

Is Your Sales Force Ready for Category Management

By Bill Dusek

Today's sales role has moved beyond resetting shelves, presenting promotional programs and handling customer service needs, such as tracking lost orders and expediting credits and deductions. Sales managers now have to share vital product information with the retailer, develop category management strategies and implement brand marketing strategy. As the liaison between retailer and manufacturer, the sales force is uniquely positioned to deliver vital sales information, bring back new information from the retailer that will help the manufacturer succeed, and to develop the strategies that will, ultimately, affect brand and product performance. The key question is whether the sales force is equipped to perform this role.

Today's retailers expect manufacturers to support their products with in-depth, account-specific information that is focused on category management. Manufacturers have made a massive investment in providing their sales associates with equipment, software and information to meet those retailer needs and to compete in the information age. A manufacturer who has product entries in a number of categories can easily spend \$3 to \$5 million on syndicated information alone – and that does not include hardware and software costs. Yet most manufacturers have not made the last part of the investment. Does the following scenario sound familiar?

A retailer asks your account representative to provide a category review. The review is due in two weeks, and will determine the retailer's future Category Leader/Captain. Several forms, a list of issues to cover, and a request for consumer panel data and promotion effectiveness information are included. The sales associate, realizing that this type of request is beyond his or her capabilities, frantically sends the request on to headquarters. There, a team spends hundreds of man-hours assembling the review.

The review is then sent back to the sales associate to present to the account, with the hope that he or she

will be able to understand the information provided. For larger accounts, perhaps someone from headquarters, actually goes out and delivers the presentation for the sales associate.

This type of scenario happens throughout the U.S., and when it does, it creates tremendous upheaval.

Regardless, retailers want and need category reviews, and will continue to give preference to those manufacturers who provide valuable insights into how to best manage a category, not how to increase an individual brand's volume. Information is a **value** that the manufacturer is bringing to the relationship.

Manufacturers must recognize the changing role of the Sales organization. The relationships that were important in the past will continue to be important. But they will be different relationships. Retailers realize that they need to understand how to make money selling products, not buying products. And the manufacturer relationship that helps them sell more of the category will be the one that will truly add **value** and will be sustained over the long term.

What is the value to the retailer of a sales associate who cannot make the kind of presentation the retailer wants? When someone from headquarters needs to make a presentation, the account representative takes a backseat, and chances are his or her credibility in the retailer's eye will be diminished.

The Information Demand

To provide valuable information to retailers, sales representatives will need to understand information the trade wants; they need to learn how and when to use it. Enhancing their analytical skills will help sales associates to compete and excel in an increasingly competitive sales environment and to become better "Business Managers."

In today's market, information is the key to product sales. The concept of category management is here to stay, and manufacturers need to catch up and perform their vital category management partnership

role – sharing and applying product, category and consumer information for overall category profitability.

The importance of using in-depth sales information to drive category profits can be illustrated by the Kroger Store Challenge. In this test, a number of manufacturers were given the task of maximizing profit-per-cubic-foot by merchandising categories on the basis of total store performance and potential.

To accomplish this, Kroger provided the participating manufacturers with all the sales, profit, inventory and consumer information that the retailer had on all categories. Could your sales associates work independently with the above types of information to provide a complete category review? Would they understand the information well enough to present it to the trade? If so, your sales associates are truly operating in a business manager, value-added capacity. More and more retailers are looking at profitability measures like Gross Margin Return On Inventory Investment (GMROI) to make business decisions on how to merchandise a category. Yet most sales associates do not understand these measures or how to use them.

In a recent study done by Dechert-Hampe & Company, a number of sales forces were measured for their understanding of the information requested by the trade.

In the case of GMROI, only 50% of the sales associates know what the initials stood for, and less than 5% actually understood how to calculate GMROI.

In assigning the role of Category Leader/Captain, retailers are looking to the manufacturer's sales representatives to provide vital information that will complement the retailer's own internal data. In another Dechert-Hampe survey of the trade, retailers identified the three most important elements that manufacturers can provide the trade for effective category management.

