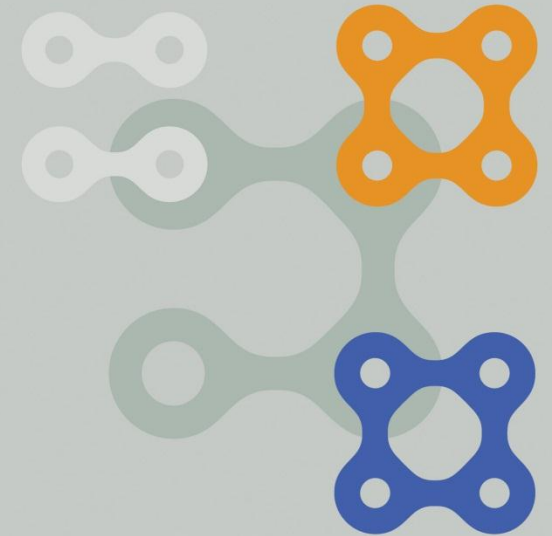


Maximizing Sales Force Effectiveness:

Six Levers To Capture Significant Value



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Executive Summary

- **Emerging from the recession, there is an opportunity and in some cases a necessity to fundamentally rethink the sales force**
- **In this time of change, we have identified six levers to maximize sales force effectiveness which if properly executed can lead to significant value capture and market position improvement**

I. Improving Lead Management

II. Enhancing Pipeline Management

III. Refining Distributor Selection and Channel Management

IV: Increasing Premium Mix Selling

V: Optimizing Sales Force Deployment

VI: Optimizing Product Breadth

Maximizing Sales Force Effectiveness:

I. Improving Lead Management

Improving Lead Management

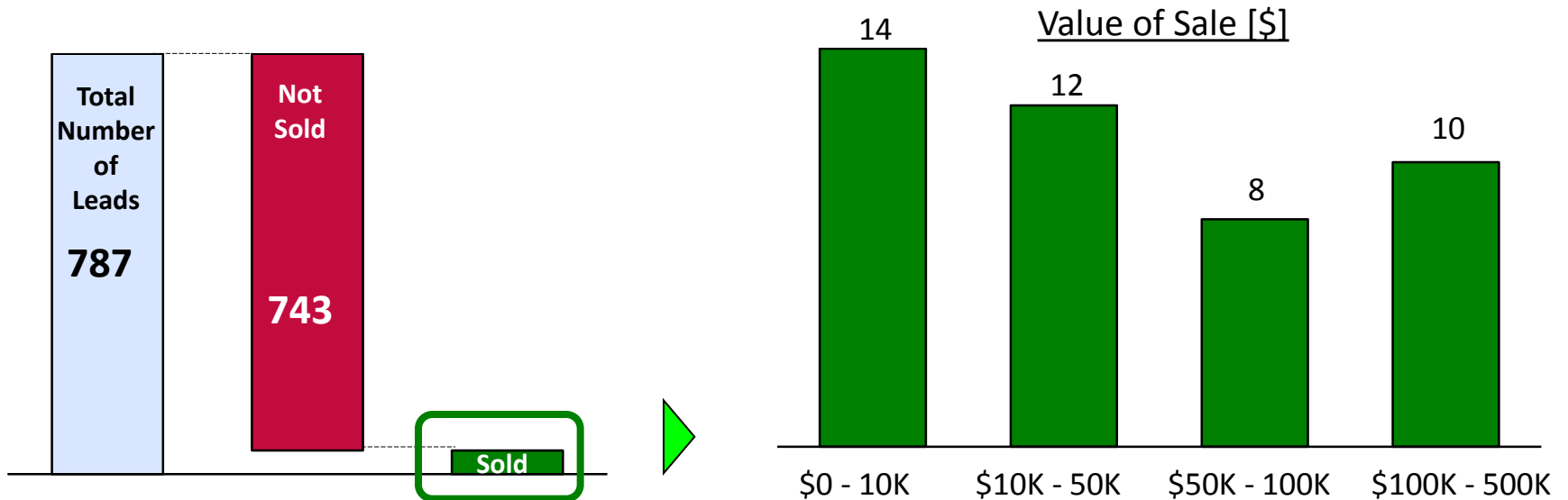
- **Leads are the lifeblood of any sales organization**
 - Most sales organizations are able to generate a large volume of leads
 - Some leads have very high value, while the vast majority generate no immediate business
- **Low average expected value makes pursuit of leads a chore**
 - Half-hearted pursuit may result in missing big value leads
- **Critical to successful lead management is a better understanding of the value of the lead stream and appropriate lead disposition. Goal is to**
 - Reduce number of low potential leads
 - Improve follow-up processes to increase conversion rate
- **The following example illustrates a successful implementation of an improved lead management system**

Case Study: Materials Manufacturer

Analysis Reveals True Value of Lead Stream

Number of Leads	Conversion Rate	Value of Closed Projects	Average Expected Value
787	5.6%	\$2.8M	\$3.6K

