



State of Territory and Quota Planning, 2021: Sales Leaders Want a Better Way

TQP Optimization Needs to Happen—But the Question is How

Sales leaders believe that territory and quota planning (TQP) could be done better, but don't have a consensus on how to do so.

Given the level of concern sales leaders have about their TQP efforts today, Varicent has decided to commission an annual study that focuses on:

- Benchmarking TQP patterns and practices across a range of industries and company sizes.
- Assessing how different organization types maintain their TQP efforts over time.
- Analyzing how different types of companies support TQP efforts over the long haul.

What our first study shows us is that most sales leaders would like to see improvement in their territory and planning processes.

Nearly 75% of sales leaders feel their TQP efforts are not fully optimized today. They cite a lack of standardization, an imperfect toolset, and a reliance on conventional wisdom over data-based approaches.

Even fundamental decisions such as how often to conduct TQP efforts vary significantly by industry and company size. For example, managers are split on when they should plan territories. Of those managers surveyed, 32% plan quarterly, another 23% of them plan annually, 22% plan monthly, 18% plan twice a year, and 5% plan weekly.

Also, there is no consensus on the right way to manage TQP. Our research shows that

sales leaders are willing to bet on a wide range of potential solutions to their TQP problems.

Although we saw diversity in responses about decision-making, sales leaders did follow a few consistent patterns. First, most favor a seller's skillset over their location when assigning reps to territories. Second, sales planning tends to be bottom-up, instead of top-down. Lastly, many teams revise quotas throughout the year in response to external events.

This report covers the findings of the study in detail and offers you the opportunity to compare your TQP efforts to date with those of your peers.

Research Methodology

Varicent commissioned Cascade Insights to survey sales leaders at midmarket and enterprise companies. Between April and May 2021, Cascade Insights surveyed 607 sales leaders in companies with more than 250 full-time employees.

Survey respondents, all based in the United States, were the following sectors:

- > Healthcare and medical devices (113)
- > Financial services and insurance (111)
- > Hospitality and travel (110)
- > Manufacturing (110)
- > Technology, media, and telecommunications (116)
- > Other (47)

Varicent analyzed the results using Varicent Symon.AI to quickly identify patterns, find outliers, and predict outcomes.

Bottom-Up Prevails in TQP

Only 9% of surveyed sales leaders expressed a strong preference for a top-down approach, driven by the need to achieve corporate financial goals. Bottom-up planning, by contrast, is a favorite of sales leaders at any level of the organization, where field level insights are highly valued.

The bottom-up proponents included:

- > 60% of CXOs
- > 45% of VPs
- > 40% of directors
- > 36% of managers

Clearly, sales leaders who take a bottom-up approach gain insights from those who interact with customers daily. This can help sales leaders more effectively align sellers with industries or individual clients as needed.

Notably, our findings showed there might be a disconnect in perceptions between executives and managers in the sales organization as shown by the 60% of CXOs but only 36% of managers lean toward bottom-up planning. The managers' responses here might be more reflective than the CXOs' perspective of what is actually going on, which is that their day-to-day looks more like a top-down approach.

The Future Favors the Nimble

Of all the leaders at any level, only 28% said they are very satisfied with their TQP outcomes. For a better idea of the characteristics of those who indicated satisfaction with their current TQP and those who didn't, we used Varicent's AI solution, Symon.AI, to analyze the survey data for us.

The result was four distinct groups of sales leaders, or clusters, each with their own territory and quota planning needs:

1. The Volatiles
2. The Bankers
3. The Planners
4. The Producers

Sales leaders in smaller companies tend to be more satisfied than those in larger organizations. The reasons as to why that might be true are outlined as follows.

1. The Volatiles

Symon.AI identified a cluster focused on SMBs that consisted of 26% of the sales leaders we surveyed.