1. Market Analysis: An in-depth understanding of the retailer's local or regional market, including knowledge about the retailer's customers - their shopping habits, usage patterns, and demographic profile. It is this overall consumer orientation that many retailers lack and are looking to manufacturers to provide.

2. Category Knowledge: Understanding of the dynamics of the category and all its component parts. How these work together to affect category productivity and profitability, right down to the store cluster level.

3. Category Analysis: Understanding how to use that category knowledge to identify new opportunities and develop management strategies that improve overall category productivity and profitability.

The Changing Sales Role

The sales role is being reshaped by several forces:

–Information technology is making significant amounts of product and consumer information immediately accessible to the sales force in the field. This requires that the sales force receive specialized training to both use the technology and to interpret the information. All too often, sales associates either misunderstand or misuse the information. What happens in these instances is that when challenged on their use of the data by the retailer, the salesperson "fumbles" for the right answer, or says, "I don't know." Frequently, once this happens, the sales associate does not use the information again, regardless of how valuable it is.

–Sales people are becoming both sellers and buyers of promotional programs, as retailers increasingly develop and market their own promotional programs for manufacturers to buy into. Because of this, the sales force has needed to assume more control over Trade Promotion/Brand Development budgets than ever before. Yet few have been trained to understand what is financially a good business decision for the manufacturer regarding the most effective use of these funds. "Case sales at all costs" is an unprofitable business philosophy. Instead, a new co-marketing philosophy is needed - one that seeks innovative ideas and promotions that drive profits for both the manufacturer's brand franchise and the retailer's.

–The traditional sales function of "communicating the deals and getting the order" has been taken over by EDI/UCS and contract pricing. Today's sales role has moved beyond the traditional tasks of resetting shelves, presenting promotional programs, and handling customer service needs (such as tracking lost orders and expediting credits and deductions).

These are still critical, but more important are the sales person's new responsibilities. They now have to share vital product information with the retailer, develop category management strategies, and implement brand marketing strategy through the selling and buying of promotional programs. Despite this need, it is precisely these new responsibilities where there has been a lack of training.

–More and more manufacturers are starting to compensate their sales associates based on "profitable case movement" or even on "profitable accounts," rather than a "case sales at any cost" approach. To be successful in this environment, sales people need to know how to make wise business decisions that will facilitate profitable case movement.

–Retailers are beginning to focus on Efficient Consumer Response (ECR) initiatives as a strategy for long-term profit potential. To succeed in this, they'll need to work closely with the manufacturer's sales representatives on the four components of ECR: category management, continuous replenishment programs, product promotions, and new product introductions. It will be imperative for these sales associates to be well-versed and have a good working knowledge of these important initiatives.

Giving the Sales Force the Competitive Edge

Manufacturers are training their sales associates in the essential skills of negotiation, broker management, account planning and consultative selling. But these are really just the sales basics, the minimum needed for an adequate sales effort. How can manufacturers equip their sales force to excel in today's market?

The answer lies in giving the sales force the following three essentials:

1. The ability to look at product sales from the retailer's perspective, and to integrate the manufacturer's "brand buyer" profile and product data with the retailer's own customer profile and sales information.
2. The analytical skills necessary to interpret product, category and consumer knowledge in a meaningful way, and establish themselves as the Category Leader/Captain.

3. The business management skills needed to make strategic decisions and develop creative ideas or comprehensive plans for improving overall category performance and profitability for the retailer.

As the liaison between retailer and manufacturer, the sales force is uniquely positioned to deliver vital sales information, bring back new information from the retailer that will help the manufacturer succeed, and to develop the strategies that will, ultimately, affect brand and product performance.

In the future, a retailer may request similar information to be delivered in days rather than weeks. There will be no time to forward such a request to headquarters. Do your sales associates know how to determine if a promotion was a financial success for you, the manufacturer? The sales associate must be capable of such analysis in the future. But only through proper training will they be able to do this job effectively. It is essential that manufacturers make the rest of the investment to give sales associates the skills and the understanding of information to do this job correctly. Some of your competitors have already begun to do so. What are you waiting for?

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