

Changing Sales Systems to Meet Changing Marketplace Conditions

Situation

A major manufacturer of a large line of Store Label consumer products was seeking to respond to the consolidating retailer landscape by establishing stronger, more direct business relationships with its customers. At issue was the fact that the company had been represented in the marketplace by a variety of brokers / agents for many years, a common practice for manufacturers of Store Label products. One of the brokers controlled over 70% of the manufacturer's business.

The company wanted to remove the brokers / agents from their position between the manufacturer and the customers because they desired a more direct relationship and because they thought they could do a better job managing the business directly than the brokers / agents. The major (and very large) concern was, "Will the trade take punitive action if the brokers / agents are removed from the business?"

Solution

There were two major challenges:

- Gauging trade reaction to the desired move to direct representation
- Planning and executing the change

DHC assisted the company in conducting a thorough analysis of the likely reaction of key customers to the planned change in marketplace representation. The analysis also included a review of the potential / likely responses of the major broker to the termination of their role as sales representative for the company. The analysis concluded that most customers would consider the change to be "no big deal" since many were not particularly enamored of the broker's performance in the first place. This also confirmed the company's belief that they could do a better job themselves than the broker was doing on their behalf. The worst case scenario was that some customers, while expressing some loyalty to the broker, would still give the company a chance to "prove itself" in the new arrangement.

Once the decision to proceed was made, DHC assisted the company in developing an implementation plan to execute the change. The plan covered such things as procedures for notifying the brokers and notifying the customers. Also, DHC did the analysis that resulted in the sales coverage plan for the new direct sales organization that the company would field. Finally, the plan covered the steps needed (training, customer information acquisition, first-call priorities, etc.) to actually make the switch operational.

Results

The change from broker / agent to direct representation went smoothly. The company retained distribution of its product line in all customers; no business was lost as a result of the change in sales coverage. Also, short term business disruption was minimal as a result of the completeness of the plan and the effective way it was executed. Finally, during the ensuing two years, the company saw its cost of sales decline by 15% – 20% and its volume increase by 50%.