



Most companies treat sales like an art, but they are discovering that the sales process needs to become more of a science.

# Perfecting sales execution

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## Most companies treat sales like an art, but they are discovering that the sales process needs to become more of a science.

Along the ancient, bustling back streets of Istanbul, two food stores sit just two kilometers apart. The neighborhoods are similar, a vibrant mix of old and new, with similar customer demographics. So why does a global confectionary maker sell significantly more of a certain snack—a high-margin item—in one market than the other?

The store with stronger sales is an example of what Bain & Company calls Perfect Sales Execution. Most companies treat sales like an art, but they are discovering that the sales process needs to become more of a science. With that in mind, the Perfect Sales Execution model is rooted in the belief that consumer products makers can use a scientific methodology to increase market share and profits by targeting the right stores and the right products and taking a disciplined approach to supporting sales execution.

The approach is unique. Perfect Sales Execution provides the flexibility for companies to maintain centralized control and empower local operations. Creating the best of both worlds, companies use a simple globally standardized metric for measuring sales performance and growing sales in targeted regions and outlets while giving country managers the power to locally define such important factors as product assortment and positioning.

Such concerns are top of mind for many consumer products CEOs. When we recently surveyed 120 consumer products executives, 90 percent ranked sales execution as one of their top five business priorities, but fewer than half of the respondents felt their salesforces were operating

at full potential (see Figure 1). More than half of all respondents ranked investments in salesforce capabilities and channel strategy as one of their most important issues for addressing salesforce effectiveness (see Figure 2).

Our work with clients has shown that many companies lack a clearly defined way to increase sales, and they are unable to mobilize their salesforces to meet growth objectives. That creates high variability in sales rep performance within a market and across country markets in a region. Through its Perfect Sales Execution program, one Asia-based fast-moving consumer goods (FMCG) company was able to identify where certain markets had capabilities ahead of others, and draw on the experiences of Vietnam and Singapore, for example, to raise the competency level in other markets like China and Indonesia.

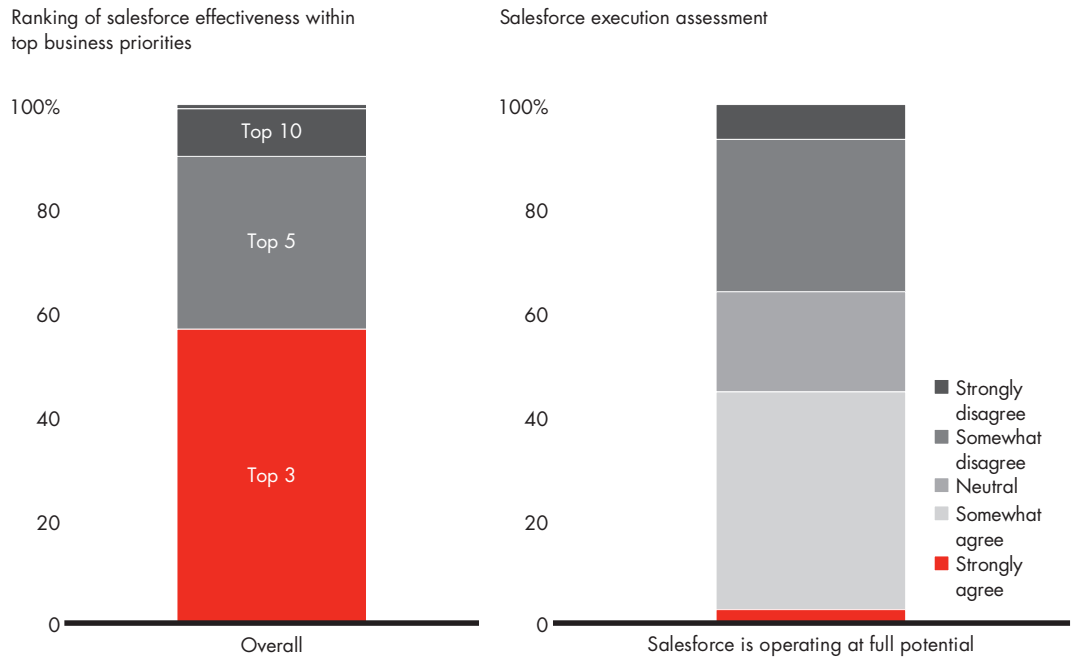
While important in developed markets, creating such a perfect store is even more urgent in emerging markets, where consumer products makers are looking for much of their growth. In emerging markets, where traditional trade still dominates, achieving Perfect Sales Execution is more difficult since mom and pop shops are not homogenous and typically don't use a standardized format for tracking sales and enhancing performance. That said, companies that are able to create a solution in emerging markets reap significant benefits in terms of growth, market share gains and securing and maintaining leadership positions. But consumer products companies selling to developed markets are also finding huge value in using the Perfect Sales Execution approach to help them focus on segments that matter and make the most of shopper insights (see sidebar, "Perfect Sales Execution in developed markets").

