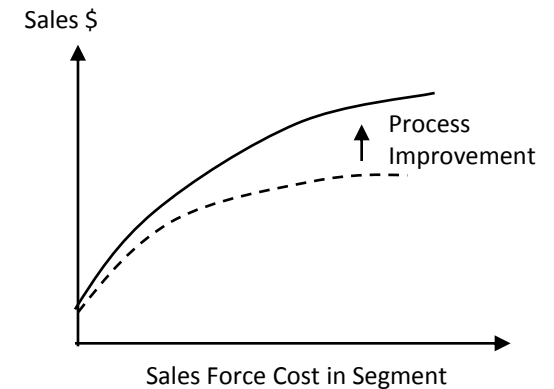


Resource Sizing

Resource sizing context

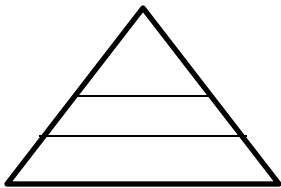
- Resource sizing asks two questions:
 - How many people do we need (in each role) to meet our forecast?, or...
 - How many people do we need to cover the market profitably?
 - I.e., to maximize sales, with each individual resource being profitable
- Sizing generally starts from a point where:
 - Customer segments have been defined
 - The channels and types of sales resources assigned to each segment has been determined
 - The sales process has been designed



Sizing overview

- Although the same roles may cover both new and existing customers across segments, depending on the level of specialization, it is best to determine sizing for new and existing customers separately
- Total Size = FTEs required to cover existing customers + FTEs required to cover prospects
- The number of FTEs is determined by estimating the total sales time required to perform all of the activities/steps during the year and then dividing that by the sales time capacity per rep

Data requirements



Data by segment

- Number of accounts covered
- Average size of covered accounts
- Existing revenue
- Expected churn
- Expected new revenue