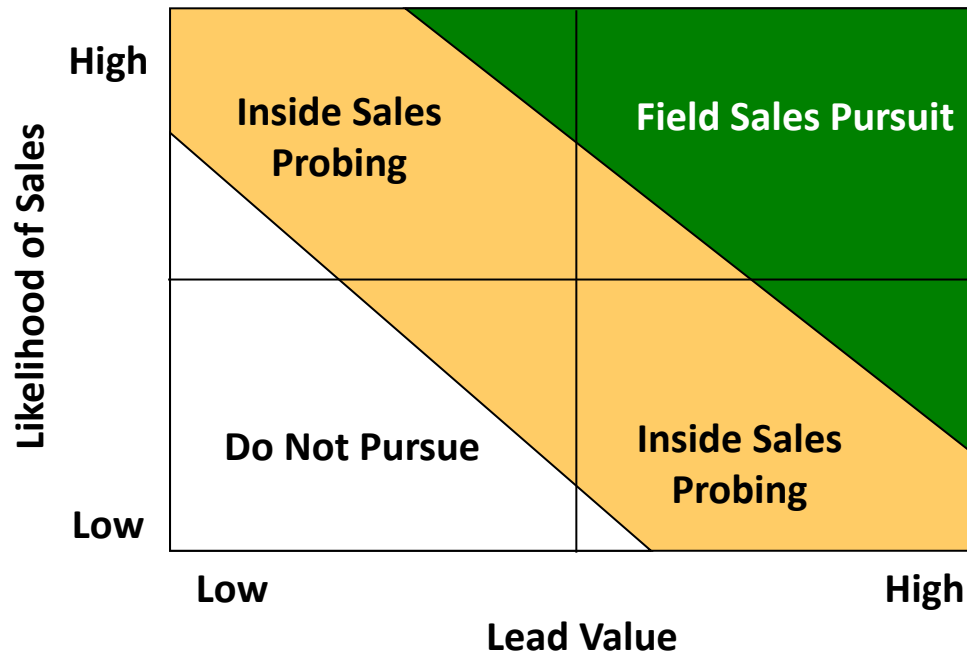
- Average expected value of lead is low
- Average hides distribution of lead values



Case Study: Materials Manufacturer

Follow-Up Process Appropriate to Lead Value

- Enhanced lead filtering processes mapped value of lead to level of pursuit resource



- **Benefits accrue along three dimensions**
 - Increased territory manager active selling time
 - Increased productivity of territory manager selling
 - Efficient pursuit of lower value leads

Maximizing Sales Force Effectiveness:
II. Enhancing Pipeline Management

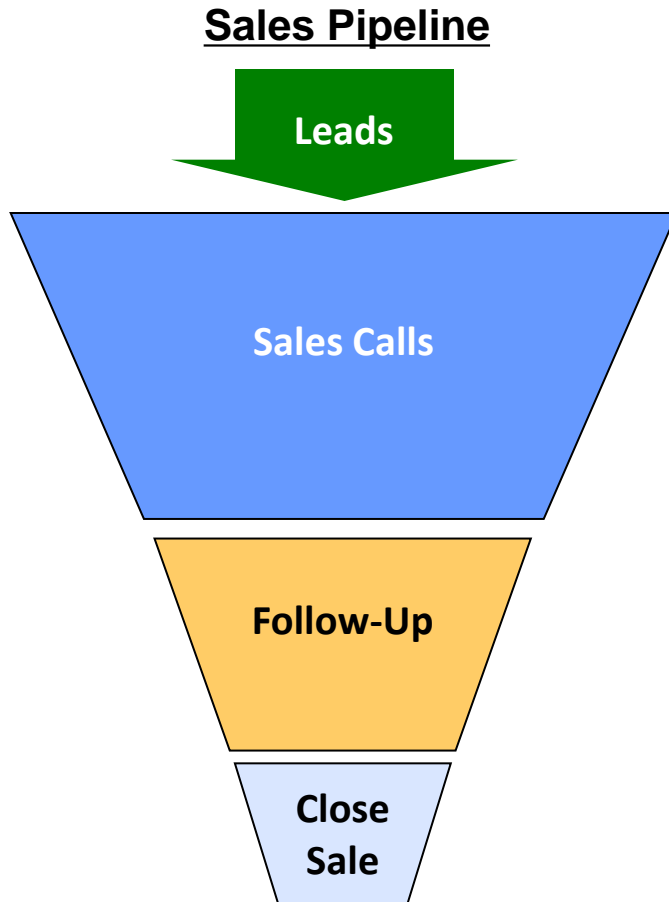
Enhancing Pipeline Management

- **Effective sales organizations need to actively manage leads through entire sales pipeline from pre-qualification to close**
- **Many times internal issues impede lead progression through the pipeline**
 - Competing priorities
 - Lack of appropriate sales tools
 - Misaligned incentives and metrics
- **Our experience has shown that healthy pipeline management demands**
 - Clearly defining strategic imperatives
 - Providing the sales force with the proper training and tools
 - Establishing and measuring key performance indicators

Case Study: Project Oriented Selling Organization

Identifying Key Performance Indicators Critical To Success

- Client identified that too many performance metrics caused lackluster performance
- We identified two metrics as the true key performance indicators



