs from many different stakeholders, and making ongoing adjustments and contingencies for external market and internal changes.

An important part of that process is leveraging advanced analytics to support the design of territories and quotas that are precise, accurate, fair, and attainable. Advanced analytics, artificial intelligence or AI, machine learning or ML, and other modeling techniques can dramatically simplify and solve many of the complex territory and quota design problems planners face. They can also significantly improve the accuracy and efficacy of the inputs and outputs, and outcomes of the territory and quota management, evaluation, and optimization process.

Recent advances in analytics, modeling and sales performance management tools provide the opportunity to dramatically improve the Territory and Quota Planning process, the quality and impact of its outputs, and the resources, labor, time, and effort involved in managing it. For example, an organizations using third-party territory and quota process automation tools can curate 50% of territory design inputs automatically, leading to 20 fewer territory design and planning days.4

Advanced modeling techniques offer the potential to improve the accuracy, effectiveness and predictability of territory and quota plans. These advanced capabilities and best practices can significantly improve the quality, efficiency, and business benefits of the territory and quota planning by:

- **Improving the quality of planning parameters values and inputs** – Sales operations leaders are increasingly using analytics to improve the accuracy, predictability, and quality of plan inputs. This includes combining inputs and data sources into value-added analysis that derives better and more accurate planning inputs including estimates of seller capacity, productivity and profitability, sales forecasts, and opportunity potential.

- **Analyzing different planning scenarios to make better allocation decisions** – There are several specific opportunities where models and algorithms can develop, evaluate, and optimize many different scenarios and variables to make better optimization and resource allocation decisions. Models can speed up the development and evaluation of a wide variety of trade off decisions throughout the planning and optimization process – including tuning territory boundaries, cutting historic revenues by product, channel, industry, and geography, and adjusting opportunity allocation based on cost, staffing, and sales force emphasis.

Companies that digitize their territory alignment process increase revenue up to 15% according to research by the Sales Management Association.12 But few organizations are tapping into the full potential of their internal and external data and qualitative insights available to them when they establish their plans. Fewer than 20% of selling organizations have a data-driven, quantified understanding of the total market opportunity and untapped customer potential, according to a survey of 870 B2B executives worldwide by Bain & Company.8
Five Ways Advanced Analytics Can Improve the Accuracy, Predictability and Quality of Plan Inputs

The first way advanced analytics can improve territory and quota planning is by creating and deriving better and more accurate planning inputs, assumptions, and predictions.

Professor Leonard Lodish and V (Paddy) Padmanabhan, have taught Leading the Effective Sales Force to a generation of growth leaders over the past decade at Wharton and INSEAD. They believe it is no longer is it enough to rely on history or rules of thumb in making sales force allocation decisions. The precise historical data available to sales managers is increasingly able to help them to rationally decide on sales force size, territory boundaries and call frequencies for each account and prospect that maximize firm profits.

“Decision science has evolving beyond simple extrapolations of historic performance or management “rules of thumb” about key TQP planning parameters such as seller workload estimates, the sales response function, opportunity potential or seller productivity,” relates Cam Tipping. “Advanced models and business simulations are empowering sales managers and key stakeholders in product, marketing, and senior leadership to develop much more accurate and nuanced planning assumptions based on quantitative facts and qualitative management judgements that reflect the true drivers of sales performance and customer response based which yield much more effective planning outputs. This includes a better understanding about how sales assignments were derived, and why they are in the collective best interest all parties involved.”

An emerging best practice is to use advanced sales analytics and modeling techniques to derive more accurate and predictive planning parameters and data inputs from many different data sources rather than rely on extrapolations of historical baseline data based on internal assumptions or straight-line projections. Some data inputs can be derived using advanced modeling techniques such as sales response functions and sales profitability, customer value modeling, signals of customer intent and readiness to buy, and “win probability”. It is also possible to develop a fact-based business case for sales resource allocation and investment in markets can be empirically determined by developing a sales response model for the markets you serve. A sales response model looks at demand and supply information, competitive spending as well as the relationship between sales staffing and revenue performance. Other models can calculate incremental profit and revenue contribution of incremental effort, calling patterns and product emphasis.