Sizing model

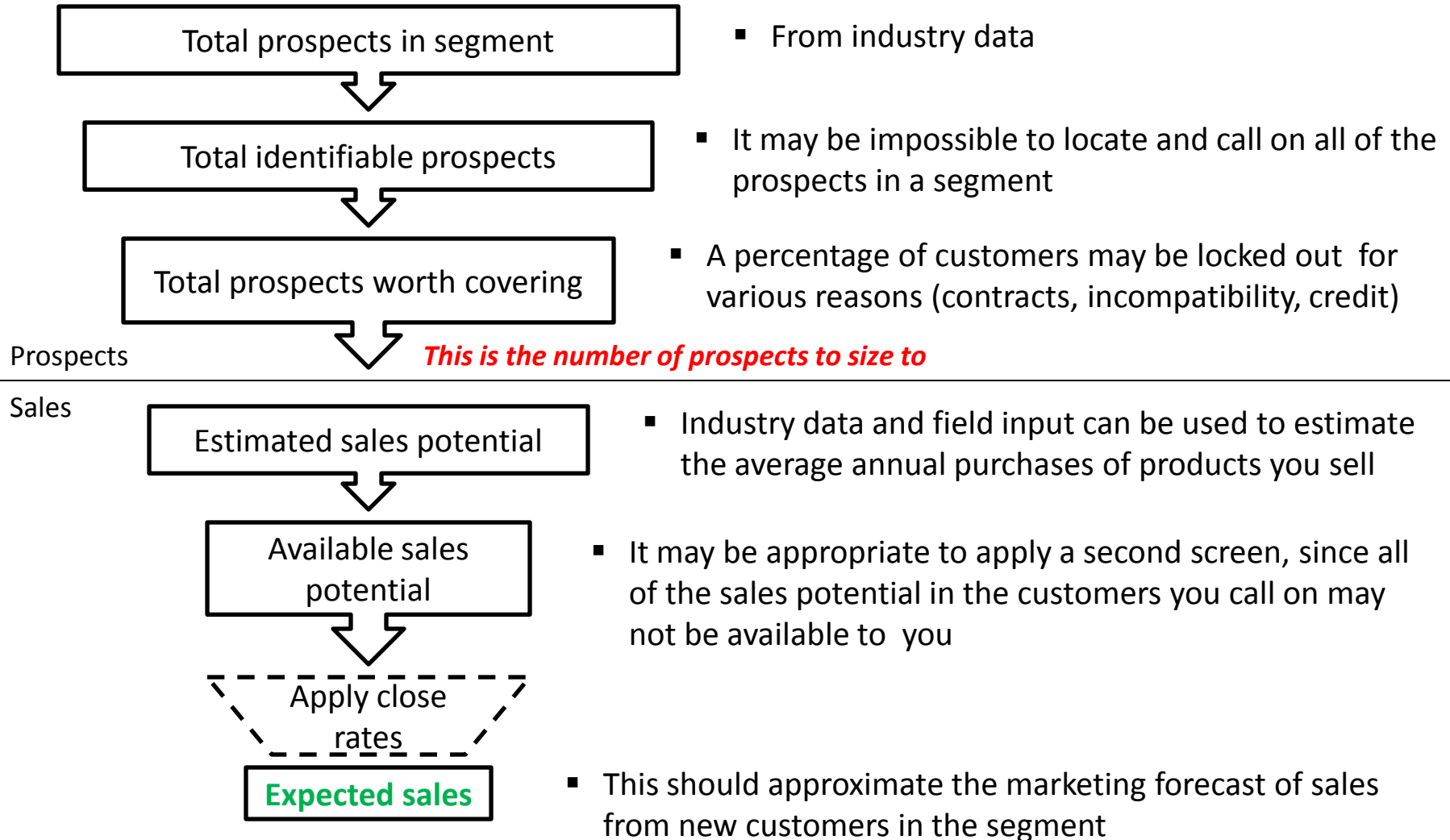
Assumptions

- Resources and sales process for each segment
- Frequency of contact
- Time required per resource to cover each account
- Sales time capacity by resource
- Close rates
- Average sale value

Outputs

- FTEs by resource by segment
- Revenue and sales expectations
 - Can be a starting point for quotas

Arriving at the number of prospects to cover for sizing purposes



The sales process analysis model is a good tool to use to estimate headcount needed to cover prospects

	Sales Process Step					Totals
	Identify Lead	Qualify Lead & Assess Needs	Develop Proposal and Follow Up	Close Sale	Fulfill / Post Sale	
Time per step--Field Rep	0.20	0.25	0.25	0.75	0.15	1.60
Time per Step--Inside Rep	0.00	0.75	0.50	0.25	0.60	2.10
Close rate (% to next step)	50%	75%	50%	100%	100%	18.8%
Total leads	10000	5000	3750	1875	1875	
Total hours--Field	2000.0	1250.0	937.5	1406.3	281.3	5875.0
Total hours--Inside	0.0	3750.0	1875.0	468.8	1125.0	7218.8

Sales time capacity--Field	586
Sales time capacity--Inside	880

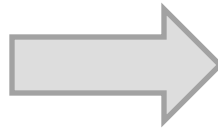
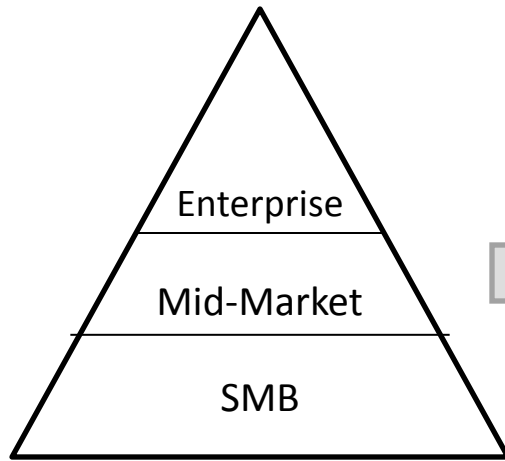
Cost per sales hour--Field	\$316
Cost per sales hour--Inside	\$108

Field FTEs required	10.0
Inside FTEs required	8.2
Total cost	\$2,636,125
Average sale value	\$8,000
Total sales	\$15,000,000
Margin %	40%
Margin \$ minus sales cost	\$3,363,875

