Elevating CPG Sales

Once purely tactical, CPG Sales has become a critical strategic discipline.

BY BOB MONAGHAN

In addition to traditional account management resources, most larger teams have dedicated support resources such as Category Leadership and Sales Analysis. Many also have dedicated resources from such non-Sales functions as Finance and Supply Chain/Logistics.

Simplier Times, Simpler Processes

The CPG Sales function used to be relatively simple and straightforward. This is because the relationship among CPG manufacturers, wholesalers, retailers and consumers used to be relatively simple and straightforward. Manufacturers developed, produced and marketed their brands to consumers. Target consumers were reasonably homogenous and responded well to manufacturer mass marketing and promotion initiatives. Wholesalers and retailers functioned as a necessary distribution conduit between manufacturers and consumers. Manufacturers' brand groups, using their brands' consumer appeal, called most of the shots and Sales was primarily a tactical, not strategic, part of the go-to-market process.

Generally speaking, four elements were involved in this traditional CPG Sales function:

1) **Key Account Management:** Conducting the day-to-day business and managing the ongoing business relationship with major wholesalers and retail chains, of which there were many more than there are today.

2) **Retail Coverage:** Implementing established retail standards, cutting-in new items, executing retail promotions and gathering competitive intelligence at store level, and managing the business at smaller wholesalers and independent retailers.

3) **Sales Planning:** Serving as liaison between field sales and the brand groups, vetting and scheduling headquarters initiatives for in-market practicality and functioning as the primary communication link between headquarters and the field.

4) **Sales Management:** Managing the sales effort, usually within specific geographies designated as territories, districts, regions, divisions and national.

Some companies went to market with large, direct sales organizations staffed with their own employees. These organizations controlled and implemented all four elements of the sales function. Some managers in these organizations had multi-element responsibilities that included key account management, retail supervision and overall management of a defined geography.

Other companies employed brokers to take advantage of the brokers' strong presence and customer relationships in local markets and the cost savings associated with broker coverage. Brokers represented CPG companies in local markets, providing basic account management and retail coverage services and executing manufacturers' programs at account headquarters and retail. The manufacturers retained responsibility

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for sales planning and for overall management of the sales function. (The better manufacturers used broker input to optimize planning.)

This traditional CPG Sales function is difficult to recognize in light of today's more complex and strategic sales role in the go-to-market process.

More Segmentation, Less Control

The CPG go-to-market landscape has changed dramatically from "the old days." Manufacturers still strive to develop "power brands" that generate strong consumer demand and loyalty. But that's about where the similarities between the CPG go-to-market world of today and that of yesterday end.

The traditional "homogenous" consumer base is now known to be highly diverse. Traditional demographic targeting has been enhanced by more sophisticated psychographic and "lifestyle" segmentation models that yield more descriptive and predictive consumer targets. These target consumer groups are also smaller and harder to reach effectively and efficiently through traditional mass marketing techniques. CPG marketers find themselves in the quandary of knowing more about the consumer and how to influence him/her but having less control over the means to use this influence.

As if this were not enough, consumers can no longer be viewed as simply consumers. Consumers develop relationships with brands (brand preference, brand loyalty) through their experiences in using, (that is, consuming) those brands. And, in general, these consumer-brand relationships are much weaker today than in the heyday of the mass market.

Shopping, however, is different from *consuming*. And today, shopping behavior and decision making often trumps consumer brand relationships when shoppers decide what to buy. That's why developing "shopper insights" is the hottest area of CPG market research today.

The days of the trade as a distribution conduit are also long gone. The decline in strength of consumer-brand relationships, the fragmentation of consumers and the means by which CPG marketers traditionally influenced them, combined with the increasing understanding and importance of shopper behavior have all conspired to place the trade, particularly the retailer, in a new position of influence in determining what shoppers buy. Over 80% of all CPG purchase decisions are made in the store where shoppers are bombarded with all kinds of stimuli (selection, price, presentation, promotion, merchandising, etc.) designed to influence their purchase decisions. The store controls the retail environment and, by extension, the purchase-influencing stimuli present there.

