Sales and Marketing Optimization

Distribution Research Consortium
Sales & Marketing Optimization Consortium
Optimizing Sales Force Activities and Marketing Effectiveness

The Council for Research on Distributor Competitiveness (CRDC) is establishing a research consortium to conduct applied research and develop research-driven educational programs on the topic of Sales and Marketing Optimization. The consortium will develop practical methodologies and tools that can be used by the consortium members to improve the effectiveness of their sales and marketing strategies and tactical planning. A two-day educational session will be developed based on the resulting knowledge, methodology, and tools.

What is the Sales and Marketing Optimization Research Consortium?
The Sales and Marketing Optimization Research Consortium is a collaboration of multiple distributors and manufacturers to conduct research with the objective of developing solutions to a common industry challenge by pooling their resources and achieve a common goal.

Why join the Sales and Marketing Optimization Research Consortium?
Many times companies cannot afford to invest in some research and development due to high cost and/or lack of knowledge resources required to conduct the research. Research Consortiums are an economical path to low cost, high quality research and development that is essential to the growth of a company. Consortiums also allow for the sharing of best practices and strategies among the cutting edge organizations that invest in such efforts.

Who should join this Sales and Marketing Optimization Research Consortium?
This Research Consortium will be beneficial to:
- Distributors and Manufacturers who go to market through Distributors.

What are the Benefits?
The consortium members will have the exclusive opportunity to:
- Actively participate in ground-breaking research on one of the most crucial and timely challenges facing the industry.
- Direct the scope of the research so that the results are actionable and sustainable.
- Send up to 20 people from their organization at no cost to the educational programs that will follow the research study.

Deliverables
In addition to the body of knowledge resulting from this research, tangible outcomes will include:
- Company-specific workshops to brainstorm and analyze sales & marketing policies and practices
- A comprehensive framework and implementation strategy for optimizing sales & marketing initiatives
- A two-day educational seminar on how to practically apply the research concepts, and tools.

Consortium Structure and Fees
The membership fee is $25,000 per company in the consortium. This fee will cover attendance in consortium meetings, company-specific workshops, and 20 free seats in the educational programs. All these meetings/conferences will be hosted by Texas A&M University at College Station, TX.

Schedule
The Consortium Research will begin in April 2009 with a kick-off meeting and conclude in March 2010 with a final presentation of research findings. Educational sessions for the consortium will be scheduled beginning July 2010.
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Motivation

Marketing is an underdeveloped science for most distributors. Few distributors seem to have a consistent, well thought out message that tells who they are and what makes them different from their competition. Most distributors rely heavily on their sales force to market their firm. Without common direction the message is often inconsistent and may, at times, be inaccurate. Here are some questions that merit consideration:

- What should marketing look like in a distributor’s operation?
- Who should be responsible for marketing?
- What should the message be?
- How should the message be delivered?
- How should the sales force be involved?

Simply put, the marketing message is the story of who we are and why our customers should want to do business with us. Once the story is created, there are different mechanisms for its delivery. One well-known vehicle is the brand. The brand conveys information to the customer about the quality of our products and services and past experiences they have shared with our firm. The brand is often supported by advertising (another delivery vehicle for the marketing story) which further defines our message. For wholesale distributors, the principle delivery mechanism is the sales force. A sales force without a powerful marketing message is, in many ways, unarmed when they try to convey our story to the customer.

A company’s sales force is one of its most significant assets. The value created by the sales force is key to the success of the firm. While most firms put a great deal of emphasis on total output from the sales force, most do not understand how to direct the sales force on a path optimal to the firm’s profitability. The sales force makes decisions on a regular basis as to what customers to approach, how to serve those customers, and how to maintain a positive relationship with customer firms. They do not, however, always know if their decisions are optimal for their firm and supply chain. Although most companies monitor and make efforts to control sales force activities, few companies have a formal means of optimizing sales force activities. Here are some questions that merit consideration:
Which sales force activities provide the greatest return on time and dollars invested?

Are the efforts of the sales force directed toward activities that provide the most value to present and future customers?

Are the efforts of the sales force directed toward present and future customers that represent the greatest potential for maximizing revenues and gross margins?

What are these activities, how can they be identified, how can they be presented to salespeople?

How can the firm follow up and measure the effectiveness of these activities?

What forms of compensation will motivate the sales force to pursue optimal profitability in customer relationships?

Consortium members will participate directly in the research and gain a better understanding of the findings. The full report will be issued to each consortium member with all analysis performed on the firm itself with the firm’s data. Direct recommendations will be made for each individual participant firm on:

- A marketing strategy for achieving the most profitable customer relationships.
- Application of best practices in sales force compensation.
- A customer stratification tool for the firm with recommendations on how to improve customer relationships and profitability.
- Analysis of current customer service for customer types and programs (Vendor Managed Inventory, Integrated Supply, etc) and their affect on profitability.
- Techniques for managing marketing and sales activities through the customer sales efforts.
- Twenty free seats in the education sessions to follow the consortium.
- All tools created to complete the study and analysis for the study.