The ability of analytics to make planning insights more predictive is proving to be a big driver in helping sales organizations unlock the potential in their go to market to drive growth, improve yields and get the greatest return on growth investment,” according to Marc Altshuller, Founder and CEO of Varicent. “The most advanced organizations are using AI to find the predictive elements in their unique data to identify customer opportunities and seller performance issues,” shares Altshuller. “For example, it’s possible to identify and predict which sellers have the highest probability of hitting their quotas or churning, including the ability to drill down into the detail on the headwinds, tailwinds, traits, and behaviors that explain why they are at risk and what drives their performance. A leadership team can use this granular and predictive data to decide on the thresholds of revenue and thresholds of churn risk they can tolerate in their plan.”

Overall, 79% of sales teams currently use or are planning to use sales analytics technology. It is possible to calculate more accurate inputs for several critical data inputs to the TQP process we reviewed in this course. Some of the top elements of territory and quota planning that can be improved significantly with advanced modeling and analytics technique include but are not limited to:

- **Estimates of market potential and opportunity** - by incorporating internal sales baselines over three years or more with external measures of economic activity, demand, buying behavior and market trends to more accurately quantify and forecast the total addressable market opportunity. This is a big opportunity to enhance the TQP process because fewer than 20% of selling organizations have a data-driven, quantified understanding of the total market opportunity and untapped customer potential.

- **Seller profitability and performance** - by correlating rep activities and outcomes with profit contribution, sales quota attainment, and productivity metrics such as calling volume and conversion rates.

- **Customer and account priorities** – by calculating account potential by combining internal sales baseline data with external firmographic, technographic, and demographic information as well as usage, adoption and buying intent to determine customer buying potential, penetration, and lifetime value.
• **Sales workload estimates** – by building rep workload and capacity estimates using on a wide range of scenarios based on different customer engagement models – the number, mix, nature and frequency of customer engagement, different levels of treatment by customer type, and the mix of products presented to those customers.

• **Sales forecasts** – by integrating pipeline health and opportunity metrics from CRM with customer engagement, intelligence, intent, and win-probability data from first party data drawn from customer facing systems and third-party data sources.

• **The Sales Response function** - A sales response function is the relationship between sales and marketing investments and actions and the contribution they generate in terms of revenues, profits, and business objectives. The optimization of all aspects of sales operations depends on the behavior of Response Functions explicitly or implicitly, according to academic research. The ability of management to create valid estimates of the effects of the efforts of sellers on business outcomes is critical to their ability to make effective and optimal decisions about how to allocate sales resources. The science of sales response calibration has evolved from estimates of the response function based on management judgements, fixed effects (linear and uniform and simple allocation heuristics) or rules of thumb) to far more objective and complex data-based econometric techniques based on regression analysis, maximum simulated likelihood, and hierarchical Bayesian analytics, according to research by Professor Leonard Lodish, Professor of Marketing at the Wharton School of Business. Advanced modeling techniques can create much more accurate Response Functions that represent how sales at relevant levels of aggregation (e.g. on a company, territory, or rep level) vary with selling efforts and other external factors such as competitive, market, and environmental influences. Without models, managers used simplistic historic extrapolation, linear relationships or “rules of thumb” as the basis of estimating the response function. An emerging best practice for solving the problem of allocating scarce resources is to conduct an econometrics modeling analysis based on S-shaped (or convex-concave) response functions, because they are most common in nature and factor in the concept of diminishing returns.

**Opportunities Where Models and Algorithms Can Develop, Evaluate and Optimize Many Different Scenarios and Variables**

Territory and quota planning go hand-in-glove will your sales force design and all of the elements of your go-to-market strategy – including coverage model, segmentation, channel strategy and product portfolio strategy. So, optimizing the territory and quota plan involves managing a variety of tradeoffs between conflicting corporate and aligning with all aspects of the go to market model – from sales force strategy, to market segmentation to product portfolio, go-to-market, and sales incentive strategy. There is no one perfect plan. Rather there is a balance that is best for your specific company.