The Solution: Specialized Support and Focus on Major Accounts

How have CPG companies responded to these massive changes in the market landscape? To help answer this question (and others), DHC

Sales Needs to Elevate the Game – But How do I Know What to do?

The 2009 Emerging Consumer Few will question the assertion that FMCG Sales teams need to elevate their game if they are to continue to be a strategic competitive advantage for their companies. But what exactly do they need to do?

Dechert-Hampe Consulting fields a number of industry research efforts every year to help our clients answer that very question. Of course, this research is also used to guide our own capabilities development as we strive to stay one step ahead of our client's coming needs.

Our bi-annual ***Sales Force of the Future*** Survey, conducted by DHC since 2003, has become one of our most useful tools. This unique survey compares the importance and performance rankings of senior Sales executives with those of senior Retail executives across a number of key attributes. The result is a very instructive picture of how Retail executives value the activities of FMCG Sales teams. It also allows Sales executives to see how well their perception of what customers value stacks up with the customers own thoughts.

But information on the current climate, no matter how interesting, always winds up being viewed through the rear view mirror. To be successful, we need to accurately anticipate what is coming. That is why the ***Sales Force of the Future*** is so valuable to DHC and our clients.

Accurately capturing someone's view of the future is tricky business at best. But our senior research associates at DHC have applied a combination of solid research science and the art of experience to do that in this cutting edge survey. If you want to know what your customer's will value most three years down the road, ***Sales Force of the Future*** – is the place to find out.

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conducted an industry-wide research project to define and measure how CPG companies are deploying Sales resources to manage the business and their relationships with an increasingly influential customer base. To be sure, the results reported in the project output have been evolving for some time. But they do paint a picture of a Sales function that is very different from the one that ruled in the days of the mass market.

The research results identify two significant responses by CPG companies to the dramatic increase in the retailer's influence over shoppers' purchase decisions:

- A major increase in highly specialized internal Sales support resources
- The deployment of dedicated, multi-functional major account management teams

To obtain a copy of the 2007 Sales Force of the Future research results or to participate in the 2009 study, contact Susanne Conrad at 847.559.0490 or visit www.dechert-hampe.com.

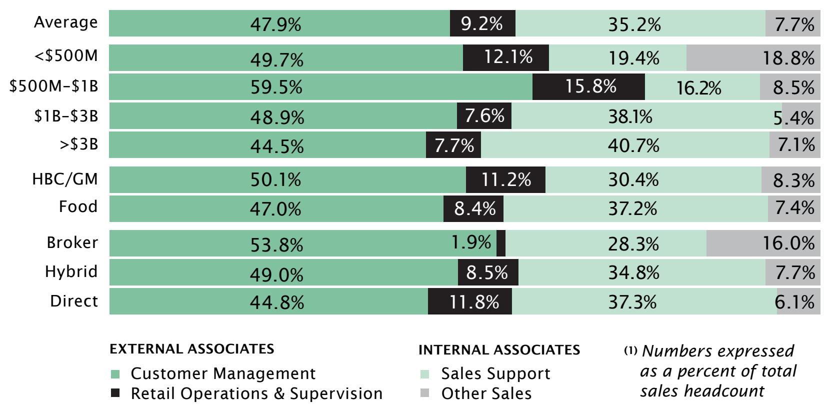
Specialized Internal Support Resources

CPG companies participating in the research study report allocated nearly 43% of total Sales headcount (excluding retail "feet on the street") to internal/headquarters-oriented activities. Over 80% of these resources are working in specialized, dedicated Sales support functions **(Figure 1)**.

Research participants identified over a dozen specialized Sales support functions in use, with seven of these employed by 50% or more of participating CPG companies **(Figure 2)**.