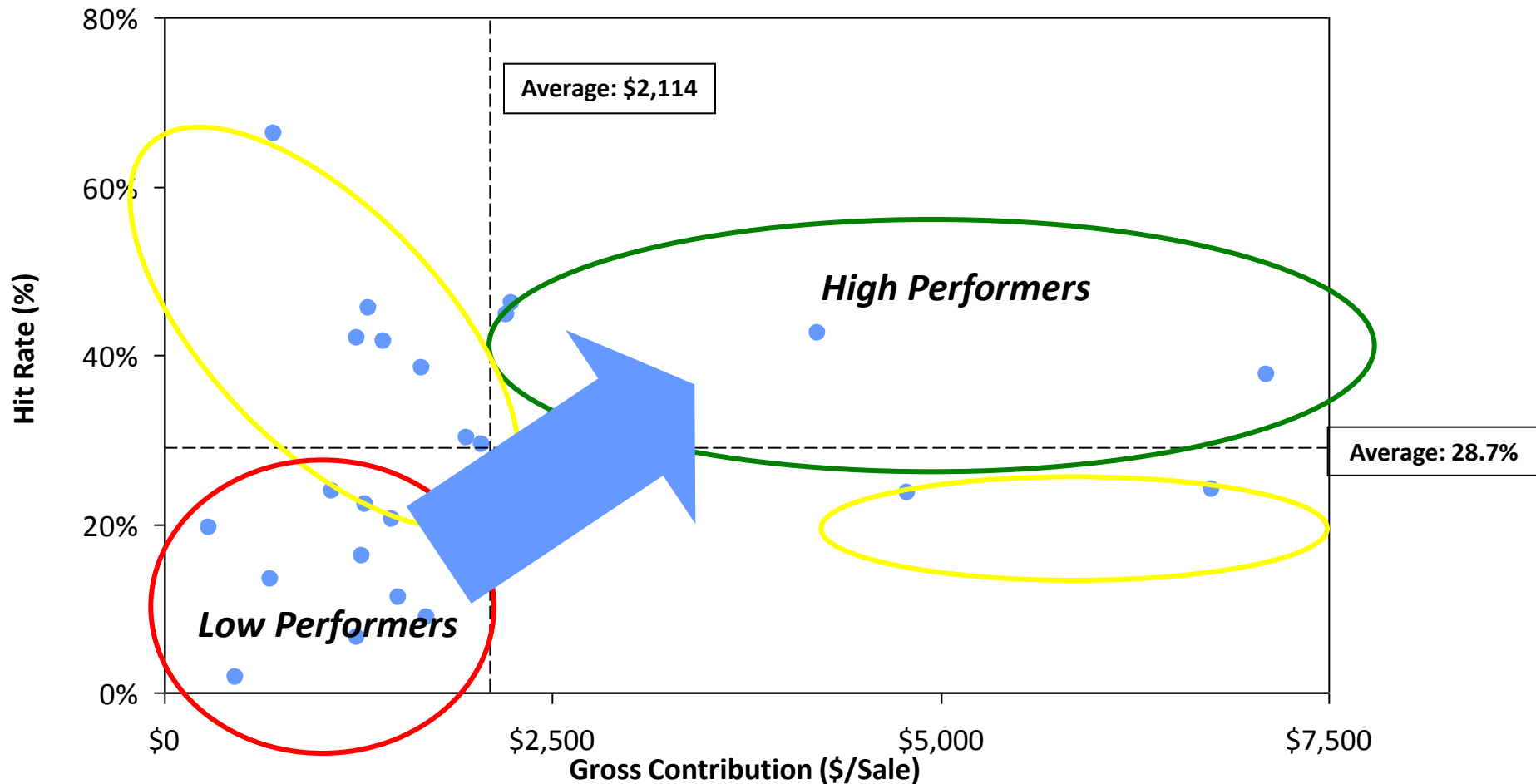
Performance Metrics

- Key performance indicators:
 1. **Hit Rate** = Number of Shipped Jobs / Qualified Leads
 2. **Gross Contribution** = Profit Contribution of Each Sale

Case Study: Project Oriented Selling Organization

Active KPI Tracking Increased Overall Sales Force Performance

- Client measured sales reps against KPIs, identified high performers and emulated best practices throughout to increase effectiveness



Maximizing Sales Force Effectiveness:

III. Refining Distributor Selection and Channel Management

Refining Distributor Selection and Channel Management

- **Aligning with the correct channel partners is critical to the success of any sales organization**
 - Distributors provide critical access to markets and appropriate coverage of end customers
 - Play strategic roles in trade areas ranging from lead partner to specialist
 - Provide critical functions such as stocking and credit
- **Challenge is that goals and incentives are not always aligned**
 - Often times need exists to manage channel conflict
 - Different motivations result in potential conflict over strategic role of distributor
 - Delicate balance must be struck to offer terms and conditions that are economically attractive to all parties
- **We recommend a five step process for optimal distributor selection**