It’s important to remember that defining, sizing, balancing, and optimizing territories and their associated quotas depends on a number of inter-related factors. Often these factors are in conflict – cost vs. customer service, capacity vs. coverage, balance and fairness vs. revenue maximization, rep satisfaction vs. short term revenue growth, available reps vs. geographic territories, skills, and expertise vs. market needs. This leads to trade off decisions. There is no right answer. Each organization has its own priorities, methods, or “algorithms” for balancing these tradeoffs to arrive at territory definition and quota assignments that create the most value for the enterprise – in terms of short- and long-term growth, profitability, and firm value.

To be more specific, there are seven inter-related decision factors that inform the territory and quota plans, designs, and assignments. These vary in terms by the type of information they contain, for example, qualitative, quantitative, objective, subjective, where they come from, for example, internal, external, operations, systems, or the field, and how they are derived, for example, using a top-down vs. bottom-up approach.
THE INTER-RELATED DECISION FACTORS THAT INFORM THE TERRITORY AND QUOTA PLANS, DESIGNS, AND ASSIGNMENTS

Given this interrelationship between go to market variables – it’s important to align and adjust all of the components of the go to market strategy in concert with the prescribed territory boundaries and sales quota assignments that will generate the greatest revenue and yield on resources. This requires balancing multiple strategic and tactical objectives that are in tension. An important part of that process is integrating with the key stakeholders in other functions to ensure your territory and quota plan aligns with channel strategy, product portfolio strategy, target market segmentation and incentive plans.

At a high level, business leaders must balance four fundamental tradeoffs when optimizing the growth formula for the company.

- The tradeoff between high levels of control over the sales force with market coverage. Too much control may limit sales freedom and lead to missed opportunities. Too little control can lead to undisciplined selling, overlaps and disputes.
- The tradeoff between cost and the customer experience. Too much focus on optimizing cost can hurt the lifetime value and quality of important client relationships. Too little focus on costs can lead to waste and margin erosion.
- The tradeoffs between maximizing opportunity realization and growth, and the confidence and retention of your sales force. Overly aggressive goals can be unrealistic and lead to stress and attrition on the sales team. On the other hands, relaxing growth goals can leave value and revenues on the table and reduce your competitiveness and productivity.
- As organizations move to multi-channel, digital and virtual selling – balancing the type, mix and sequence of customer engagement and different customer treatment types with rep productivity, workload and capacity is increasingly important. Modern engagement models need to factor in the level of digital engagement, reductions in sales travel due to remote selling, and expectations for speed and frequency of response by customers with traditional calling and activity-based productivity measures.
To fully realize the growth potential of new territory designs, interaction patterns, and customer priorities most organizations need to reengineer their selling architecture to adjust territories, incentives, engagement models, roles, and customer engagement cadences to generate higher returns on their revenue teams, and the technology and data infrastructure assets that support them. The number of variables and considerations involved in this are too great to manage manually on a spreadsheet. So, sales planners are increasingly using advanced analytics, AI algorithms and models to assess these different scenarios and make better optimization and resource allocation decisions.

There are several specific areas where advanced analytics, models and algorithms can speed up the process of evaluating the many different scenarios and variables to reconfigure selling architecture and optimally match selling resources with opportunity. Models can speed up the development and evaluation of a wide variety of trade-off decisions throughout the planning and optimization process – including tuning territory boundaries, including, but are not limited to:

- **Sales resource allocation**: Optimizing the incremental revenues associated with incremental staffing in a market. This involves experimentation with different levels and mixes of staffing in different models based on assumptions about sales response function, rep productivity, the marginal cost of incremental sales, and demand elasticity.