Figure 1

PERCENT HEADCOUNT by FUNCTION (1)



(1) Numbers expressed as a percent of total sales headcount

Figure 2

PERCENT OF COMPANIES EMPLOYING VARIOUS SUPPORT FUNCTIONS

Functions	% Companies Using
Category Leadership	80%
Sales Planning	75%
Sales Administration	75%
Customer Development	65%
Sales/Retail Operations	65%
Sales Technology	60%
Trade Development	50%
Sales Analysis	45%
Sales Learning/Training	35%
Sales Communication	30%
Co-Marketing	15%
Customization	10%
Other Not Listed	20%

Figure 3

PERCENT OF HEADCOUNT ALLOCATION BY SUPPORT ELEMENT

Functions	% Allocation of Sales Support Headcount	% Allocation of Total Sales Headcount
Sales Planning	19%	6.6%
Category Leadership	16%	5.5%
Customer Development	10%	3.5%
Sales/Retail Operations	10%	3.5%
Sales Analysis	7%	2.5%
Co-Marketing	7%	2.5%
Sales Administration	6%	2.1%
Communication/Training	6%	2.1%
Customization	6%	2.1%
Sales Technology	4%	1.4%
Trade Development	2%	0.7%
Other/Sr. Management	7%	2.5%
TOTAL	**100%**	**35%**

Note: The four "traditional" functional elements of Sales (Account Management, Retail Execution, Sales Planning and Sales Management) are all still important parts of today's Sales organizations. But elements such as Category Leadership, Customer Development and Sales Technology have been added to the functionality of the Sales organization. Also, the actual use of these specialized support functions is likely understated in the research findings because many CPG companies outsource elements like Category Leadership and Sales Analysis to brokers or other third-party providers. Further, some of these elements frequently report to other functions such as HR, Finance or IT.

In addition to being widely used, these specialized support areas are being staffed with a significant level of Sales organization resources **(Figure 3)**. It is clear from this research that CPG companies have responded to the increasing complexity of the marketplace with increasingly sophisticated and specialized Sales organizations and capabilities. These capabilities allow CPG companies to take a more targeted, strategic approach to customer- and channel-specific opportunities and challenges and to work with their customers to develop marketing, promotion and merchandising programs that reach shoppers at the point of sale.

Major Account Management Teams

The research also shows that CPG companies have deployed dedicated teams to manage the business with their larger, more strategically important customers. This approach is particularly common among larger companies with sales in excess of $1 Billion. Among the CPG companies participating in the research, the top 10 accounts with assigned management teams included six food accounts, three mass merchants and one club **(Figure 4)**.

Figure 4

PERCENT OF COMPANIES WITH ACCOUNT TEAMS

ACCOUNT	% Companies with Team Coverage
WALMART	71%
KROGER	57%
SAFEWAY	52%
TARGET	43%
COSTCO	43%
PUBLIX	43%
AHOLD	38%
ALBERTSONS	33%
HEB	33%
KMART	29%

For obvious reasons, Walmart has the most team coverage. While some food companies will deploy teams at Kroger and/or Safeway first, if a company fields only one team, it will usually be for Walmart. And, when it comes to deploying account management teams, size matters. The research clearly shows that the larger the company, the larger the number of account teams deployed **(Figure 5)**.

Figure 5

AVERAGE NUMBER OF TEAMS BY COMPANY SIZE

	All	<$500M	$500M-$1B	$1B-$3B	>$3B
Average number of teams	9.8	1.0	6.3	8.0	16.6
# of Account Teams	235	3	19	80	133
# of Companies with Account Teams	24	3	3	10	8

And, the larger the company, the greater the team resources commited **(Figure 6)**.

Figure 6

AVERAGE TEAM HEADCOUNT BY ACCOUNT TEAMS

% OF SALES RESOURCES ALLOCATED TO ACCOUNT TEAMS

Company Size				
Overall Average	<$500M	$500M–$1B	$1B–$3B	>$3B
19.5%	5.5%	15.6%	33.0%	29.9%

In addition to traditional account management resources, larger teams have dedicated support resources such as Category Leadership, Shopper Insights and Sales Analysis. Many also have dedicated resources from such non-Sales functions as Finance and Supply Chain/Logistics. One of the principal tasks of these teams is to effectively utilize the sophisticated, specialized support capabilities their companies have developed to drive the business through a customer base that has great influence over which brands/products shoppers actually purchase.