Research shows that the Volatiles:

- Are the most satisfied with their TQP planning, as reported by 63% of respondents.
- Do not have standardized processing for quota revisions but make them biannually (25%), annually (22%), or monthly (22%). To a lesser extent, they plan quarterly (19%) and weekly (12%).
- Believe skill mapping should drive territory assignments, according to 92% of respondents.
- Are very willing (73%) to change territory assignments if those changes drive more revenue.
- Are the most focused (86%) on a bottom-up approach.

Key Takeaway: It is likely that the combination of smaller sales teams, more in-depth knowledge of sellers and their accounts, and a smaller number of deals all make TQP easier for SMBs. Additionally, when changes do need to occur, these organizations can rapidly find common ground.

2. The Bankers

The smallest cluster Symon.AI identified consists entirely of small financial services firms that serve business-to-business (B2B) customers.

Research shows that the Bankers:

- Are mildly satisfied with their TQP processes, as reported by 34% of respondents.
- Are evenly split between annual and monthly (24%) quota revisions, with weekly revisions being rare (10%).
- Value skill as a leading criterion for territory assignment (79%).
- Are very willing to make changes when needed to balance territories to drive sales (64%).

Key Takeaway: Financial services firms are regularly modeling complex systems and market dynamics. This emphasis likely allows them to design a TQP process that is flexible and accurate, at least to a greater degree than organizations in other verticals and segments (business to consumer, also referred to as B2C).

3. The Planners

An additional cluster included 12% of the sales leaders we surveyed. This cluster was heavily oriented to technology and healthcare firms and mainly serves B2B customers.

Research shows that the Planners:

- Are unhappy with their TQP processes, as reported by 81% of respondents.
- Make quota revisions every quarter (34%).
- Value skill as a leading criterion for territory assignment (82%).

Key Takeaway: The technology and healthcare sectors experience significant changes in any given year because each industry is inventing new methods, products, and services at a rapid rate. Therefore, sellers must be up to speed on any innovations every week.

4. The Producers

One cluster Varicent Symon.AI identified included 52% of the sales leaders we surveyed. This group was focused on calling on B2C customers and included respondents from industries such as manufacturing, technology, and hospitality.

Research shows that the Producers:

- Are unhappy with their TQP process, as reported by 88% of respondents.
- Do not like the frequency and complexity of quota revision. Among the Producers, 29% plan quarterly, 20% weekly, and only 15%, the lowest of the four clusters, annually.
- Prioritize seller expertise (81%) over the seller location (16%) when assigning quotas.
- Believe optimizing territories and quotas is more important than the establishment of strong seller-customer relationships. Only 32% of respondents thought stable relationships were more important.

Key Takeaway: Constant quota changes in this B2C group make sense in light of fickle consumer preferences and price-driven transactional or commodity-based sales. However, they lead to major dissatisfaction with TQP processes because constant change makes planning difficult, even when done quarterly.

“I Still Haven’t Found What I’m Looking For”

In 1987, the band U2 released a chart-topping single with the lyric, “I still haven’t found what I’m looking for.” That line probably resonates with all the sales leaders we surveyed: they haven’t found what they are looking for when it comes to optimizing their TQP efforts. This is evidenced by the extensive range of choices these leaders make when they try to firm up their TQP efforts.

Our data shows that sales leaders are happy to try anything and everything to get their TQP to a better place. They didn’t favor any one option.

26% generate a better assessment of each territory or account’s potential.

25% figure out new strategies to meet the company’s growth targets.

24% balance territories and quotas to support fairness and equity.