- This approach has the advantage of tying together forecast, headcount, and detailed productivity expectations

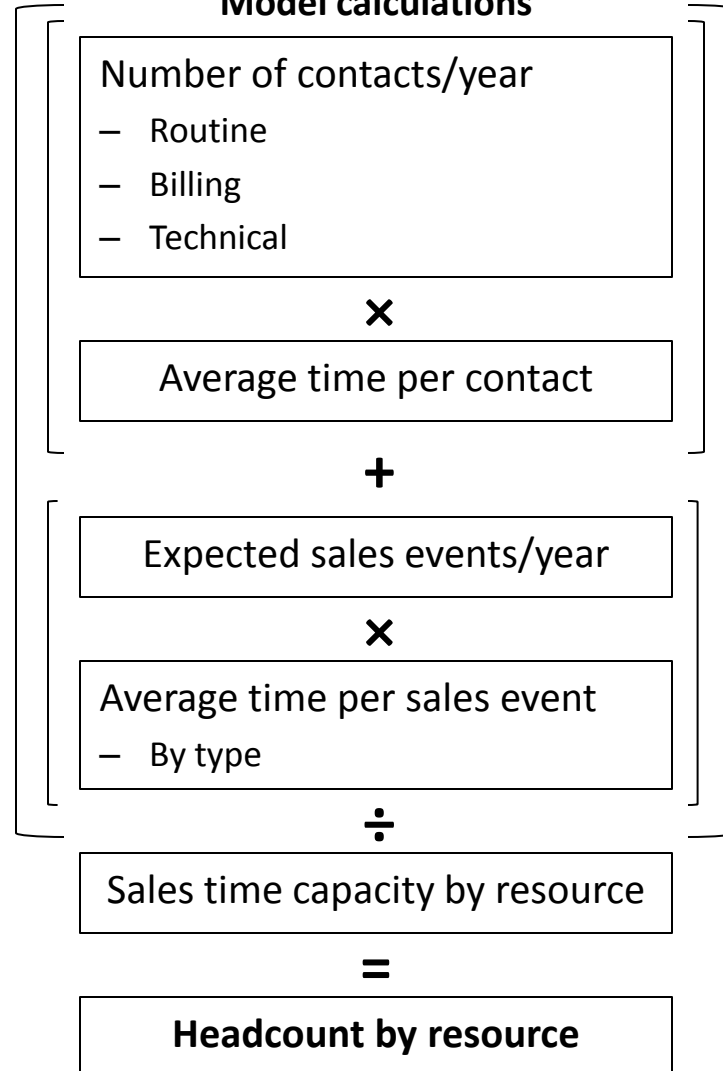
Existing-account workload buildup

Typical size-based segmentation pyramid (could also be sliced by vertical)



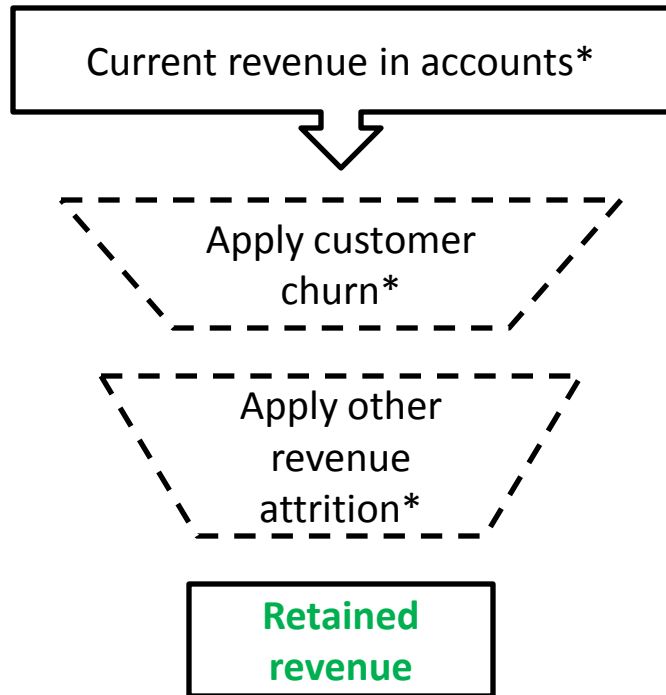
Working through, testing, and getting buy-in to the assumptions is key to the success of the sizing model

