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Opinion

Three Steps for Using Data to Reshape Sales Territories

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Mutual fund companies use data analytics to inform product development and identify risks and opportunities in the marketplace. But when it comes to organizing their sales teams, fund shops often overlook analytics, risking missed opportunities and other inefficiencies.

Fund executives should use analytics and structure territories thoughtfully, and align wholesalers not only with the needs of their advisor clients but also with their company's goals. Our research shows that firms that maximize wholesalers' territory alignment, without adding resources, can increase fund sales by 2% to 7%.

When designing territories, there are three primary factors that fund executives should consider.

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Refine Goals

Common weaknesses in wholesaler territory design include stretching wholesalers too thin and failing to set specific goals in advance. Examples of the latter include laying out strategies for driving fund flows and controlling travel time and costs. A key objective for any alignment is to match the amount of sales activity that should take place based on the potential of the advisors in the territory with the sales team's capacity.

Typically, a firm assigns a wholesaler to a territory of 800 advisors, an impractical arrangement for an individual to handle. Then it asks each wholesaler to identify and focus their coverage on the top 100 or 150 names among those advisors.

On the surface, this approach seems fair and easy to implement. But a territory division that simply gives every wholesaler the same number of advisors to choose from is unlikely to lead to effective market coverage, and it may lead to inaccurate assessment of wholesalers' abilities.

There is no guarantee that the sales potential of one wholesaler's top 150 advisors will be equivalent to that of another wholesaler's list of high-value prospects. Advisors who don't make the cut in some territories could be better prospects than some at the top of another territory's list. Further, typical travel times may vary widely among territories.

A better approach to building territories is to first use relevant data and consistent criteria to estimate the potential of every advisor, and then segment all advisors based on that estimated value. That exercise helps executives determine the amount of wholesaler coverage necessary for each segment. Executives should build territories to match advisors' projected profitability with the coverage capacity of each wholesaler or sales team.

By applying this data-driven method, asset managers have a substantial advantage over competitors that simply apply a blanket, asset-based approach in the cost of sales force coverage, in terms of head count and expenses as well as resulting market share gain.

Design Territories that Meet Objectives

Once a company establishes the objectives of territory realignment, designing the regions should blend data analysis and insight from sales leadership. For example, do fund executives want to make all territories equal in terms of opportunities for wholesalers, or do they want to minimize disruption to existing advisor-wholesaler relationships? They can't do both.

Executives should identify the advisors and intermediary firms that are most likely to be a fit for their companies' product lineup, and then weigh market and sales data in the context of the firm's distribution strategy.

The process should involve national sales managers and the heads of channel sales to whom wholesalers report directly. These leaders can ensure that the territory design accounts for local market factors and minimizes disruption of wholesalers' existing relationships with advisors. They also can promote the changes and strengthen wholesalers' commitment to the new territories.

Ultimately, territory realignment should be team-driven. Executives should treat the process as an event in which they can get the firm's sales leaders and wholesalers aligned toward shared goals.

Review Territory Performance at Least Annually

Wholesaling territory assignments should not remain static. As advisors and company strategies change, sales territories can quickly become misaligned with market needs.

Fortunately, executives can use analytics as a tool to identify performance gaps and help make incremental change, avoiding a need for larger, potentially disruptive realignments down the road.

To identify weaknesses and set expectations, we recommend that asset managers compare each territory to a benchmark, such as the number of targeted advisors per territory and the AUM that those advisors represent. It's reasonable for territories to vary somewhat from par, but if several simultaneously deviate by more than 10% from the baseline target, executives should strongly consider territory realignment.

Fund companies need to ensure that their wholesalers are well positioned to succeed by more effectively using data to design sales territories. Firms that realign their territories regularly will put their sales professionals in a better position to build relationships with advisors and drive growth.