

PROFITABLE SALES GROWTH IN FIELD NETWORKS

# Huge hidden opportunities and **how** to **unlock** them

Most organizations with field networks (retailers and service marketers) have a huge hidden opportunity to grow profitable sales through their existing assets. This VERTEX INSIGHT OVERVIEW outlines the opportunity, why it exists and how it can be captured.

We have helped clients achieve 15-20% sales increases through their existing network, transforming their competitiveness.

**VERTEX**  
CONSULTANTS INC.

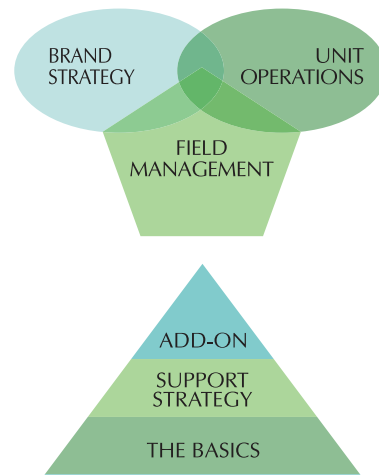
In our work with successful client organizations with large field networks, we have time and again found sales-growth opportunities that are truly strategic—because the magnitude of the sales throughput opportunity can equal the difference between losing money and being best-in-class among like competitors. If sales through the existing network can be driven without cutting margins, the additional gross profit dollars translate directly into net profit growth. The opportunity is not a subtle one, yet capturing it requires new approaches.

The sales-growth opportunity is unlocked by improving the alignment between brand strategy and unit operations. In our research, the highest-performance networks feature extremely strong alignment. Most organizations have a strategic gap.

Here's a picture of the problem. In the diagram below, the left oval represents your organization's brand strategy (most importantly, your competitive positioning and your customer value proposition). The right oval represents unit operations. The connection is made through your field management structure.

Ideally, your unit operators are achieving three layers of objective: (1) they are effectively and productively implementing the basics; (2) they are consistently and strongly implementing and supporting your brand promise and the corporate marketing strategy and tactics; and (3) they are creatively leveraging the brand with relevant local-market outreach and customer relationship-building.

When these elements are sub-optimal, unit sales growth requires that the brand and centralized marketing programs make up the shortfall. The organization ends up using expensive resources to do something that could have been done much more cheaply by harnessing the resources already deployed in the field. The result is lower productivity and profitability. In the resulting drive for higher productivity, new growth initiatives may be starved for resources.



We have found a significant gap in alignment to be the norm, often among all the major competitors in an industry segment.

We see unit operations that are not well aligned to the customer value proposition, and what is required to productively deliver and harness that value proposition for sales growth. We see field management that is not effective at creating the required alignment.

And sometimes we see a marketing strategy and customer value proposition that do not exploit the potential of effective unit operations. Instead, the strategy assumes the lowest common denominator in field-level execution.

We also see organizations that have grown to doubt that their networks can deliver “the right thing for the customer”. Benchmarks shift to “as good as the major competitors”, working toward industry-average network performance. Industry segments get locked into a pattern of being sub-optimal.

This can be changed. Execution really can be strategic. It's easy to assess whether your network has this hidden opportunity. One key metric tells the story, and the answer can be confirmed qualitatively.

In our experience, every organization that operates through a large decentralized field network should be tracking a key metric called the Marketing Effectiveness (ME) ratio. It's calculated by comparing the brand's market share to its distribution share. Ideally, one might calculate distribution share as the share of distribution costs, but often the practically-available measure is share of outlets. For instance, an organization that achieves 22% of the market's revenues through a network that includes 20% of the industry's outlets has an ME of 1.10 (22% market share divided by 20% outlet share).

$$\text{MARKETING EFFECTIVENESS RATIO} = \frac{\text{Share of revenues}}{\text{Share of outlets}}$$

In our experience, every organization contains significant opportunities to drive sales growth through strategic field-level execution, but here are some useful rules of thumb to gauge the nature of the opportunity in your network:

ME greater than 1.15	Congratulations, you have a strategic advantage in your industry segment.
ME between 0.95 and 1.10	You are at par with your industry segment. You do not have to act, but your organization faces a challenge to go from par to best-in-class, to leverage your current competitiveness to open up shareholder value. We think you should carefully assess the potential, and do it first, before a competitor gets out in front.
ME below 0.95	We suggest that improvement is an urgent priority, and strategic solutions are required.

If the ME calculation suggests you have an opportunity, you can confirm this or challenge it by considering two simple questions:

1. Do your brand champions (the people inside the organization who are passionate about the brand) feel satisfied with the delivery of the promise in the network?
2. Do your marketing strategists see the field as a competitive advantage or as a set of handcuffs on their marketing ability?

Typically, we find that middle management at some level already senses there's a gap... but has a hard time seeing it, a hard time imagining what things would look like without the gap, and a difficult time knowing what to do about it.

Managers often challenge us: aren't you just talking about operations management? Isn't that what we already do? In fact, we are suggesting that the organization's current operations are locked into a pattern of expectations and behaviour, that guarantee the preservation of your current ME. All parties—the senior operations executives, the field managers, and the unit operators alike—tend to deny the possibility that things could be different.

We are not being critical. It's *normal* and human for field networks to “lock in” to the current reality and “lock out” new possibilities. It happens for a long list of really good reasons.

**THE PSYCHOLOGY OF SUCCESS.** Organizations that see themselves as successful generally avoid messing with this success – “if it ain't broke, why fix it”. They find it challenging to even see the possibility of trend-breaking growth because it's often outside the established frame of reference; breaking through “the way we do things here” is difficult, when “the way we do things” has contributed to the success the organization currently enjoys.

**RISK AVERSION.** Trying something a new way may mean giving up on the old ways of doing things, and the untried new approach may or may not work, especially on the first attempt. The organization might fail, and it might be difficult to justify why the “usual approach” was not used.

**LIMITED FIELD CAPACITY FOR EXPERIMENTATION AND LEARNING.** The urgent often overwhelms the important. Field organizations end up reacting to daily operational challenges, and have a difficult time building the capacity required to identify new approaches. People feel like they're already way too busy to try new things.

**FOCUSING ON THE WEAKEST, NOT THE STRONGEST.** Many field management teams have their capacity consumed by addressing issues with their weakest outlets, rather than working with the top-performers to do even more. The focus is on problem solving and fire fighting, on operational controls and inspections.

**SUB-OPTIMAL SERVICE DEVELOPMENT PROCESSES.** Organizations generally have much less well-defined service development processes, compared to the sorts of product development processes found in successful product marketers. There isn't the same level of focused attention, innovation, experimentation and evaluation of new ways of serving customers.

**FUZZY MOTIVATION FOR CHANGE.** Corporate direction often does not powerfully address the unit operators' motivations and business issues. Unit operators fail to see “what's in it for them”. It's human nature for people to resist change if they don't see a personal benefit that's worth the effort and inevitable short-term discomfort.

The above summarizes just a few of the key reasons why successful organizations do not see the opportunity. We'd be pleased to share in greater detail our research findings—each of the “roadblocks” we have identified also represents a gateway for change, if the barrier can be understood and overcome.

These barriers, once well diagnosed in your organization, can be overcome to unlock the sales-growth opportunity. We have found great success in the following 5-step process.

### 1. FIRST OFF, SET THE GOAL.

In our experience, the possibility of transformation is unlocked by firmly establishing a transformational goal. The problem changes from “can we grow sales?” to “how will we achieve this transformation?”

That usually requires engaging the senior executive in facilitated dialogue to open them up to the possibility of transformational change, and to shift the initiative from “wish” to “will”.

Transformation never happens “on a hope”. It requires real commitment to do whatever is required to achieve the goal.