Model calculations

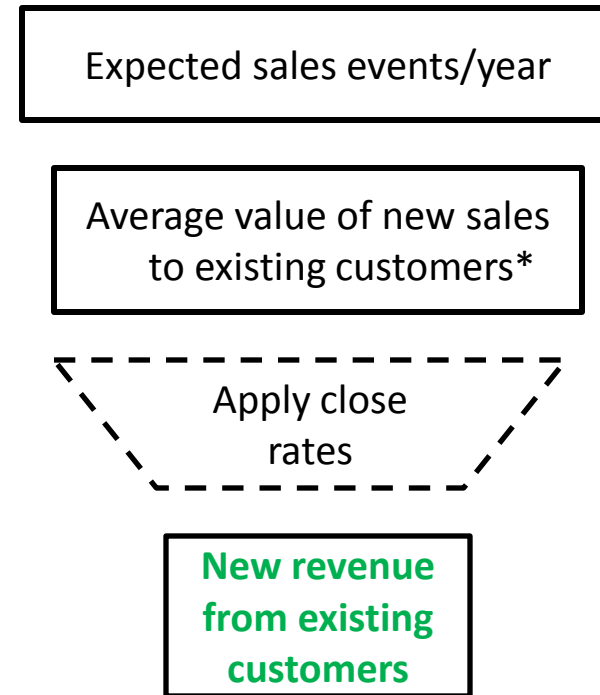


Estimating revenue from existing accounts

Recurring or routine revenue



Revenue from new sales

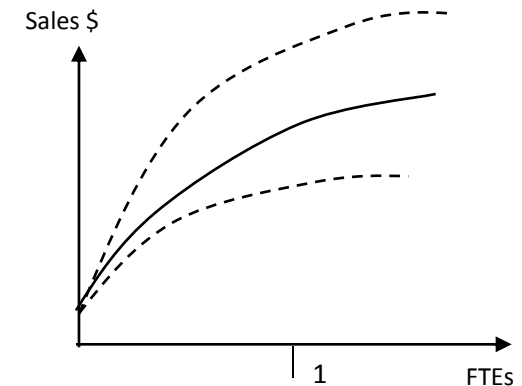


* The data needed for these calculations is generally available internally

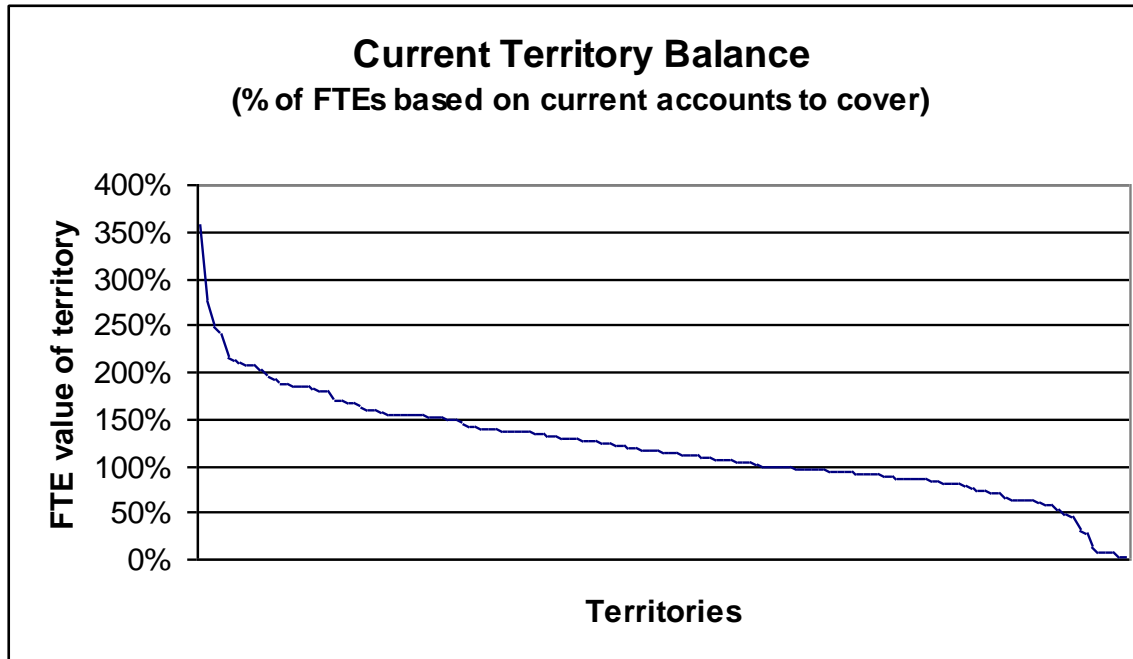
Deployment

Deployment objectives

- The primary objective of deployment is to “balance” territories
- The primary consideration is workload balancing
 - If a territory has too much workload, then profitable accounts and prospects will be uncovered, leaving money on the table
 - If a territory has insufficient workload, the rep will need to cover unprofitable accounts, and be less efficient, making it harder to achieve quota
- Sales potential is also a consideration
 - A territory must have sufficient sales potential to support the rep
 - But a territory with very high sales potential and one FTE of workload is not necessarily a problem
 - The degree to which it is or is not a problem is partly a function of the incentive plan
- A third consideration is configuration of geography and accounts
 - Consider roads, natural barriers, market boundaries, and industry concentrations



Territory imbalance example



Smallest	3%
Largest	356%
Average	120%
Median	115%
Standard Deviation	55%

- Current territories are very imbalanced in terms of the number of current agencies
 - A third are either more than 50% above average value or less than 50% below