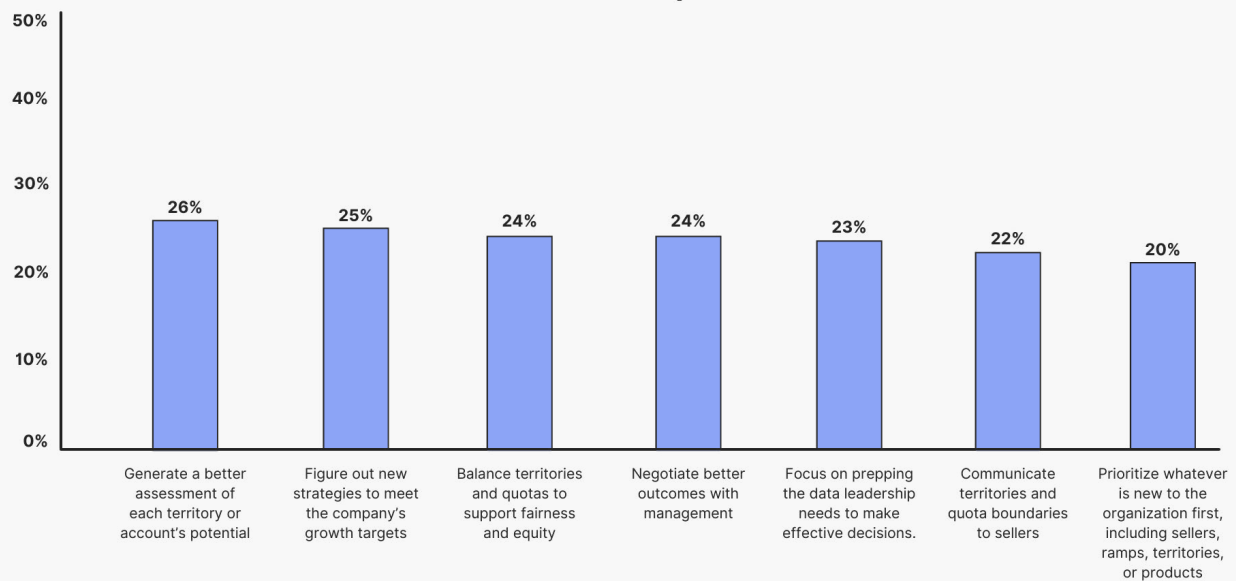
24% negotiate better outcomes with management.

23% focus on prepping the data leadership needs to make effective decisions.

22% communicate territories and quota boundaries to sellers.

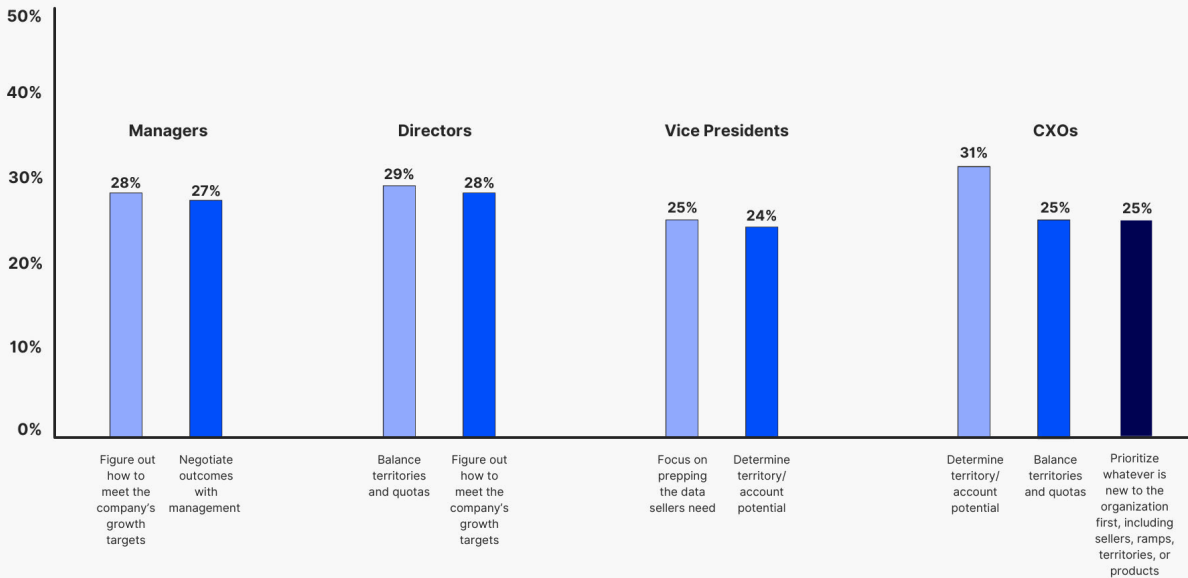
20% start by focusing on whatever is new to the sales organization, including sellers, ramps, territories, or products.