### Getting it right

Consumer goods makers often simply lack the capabilities for determining which outlets are most valuable in a region, which products to target

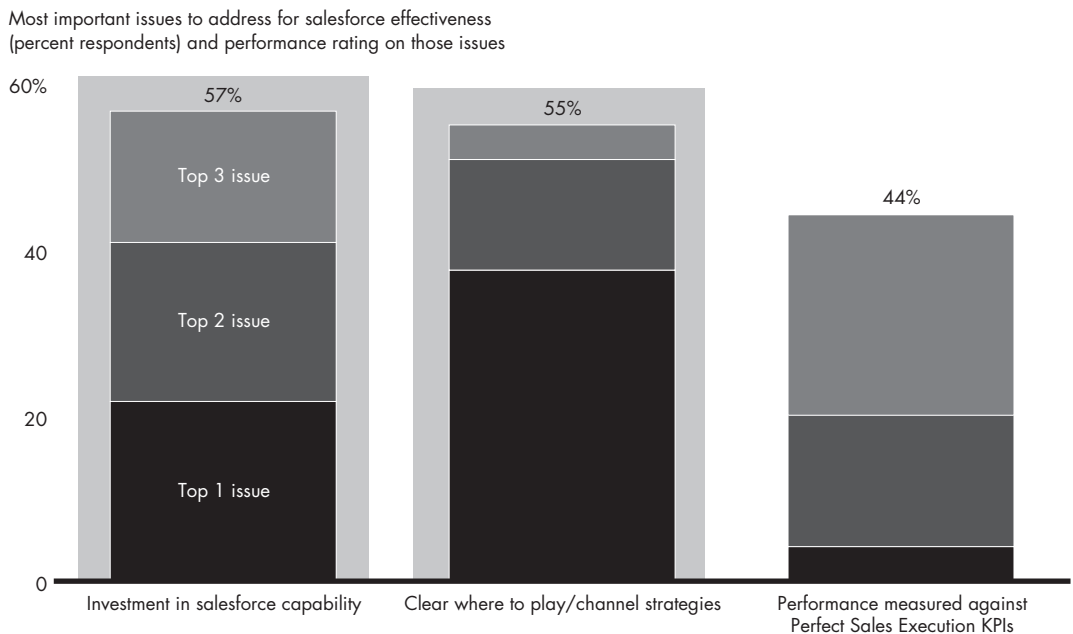
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Figure 1: Salesforce effectiveness is ranked among the top five priorities for about 90 percent of all respondents, but less than half feel their salesforce is operating at full potential



Source: Consumer Product executive survey—July/August 2011, n = 120

Figure 2: To enhance salesforce effectiveness, executives believe salesforce capability and clear channel strategies are most important



Source: Consumer Product executive survey—July/August 2011, n = 120

### Perfect Sales Execution in developed markets

One noteworthy finding from our survey of consumer products executives: store selection and sales execution are as much a concern for those selling to developed markets as they are in emerging markets. The fact is, even in developed markets, which for decades have been dominated by modern trade, there is an enormous dividend for suppliers who are able to consistently activate the right assortment, product display, pricing and promotion—with the channels, customers and outlets that matter most.

