2007
Sales Force of the Future Study

DechertHampe
Consulting

Content

Introduction

Developing effective customer-facing employees and equipping them with the tools to succeed in today's complex, global business environment is paramount to being both competitive and profitable. Many sales executives believe that to be relatively easy – find a sales program, secure some budget, roll it out and watch revenues increase. Unfortunately, efforts like these are often underwhelming or fail to deliver the desired results because they are missing a key component: objective data regarding what the customer really cares about.

Objective insights into what customers' value and find important in the vendor-buyer relationship and how well they perceive sales personnel perform are the most critical elements in determining how to spend sales training and development resources for maximum effectiveness and payback.

A New Approach

Despite there being a number of informative studies on sales force skills and capabilities, the vast majority of these are historic analyses. Few of them looked to future requirements – and yet the future is at the very heart of planning sales development. Why train employees on what was important in the past or only for today? Why not look to the future to see what customers want next year or two to three years from now? Why not prepare employees for those requirements now and gain the competitive edge by ensuring their readiness for the challenges and opportunities of the future?

Interestingly, very few studies include direct input from customers but rely, instead, strictly on input from manufacturer organizations. Such information cannot be considered totally objective, nor does it identify divergences in perspective between manufacturers and retailers. In the words of a retailer participant, "They assume they know what I want because they talk to me often. If they really want to know what's important to me, ask me directly."

To fill the information gap and allow manufacturer organizations to develop solid, forward-looking sales force development strategies, DHC developed the Sales Force of the Future Study. The original study was conducted in 2002.

This 2007 update allows participating organizations to

- Identify what is important to manufacturer and retailer (customer) – now and in the future;
- Determine how well manufacturers are performing – their perspective vs. the retailers' (customer) perspective;
- Compare results to DHC's 2002 Study to identify trends; and
- Enable manufacturers to determine the training and development implications for their organizations

Participants & Perspective

Participants in DHC's 2007 Sales Force of the Future Study consisted of 118 manufacturer and 13 retailer organizations.

We asked manufacturers to consider all of their Key Account Managers across their organization when responding to the questions. This provides perspective on how the organization as a whole performs and the importance it places on the rated attributes in general rather than attempting to gauge the skills / competencies of an individual or the importance of attributes for a specific customer.

We asked retailers to consider all of the Key Account Managers who call on them in the course of business when responding to the questions. This provides perspective on how important the rated attributes are to their business as a whole and how well manufacturers in general perform rather than rate the success of any specific manufacturer organization which may / may not be representative of all manufacturers.

Attributes & Rating Scales

The relationship between manufacturers and retailers is complex. One way to define the complexity of the manufacturer-customer relationship is illustrated here. This model represents a typical manufacturer-customer relationship.

Ideally, each organization must adjust and customize this model for its particular business model and marketplace.

Although a "Key Account Manager" may not have direct responsibility for all the Business Process Touchpoints, our work with both manufacturer and retailer organizations indicates that he/she must be increasingly knowledgeable about all the touchpoints to manage the customer relationship effectively.

Identifying commonalities in touchpoints across many businesses, DHC identified common attributes – skills and competencies required by the Key Account Manager to meet the needs of customers as well as their own businesses.

These attributes were grouped into five Attribute Groups defined clearly (please contact DHC for details) for participants as follows:

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 & Customer-Specific Programs • Knowledge of Own Company & Resources • Consumer Marketing / Merchandising Literacy • In-Store Marketing • Retail Merchandising

These attributes were rated on a 5-point scale as follows:

Rating Scales		
Importance Ratings	5	Critically Important
	4	Very Important
	3	Important
	2	Somewhat Important
	1	Not Important
Proficiency Ratings	5	Always Exceed Expectations
	4	Always Meet Expectations
	3	Usually Meet Expectations
	2	Meet Expectations Occasionally
	1	Do Not Meet Expectations

We compared the retailers' and manufacturers' attribute ratings across three dimensions:

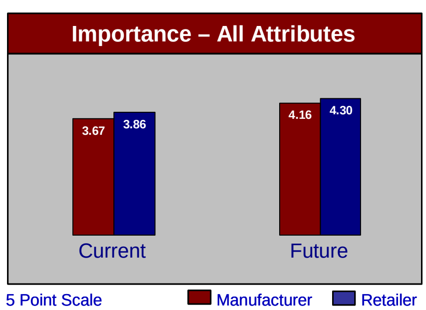
- ***Current Importance –*** How important is performance in the attribute today?
- ***Current Performance –*** How are manufacturers' account personnel performing the attribute today?
- ***Future Importance –*** How important will performance in the attribute be in the future?