- **Sales force emphasis**: Optimizing the incremental profit and revenue contribution vs. level of effort, mix of calling and products sold. There are thousands of rep, customer, and personal combinations to consider. But selling performance, resource requirements and margins can change dramatically based on these variables. So, exploring many options makes sense if it can be done quickly and affordably.

- **Optimizing territory assignments**: Optimizing sales potential vs. the mix of customers and accounts in a given territory has many different variables that can impact sales productivity, total profits and revenue growth and risk. Planners can experiment with a variety of different combinations to achieve the optimal balance for their organizations. Advanced models can process and optimize territories to balance a variety of critical variables. Some of the most important ones to consider are:
  a. Making sure quotas are equal vs. equitable.
  b. Balancing carrot (incentives and lifts) vs. stick (gates and penalties) to motivate sellers.
  c. Emphasizing selling new vs existing products to maximize margins and customer lifetime value.
  d. Prioritizing time and attention on new vs existing clients to optimize top line growth and cost to sell.
  e. Measuring activity and behavior vs. outcome-based metrics to motivate the right decision-making and effort of sellers.
• **Breaking down baseline revenues and revenue forecasts** by product, channel, industry, and geographic mixes. Understanding how

• **Optimizing top-down opportunity allocation.** Top-down quota planning breaks down the total revenue opportunity of a company into smaller units that can be assigned to individual sales reps or teams. There are a variety of ways a business can breakdown that opportunity based on cost to sell, sales force size, product emphasis, staffing levels, and sales force focus.

### Four Ways Advanced Modeling Can Help Optimize Seller Goals and Assignments

Sales modeling is both an art and science even in the most data-driven organizations. But it is increasingly critical to sales resource allocation due to rapidly changing customer behavior, shorter product lifecycles, the complexity of omnichannel and virtual selling systems, and the availability of better data to inform growth strategies. It requires balancing seven-interrelated inputs - the size, segmentation, and emphasis of the sales force, the design of territories, the segmentation of markets and the treatment of customers – against corporate growth goals and resource constraints. It also forces management to blend quantitative data inputs and objective empirical analysis with estimates based on management judgment and local market knowledge in ways that must achieve growth priorities and targets and strategies defined by firm leaderships. Advanced modeling and analytics techniques can significantly improve the process and the outcomes it achieves.

1. **More customized plans** - Recommendations that are tailored to individual territories, customers, and sellers by making it faster, easier, and more accurate to disaggregate selling assumptions from a company or territory level down to a customer level.

2. **Econometric modeling of sales responses** - Improving critical assumptions about the sales response function by adding objective and empirical econometrics modeling inputs to augment estimates based on management judgments.

3. **Making better assumptions** - Evolving beyond simple heuristics or “rules of thumb” that assume linear sales response or equal allocation of efforts against all customers and territories, to more nuanced and accurate assumptions that reflect the true nature of demand and sales response based on decision science.

4. **Better leveraging data** - Incorporating more data inputs from internal and external sources into the process to improve both the quality of input parameters and the accuracy of planning outputs.

5. **Considering more scenarios** - Making it faster and easier for management to evaluate more scenarios in terms of territory design and the customer, product and activity priorities of individual sellers when optimizing territory plans and quota assignments.
There are four primary models that can help balance many variables, goals, and data sources to optimally align sales resources with opportunity and achieve corporate growth goals.

**Customer Scoring Models** – Predictive customer scoring models create more accurate predictions about account potential, account priorities, and treatment models based on a variety of quantitative inputs. The science of customer scoring has evolved from simple A-B-C rankings based on historical sales data to highly predictive and targeted algorithms that can tell sellers which customers are ready to buy, and which actions will generate the highest probability of an advance and greatest lifetime value. At the same time, most sales leaders are frustrated their reps are chasing too many unprofitable customers and not applying the basic 80-20 rule when they allocate their day-to-day selling efforts. Predictive scoring models have the potential to enable highly precise model input parameters on customer revenue and profit potential as well as more prescriptive recommendations for different customer treatment models. The most accurate models’ factor in data about leads (age, source, geography, engagement type), segmentation (demographic, firmographic, technographic, and persona type), and (win probability, readiness to buy, relationship strength, cost to sell, and coverage challenges).