- All territories should be within 50% of the average in terms of overall value
 - Depends in part on comp plan

You must first define what constitutes 1 FTE of workload

- You can start by defining what a “good” territory looks like and how time should be allocated across the accounts
 - Number of accounts by type
 - Time or percentage of time per account/type
- This leads you to an estimate of FTEs per account
- Similarly, and as a check, you can estimate sales potential by account
- Or you can start with national numbers and work backwards (insurance example):

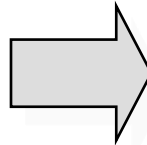
	Size of Agency				Total
	>\$1M	\$100k to \$1M	\$10k to \$100k	\$1k to \$10k	
Agencies Nationwide	20	1076	5320	3003	9419
Rep Capacity (calls/yr)					540
Calls per Year	30	20	10	5.5	
FTEs per Account	0.06	0.04	0.02	0.01	
Total FTEs	1.1	39.9	98.5	30.6	170.1

	Industry TWP-- Traditional	Industry TWP-- Xpand	Total
Total Nationwide	46,647,264,047	22,302,921,700	68,950,185,747
Reps			170
Desired Time Allocation	60%	40%	100%
\$ per rep	457,326,118	327,984,143	405,589,328

You may also want to define how other factors will influence territory design, e.g., travel time

Assumptions

Average % of time traveling	30%
When geography doubles, travel increases by	50%
When geography is cut in half, travel decreases by	40%
% of saved(extra) travel time that would otherwise be spent on sales calls	50%