How Sales Leaders Improve Their TQP



Additionally, leaders at various levels in the organizational chart are happy to take different approaches toward TQP optimization.

Different Approaches to TQP Optimization by Role



Managers

28% figure out how to meet the company's growth targets.

27% negotiate outcomes with management.

Directors

29% balance territories and quotas.

28% figure out how to meet the company's growth targets.

Vice Presidents

25% focus on prepping the data sellers need.

24% determine territory/account potential.

CXOs

31% determine territory/account potential.

25% balance territories and quotas.

25% start by focusing on whatever is new to the sales organization, including sellers, ramps, territories, or products.

Other Trends Defining TQP in 2021

Beyond some of the significant findings we already outlined, we also identified other interesting trends

Sales Leaders are Split Between Profit and Revenue in Quota Setting

Traditionally, sales teams are measured either on revenue or profit. Our research mirrored this maxim: many respondents set quotas based on one of these two approaches.

The industries most likely to measure sales teams on revenue were financial services (60%) and technology, media, or communications (49%). The roles that shared a preference for a revenue focus were directors (60%) and managers (54%). B2B companies prefer revenue, as do medium-sized businesses.

As for margins/profits, 60% of manufacturing companies said that was their measure for sales teams. The role that stated a preference for that focus was the vice president (57%). Small businesses and enterprises alike (54%) said their focus was margin/profits. And, 53% of B2C companies were inclined toward a margin/profit focus.

Additionally, while we did see some organizations utilizing market share or volume-based approaches, these were always secondary to revenue or a profit/margin-focused approach.

Territory Planning: The Star Players

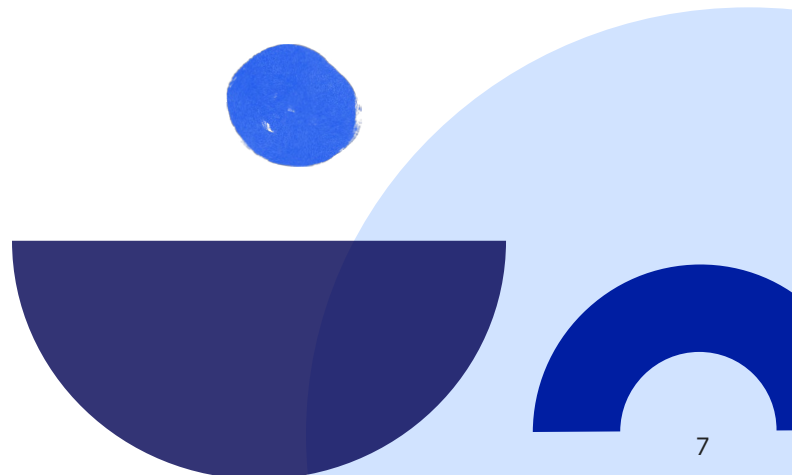
Geographically focused TQP planning is based on picking a typical boundary you might find on a map such as states, counties, cities, or continents and assign reps to each area. Our survey reveals that geography is not the main focus of SMBs or enterprises when doing territory planning. Instead, each has different priorities.

SMBs: Industry Potential Takes Priority

When asked to select how they planned revenue in their most mature markets, smaller companies were more likely to plan by industry potential. Companies in the 250-5,000 full-time employee (FTE) range selected industry potential 15% more often than companies with over 5,000 FTEs.

Smaller companies were also far more likely to plan by industry alone more often than any other combination of factors—27% of SMBs and 28% of mid-markets reported they planned only by industry potential, compared to 12% of enterprises.

These SMBs likely recognize that sellers with in-depth industry knowledge know the pain points, needs, and challenges that allow them to talk to prospects more effectively. By comparison, knowing where a good lunch place is in a given city because you have a lot of clients in that locale isn't nearly as valuable.



Enterprises: Much More Focused on Named Accounts

Larger companies trended toward named accounts more often than smaller companies, choosing that method 55% of the time, compared to 51% of mid-markets and 48% of SMBs. Larger companies also chose geographically based territory planning 54% of the time, and industry-focused planning 52% of the time.

This disparity between SMB and enterprise companies might simply be driven by an enterprise company's size and footprint. Large companies may be more likely to select multiple influences for revenue planning because they are better enabled for more complex planning.

Target Audiences Drive the Cadence and Complexity of TQP Revisions

The same revenue planning pattern occurs for B2B and B2C companies: primarily by industry, secondly by geography, and thirdly by account potential.

However, B2B organizations differ from their B2C counterparts in how often they conduct TQP and how often they change plans that were already set in place.

Monthly vs. Yearly Cadence

B2C organizations are more likely to engage in TQP monthly than their B2B counterparts.

B2C companies

- > Monthly territory planning activities (39%).
- > Monthly quota planning activities (27%).

B2B companies

- > Monthly territory planning activities (25%).
- > Monthly quota planning activities (20%).

By contrast, B2B organizations are more likely to create yearly or quarterly plans:

- > 30% plan territories annually.
- > 28% plan quotas quarterly.

The Dynamics of Timely Revisions

Forty-eight percent of B2B companies make extremely significant revisions to territory and quota plans during the year. Yet only 24% of B2C companies do the same.

The logical assumption about this significant difference is the planning cadence each industry uses. An industry that focuses on a monthly cadence (B2C) will be able to respond to changes in market forces, economic indicators, buyer momentum, or new competitive threats much more quickly.

Conversely, an organization that plans yearly (B2B) has to make many more educated guesses as to how the world will look in six months or nine months down the road.

More Churn than Comprehension

Our study showed that sales leaders in general are striving to find a way to make their TQP efforts provide more value. Additionally, these sales leaders are trying a variety of planning methods to optimize their TQP without the data to back it up, and they don't have a firm grasp of what will or won't work for the shape of their organization.

As a sales leader, how do you feel? When you look at your TQP efforts, is the feeling more churn than comprehension? If so, it might be time to take a different approach.

In closing, here are a few main takeaways from the 2021 study:

- 72% of companies have an opportunity to increase their TQP satisfaction.
- Geographical planning is not the number one preference anymore. Sales leaders are often planning by multiple factors including industry and national account potential along with geography.
- The majority of sales leaders focus on bottom-up approach and value sellers' skills over location.
- B2B companies prioritize stable relationships over territory balance, make more frequent revisions, and undergo more significant revisions than B2C companies.

Looking for more help with your Territory and Quota Planning?

The experts at Varicent can help get your company on the right path to profitable growth.

[Contact Varicent](#) to discuss best practices, benchmarks and our purpose-built solution for territory and quota planning and management.

Get started

About Cascade Insights

With more than 15 years of experience in the B2B technology sector, Cascade Insights empowers companies to seize opportunities with market research and marketing services. Our analysts and marketers work hand-in-hand to help our clients act with clarity in an industry defined by change and the pursuit of innovation.



About Varicent™

Varicent is the leading provider of innovative Sales Performance Management software focused on helping organizations Plan, Operate and Pay to drive sales performance and growth. With a full suite of solutions to assist in smarter territory and quota planning, efficient lead-to-revenue operations, and the fastest and most flexible way to pay sellers accurately and on-time, Varicent is the trusted SPM solution for customers worldwide. Varicent combines powerful SPM technology with its augmented intelligence-powered platform to enable customers to quickly and easily see and address sales trends, problem areas, and opportunities by predicting outcomes and prescribing actions to optimize revenue.

For more information

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