Finally, we compared the manufacturers' development priority for each of the attributes to the retailers' attribute importance ratings to see if manufacturers' development plans are aligned with retailers' expectations.

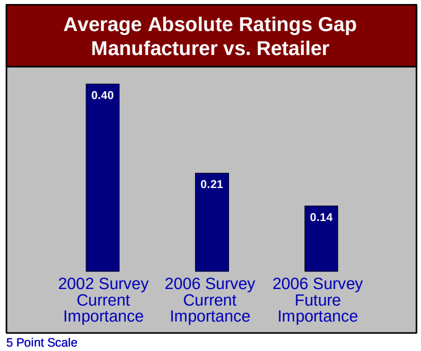
Study Results

Overall Results – All Attributes

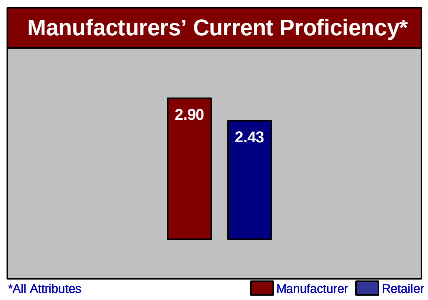
As a group, the 20 rated attributes are expected by both manufacturers and retailers to become more important in the future. In general, retailers consider the attributes to be more important than do manufacturers both today and in the future.



Despite the tendency of retailers to rate the attributes as more important than do manufacturers, survey results suggest that manufacturer – retailer alignment is increasing as the absolute ratings gap decreased by over 50% (from 0.40 to 0.14) from the initial 2002 survey to the 2006 version. This trend is projected to continue in the future.



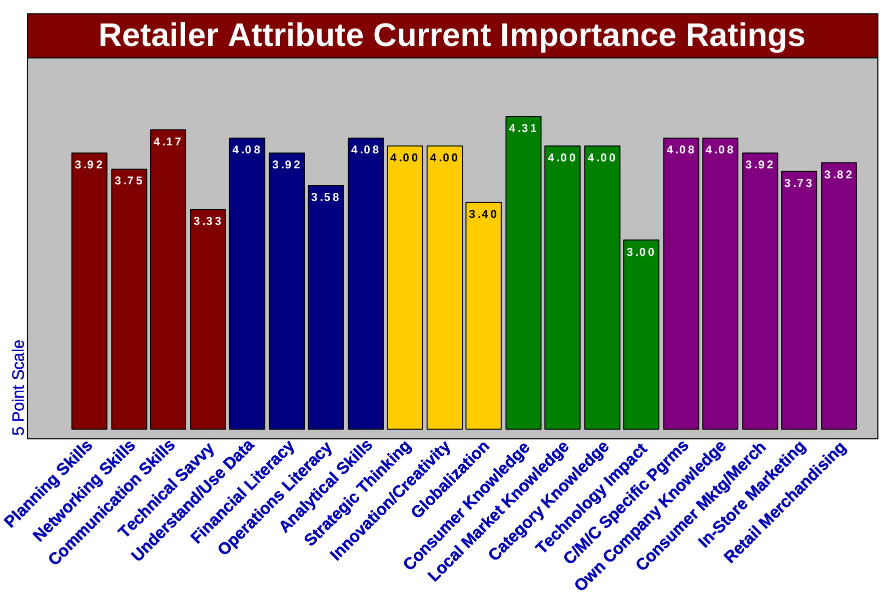
Current manufacturer performance is another matter. Retailers are less generous in rating current manufacturer proficiency than are the manufacturers.



As we will see later in the detailed study results, there is substantial variation in the ratings of manufacturer performance across the attributes. However, it is interesting to note that retailer ratings of manufacturer proficiency were lower than manufacturer ratings on all 20 attributes rated.