**Sales Response Models** – Sales response function models use econometric modeling techniques to better understand the relationship more accurately between sales and marketing investments and actions and the contribution of the sales force to revenues, profits, and business objectives on a market, territory, and customer level. Sales response curves use decision calculus to develop S-shaped or convex curves that more accurately reflect the relationship between marginal sales effort and the allocation of scarce resources. The specification and estimation of selling effort response functions are essential for making most operational sales force decisions and inherent in any allocation decisions that management makes – whether implied or acknowledged. According to Leonard Lodish (1971) sales response calibration has evolved from estimates of the
response function based on management judgements, fixed effects (linear and uniform and simple allocation heuristics (rules of thumb) to far more objective and complex data-based econometric techniques based on regression analysis, maximum simulated likelihood, and hierarchical Bayesian analytics.

**Optimization Models** – Sales force optimization models combine the sales response function and customer potential with the seven inter-related variables into territory and quota plans, designs, and assignments to model the effect of different scenarios on firm revenues, profits, and business goal attainment. This allows management to optimize many variables - the size, segmentation, and emphasis of the sales force, the design of territories, the segmentation of markets and the treatment of customers – to generate the plan with the greatest sales force effect. Sales force optimization models make it faster and easier for the many stakeholders in the organization to balance their individual needs to meet the collective goal of growing share, revenues and profits set out by leadership.

**Territory Declining Analysis** – Deciling analysis is a systematized approach to incorporating local management knowledge and field rep input into territory assignments, sales goals and quotas and allocation of investment and effort. A decile analysis combines empirical inputs from predictive customer scoring models with field input about qualitative market, relationship, and coverage challenges to create a customer concentration curve that maps the optimal allocation of selling effort against specific customers in a given territory. Deciling has advantages because it aggregates and quantifies local market knowledge to support empirical modeling while at the same time it builds understanding, consensus and buy-in from front line managers and reps about the account assignments, activities and decisions that will maximize the potential of their given teams, territories, and individual sellers. In this regard, the workshop approach to using groups of experienced managers and reps to estimate critical planning parameters such as the sales response function or customer scoring is extremely effective. Many organizations are incorporating a series of special estimation workshops as part of their annual planning process to come up with better estimates of key planning parameters. For example, a pharmaceutical company used a structured and iterative group estimation approach (the Delphi method) to efficiently "crowdsource" and capture the collective expertise of the sales management team to create a much more accurate sales response function parameters for sales force modeling. Through a series of modeling exercises, they were able to arrive at a consensus plan that allowed them to drive $25 million in marginal sales contribution by changing the size and deployment, and emphasis of their sales force. In particular, the collective judgment of the management team helped them to refocus their product emphasis on products that were contributing more to margins and customer lifetime value.

These models work in concert to analyze the key parameters that guide territory and quota planning to come up with the optimal allocation of resources and effort and the best mix of selling activities to realize the most opportunity from the markets a company services with limited resources. These models are based on five key parameters:

- **Customer potential** – are predictions of the revenue and profit potential of a customer based on historical baseline data combined with estimates about win probability, readiness to buy, buying potential, selling costs and coverage challenges.
- **Sales contribution** – is the net contribution of sales force efforts to the business in terms of revenues, profits, market share, customer lifetime value or other management measures of business performance.
- **Number of customers** – is a sequential listing of all customers in a territory usually ordered from largest to smallest based on historic revenues, predicted revenues, or management estimates of profit contribution potential.
- **Sales force emphasis** – are scenarios that test the financial impact of having sellers prioritize different combinations of products, customers, and activities as part of the overall sales strategy.
- **Sales actions and investments** – represent the level of sales effort and staffing and the mix of go to market programs, promotions and resources that are invested against a group of customers in a territory or individual customers.
V ACTIONS YOU CAN TAKE TODAY TO IMPROVE THE ALLOCATION OF SELLING RESOURCES IN YOUR BUSINESS

There are four steps every organization can take to better align resources with opportunities and make their territory and quota planning process more digital, data-driven, and agile.