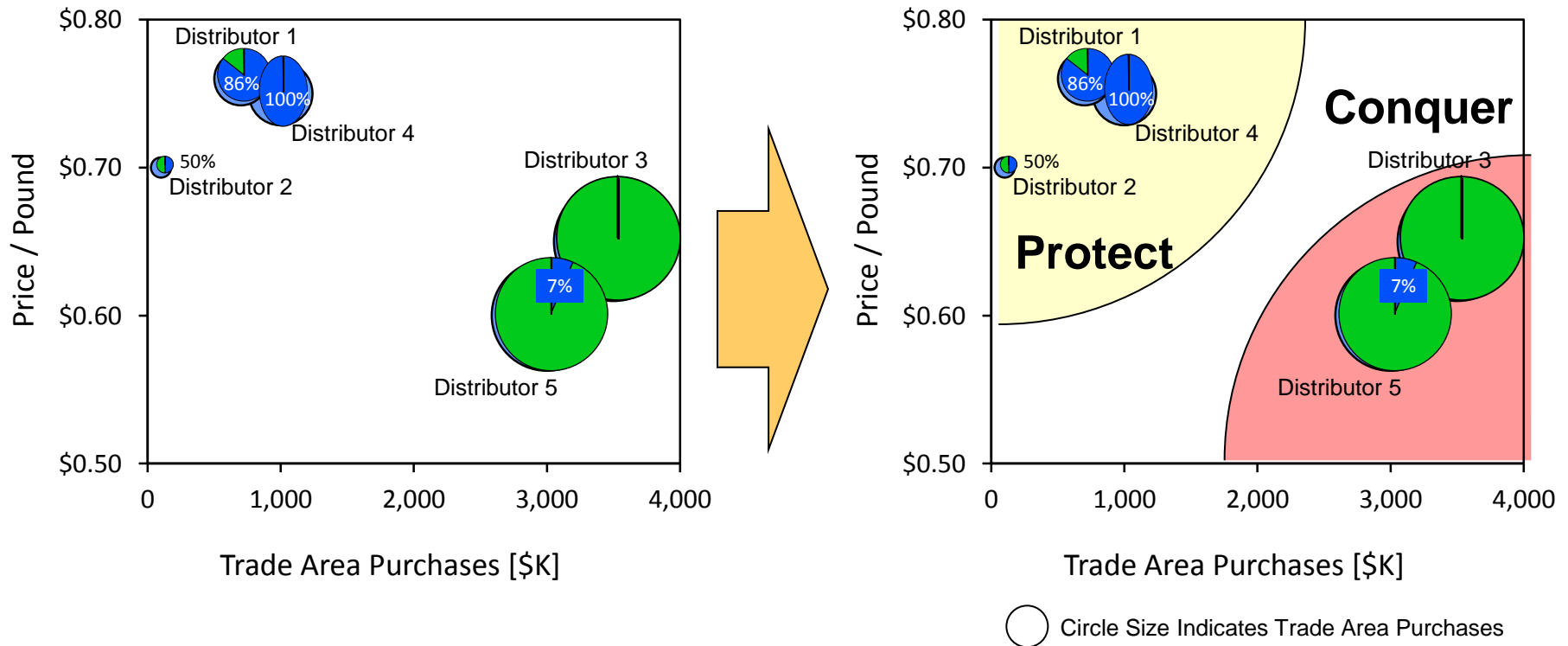
Optimizing Distribution: 5 Topics

A. Target Identification	B. Coverage Strategy	C. Partner Selection	D. Strategic Terms	E. Channel and Account Management
<ul style="list-style-type: none"> ▪ Develop the “ideal” target list of new distributors 	<ul style="list-style-type: none"> ▪ Decide on channel strategy and competitive conflict 	<ul style="list-style-type: none"> ▪ Select specific partners 	<ul style="list-style-type: none"> ▪ Define the terms of the relationship 	<ul style="list-style-type: none"> ▪ Foster constructive competition
<ol style="list-style-type: none"> 1. Define trade areas 2. Identify distributors who cover trade areas 3. Determine market focus of available distributors 4. Develop target list that maximizes coverage across trade areas and market segments 	<ol style="list-style-type: none"> 1. Define the specific areas of market segment overlap between (potentially) competing distributors 2. Explore the likely nature of competition and strategies of the distributors 3. Assess impact on existing distributors 	<ol style="list-style-type: none"> 1. Determine strength of individual target distributors 2. Determine attractiveness 3. Examine fit with the “trade-area team” 	<ol style="list-style-type: none"> 1. Determine strategic role expected from specific distributor (lead partner, market participant, specialist) 2. Select terms for each role 3. Execute specific terms with individual distributors 4. Define direct-to-contractor policies 	<ol style="list-style-type: none"> 1. Focus reps on pursuing selected partners from target list 2. Sign up desired distributors with appropriate terms 3. Monitor trade area competitive interaction 4. Use account plans, pricing policies, and TM calls to encourage constructive competition

Case Study: Commodity Manufacturer

Closed Coverage Gap While Minimizing Channel Conflict

- Analysis revealed client had strengthened channel position in small, high service, high price point distribution
- Coverage gap identified with high volume, commodity oriented distributors
- Client differentiated offering resulting in protection of high margin distributors and penetration of high volume distributors



