Sales and Marketing Tools for Outreach: Territory Management Planning

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Introduction

Laboratory outreach programs can contribute significantly to a hospital or health system’s bottom line, with top performers generating as much as 50 percent of hospital EBITDA (earnings before interest, taxes, depreciation, and amortization). Securing the revenue necessary to realize this level of performance takes careful planning and the astute implementation of key sales and marketing strategies such as territory management planning. Laboratories that employ this vital tool will better arm their sales and service teams to fight for and win outreach business in their markets.

Territory Management Planning

Territory management planning provides an essential framework to address today’s highly complex, competitive, and rapidly changing selling environment. It is a proven method for successfully penetrating an assigned territory characterized by the analysis and prioritization of market segments and pipeline management for prospecting, qualifying, and forecasting. A valuable coaching instrument, territory planning allows outreach sales managers and their teams to collaboratively evaluate performance and identify next steps to achieve positive year-end results. Simply working hard does not ensure survival, much less success—by adopting a sound planning process, laboratories can ensure their representatives work smarter to secure new outreach clients and retain existing ones.

Sales and service personnel may be initially reluctant to embrace a new strategy, but once territory management planning has been implemented, the difference it makes in their overall effectiveness and productivity becomes clear. With this approach, representatives proactively manage their territories, developing a plan to achieve revenue and service objectives and produce the highest return on time investments. The creation and maintenance of a well-defined opportunity pipeline facilitates more accurate identification and classification of prospects and forecasting of revenue potential. Lastly, through effectual territory management, sales and service staff can further develop their presence and reputation within their territories.

Market Segmentation - Base Business

Segmenting the outreach program’s base business is a key first step in territory management planning. This task assigns clients to different categories based on how much revenue they generate, and delineates expectations of the sales team with regards to each client classification. Figure 1 shows an example of this approach that designates accounts as either “A,” “B,” or “C” clients. “A” clients, with monthly net charges of $10,000 or more, receive a visit from a sales representative every 30 days. For “B” clients, with monthly net charges from $5,000 to $9,999,
the interval increases to 60 days. Lastly, “C” clients (less than $5,000 per month) are earmarked for a visit every 90 days and a phone call every 60 days.

Figure 1: Classification of Base Business

- **A-Clients**: Clients with monthly net charges of $10,000 or more. Visit in person once every 30 days.
- **B-Clients**: Clients with monthly net charges between $5,000 and $9,999. Visit in person once every 60 days.
- **C-Clients**: Clients with monthly net charges between $0 and $4,999. Visit in person once every 90 days; a phone call every 80 days.

Laboratories can take outreach client segmentation further by building a base business report that indicates the current status of each account as maintenance, at risk, lost, or a prospect (Figure 2). Maintenance customers are content with the laboratory’s services and receive routine sales/service visits. At risk clients should be identified so that steps can be taken to possibly avert withdrawal of their business. Lost accounts, however unfortunate, will occur, and laboratories should keep track of them. Finally, prospects represent potential business that sales representatives are attempting to win.

Figure 2: Base Business Report - Client Status Categories

**Maintenance**: A customer that receives routine visits

**At Risk**: A customer the hospital is in danger of losing

**Lost**: A customer that is no longer sending work to the hospital

**Prospect**: Employed or affiliated physicians not currently sending work to the hospital

The Sales Funnel

Once the base business report has identified prospective clients, outreach programs can further refine territory management by adopting an approach that visualizes the sales process as a funnel. This concept was developed by sales experts Robert Miller and Stephen Heiman as part
of their *Strategic Selling* methodology (1). As Figure 3 illustrates, the sales funnel consists of several stages with the objective of systematically moving through a series of activities from the top to the bottom of the funnel to qualify prospects and ultimately close business. To aid in forecasting, each stage has a corresponding percentage of confidence that the client will engage the laboratory’s services.

![Figure 3: The Sales Funnel](source)

In the first stage, known as the “universe,” potential customers have been identified for which the outreach program’s services appear to be a reasonable fit based on selected business criteria. No sales activity has taken place at this time; instead, the representative searches for evidence that suggests a broader match and warrants further activity. As the initial step for following up on general leads, the percent of confidence for closure at this point is zero.

Moving a prospect to “above the funnel” status indicates the physician/practice has shown sufficient interest in utilizing the laboratory’s services and has agreed to proceed with the sales process. Prospecting tasks are narrowed, and an investigative call sheet is completed to further qualify the client by documenting demographics, laboratories used and volumes sent, collection/ordering procedures, and other current referral laboratory service attributes. These opportunities are most likely to progress to the next stage within 90 to 120 days, and closure confidence rises to 25 percent.

“In the funnel” means the sales representative has previously met with the prospect on one or more occasions. At this point, all bases are verified and confirmed through completion of a prospect assessment worksheet, and the physician/practice receives a proposal for consideration.
With expectation of closure at 50 percent, it is anticipated that these prospects will move to the next level in 60 to 90 days.

With all prior stage activities complete, the prospect becomes one of the “best few.” At this level, any uncertainty regarding the customer’s needs, objectives, and threats has been eliminated, and contract signature is imminent. Progression to the next stage should occur within 30 to 60 days, and closure confidence jumps to 75 percent.

At the bottom of the funnel, receipt of an executed contract precipitates designation of the account as “closed/won.” With a full, signed copy of the agreement in hand, a service initiation date is identified and prelaunch activities begin, including generation of an implementation plan. Expected revenue from this client can now be factored into the forecast at 100 percent.

The sales funnel offers a disciplined method for facilitating territory pipeline management in several ways. By presenting a straightforward hierarchy of stages comprised of distinct activities, it lays out the expectations of sales personnel with regards to a prospect based on its current position in the funnel. Outreach managers can use this tool to guide and coach staff, reinforcing steps that need to be taken in each stage before a potential client moves forward. It also assists with forecasting by more accurately identifying the anticipated revenue for each prospect based on the percent of confidence of its respective stage. Used consistently and properly, this approach can revolutionize the sales pipeline, leading to a more efficient pursuit of business and perhaps a higher close rate.

**Conclusion**

Realizing sales success takes commitment on the part of both the laboratory and its sales and service personnel. First, the organization must provide a defined method and effective tools to carry out the process. For their part, representatives must learn the identified strategies and employ them to foster meaningful interaction with prospects and clients. With a sound, results-oriented approach, including an effective territory management planning process, outreach programs can generate substantial revenue for their hospitals and health systems.

**References**