The Revenue Enablement Institute has partnered with Varicent to develop a self-directed online education resources for sales executives, managers, operations leaders, and sellers to better understand the foundations of world class territory and quota planning, design, management, and evaluation. The Territory and Quota Planning curriculum provides the foundational skills to better align selling resources with opportunity and a foundation for evolving towards data-driven sales resource allocation.

The Revenue Enablement Institute hosts revenue teams in highly collaborative Deciling Workshops to with front line sales managers and sellers from business unit, territory management or market teams to build a collective understanding, consensus and buy-in on the best account assignments, activities and allocation of effort that will realize the greatest potential of territories, revenue teams, and individual sellers. A Deciling Workshop will incorporate the collective management judgement and local market knowledge into territory and quota assignments and build a common understanding of the activities and decisions that will maximize revenues.

The Revenue Enablement Institute can audit your sales force design and go-to-market architecture to estimate the potential to unlock more revenue and margin growth by re-calibrating coverage, selling roles, account priorities, product emphasis, the mix of engagement, and deployment of your revenue teams. Making several small changes to product focus, calling patterns, customer priorities and sales roles can add up to big changes in revenue contribution, profit contribution and quota attainment.

Territory managers and individual sellers can explore the potential of different scenarios for allocating time, effort, and investment in their territories using business simulation software to refine their territory designs and fine tune their customer, product, and activity priorities. Business simulations accelerate learning, build team skills, and achieve consensus through hands on experimentation and iterative real-world learning.

LEARN THE BEST TERRITORY AND QUOTA PLANNING PRACTICES

HOST A DECILING WORKSHOP TO UPDATE YOUR TERRITORIES AND QUOTA PLAN

AUDIT YOUR GO-TO-MARKET ARCHITECTURE TO SIZE THE OPPORTUNITY TO IMPROVE

USE BUSINESS SIMULATIONS TO EXPLORE MANY TERRITORY DESIGNS AND ALLOCATION SCENARIOS
VI ABOUT THE RESEARCH

This research initiative is led by the expert faculty of the Revenue Enablement Institute. To define and execute this best-practice analysis, our team of leading academics, experts, and practitioners in the field of Revenue Enablement and sales management has conducted interviews with 50 senior sales and marketing leaders, sales managers, sales effectiveness professionals and experts between February 2021 through May 2021. In parallel, our research team monitors and evaluates thousands of sales and marketing technology platforms to identify and rank the 100 technologies that are converging to define and enable the 21st Century Commercial Model. These experts lent their research and decades of practical experience to the recommendations about how organizations are going to have to transform their territory and quota planning processes to become more digital, data-driven, and agile. The faculty contributing directly to this analysis include:

Stephen Diorio, Executive Director of the Revenue Enablement Institute. Mr. Diorio is a leading authority go-to-market transformation, sales and marketing performance measurement, virtual selling channels, and revenue enablement. He is author of Beyond e: How Technology is Transforming Sales and Marketing Strategy (McGraw Hill) and the 21st Century Commercial Model: A CXO Blueprint for Transforming Sales, Marketing and Service.

Cam Tipping, Managing Director Growth Strategy and Optimization, Revenue Enablement Institute. Cam is a pioneer in algorithmic sales resource optimization, computer-based growth strategy simulation modeling, and virtual selling and education. He has advised and educated over 5,000 growth executives and sales managers from more than 60 countries on growth strategy and business development As Founder of the International Institute for Business Development Global Ltd (IIBD). Mr. Tipping is the developer of the SABRE business simulation tool used worldwide in businesses and MBA programs.

