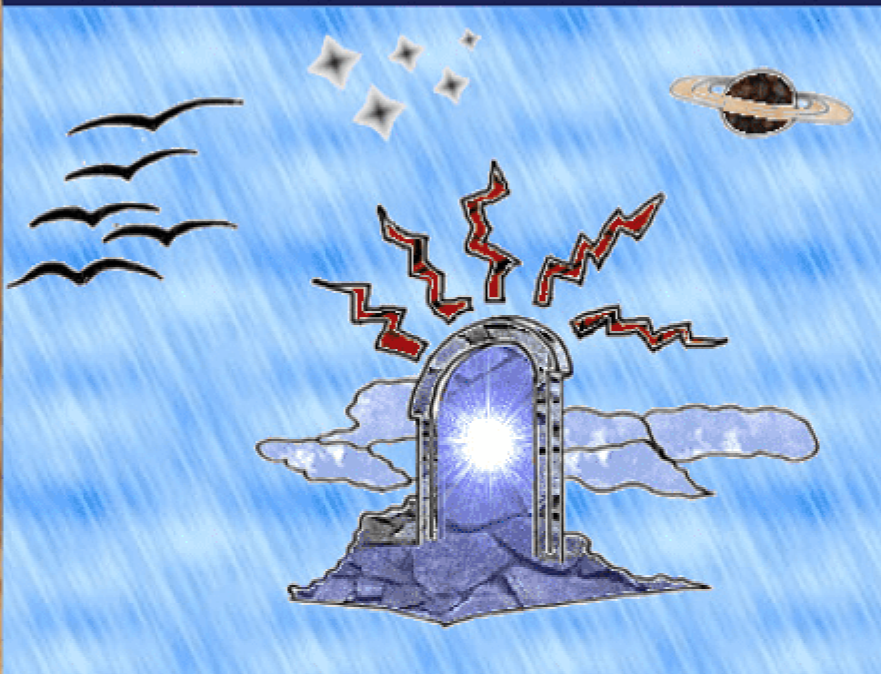
Unconventional Wisdom Series

On Territory Alignment



Jean Patrick Tsang, PhD & MBA (INSEAD)

Bayser Consulting
4709 Golf Rd, Suite 803, Skokie, IL - 60076
Tel: (847) 920-1000 Email: bayser@bayser.com
Web: www.bayser.com

Bayser Newsletter, No.BN-201504-UWSA01

We all know how to design a good alignment. First, establish an alignment index that accurately captures sales and potential of targeted accounts. (Physician practices can be regarded as accounts.) Second, multiply the alignment index by the appropriate multiplier so that the alignment index adds up over the whole country to 1000 times the number of territories. Third, carve out contiguous territories so that the alignment index of each territory comes as close as possible to 1000. Balance territories by transferring points from one territory to another. Involve other territories in the process as needed and take care of unwelcome changes to the shape of territories.

If the alignment is carried out as described above, the result should be pretty good, right? Actually, no. Why would that be? Well, because the process above fails to recognize 3 key dynamics:

1. Accounts are not independent of each other. When accounts belong to the same entity (e.g., IDN, ACO's, Hospital Systems), they may need to be called on by the same Rep or Account Manager. If the accounts are geographically dispersed, the above process will dispatch different Reps to the same entity, thereby violating the "same entity same face" principle. The fix is straightforward and it is to recognize the hub/spoke structure that undergirds target accounts. By grouping accounts that belong to the same entity at the very onset, we ensure that they are all called by whoever is assigned to call on that entity.

2. Accounts are not always a commodity and reps may not be interchangeable. Since the goal is to carve out a territory whose alignment index needs to come as close to 1000 as possible, which accounts make up the territory is immaterial. That's not quite right though. We all know that 80% of our business comes from 20% of our accounts (80-20 rule) and not all reps are equally outstanding. The fix is straightforward. Assign the best reps to the most important accounts. This may be achieved by using a color scheme that assigns colors to accounts and reps and ensuring that accounts of a color are called on by reps of the same color whenever possible.

3. All accounts need to be called on. That may lead to great inefficiencies especially in the West. Indeed, each time we decide to cover an account, we trade face time (that would have gone to some other account) for windshield time (to drive to the account we just decided to cover). This may lead to very inefficient use of a

rep's time especially when accounts are few and far between. The fix is straightforward. Consider using the telephone (tele sales) to reach these difficult-to-reach accounts, and dispatch reps when needed.