Maximizing Sales Force Effectiveness:
IV. Increasing Premium Mix Selling

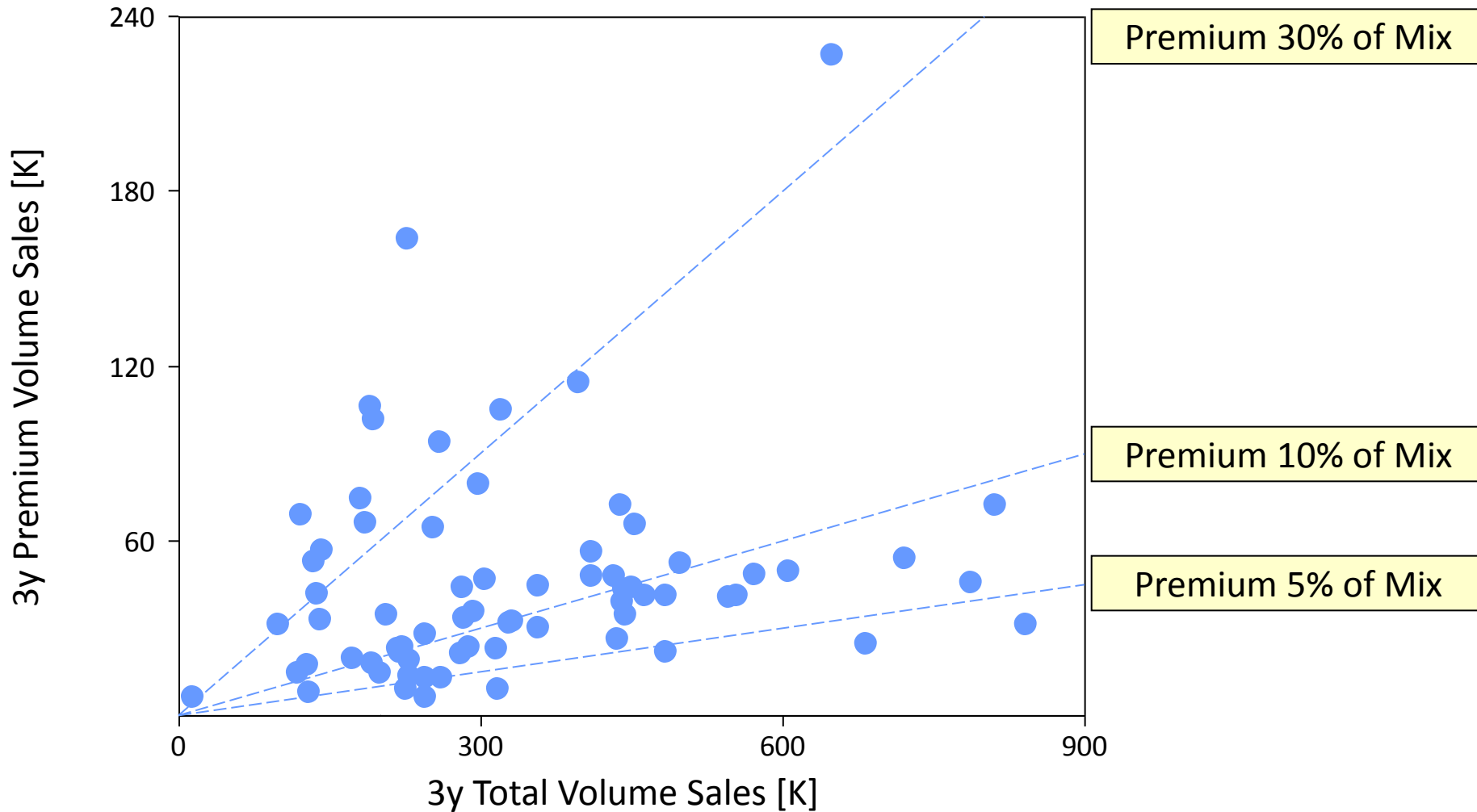
Increasing Premium Mix Selling

- **The ability to sell a premium mix of goods and services is a hallmark of any successful sales organization**
 - Increasing premium mix selling is critically important in this period of trading down
- **The challenge is that it is often difficult to determine success drivers and emulate them throughout the organization**
 - Is the sales force lucky or good? If there are pockets of success, how do we inspire the under-achievers to replicate the high performers?
- **We have observed specific steps to premium selling success**
- **Assessment and training of individual reps results in high impact**