Greg Munster, Managing Director of Sales Transformation, the Revenue Enablement Institute Greg Munster, is a leading authority in sales enablement and customer-centric go-to-market transformation. Greg has led numerous business transformation initiatives to drive revenue optimization and customer success at industry leading global technology firms including IBM, Lenovo, and Red Hat. Greg has over a decade of practical experience in the design, implementation and adoption of the sales technology portfolio including CRM, CPQ, Digital Asset Management and Learning Management within enterprises.

Jeff McKittrick, Managing Director Digital Selling Platforms, The Revenue Enablement Institute. Jeff is a leading authority in revenue enablement with over 15 years of sales operations leadership experience building and implementing digital selling and sales enablement platforms at Cisco, Hitachi Vantara, and Walk Me. Jeff and his team at Hitachi Vantara won Sirius Decisions’ Program of the Year for Sales Operations for their work on creating the Digital Selling Platform.

Michael Smith, Senior Managing Director, Blue Ridge Partners. Mr. Smith is an authority on virtual selling and sales channel acceleration. He has helped over 300 organizations unlock new growth by designing new organizational approaches, incentives, and systems to optimally reallocate sales time and resources to the best customers, markets, and territories.

This steering committee was supported by contributions from academics and subject matter experts from the Revenue Enablement Faculty including, Professors David Reibstein, Leonard Lodish, and Raghu Iyengar of Wharton, Chris Hummel, Marten Leijon, and Bob Kelly the CEO of the Sales Management Society.
VII CITATIONS


2. Unlocking CRMs Value, Bob Kelly, The Sales Management Association, April 2020, Available at: https://salesmanagement.org/blog/crms-triumph-of-hope-over-experience/


ABOUT THE REVENUE ENABLEMENT INSTITUTE

The mission of the Revenue Enablement Institute is to educate and arm a new generation of growth leaders with the state-of-the-art management tools, skills, capabilities, and practices they will need to accelerate revenue growth and adapt to the new buying reality.

Our faculty of academics and experts are actively working with owners, CEOs, and their growth leadership teams to develop research, education and management tools help them transform sales, marketing, and service system into high performing growth teams.

Our efforts focus on the five key enablers of profitable and sustainable growth.

1. LEADERSHIP – Successful sales and marketing transformation will require new skills and leadership approaches. The next generation of growth leaders must be coaches that find ways to get revenue teams to work together, and find better ways to use data, information, and technology as force multipliers.

2. TEAMWORK – Growth leaders will need new managerial architectures that break down organizational silos and foster teamwork across sales, marketing, and service at scale across the enterprise. Old hierarchical command and control approaches will be too slow, culturally toxic, and introduce too many points of leakage and failures as revenue opportunities move across functions.

3. COMMON INCENTIVES – Revenue teams can only succeed if they have a common purpose. Growth leaders must define a single scorecard for success that will give disparate sales, marketing, and customer success teams the incentives to work together to grow revenue and customer lifetime value. Hierarchical, functional, and waterfall metrics based on linear sales funnels and independent functional roles will fail to either foster teamwork or address current customer behavior.

4. INSIGHTS – All customer-facing employees need a fully transparent, 360-degree, real-time view of the entire buying journey if they are going to play like a team. Revenue teams must act on buying signals, location-based opportunities, or churn triggers in service within minutes instead of hours or days. Sharing information horizontally across the enterprise to inform and support teams from across geographies, business units, and market segments is now the key to growing revenues, profits, competitiveness and share price.

5. RETURN ON SELLING ASSETS – Revenue leaders must find ways to use technology as a force multiplier and team enabler if they expect to succeed by dramatically increasing historically low levels of salesperson productivity, technology adoption and return on selling assets – content, technology, data, and automation. To do so, they must find ways to use AI-driven sales tools and workflow automation to automatically enforce new sales methodologies into daily practices, input data into CRM profiles, and deploy all the expensive content, thought leadership, and playbooks created by marketing.

We invite transformation minded CXO’s, CMOS, CSOs and CEOs to participate in our research and education program so they can apply what we learn to build higher performing revenue teams. You can learn more at www.revenueenablement.com