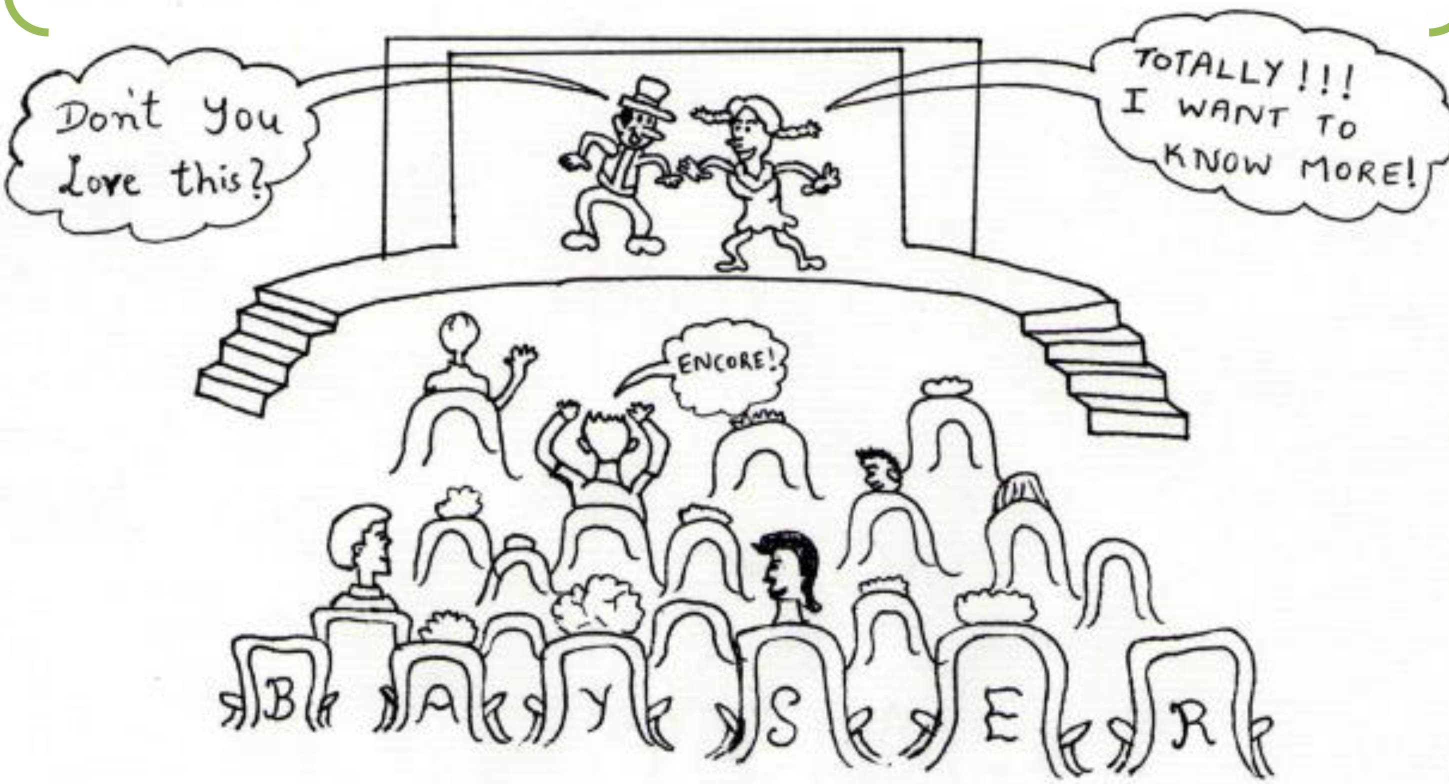
These 3 dynamics are at work whether we start from scratch or tweak an existing alignment. In the latter case, which is by far the more prevalent of the two, we also need to stay away from unnecessary changes to keep disruption at a minimum. Disruption, which we need to track, can be defined as sales of accounts that see a change in rep. This definition, however, is not quite right in our opinion. Here's why. Say, an account is currently called on by a mediocre rep and the change recommends that the account be called on by a stronger rep. This is a godsend for the account and is clearly not disruption. What we should be tracking is unwelcome disruption, meaning sales generated by accounts that see an unwelcome change in rep (i.e., the new rep is of lesser caliber). One of our findings is that we tend to overestimate disruption. Once we reevaluate the situation through the more relevant prism of "unwelcome disruption", we realize that in most cases what we used to regard as a poor fix is actually not so bad.

JP Tsang, PhD & MBA (INSEAD)

Founder & President

Jean-Patrick Tsang is the Founder and President of Bayser, a Chicago-based consulting firm dedicated to pharmaceuticals sales and marketing. JP has worked on 250+ projects to date including ROI optimization, data strategy, and study design to mention just these. JP publishes and gives talks on a regular basis and runs one-day classes on various subjects related to data and analysis.

In a previous life, JP deployed Artificial Intelligence to automate the design of payloads for satellites and was the adviser of two PhD Students. JP holds a Ph.D. in Artificial Intelligence from Grenoble University and an MBA from INSEAD in France. He was also the Recipient of the PMSA Lifetime Achievement Award in 2015. He can be reached at (847) 920-1000 or bayser@bayser.com.



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