Consumers are also shoppers, and the trade has more influence over what shoppers buy. CPG companies have created more sophisticated go-to-market capabilities and deployed resources to develop and deliver them to the marketplace. This evolution has affected all CPG Sales organizations – most to a very significant degree.

WHAT'S NEXT:
Rising Expectations All Around

While it is important to understand the background behind any business situation, the view out the windshield is usually more instructive than the one in the rearview mirror. So, what can CPG organizations expect in the way of continued evolution of their Sales functions? One thing is certain: the expectations of highly influential retailers will continue to call for a response.

To evaluate these expectations, DHC conducted an industry research study focused on Key Account Management. First, we developed a list of 20 attributes of CPG Key Account Managers and aggregated them into five attribute groups **(Figure 7)**.

Figure 7

RATED ATTRIBUTE GROUPS

Selling Skills	- Planning Skills - Networking Skills - Communication Skills - Technical Savvy
Analysis	- Understand/Use Relevant Data Sources - Analytical Skills - Financial Literacy - Operations Literacy
Creativity	- Strategic Thinking - Innovation/Creativity - Globalization
Consumer Group	- Knowledge of Consumer Dynamics - Knowledge of Local Marketplace - Knowledge of Category - Technology Impact on Consumer
Demand Generation	- Develop/Implement Channel/ Market & Consumer-Specific Programs - Knowledge of Own Company & Resources - Consumer Marketing/ Merchandising Literacy - In-Store Marketing - Retail Merchandising

The research was conducted with both CPG manufacturers *and* retailers and measured three aspects of the 20 Key Account Manager attributes:

- The **Current Importance** of each attribute

- The **Current Proficiency** of manufacturers' Key Account Managers in each attribute
- The **Future Importance** of each attribute

Importantly, the research measured these factors from the perspectives of both the manufacturers and the retailers to see how well the two sides of the business relationship are aligned. In general, the findings show:

1. Both retailers and manufacturers consider the vast majority of the attributes to be important with the retailers' ratings being slightly stronger than the manufacturers.
2. Both sides think the attributes will be even more important in the future.
3. The two sides are not aligned regarding the strength of Key Account Managers' current proficiency in the attributes. Retailers' ratings of manufacturer proficiency are lower than manufacturers' ratings across the board.

While both sides consider the attributes to be important in both today's and tomorrow's environments, they are not aligned on how well manufacturers' key account personnel exhibit the attributes in their day-to-day dealings. In short, retailers do not think manufacturers are nearly as proficient as the manufacturers think they are. This indicates clearly that CPG companies have some capability/skill development work to do to meet current customer expectations for manufacturer key account managers.

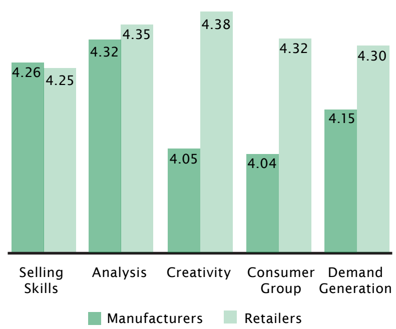
Even assuming that manufacturers close the existing gap between their current performance and their customers' expectations, will this be enough to meet future expectations for key account manager performance?

How well aligned are retailers and CPG companies when it comes to their respective expectations for key account management in the future?

Figure 8

CPG MANUFACTURERS AND RETAILERS

FUTURE IMPORTANCE RATING INDEX



The two sides are clearly on the same page regarding the future importance of the more traditional key account management attributes contained in the Selling Skills and Analysis attribute groups **(Figure 8)**. But it is a very different story when it comes to attributes associated with Creativity, Consumer Understanding and Demand Generation. These less traditional key account management attributes are seen as being much more valuable in the future by customers than by manufacturers.

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How can we interpret this surprising finding? One thing it suggests is that manufacturers view the future as a continuation of the "selling" approach traditionally associated with key account management. Another is that retailers will not be looking to be "sold". Rather they will be expecting manufacturer account management personnel to help them sell more to the shoppers in their stores – to help them differentiate themselves in the market.