All consortium member results and data shared with researchers will be kept confidential. Only general findings and best practices will be shared with other consortium members. Distributors will benefit from the research findings and from sharing best practices with other cutting edge firms in the consortium. Manufacturers will benefit from shared study with the distribution community.
Complex relationships (customer, supplier, inventory) make up distributor success. The key to optimal success is determining how to blend the distributor’s offering to meet the market most profitably and help the sales force to drive the right kind of business to get us there.

### Customer Relationships

The graphic depicts that “business we want to do” comes from our core customers and those customers most easily converted to the core. The sales force’s efforts should be directed at advancing the core customer business. The “business we have to do” is stressful and not very profitable but contributes greatly to sales. The sales force needs to direct the customer to behavioral changes that will drive them to the core. The “business we don’t want to do” is the low volume, low profitability, high service type that the sales force should seek to convert to better business or eliminate.

The supplier plays an important role as well. While it is possible for the distributors to gain control over customers with products not controlled by suppliers (low brand equity, many competing offerings), as seen in the Distributor-Controlled area, it is rarely sustainable. The Vendor-Controlled area favors the supplier over the distributor and can best be described as “business we have to do.” The Out of Control zone does not benefit either. So the sales force’s activities and the distributor’s marketing efforts should be directed at the Strategic Partner zone as clearly “business we want to do.”
The sales force has to be motivated correctly through the right training and compensation plans. The actions of the sales force in terms of deployment of effort, market selection, service deployment, etc has to be thoroughly planned and understood by all. The market must be thoroughly researched and the right marketing message designed for the sales force to deliver.

The process has obvious implications for information technology programs especially those in the Business Intelligence arena. Ultimately the analysis must deal with one of the most significant constraints faced by all firms: the time and mindshare of its sales force. Before companies can effectively direct the efforts of their sales forces toward activities that provide the greatest return on time and money invested, plus provide the most value to their customers, companies must first identify these “high value” activities. The identification of these activities, coupled with the importance of each of these activities respective to specific situations, is the key to Sales Force Optimization.

The consortium will address these classic sales and marketing issues but will address them in the context of how marketing supports and directs the sales force’s actions and how the sales force delivers and redefines the marketing message. The intent is to create a combination strategy that optimizes the activities of our overstressed sales force and supports that optimal approach with a marketing plan that provides a direction and support for their efforts.
Directing the activities of the sales force has traditionally been based on informal methods of identifying best practices and promoting these practices among members of the sales force. Examples of activities that are normally the focus of these traditional methods include: cold calls (which is not part of this program), appointments, proposals, reports, complaints, meetings, compensation, training and expenses. In an effort to develop and maintain a competitive advantage in today’s business environment, this is often not enough. However, it is important to understand and develop scientific sales force optimization models and strategies using multiple decision criteria/variables such as account analysis, best practice compensation models, customer needs assessment, analysis of the industry and environment, analysis of the competition, documentation of cost savings, and total cost of ownership (TCO).

Even though many distributors may be somewhat familiar with these concepts and may utilize them to some extent, understanding and implementing a holistic approach to sales force optimization has been achieved by only a select few. The development of tools that will enhance the scientific decision making capabilities of sales organizations and backing/directing those decisions through effective marketing is the most promising step toward Sales and Marketing Optimization.
The key project steps are:

- The Texas A&M research team will conduct a survey of current distribution sales and marketing activities across wholesale vertical marketing channels and conduct ad hoc research to determine best practices in distributor sales and marketing programs.
- The first consortium meeting will bring together member firms to report initial results, share best practices, and engage member firms in the research findings and define final deliverables with counsel from the consortium members.
- Through a series of research workshops with member firms and ad hoc research the research team will:
  - Conduct quantitative and qualitative research to identify those activities most commonly engaged in by distribution sales and marketing programs with a comparison to support from analysis programs.
  - Conduct quantitative and qualitative research to identify and develop “best practice” distribution sales force and supporting marketing activities.
  - Quantify the impact of these sales force activities and marketing support identified above and develop methods to incorporate them into a Sales and Marketing Optimization model that can be driven through robust analysis programs based on data and information routinely absorbed by the firm.
  - Develop a scientific model to determine the optimum combination of sales force and marketing activities given specific situations.
  - Develop IT based tools that demonstrate the methods developed.
  - Develop an analysis methodology to determine the return on time and dollars invested in sales and marketing force best practices.
  - Develop an analysis methodology to determine the value to customers of the firm’s sales force and marketing activities.
  - Develop metrics to monitor and improve sales force performance.
  - Develop sales force compensation best practices and quantify their impact on sales and marketing success.
- The final consortium meeting will share results and capture final feedback and thoughts from member firms.
- Member firms will receive a final report detailing tools and methodologies personalized to their environment based on data and scenarios shared and created in the workshop sessions. These findings are confidential to the member firm.
- Texas A&M University will present a series of education sessions on Sales and Marketing Optimization for which consortium members will receive up to 20 free seats.

**Value to Members**

The consortium members will receive results, methodology and tools developed during this pioneering research in Sales and Marketing Optimization.