Consider how the approach helped two companies regain lost market share in Australia.

A snack food company segmented its stores and identified for each segment the three to five most important inputs that make a real difference to the bottom line. Rather than focusing on pushing sales overall, sales reps had a limited set of simple deliverables, such as increasing shelf space and giving priority positioning to about 10 to 15 high-margin SKUs. That encouraged retailers to comply by tying discounts to those deliverables. To persuade sales reps to adhere, it linked compensation and sales rewards to these KPIs.

Within the first six months, volume rose 3 percent and profits jumped 7 percent in participating stores. By comparison, stores that did not participate experienced a 6 percent volume decline and a 2 percent drop in profitability during the same period.

A similar approach helped a beverage company to identify the specific outlets where it could sell more products, using geodemographic data to compare total beverage sales by ZIP code with sales of its own products in those locations. Once it knew which stores to target, the company translated this new channel strategy into a practical action plan and focused the salesforce's effort on the outlets offering the most potential for growth. It also used ethnographic research to discover which in-store merchandising tactics were most effective in these stores and developed a simple set of merchandising standards to be used by its salesforce and its customers. These changes had an immediate impact, with sales growing 5 percent faster in outlets receiving the new sales service levels and merchandising standards.

—David Zehner, Bain & Company partner based in Sydney

within those stores, how to position targeted products on the shelves, how to motivate sales teams to sell more of those items and how to measure execution with a few simple metrics at every step. The Perfect Sales Execution methodology helps consumer products makers develop these capabilities and gives them a repeatable process for continuous improvement:

- The methodology recognizes that consumers and customers do not have equal value—it gives the salesforce the tools to segment the marketplace and target where to play. And just as critical, companies learn how to link brand strategy to sales execution in the store. When we asked surveyed executives about the status of their sales opera-

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tions, only half said there was a clear link between strategy and sales execution.

- The process breaks down channel strategy into a few critical activities that sales reps execute in the store. Companies minimize the differences between markets and salesforces by using a standardized methodology to improve brand sales, including having the right assortment, making products more visible with better placement and having effective product promoters in stores.
- Companies measure store execution with objective key performance indicators (KPIs) to eliminate subjectivity. And their sales teams use benchmarking to continuously improve. They establish aggressive—but realistic—individual KPI targets. Sales team members and distributors receive incentives based on the KPI targets they achieve, keeping them focused and motivated.

The Perfect Sales Execution approach swiftly boosts sales of high-margin products. The confectionary selling its snack product in the food stores rolled out the approach in 30,000 locations in Turkey in just a few weeks and quickly saw the impact. A hidden store camera demonstrated to the skeptical salesforce that by just changing the placement, sales for a snack product jumped as much as sixfold. Why? Customers who purchase cigarettes, which carry a relatively low profit margin, often also reach for the snack—which has up to a 30 percent margin—if it is close at hand. So by convincing retailers to use brightly colored snack displays and place them near the register, sales shot up. In fact, the grocer achieved a 20 percent increase in the high-margin item in the first month alone. Overall, the company's snack product sales have already grown 10 percent on a like-for-like base.

Improvements in sales performance lead to market share gains. A beverage player in Latin America discovered that the market share among its “perfect” stores was more than 30 percent higher

than that of stores where the company had not yet implemented the program. And there is huge potential for improvement: only 15 percent of its stores had been transformed by the Perfect Sales Execution approach. An FMCG company watched its market share grow over two years by 1 percent to 3 percent in the 10 countries where it launched the program (see Figure 3).

In addition to gaining market share, the approach is designed to create a more committed and enthusiastic salesforce. Here, too, the reports are positive. When the FMCG company surveyed its sales executives in those 10 countries about the effectiveness of the program, more than 80 percent of them rated it a 5.5 on a 1-to-6 scale.