Case Study: Manufacturer of Industrial Products

Premium Selling Performance Varies

Territory Manager Sales - All Regions



Premium 30% of Mix

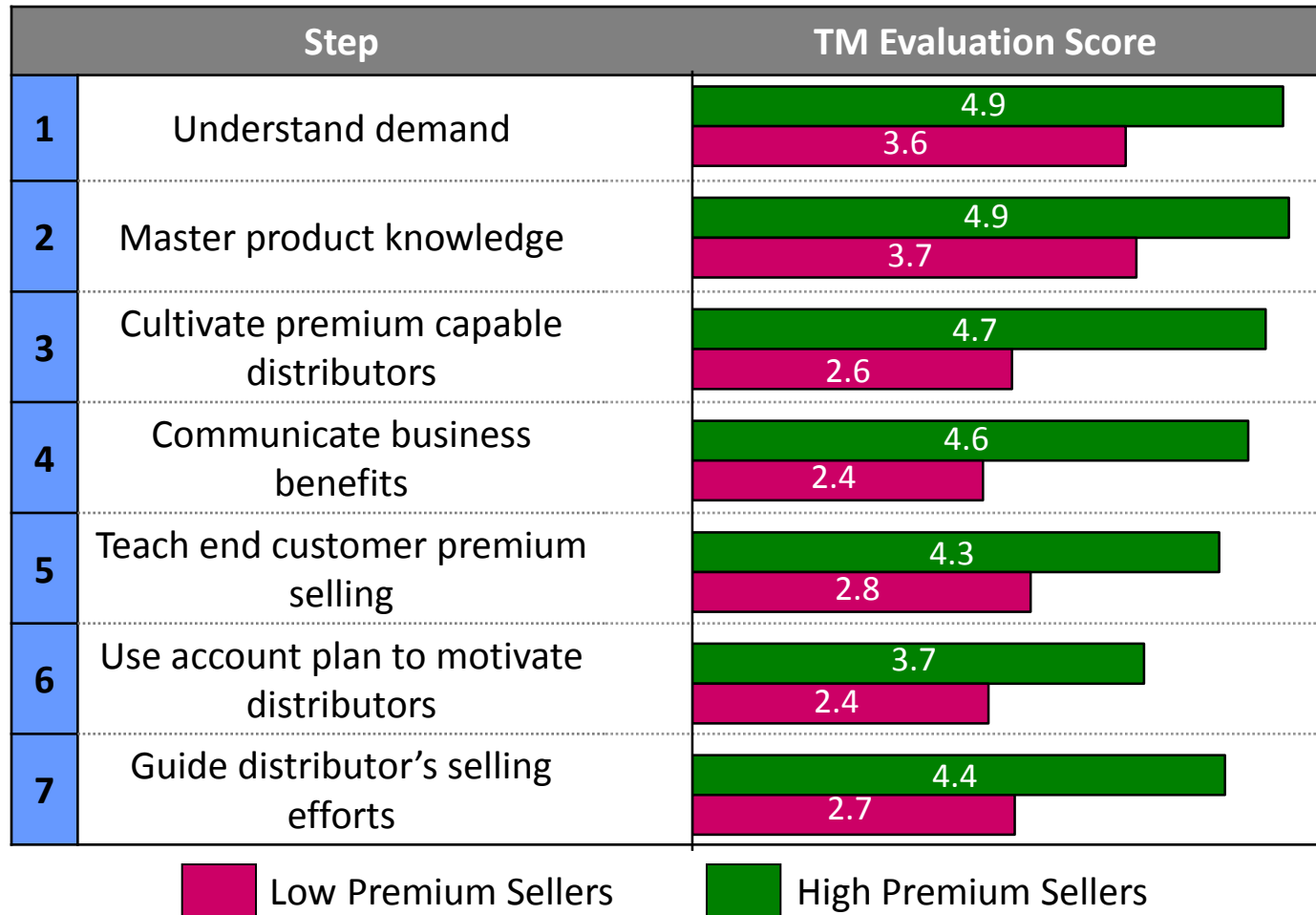
Premium 10% of Mix

Premium 5% of Mix

Case Study: Manufacturer of Industrial Products

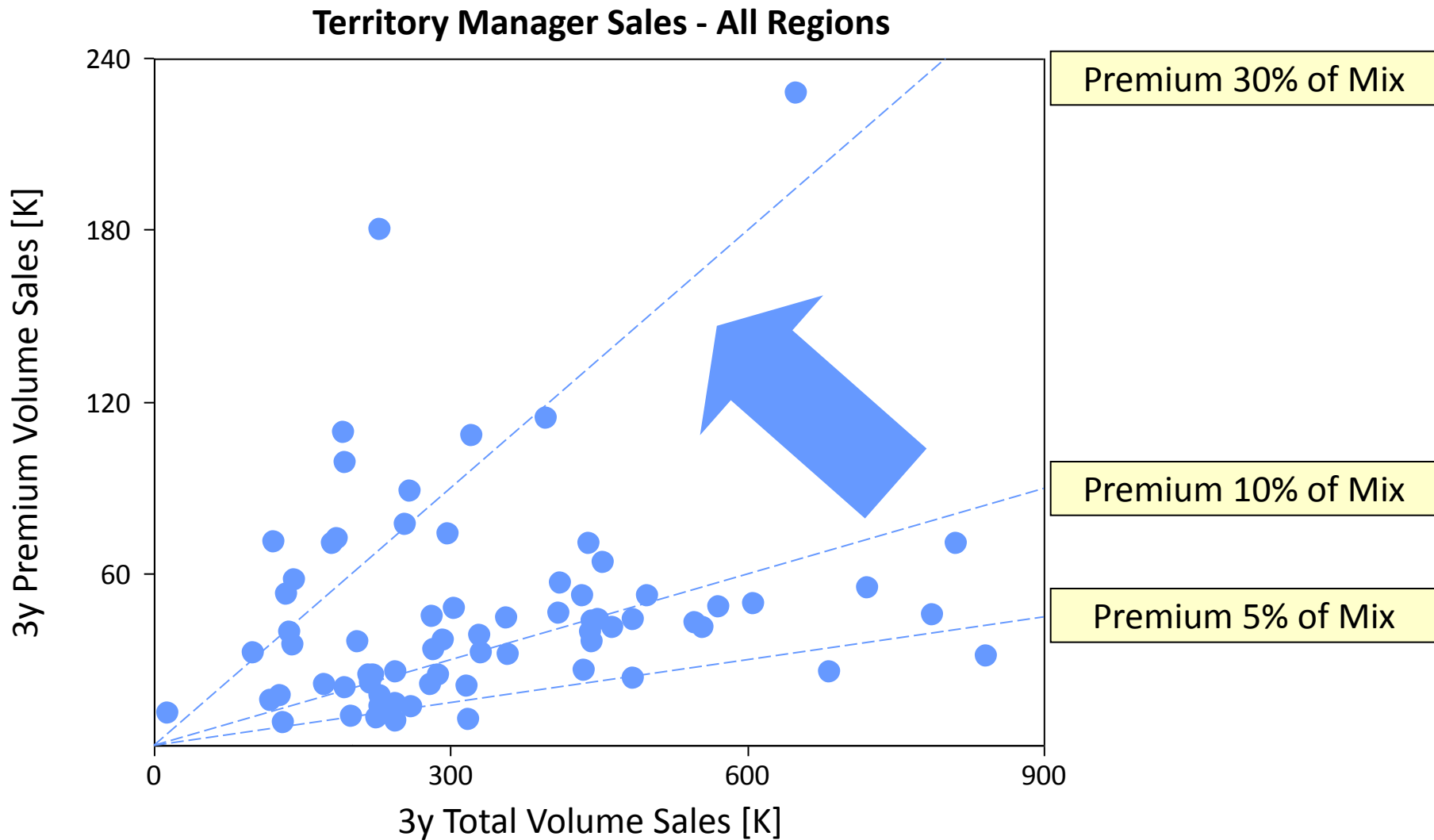
Patterns of Success

- High Premium Sellers consistently outscored Low Premium Sellers along specific steps



Case Study: Manufacturer of Industrial Products

Institutionalizing Success Elements Improved Performance



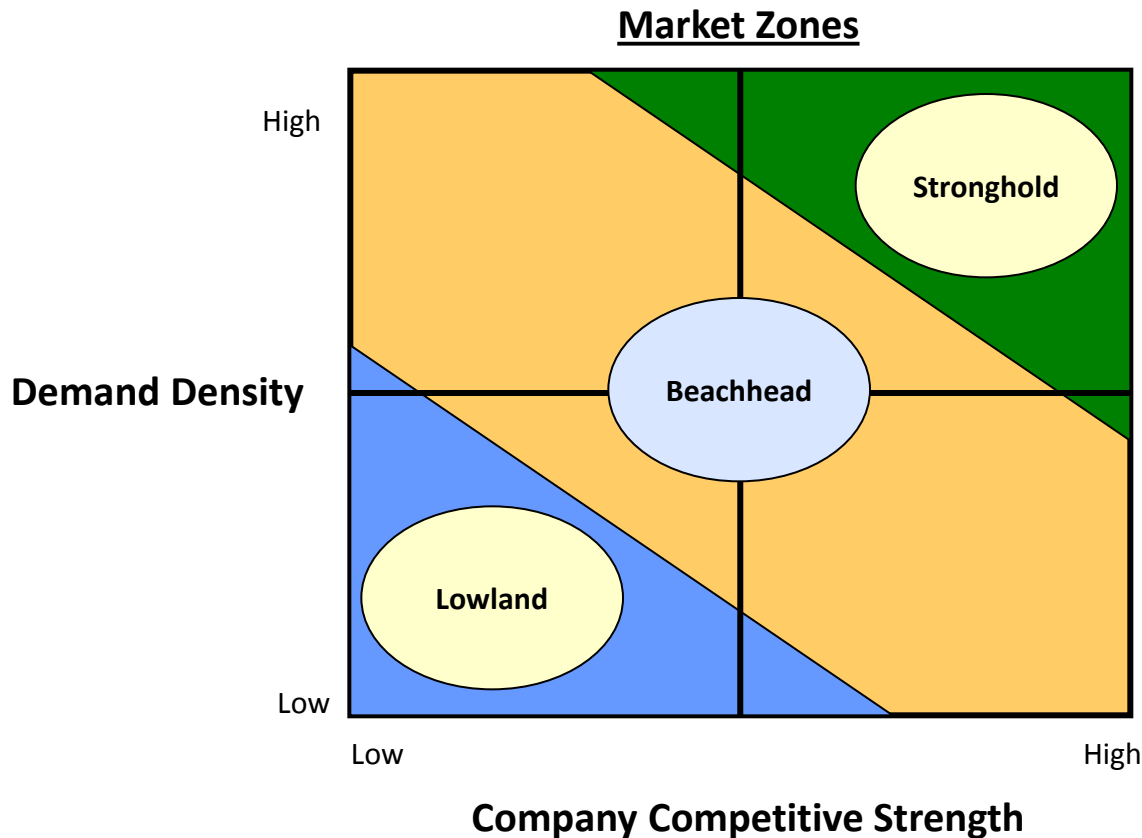
Maximizing Sales Force Effectiveness:
V. Optimizing Sales Force Deployment