- **Competitive Advantage**
  The key advantage for distributors and manufactures would be to gain competitive advantage by implementing the scientific Sales and Marketing Optimization methods or using the tools developed to maximize the results of sales and marketing activity.

- **Knowledge**
  The key advantage to technology companies will be to gain the knowledge base, methods and tools that can be implemented in their systems.

- **Education**
  Apart from shaping the research focus and gaining valuable knowledge base, methodology and tools, each consortium member will be able to send up to a total of 20 people to three educational sessions that will be developed from this research. The educational sessions alone represent a $35,000 value.

**Schedule**

- January – March, 2009: Membership Enrollment
- **Wednesday, April 22, 2009**: Consortium Kick-off Meeting
- April 2009 – February, 2010: Conduct Research and Develop Tools
- September, 2009: Mid-term Consortium update - Webinar
- March 2010: Final Consortium Meeting
- March – June 2010: Develop Educational Program
- July 2010 onwards: Educational Programs delivery begins
"Given the complexity of pricing, Texas A&M’s Pricing Optimization program has gone a long way to specifying all the relevant elements and more importantly putting them in terms that can be quantified and managed."

Lawrence Mohr, Ph. D., Senior Vice President (retired), F.W. Webb Company

“This program seems to be a detailed examination of the world of pricing. It has been developed from real data that forms theories, develops strategies, and arrives at practical ways to improve profitability. This should be part of the future of distribution.”

Charlie Henry, Manager of Pricing, Kirby Risk Electrical Supply

“We recognize that pricing is critical to our customers…participating in this consortium has given us additional insight into these challenges. This firsthand look at current pricing research has the potential to help both us and our customers.”

Felisha Elmore, Product Manager, Intuit Eclipse

“Opened up our minds to the idea of using both computer and personal data to manage pricing”
“Very good information that directly affects our bottom-line”
“Start to finish - great course...Very detailed and down to earth”

Comments from a Custom Educational Program, HVAC Distributor

“The Pricing Optimization conference provided an expert level of analysis and insight that every distributor needs but few have the time or resources to produce on their own. It was both timely and valuable.”

Paul Sommerfeld, Director, Applications & Training, CSC (WESCO)

“Not only does Pricing Optimization empower and equip each sales representative, but it also addresses the potential impact of streamlining operations with a clear and defined sales plan.”

Andy Warren, Market Manager, Energy Alloys

"Have done the impossible......taken a complicated subject with many variables and have been able to deliver to the consortium members the tools we can use to optimize profitability & shareholder value. A picture is worth a 1,000 words and A&M's Distributor Profitability Framework chart is worth a 100,000 words!"

Ron Cedruly, CFO, Henrietta Building Supplies

"We just want to express our gratitude for A&M’s efforts & patience and commend A&M on a job well done on all counts. The professionalism of A&M team & the work product developed and presented were outstanding!"

Gary Bodam, Ph.D., Vice President – HR, Stuart C. Irby

"It's rare that people in business exchange their valuable time to immerse themselves in a concentrated learning environment. However, the value received is immeasurable.”

Tim Miller, Vice President – Operations, Security Contractor Services

"Our senior manager’s strategic planning summer session now has a new agenda! Thanks for the helpful insight and providing the tools to lead my company into future profitability growth.”

Bob Borsh, President, House of Forgings
The **NAW Institute for Distribution Excellence** and Texas A&M University’s **Industrial Distribution Program** have joined forces and launched an alliance dedicated to furthering the understanding and application of best practices in Distribution. In doing so, the NAW Institute and Texas A&M combine the research and brand power of two well-known organizations serving wholesaler-distributors. Together, the NAW Institute and Texas A&M have formed a new entity—the **Council for Research on Distributor Competitiveness** or CRDC.

The field of wholesale distribution continues to experience dramatic change. Distributors have faced challenges in the form of expanding service offerings, pricing pressure, cost controls, and spiraling logistics costs for many years. For more than 50 years, the NAW Institute for Distribution Excellence has provided cutting-edge research and publications for sharing best practices. As the field of distribution continues to become more competitive, the need for higher levels of research to identify and document new best practices becomes ever greater.

The CRDC is dedicated to furthering the understanding and application of best practices in distribution. The mission of the CRDC will be to assist wholesaler-distributors and their suppliers through creating strategies for competitive advantage.

The CRDC will organize and operate annual educational consortia for interested wholesale distribution companies on important business topics. The initial consortium in 2009 is focused on **Sales and Marketing Optimization**. This first consortium will bring together wholesaler-distributors from all lines of trade and sales volumes with an interest in understanding and optimizing their sales force. The outcome of the consortium will be research results for consortium members specific to their firms and findings for the larger distribution community.

Following the completion of this consortium, the NAW Institute will publish a book on Sales and Marketing Optimization based on this consortium, and Texas A&M will offer educational programs for the benefit of the entire wholesale distribution industry. The organizations will also select topics for the 2010 consortium and beyond.

**For more information or to Join the Research Consortium please contact:**

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