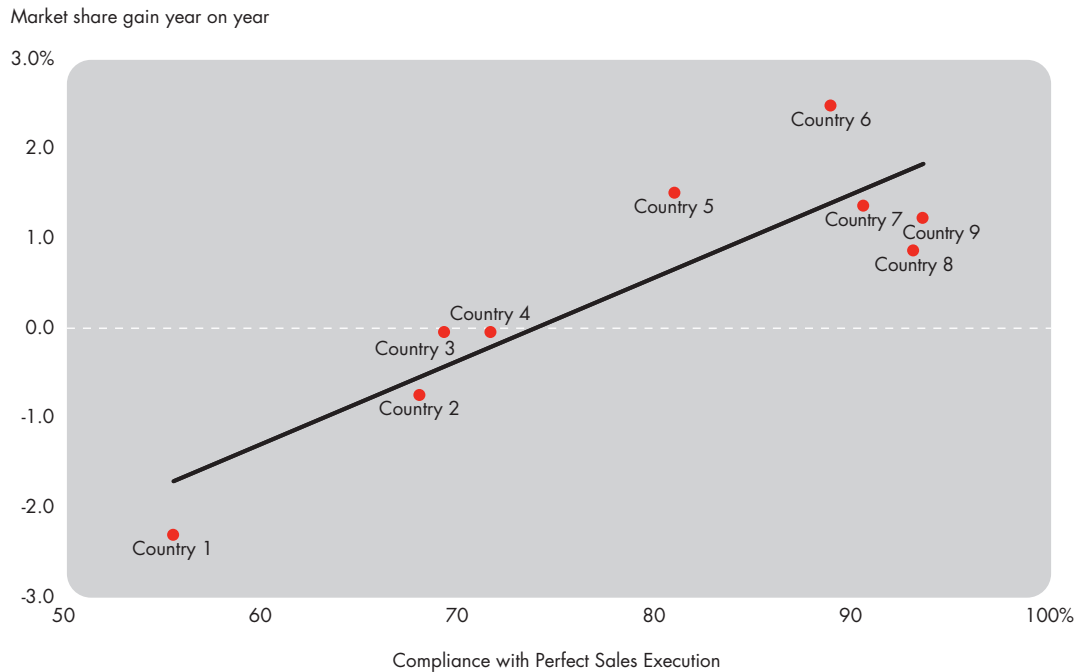
### The need for a cultural shift

All major change initiatives require a culture shift and the Perfect Sales Execution methodology helps companies make the transition to science-based sales. Companies adjust their focus from pursuing arbitrary outputs—such as the need to improve sales by 10 percent—to the important *inputs* that will actually deliver better results. For example, beverage makers know that clean, well-stocked coolers with the right brand highly visible increase turnover by 20 percent. But they need a process for ensuring that both retailers and sales teams are compensated for installing and maintaining the coolers.

As part of the culture shift, companies learn how to adequately assess the marketplace to spot critical gaps in stores, including missing products, missing displays and incorrect product positioning. Without understanding those shortcomings, they're unable to craft a well-focused market strategy to address the gaps and translate the strategy into activities that increase the sales of targeted products.

Another reason for the change: consumer products executives often are frustrated by an inability to systematically measure, track and hold their salesforces accountable for results.

Figure 3: The Perfect Sales Execution approach boosted market share for a consumer products company



The president of one consumer products maker summed up the dilemma: “What I can’t measure, I can’t control; what I can’t control, I can’t target; what I can’t target, I can’t improve.”

Once companies find a way to measure where to invest and how to create incentives for the sales teams and track their performance, they often are surprised at what they learn. For example, a confectioner realized that a lack of discipline in segmenting the market and targeting the most attractive segments meant it penetrated less than 40 percent of the attractive kiosk segment—and that it was investing much of its resources in groceries without high-profit potential.

### Keeping the salesforce focused on what matters

Too many consumer products companies struggle with basic misalignment. The marketing team wants to increase sales of high-value products, so it designs a campaign that defines a winning product assortment, creates in-store displays

and improves product visibility. But winning means something different to the sales reps and distributors: frequently, they focus on volume, not high-margin products. The higher their overall sales, the bigger their bonuses. When a soft-drinks producer invested heavily in a direct salesforce to promote secondary brands, it discovered that only 20 percent of the orders actually carried those brands.

Another common shortcoming involves leaving the “last mile” to individual sales reps to figure out and manage themselves. A company may invest a great deal of effort in developing brand and country-specific strategies but do a poor job spelling out what the sales team needs to do differently. Take the spirits producer that carefully segmented its outlets to help tailor sales execution to different store categories. Trouble is, the resulting 30 store segments simply confused the field force, making it impossible for reps to follow guidelines for improved performance. And sales reps of a leading brand in Singapore were well aware of the different in-

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fluencers on shopping behavior, but could not articulate how they should best be addressed in different channels.

And sometimes companies fail to clarify the roles and responsibilities of their own sales reps, the distributors' sales reps and their in-store brand and sales promoters. One beverage producer found that approximately 40 percent of its investments for expensive merchandising materials, such as tables, chairs and umbrellas, went to outlets lacking the growth potential to justify such investments. The company left decisions about

allocating resources to the field force without precise guidelines about where to invest.

**Enter a store that's perfect**

To overcome these common pitfalls, companies can adopt a new model that strongly links their strategic goals with improved sales execution.

Here's how a consumer products company used the Perfect Sales Execution approach to expand market share in selected emerging markets, systematically improve sales on a store-by-store

**A sales rep's view of Perfect Sales Execution**

Along the cobblestoned backstreets of Besiktas, an ancient quarter in Istanbul, not much has changed in how small, independent shop owners do business. But the Perfect Sales Execution approach now provides a way to marry the old and new in retailing. It preserves a culture defined by the neighborhood stores while using modern techniques to boost performance for the consumer products companies that serve them.

Two and a half months after a global food maker launched its program in Turkey—including this area on the European shore of the Bosphorus—Fahim, one of the company's local sales reps, already sees the difference. He convinced 48 of his 150 shop owner customers to place brightly colored displays for a snack product near the cash register, not far from cigarettes. Consumers who buy cigarettes often reach for the snack, a product that typically carries a 30 percent profit margin. For every stand he placed, Fahim received a cash incentive. On a Saturday afternoon, he checked in with the traditional retailers scattered through the neighborhood to chart progress. Fahim estimated that snack product sales for participating outlets on his route are up between 10 percent and 20 percent.

Sales reps often are initially skeptical about the approach, but Fahim was sold on it after seeing the compact plastic displays in training sessions for the multinational's sales and distributor reps. The stands are designed for the "hot spot" in small mom and pop shops: the cramped counter space near the cash register. Fahim believed that the lack of displays made it difficult for the company's targeted snack products to stand out from those of competitors.

To maximize the displays' potential, Fahim and other reps learned three Perfect Sales Execution fundamentals. First, where to best locate the stands—in this case, near the register. Second, how to select the right high-margin and best-selling brands to place in the stands. Third, how to execute on merchandising principles, such as determining which among different stands are best suited for which stores.



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basis and gain more control over marketing and sales. Instead of a one-time project, the company embarked on a multiyear cultural transformation program rooted in five major initiatives:

1. To reassess its **channel strategy**, the company identified the most attractive outlets for profitable growth by looking at each store's potential market volume, share, value and profitability as well as its strategic importance within the brand portfolio. It segmented customers to see which stores had high-value customers and to gain insights into what products they want to buy. Based on the data, the company prioritized customer segments and focused its energy and investments on five channels over the next three years. The process also looked at whether the channel was mainly for eating or drinking—a restaurant versus a bar—and their relative profitability for the particular product segment.
2. Next, the company translated its strategy into an **action plan** that detailed how to win at the cash register in targeted stores. The plan spelled out the major roles, steps and

Before the training began, the company laid the foundation for the reps' success by identifying the right stores for its program. The multinational looked at its major snack product channels: gas stations and kiosks, where there's a high correlation between purchases of cigarettes and the snack product; traditional mom and pop stores, segmenting them by size and snack product sales; and liquor and dried fruit stores. After pinpointing outlets with strong growth potential, it armed reps with a target list of retailers on their routes.