As we have seen, CPG companies have begun to put expanded capabilities in place to help them work more effectively with customers whose collaboration they require to market their brands. But our research suggests that they are not as committed to the non-traditional elements of key account management as they need to be. Incorporating these elements will require new strategies and business enablers if CPG companies are going to meet their customers' expectations for key account management excellence. Getting there will mean more than just a more expansive, non-traditional view of key account management. It will require a significant transformation of the Sales Function across a variety of dimensions. How can CPG organizations navigate through such complicated organizational change?

EFFECTIVENESS OR EFFICIENCY: A False Choice

Throughout the development of go-to-market organizations, management correctly focused first on making their organizations effective. The dictionary defines "effectiveness" as "achieving the desired results". Shipping quotas, expanding market share, meeting profit targets, achieving and maintaining retail objectives: these measures largely determined an organization's success. But questions began to emerge regarding the resources being applied to achieve these results, and their cost.

The dictionary defines "efficiency" as "optimum use of available resources; minimum waste." This became the next watchword in the evolution of the go-to-market function. Management focused on making their organizations efficient. Cost-of-sales, trade-spend ratio, sales per employee, sales per point of distribution became the pots of gold at the end of the organizational rainbow. In pursuit of this gold, companies began to cut back on go-to-market resources by outsourcing them to shared services vendors (brokers, syndicated data suppliers, etc.) or by eliminating them entirely (e.g., no longer covering certain customers and/or trade classes at retail). But, as in the case of effectiveness before it, questions began to arise as to whether the pursuit of efficiency had cut too deeply into the organization's ability to be effective.

If choosing between effectiveness and efficiency is the wrong approach, what is the right one?

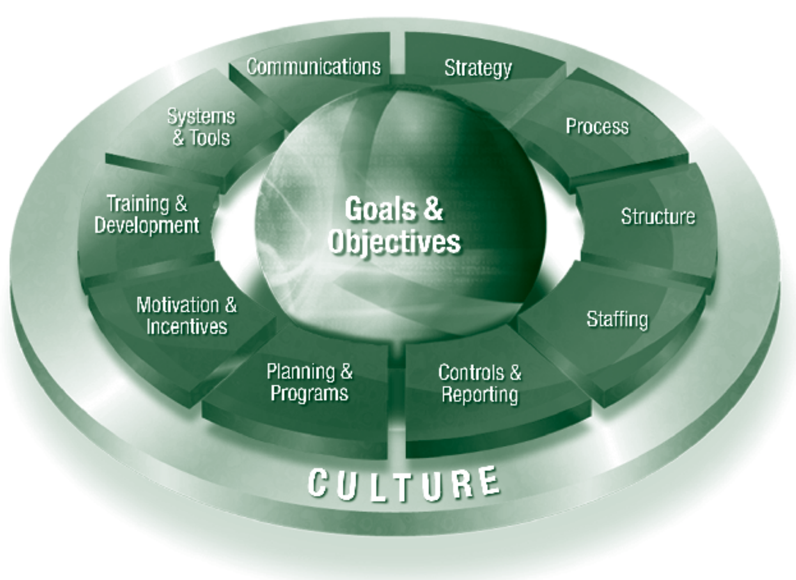
ORGANIZATIONAL PRODUCTIVITY: The Real Solution

The focus for CPG companies today should be on developing and enhancing organizational productivity. Productive organizations strike the optimum balance between effectiveness and efficiency. It's not easy, but it is critical.

Go-to-market organizations normally operate in very complicated business environments. They often market brands in multiple product categories to customers in a variety of trade classes. They cover disparate geographic markets and operate through different routes-to-market. These organizations are complex by nature, with lots of moving parts. How can you get a handle on all of the elements that can affect an organization's productivity? How can you go about massaging all of the moving parts to ensure they are working together?

To help our clients deal with these issues, Dechert-Hampe has developed, what we call, an Organizational Productivity Model. The model has evolved over the years based on our experience and to accommodate the changing business landscape.

Today it looks like this: The model facilitates evaluating how well an organization functions across 12 dimensions.