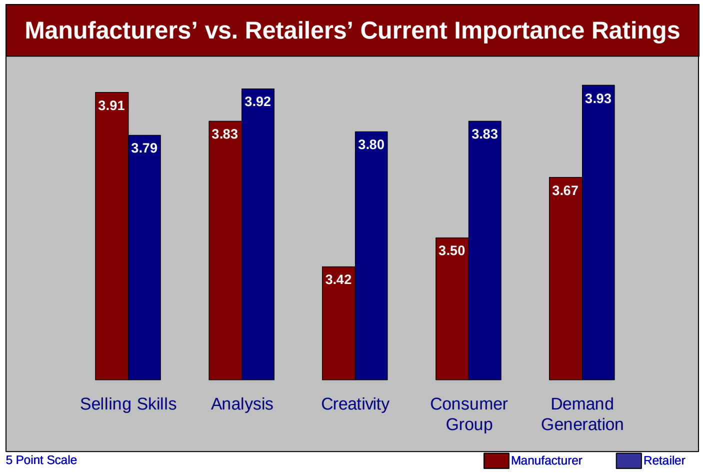
Ratings of Attribute Current Importance

As we have seen, the retailers consider nearly all of the rated attributes to be very important.



Only three of the attributes are rated lower than 3.50 on the five-point importance scale. Ten of the attributes receive a current importance rating of 4.00 or higher. No attribute is rated lower than 3.00 ("Important").

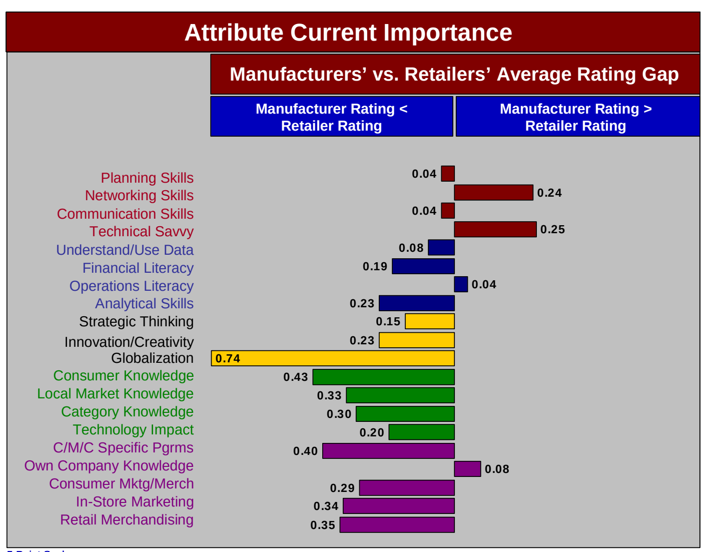
An interesting pattern emerges when we compare the retailers' importance ratings to those of the manufacturers.



The only attribute group that manufacturers consider more important than do retailers is "Selling Skills". The "Analysis" attribute group is considered to be about equally important to both retailers and manufacturers. However, retailers are much more focused on the importance of creatively stimulating consumer demand.

In particular, a number of specific consumer/demand-generation attributes stand out as being more important to retailers, including:

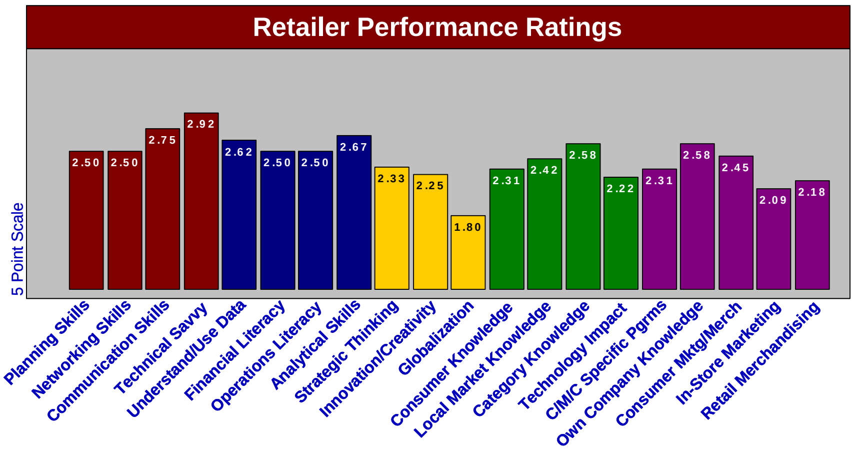
- Consumer Knowledge
- Category Knowledge
- Category-/Market-/Customer-Specific Programs
- Consumer Marketing and Merchandising
- In-Store Marketing
- Retail Merchandising



It is also interesting to note that retailers consider both Globalization and Local Market Knowledge to be important attributes for today's account management personnel. This is indicative of the breadth and extent of retailers' expectations of the manufacturer personnel who call on them.

