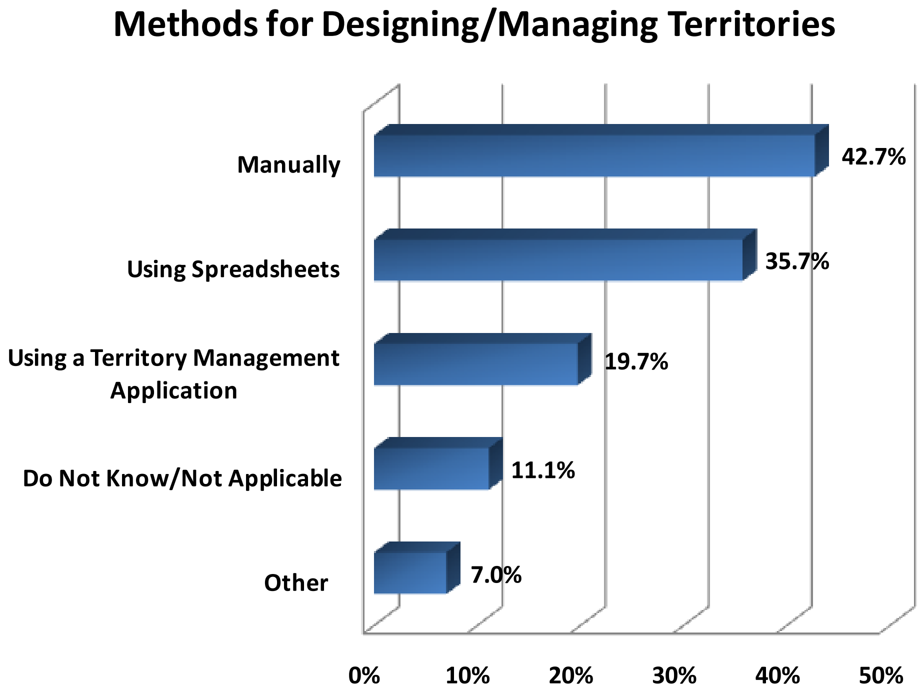
What Methods Are Used for Designing and Managing Territories?



Key Findings

- **New Metric:** Manual and spreadsheets remain most popular in designing and managing compensation plans.
- This reliance may be limiting flexibility and design options.
- Other methods include outsourcing, CRM, and several interesting alternatives.

Commentary

It comes as no surprise to past survey participants to see that spreadsheets lead the way in technology being applied to designing and/or managing territories. What does come as a surprise is that manually doing these tasks is the primary choice!

And it isn't just small firms taking this approach. Of firms with annual revenues greater than $1B, the breakdown was essentially even with spreadsheets (31%), using an application (30%), and manually (27%) being nearly evenly reported (14% did not know). In smaller companies (<$50M in annual revenues), manually outnumbered the use of applications 4:1 (48% to 12%), and spreadsheets nearly 2:1 (48% to 26%), respectively.

This continued reliance—some might say overreliance—on manual or spreadsheet-based methods has severe limitations. The first limitation is the level of complexity that can be managed using these tools. The second constraint is that absent significant documentation by the person creating and/or manipulating the calculations, the logic behind these computations is virtually unknowable to others. Because of this, the ability to create "what-if" scenarios is labor intensive and limited by the labor available to do this work (i.e., the spreadsheet creator).

Also unknowable and unseen by others is what has happened historically or is happening currently. Any sales manager that has looked at a sales pipeline kept in spreadsheets knows the feeling when asking, "What's changed?" All that is shown in spreadsheets is what currently *is*. For managers who want to know how reps' performance or sales expenses compare quarter over quarter, they can only ask for copies and try to divine the answers.

The situation is both worse and more immediate for reps wanting to know how they're doing and whether they're being credited properly—or just how much they've earned. Since they can't ask for reports the way managers can, they're left to keep their own set of books—what has been termed "shadow accounting"—then reconcile them with their actual pay at the end of each period. This is unnecessarily redundant and robs time from selling activities.

Thirdly, changes are not easily managed when handled manually or with spreadsheets. Some companies are reducing the number of territories but not simply consolidating one completely into another—or even more common, simply transferring some accounts between reps or to a new rep.

Some companies are trying to address these challenges in other ways or are not dealing with them at all. The most common "other" response was not having territories. A common pay plan is created and only bookings are tracked.

Some companies are also using Access™ or other database systems to address the need for historic look backs or comparisons, but this still relies heavily on the compensation manager and provides little "access" to managers or reps.

NOTES: