

How to Determine Your Territory's Real Potential

Today, we face an international marketplace where some of our customers are moving out of the territory. But those of you in the Rust Belt have been facing that for years (as business moved south) and somehow, you're still in business. In sales, the grass is always greener on the other side of the fence. If only I had _____'s territory, we lament, we could sell more. But how many times has someone new been put into an old territory and found a whole bunch of biz that no one thought was there?

Well, guess what? Your territory may have more potential than you think. Part of the reason why we get the results we get is because we tend to do what we have done...which is not necessarily what we should do. How many of you are getting 60% or more of all the business you can get? Because if you are, then you have a problem. But most of us are not there yet. In fact, many of us are not even getting 60% of the business we could get in our current customers. Which, by the way, is the easiest (not easy just easiest) thing to find out.

Start with customer share

As a sales professional, you need to begin by understanding what your customer share is. For the customers you currently sell to, what percent of their available biz do you get? To determine this, you need to establish some sort of objective measures. For instance, for every dollar of their annual sales, how much potential should you have? For every employee? Every shift? Every piece of machinery? Every square foot?

This is one of the most basic things a salesperson has to do and many have not yet done it. (It's also one of the first things we need to do when we are prospecting. If we cannot get a quick feel of how much potential exists, we cannot even decide how much effort to put into the prospect, right?)

Take a little time to put some sort of connection between their business and your potential. If you an OEM salesperson, it should be fairly easy. They make 1,000 a year and you have \$100 potential for every unit so your potential in this case would be \$100,000.

For MRO and capital sales, it's more difficult but not impossible. In MRO/capital sales, you have a historic ratio of sales to similar customers and their buying patterns so you can apply this knowledge to your existing customers.

Sometimes, the biggest shock you get is when you find out that your \$2 million territory is only about 5% of the total of what you could be doing in your existing customers. That would be nice to know, right?

Proceed (with caution) to market share

A lot of work is required to fully understand market share and I am advocating “enough” knowledge here—not “perfect” knowledge.

The easiest way to get knowledge is to go to industry sources. A lot of these people put together market estimates. If you are in distribution or a manufacturer’s rep, some of your vendors/principals also have their own (perhaps hasheesh-induced) estimates...that might just be right, by the way. Obviously, the difficulty is that if things are bought out the territory and shipped in, you may not really be able to influence it but you should try to understand as much as you can about the macro-view of your territory.

Then look at the simplest thing you can do. Find out how many of your existing customers’ competitors have operations in your territory. Look in the industrial directories, phone books, on the internet or whatever you can to find out who they are. Put the entire list together. Some of them may not be anything more than a sales office or a distribution facility but be sure that you know everything there. (Sometimes, distribution facilities add production or repair operations and we just don’t know about it).

The next thing to look at is the new uses. What is your industry saying about new uses of your products? Are there some new industries that are finding applications for your stuff? Are any of them in your territory?

For all of these potential customers, apply what you know about potential to what you can find out about them—and you are getting a clue about the real size of your territory.

Now, try and find out who competes with you. The easiest way is to look them up (same procedure, as above) just for your territory. A lot of people that sell against you tell people that they are there—look for them. Also look for them on the sign-in sheets and lobbies of the places you go (if you are an outside salesperson). Your goal is to understand how many others are out there competing against you. (Depending on the type of product that you sell, there may also be sales tax records available from your friendly state government of what is being sold into your area).

The purpose of this is to understand how many people are making some sort of living doing what you do. If you find out that there are 35 salespeople in your territory, you now know that there is a little more biz than what you are currently getting.

Remember that our greatest enemy is what we “know” about our territories. Things change and when they do, we need to do different things if we want different results. Get out of your rut and get a real understanding of what is in your territory before you look back longingly at the good old days.

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