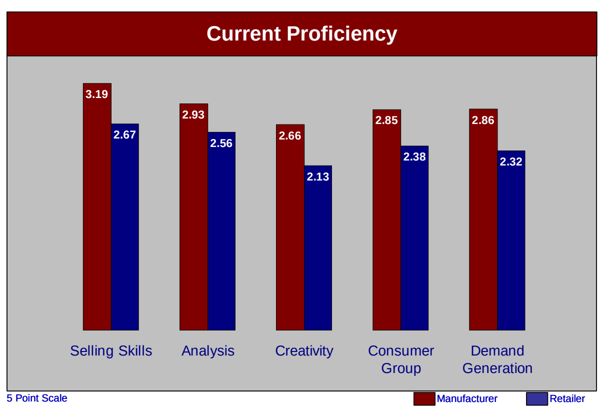
Ratings of Manufacturer Proficiency

As previously noted, retailers' ratings of manufacturers' proficiency are not as strong as their ratings of the various attributes' importance.



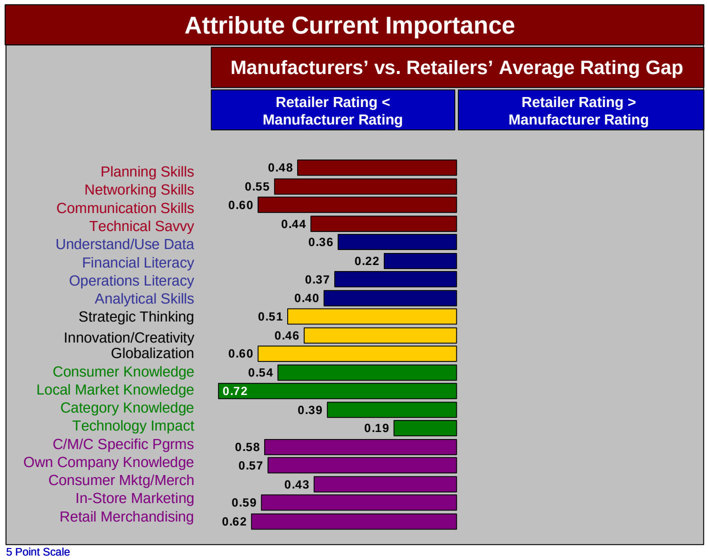
Not only are retailers' ratings of manufacturer proficiency low relative to manufacturers' proficiency ratings, they are low in the absolute. Proficiency ratings are higher than 2.50 for only six of the twenty rated attributes. Four of these six higher-rated attributes are in the "Selling Skills" and "Analysis" attribute groups. Ratings of manufacturer proficiency in several of the "Creativity" and "Demand Generation" attribute groups are particularly low (Innovation/Creativity; Globalization; In-store Marketing; Retail Merchandising).

Not surprisingly, this disagreement over manufacturer proficiency is also reflected in the comparative ratings of the five attribute groups.



Manufacturers rate their own proficiency highest in the two attribute groups they consider most important, Selling Skills and Analysis. And, while retailers agree that manufacturers are more proficient in these two attribute groups, their ratings of manufacturer proficiency in these groups are significantly lower than the manufacturer ratings. This is also the case in the other three attribute groups, Creativity, Consumer, and Demand Generation. In short, manufacturers believe that they are considerably more proficient across the attribute groups than the retailers do.