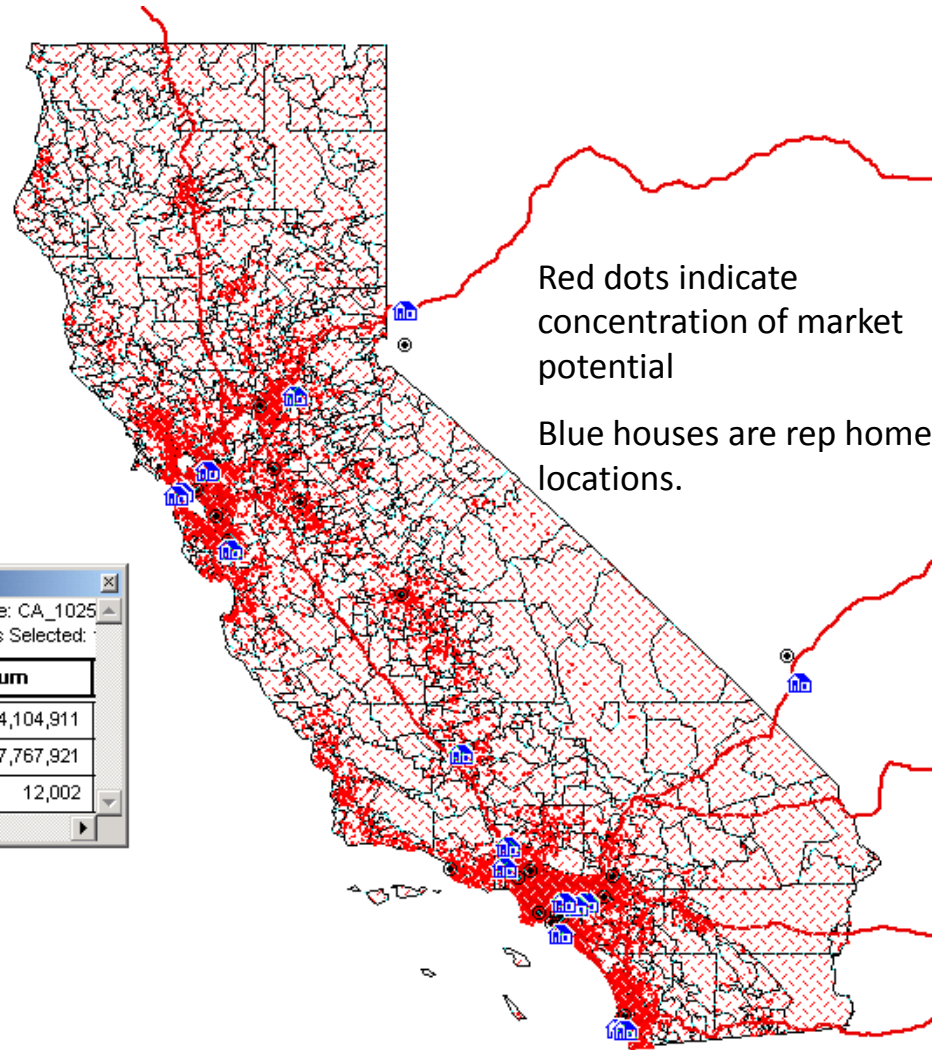


Territory Size Relative to Average	Change in Travel Time	Change in Call Capacity	% of Avg Terr Value
20%	-32%	5%	5%
40%	-24%	4%	4%
60%	-16%	2%	2%
80%	-8%	1%	1%
100%	0%	0%	0%
120%	10%	-2%	-2%
140%	20%	-3%	-3%
160%	30%	-5%	-5%
180%	40%	-6%	-6%
200%	50%	-8%	-8%
220%	60%	-9%	-9%
240%	70%	-11%	-11%
260%	80%	-12%	-12%
280%	90%	-14%	-14%
300%	100%	-15%	-15%

- Rep call capacity decreases when territories get smaller, but the percentage change in call capacity is less than the percentage change in territory size
- Other constraints to sales capacity could include: training/servicing of distributors, training of other sales people, marketing responsibilities, etc.

Display concentration of workload and market potential on a map to guide territory design

- Create a workload equation such that FTEs, or calls, are a function of number of:
 - Large, medium, and small current accounts
 - Large, medium, and small prospects
 - Other workload drivers
- Mapping software allows you to display the information on a map and see what configurations create viable territories



Field	Sum
Ind_xp_pre	4,104,911
Ind_trad_p	7,767,921
Calls	12,002

Territory design example

- ZIP codes have been grouped into viable territories
- Geography with sparse workload has been left uncovered
 - May be covered by alternate channel
- After initial design, field managers adjust design as necessary based on their local market knowledge