Optimizing Sales Force Deployment

- **Optimally deploying limited sales force resources is one of the fundamental success factors of any sales organization**
- **Determining optimal sales force deployment, especially during a period of change, presents a variety of challenging trade-offs and questions including**
 - Where is the demand strongest and where is the market growing fastest?
 - Where do we have comparative advantage and bastions of strength?
 - How do we balance effectively serving the market while keeping costs in line?
- **We have found that the concept of market zones provides a useful framework for determining how to optimally deploy sales resources**

Defining Three Different Market Zones

- Define Markets into three “market zones” based on key characteristics
- Tailor deployment to meet needs of different market zones



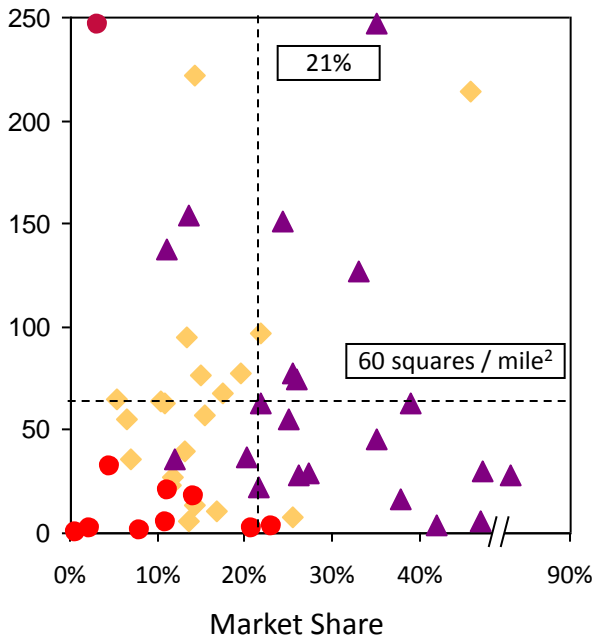
- **Stronghold:** High opportunity areas where company has a bastion of strength
- **Beachhead:** Battleground areas which may require focused strategies
- **Lowland:** Areas that have low potential and company strength which require an efficient model to serve

Case Study: Multi-Product Line Manufacturer

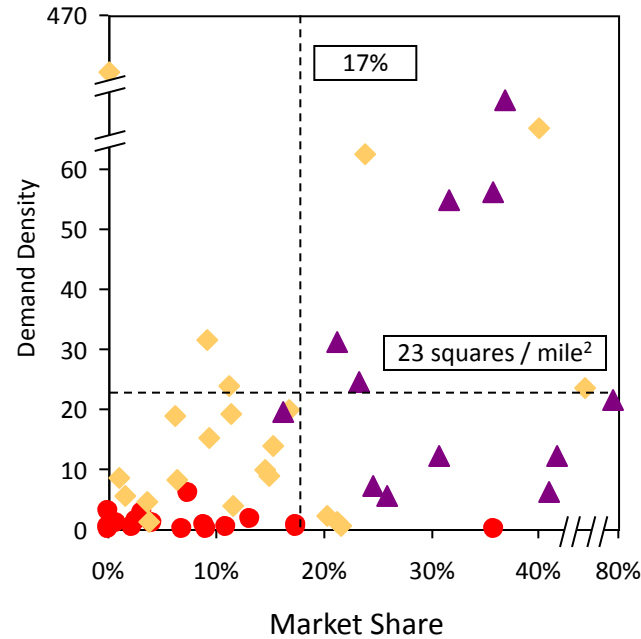
Market Zone Identification

- Manufacturer sold three product lines through three separate sales forces
- Analysis revealed market zones varied by product line

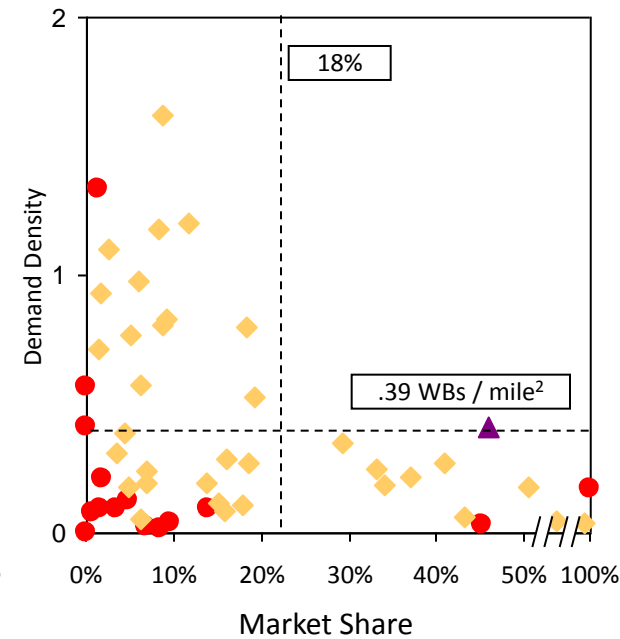
Product Line A



Product Line B



Product Line C



Market Zone Types Legend:

- Lowland
- ◆ Beachhead
- ▲ Stronghold
- Average

Case Study: Multi-Product Line Manufacturer

Market Zones Varied By Stage of Product Lifecycle

- Differences in phase of product lifecycle led to different market zone definitions for each line