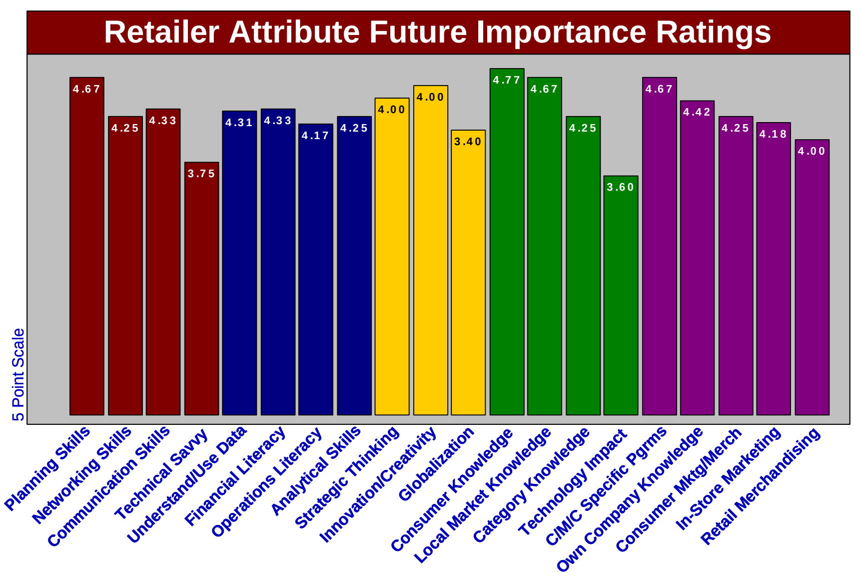
And the disparity is even more pronounced when examined at the attribute level.



The chart shows that retailers and manufacturers are reasonably aligned in their rating of manufacturer proficiency on only two attributes: Financial Literacy and Technology Impact.

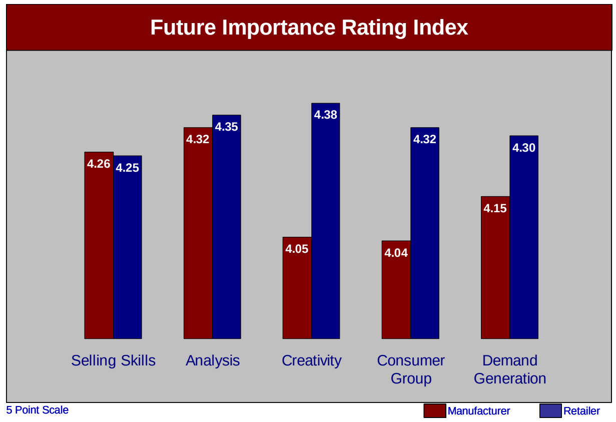
Ratings of Attribute Future Importance

Retailers are very clear about their expectations for the future. Retailers rate the future importance of all but two of the attributes at 4.00 or higher.



Among Selling Skills, Planning will be particularly important. The four other attributes with future importance ratings greater than 4.50 (Innovation/Creativity; Consumer Knowledge; Local Market Knowledge; Category/Market-/Customer-Specific Programs) belong to the Creativity, Consumer and Demand Generation attribute groups.

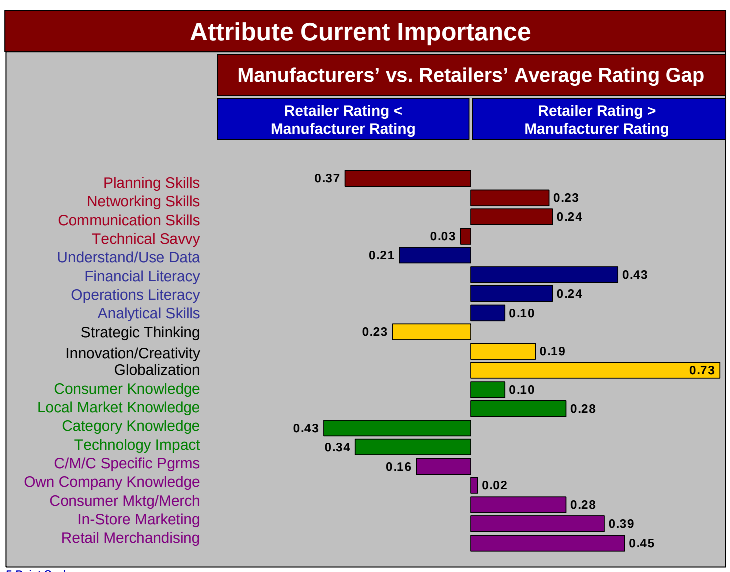
In addition, study results indicate that manufacturers do not necessarily share the retailers' view of the future.