- **Goals & Objectives:** What are we trying to accomplish?
- **Strategy:** How are we allocating resources to do this?
- **Process:** What are the best ways to get work done?
- **Structure:** Are we organized properly to do the work and execute the strategy?
- **Staffing:** Do we have the right kinds of people in the right positions?
- **Controls & Reporting:** Can we measure and record our performance?
- **Planning & Programs:** Do our plans and programs effectively support the business?
- **Motivation & Incentives:** Do we reward people properly for helping us succeed?
- **Training & Development:** Do we provide people with support and opportunity to grow?
- **Systems & Tools:** Do our systems enable organizational productivity?
- **Communications:** Do people get the information they need when they need it?
- **Culture:** What kind of people do we want to be and be with?

Most organizations tend to evaluate dimensions like these in qualitative terms. They have "good people", "lean organizations" and "state-of-the-art training". But it is more useful if performance along these dimensions can be quantified. Examples of quantitative measures of an organization's performance include:

- **Strategy:** Business performance versus category, competitor and customer performance
- **Process:** Time spent in re-work, fire drills and "emergencies"
- **Structure:** Ratios – Line to Staff; Customer-facing to HQ Support

- **Motivation & Incentives:** Relationship between payout and business results
- **Training & Development:** Annual staff turnover

This is not to suggest that qualitative assessment is not relevant when evaluating organizational performance. However, a truly comprehensive look should include as much quantitative evaluation as possible.

Achieving Organizational Productivity Through Alignment

In addition to evaluating how well the organization functions in each of the 12 model dimensions, it is critically important to determine how well the dimensions are functioning *together.* As with the organization itself, the interaction among the 12 organizational dimensions is complex. However, a relatively simple example demonstrates this interplay by showing how what is going on in one dimension can affect others. This phenomenon is particularly evident when change is involved.

Say a company wants to put more emphasis on profit than on its traditional push for volume. Its strategy for achieving the new objective is to put more sales emphasis on its most profitable product lines, which are premium-priced in their categories. These changes in two dimensions (goals, strategy) will potentially impact at least four other dimensions that must be examined to ensure they are properly aligned with the new emphasis on profit.

- **Incentives:** Does the existing sales incentive plan properly reward increased sales of the more profitable products? Is there a component of the plan that pays out for overall territory and/or customer profitability?
- **Controls & Reporting:** Can we measure and report profitability so that it is actionable to the Sales team? Can they see their progress toward their newly established profitability targets?
- **Training & Development:** Does our training curriculum support a profit-oriented sales approach? Do we teach our people how to sell premium-priced products against lower-priced competition?
- **Planning & Programs:** Have we modified our promotion calendar and merchandising approaches to support the new goals and strategy?

Even in this relatively simple example, the potential impact of the change in goals and strategy on the other four dimensions is significant. And failure to consider this impact would jeopardize the organization's ability to execute the new strategy and improve profitability. Using the model to keep the dimensions of organizational productivity aligned allows an organization to avoid this potential pitfall.

Get the Most from Your Sales Team

In sales, great execution requires great communications. Below are a few tips you can use to fine tune your sales communications efforts and increase the effectiveness of your team:

1) Facilitate the Cascade: Keep your entire sales force aligned and focused by cascading information in a timely and consistent manner. Make sure every communication you send to the field provides examples, details and action items to maintain a constant focus on what is most important.

2) Go Outside > In: Sales and Marketing people generally have different ideas on how to tell the brand story. Bridge that gap by hosting a cross-functional session. You can then create a messaging platform that will serve as the basis for a collateral system that speaks to your customer's needs and that sales people will use.

3) Communicate Authentically: "Corporate speak" can often creep into executive communications obscuring clear direction and compromising authentic leadership. Find your own voice, free of corporate jargon, and use it consistently in every way you communicate. Express the company's vision in terms that resonate best with your people not your boss.

4) Empower Your Brand Messengers: Your sales team is the best way to deliver a relevant brand promise. Package sales content into "nuggets" (Value statements, product information, proof points, USP). Your sales teams can use them to construct stories that will resonate best with each individual customer and drive a consistent brand and message.

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