Fahim admits that not every shop owner welcomed the snack product display. One grocer rejected it because he wanted to keep counter space free for shoppers' bags as they paid the cashier. But a couple of kilometers away, a dried fruit market owner says even after school closed for the summer and foot traffic dropped, sales of the snack product increased after he placed the display stand near cigarettes and the cashier.

Fahim uses two tools to help him consistently hit his Perfect Sales Execution goals. First, a PDA gives him a product checklist for individual retailers, grouping them into each of the three major snack product channels. Also, he has a paper-based sales folder that includes an additional checklist with pictures. It serves as a guide for achieving perfect standards. For example, the sales folder shows what Gold and Silver stores look like, featuring the types of snack product displays, how they are used in different store segments and how to achieve performance-based incentives tied to the different standards.

As the company continues its Perfect Sales Execution launch throughout Turkey, Fahim has set his own goals. By the end of the three-month rollout, he hopes to double the number of his retailers using the display stands in the hot spot—a win-win-win for the mom and pop, the company and Fahim, whose monthly incentives would increase by \$140.

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KPIs and backed it up with a budget and a way to monitor performance. To ensure success, the company armed the sales team with the necessary tools to boost store sales—mobile devices such as personal data assistants (PDAs) loaded with sales software that creates an automatic checklist of product items for every store on a field rep’s daily route. They also received instructions for different customer segments and regions, including a list of standards for stores such as mandatory product assortments and optimal product placement. Standing in a store, sales reps used these tools to enter specific information about the outlet. The system provides prompts about what needs to be stocked, reminding them to track competitors’ pricing and telling them where to go next on their route.

3. The company enforced the **sales standards** by mapping out which stores merited frequent visits based on an outlet’s attractiveness. For example, a store with high sales but a low brand share won a top-priority ranking. Armed with the PDAs, the sales reps were able to easily run through a checklist, tracking inventory, pricing, placement, stocking orders and scheduling future store visits.
4. To monitor a salesperson’s compliance with Perfect Sales Execution standards, the company tied each action to clearly defined **sales KPI targets**.
5. Based on a sales rep’s execution proficiency scorecard, the company calculated compensation on a monthly basis, using its **sales reward system**. Frequent compensation reviews help motivate the sales team—and improve sales execution on a daily basis.

The company made two critical investments before launching the Perfect Sales Execution program in 20 countries. It invested in the technology—PDAs—to give the sales team a live data flow in the field and constant updates. While we found that PDAs help, at a minimum a structured manual process is required to support a program. It also invested to transform the organization’s structure to fully support optimal sales execution. The change effort delivered results. Two years after implementing Perfect Sales Execution, the company’s market share rose by 1 to 3 points. Rewarded for their improved performance, the salesforce became enthusiastic supporters of the new model.

The company now has a focused channel strategy based on consumer and customer insights, and the strategy is translated into an action plan with realistic, easy-to-understand performance metrics. It has a more accountable and engaged sales team. And senior executives are empowered as never before because they can measure sales effectiveness and are in control of the process needed to grow profits and market share. They can set targets and align incentives with those targets, creating a realistic way to constantly encourage the sales team to do better. 

## **The value in trade marketing**

Among the 120 consumer products executives participating in our recent survey, more than 90 percent feel they need to improve the effectiveness of their investments in trade marketing. Why is it so important? Trade marketing serves as the critical link between a consumer products company's marketing efforts and its sales team. It supports sales reps in their day-to-day jobs by developing commercial investment strategies and planning outlet activation programs aimed at increasing demand at the retailer, distributor or wholesaler.

A company's trade marketing unit generates shopper insights, with input from sales and marketing. Those insights help the company to develop a channel segment strategy and activation plans, as well as to instill sales discipline. In a company using the Perfect Sales Execution approach, trade marketing activities typically would include:

- Setting merchandising standards
- Developing point-of-sale materials
- Generating shopper insights
- Developing segment strategies
- Designing outlet activation standards and performance indicators
- Supporting routing criteria definition
- Allocating and managing assets
- Managing and supporting PDA systems, if applicable



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