Manufacturers and retailers are well aligned in their respective views of the future importance of the more traditional account manager attributes in the Selling Skills and Analysis attribute groups. However, manufacturers do not see Creativity, Consumer and Demand Generation attributes being nearly as important in the future as retailers do. Retailers seem to be looking for a different, less traditional type of account manager.

Manufacturer Development Priorities vs. Retailer Attribute Importance

We asked the manufacturers to rate each of the twenty attributes according to the priority they currently assign to developing their capability/performance in each attribute. We then compared the manufacturers' development priorities to the retailers' importance ratings of each attribute.



Looking to the future, manufacturers plan to further develop their performance in attributes that are clearly of interest to retailers — Planning Skills, Strategic Thinking, and Channel-/Market-/Customer-Specific Programs fall into this category. However, there are a number of attributes that apparently are not solidly established on the manufacturers' performance development agenda. These include Financial Literacy, Globalization, Local Market Knowledge, Consumer Marketing/Merchandising, In-store Marketing and Retail Merchandising.

Conclusions / Implications

Retailers

Retailers are already looking to manufacturers to provide creative, innovative ways to appeal to consumers by offering a compelling, differentiated value proposition. They expect strategic thinking based on consumer understanding and insight that results in programs that can be effectively executed in their stores. They do not want merely to be sold; they want help selling more to their customers. It is interesting to note that this retailer theme came across strongly in our 2002 study.

Manufacturers

Manufacturers see the future as continuing to be a “selling” environment, albeit a more sophisticated one. They seem to think their future role will require attributes/skills that are similar to those they value/are good at today. They have begun to react to the shifting dynamic by attaching higher developmental priority to certain attributes that are highly valued by retailers. However, there are a number of attributes that will be increasingly important to retailers in the future to which manufacturers have assigned relatively low development priority. Many of these neglected attributes fall into the Creativity, Consumer and Demand Generation attribute groups.

Manufacturers who embrace the idea of developing the account management attributes that retailers are looking for will have to develop (or outsource) knowledge and skills that, in some instances, will lie outside of their traditional business expertise. But they will also be in a better position to work more effectively with their retail customers.

Applying the Learning

How Organizations Have Used This Information

Organizations participating in the 2002 Sales Force of the Future Study have used the results to initiate actions to hone the effectiveness and efficiency of their sales forces. Here are a few examples:

One organization is using the retailer importance ratings to adjust its sales development strategies. It is revising the course mix offered to key account managers to more closely match the skills retailers will look for in the future. In addition, the information will be incorporated into sales development processes for purposes of succession planning.

Results prompted another manufacturer to commission DHC to conduct a more in depth study of its key customer relationships. The objective is to close the gaps between its services and its key customers’ expectations to ensure competitive advantage in its category. They seek to provide service that not only exceeds that of direct competitors, but rivals world class organizations as well.

Yet another participating manufacturer is using the findings of the study to act as the springboard for discussion at its annual sales meeting. Its goal is to solicit input and reach consensus within the sales organization on best practices to meet customer needs, including changes in the skills and behaviors that reinforce the company’s brand image.

How DHC Can Help

Dechert-Hampe Consulting can help you address the issues identified in the Sales Force of the Future Study in several ways. For example, we can conduct a customized sales force study to provide you with insights to gaps in how your customers view your performance versus peer companies/competitors and against their expectations. Or, we can help you conduct an in-depth customer equity assessment to measure how your customers view their relationship with your business across a broad range of business touchpoints.

Stop assuming that you know what your customers find important and that you know how they feel about your performance. Create a development plan that will put your sales force and the rest of your customer-facing functions in the most competitive position for the challenges and opportunities of the future.

Study Participation

Participation in the Sales Force of the Future Study is open to all retailers and manufacturers. For details on participation, contact Susanne Conrad or Ben Ball at Dechert-Hampe's Northbrook, Illinois, office at (847) 559-0490 or e-mail your request for more information to sconrad@dechert-hampe.com