



Allocating Sales & Marketing Resources in a Dynamic Setting

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In the recent economic environment, marketers were not required to be disciplined about resource allocation. Strong demand across geographic markets and customer segments disguised many resource allocation sins. Markets in which your company was *under resourced* still produced revenue gains, as a result of the overall growth in market sales. Other markets in which your company was *over resourced* still generated profits because the topline revenue trend masked the impact of elevated sales and marketing expenses. Companies could be sloppy and still look like winners.

Not any longer. Most economic signals point to a softening market over the next 12-24 months. A characteristic of a softening market is diversity in performance—not all markets or segments will suffer the impact of a recession equally. Therefore, a soft market will expose poor resource allocation decisions. Markets that have severely limited opportunity will have a distinctly negative return on investment when too many sales resources are dedicated to them. Under investment in high opportunity markets will leave topline revenue at risk of capture by better staffed competitors.

Our most successful clients assess resource allocation from two perspectives that capture the diversity across markets. These factors create a natural filter that maximize your return on your sales & marketing investment, particularly in a moderating market.

Factor One – *Attainable Revenue*. This factor combines an estimate of total opportunity in a territory with a measure of “fit” (i.e., the degree opportunity is attainable given overall product offering, value proposition).

Factors that influence attainable revenue	
Migration has widened the revenue opportunity gap	<ul style="list-style-type: none"> Over 850K people migrated out of New York, California and Illinois in 2021 alone. Four states (FL, TX, AZ, NC) captured most of this migration Since 2018, California has seen 265 companies leaving for other states—with 114 of these moving to Texas Housing starts in smaller metros have grown at 2X the rate of large metros since 2018 The top nine manufacturing states grew at twice the national average over the last decade
Mix of customer segments in a sales territory creates attractive markets	<ul style="list-style-type: none"> The top ten homebuilders' market share in the top 30 metro areas is double what their share is in smaller geographic markets The oil and gas industry is concentrated in a few areas. Texas and Louisiana account for 10% of the U.S. population but 40% of oil and gas refining
Competitive structure informs what drives market share	<ul style="list-style-type: none"> Building insulation is a regional market. Within 100 miles of the manufacturing facility, insulation suppliers leverage their operational and logistics advantages to enjoy market share that is often double their national average By comparison, plumbing fixtures are less dependent on operations. Share in a local market is driven by the manufacturer's channel, sales and market strategies

Use a Surgical Approach to Aligning Resources

Factor Two – *Access to Revenue*. Even if a market presents high attainable share, it may not be accessible to a specific supplier. Access measures whether the revenue opportunity is aligned to your current channel coverage model and/or whether you have the ability to alter that coverage model. Examples of issues that impact your *access to revenue* include:

Factors that influence access to revenue	
Size of customer	The size of the customer will determine how the customer sources their products. The larger the customer, the more likely they will rely on larger channel partners or direct purchasing. Customer size provides insight into which channels have the loyalty of your target customers.
Product importance to customer	An honest assessment of the importance of the product to the customer's business can help eliminate or confirm which channels are best suited to be your partners. If the product category is of low importance to the customer's business, the customer is likely to favor the convenience and logistics of purchasing from a 3 rd -party channel. If the product is a cornerstone of a project, the customer is more likely to go directly to a supplier to minimize the risk of a wrong choice.
Customer sophistication	The level of knowledge and experience a customer has using a product can be the difference between them choosing to buy from a technically-focused channel or a broadline channel. Selecting the right channel partners, whose capabilities align to the value proposition your customer seeks, reflects an understanding of the sophistication of your target customer.

In a weak market, effective resource allocation is mission critical to business performance. The more precise you can be in targeting resources, the higher the return on your marketing/sales investment. The *surgical approach* we recommend focuses resources to those sales territories or local markets that provide the greatest opportunity for revenue gain and/or retention.

How do you apply the perspectives of *attainable* and *accessible* revenue to making this happen? Our most successful clients apply a disciplined and consistent set of evaluation criteria and frameworks:

- **Sales territory templates**—a consistent profile of the territory that defines the total market opportunity, outlook and trends, drivers of and barriers to market demand, and the customer and competitive structure provides an objective estimate of *attainable* revenue
- **Channel coverage assessments**—a comparison of your current channel coverage map—to that required to best access target segments and high potential accounts *before* allocating resources—provides insight into the cost and timeframe required to build the most effective channel coverage model. It also provides a basis for prioritizing markets that have a higher probability of delivering near-term results
- **Local market scorecards**—finally, a consistent set of metrics (i.e., a scorecard) provides the best assessment of effectiveness, allowing for measurement and modification of the resource model, and ultimately maximizing ROI on your sales/marketing investment

Agreeing on what constitutes *attainable and accessible revenue* is the first step to effectively deploying resources to reach your desired goal, accompanied by use of templates in decision-making. We would be happy to share examples and discuss your situation. Please contact Carl Cullotta at 224-239-2525 or cpc@lynncullotta.com.