Product Line A:
New Product

Regional Market Zone
Definition



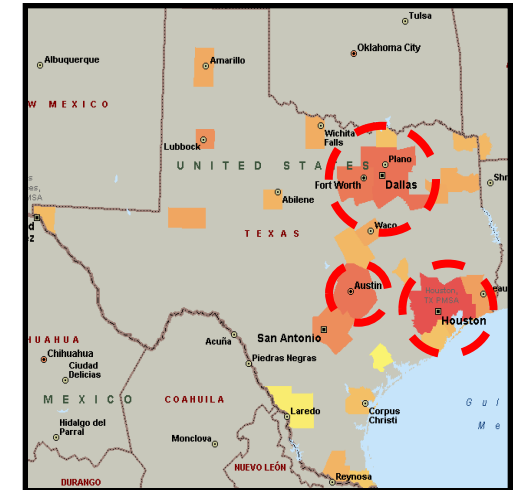
Product Line B:
Growing Product

State-Level Market
Zone Definition



Product Line C:
Mature Product

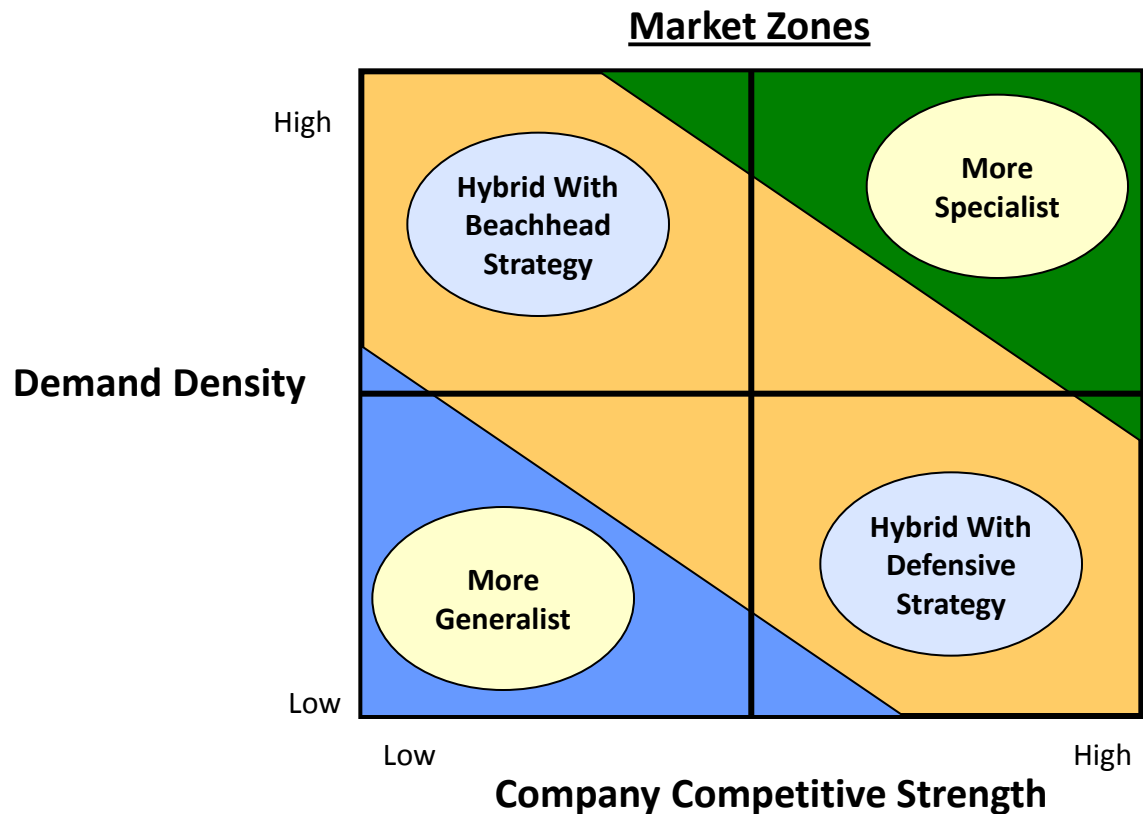
MSA vs. Rural Market
Zone Definition



Case Study: Multi-Product Line Manufacturer

Matching Strategy And Organization To Markets For Success

- Sales force strategy and organization tailored to different market zone characteristics
- Manufacturer was able to defend strongholds, penetrate beachheads and efficiently serve lowlands



Maximizing Sales Force Effectiveness:

VI. Optimizing Product Breadth

Optimizing Product Breadth

- **In multi-line selling organizations, it would be ideal for each sales person to be able to effectively and efficiently sell all product lines**
- **However, there are a variety of practical limitations that do not typically make this feasible including**
 - Breadth of product knowledge may be beyond capacity of any single sales person
 - Product characteristics may vary widely requiring different sales skills and processes to sell
 - Potential for channel conflict
- **The question then is, what is the optimal breadth of products that should be carried by a sales rep?**
- **We have discovered three factors which support the case for sales generalists and three factors that suggest the need for sales specialization**

Multi-Line Selling: Drivers and Barriers To Success

- Evaluation of leading sales force organizations and the markets they serve has identified key drivers of and barriers to multi-line selling performance
- High performing sales organizations weigh the benefits of integration versus the cost of change

High Multi-Line Selling: Drivers of Success

1 Significant Overlap In Customer Base

2 Willingness and Ability of Lead Distributor To Carry Multi-Lines

3 Comparable Product Line Characteristics

Barriers to High Multi-Line Selling Performance

1 Number of Unique Accounts Which Can Be Covered

2 Administrative Overhead Takes Away From Selling

3 Need To Navigate Potential Channel Conflict Issues

Case Study: Durable Goods Manufacturer

Patterns of Rep Multi-Line Selling Effectiveness

- Multi-line selling organization found that drivers of sales force integration outweighed costs
- Result was a shift to more multi-sellers leading to higher overall performance