### 2. SECOND, PICK A PIECE OF THE NETWORK WHERE YOU WILL FOCUS TO ACHIEVE THE BREAKTHROUGH.

Don’t try to “boil the ocean” all at once. Identify one market or sub-market to be the learning site and the proof of concept. On the basis of demonstrated success, clarify the business case for system-wide change, and identify precisely what will be required for roll-out success.

This not a traditional “test market”. Test markets tell you what results can be achieved from a strategy or tactic. Our approach is 180 degrees reversed—we start with the results we need to achieve, and we learn what is required to achieve and sustain those results.

In our experience, this approach requires a different management mindset and skill set than most organizations already possess.

### 3. ORGANIZE FOR SUCCESS.

This initiative needs to be owned by the field, and supported by corporate resources, not the other way around. This needs to be operationally-owned. The success needs to be the field’s success. The field manager who owns the selected market is the individual who will be accountable for performance, and who will make the ultimate decisions about approach.

That individual needs to be well supported, with marketing, operational and change-management insights and resources, from inside and/or outside the organization, as required.

In our work, we have learned a great deal about how to manage breakthrough initiatives for success. Here are five key resources that we have found to be essential:

**(a) The freedom to experiment in the field.** We find it helpful to identify a short list of “what cannot be touched”, and then give the initiative’s leaders complete freedom to experiment within those boundaries.

**(b) Good measurement.** The field needs accurate, fast-turnaround measures for the key results, with which to steer the initiative (and to support the development of a business case for system-wide roll-out, after the breakthrough is successful).

**(c) Powerful marketing insight.** Field managers should be guided by strong market-research-based hypotheses for how to change customer buying behaviour—how to operationally deliver the value proposition that will change purchase behaviour. Strong research is invaluable for helping the field break out of its old paradigms, and identify where to refocus operational management.

**(d) Change-management experience.** In every successful breakthrough we have supported, we have found that unit and field managers had to get outside their current comfort zones, how they expected to behave to accomplish their jobs. In most cases, managers report that they ended up thinking differently about their jobs and how they add value. These changes in mindset and behaviour are not trivial—they require deep insight and skills to define, encourage and support. This is not an operational-management skill set; expert support is needed.

**(e) Project-management support.** Successful breakthrough initiatives benefit from strong project-management practice, such as managing to frequent short-timeframe milestones. The field leader should get project-management support—usually available within the organization—but the PM needs to be a resource to the field, not a way of trying to control the field.

The above 5 key points are not an exhaustive list. The key observations are (1) organizing the effort properly is fundamental to success; (2) much is known from others' experience about what works; and (3) it is important to invest some time upfront to plan for success.

#### **4. DO WHATEVER IS REQUIRED TO ACCOMPLISH THE RESULTS OBJECTIVE IN THE BREAKTHROUGH MARKET.**

This should be seen as a do-or-die effort by the operational leaders. Success is not optional.

In our experience, managers start off by doing what is “easy”—the things they always wanted to do, the things that already make sense given what they believe about the market, customers, staff and their own leadership roles.

In our experience, every breakthrough initiative “hits the wall”. At some point (hopefully, quite quickly, if clear results objectives and good measures have been put into place), the operational leaders come to the intensely uncomfortable conclusion that the results objective will not be met with a business-as-usual mindset. This is when real change can begin, and real organization learning happens.

How much time is required, for the full cycle (set-up, initial change, hitting the wall, breakthrough change, measurement of results, documentation of change)? This will depend on the business you are in, and the nature of the customer's purchase cycle, but we are used to seeing all of this accomplished within six months.

## 5. DISTIL THE LESSONS, AND PACKAGE THEM FOR NETWORK-WIDE ROLL-OUT.

In our experience, there are lessons for all levels of the organization—from how the front-line roles are defined, to the types of leadership behaviours required from the senior executives, to foster a mindset for change throughout the organization.

The breakthrough market initiative will yield a wide range of key deliverables, that can be harnessed in the roll-out. These include:

- **A credible business case** for investment in the roll-out.
- **Clear documentation of the marketing** and operational models and insights that support the sales-growth opportunity.
- **Champions and exemplars of the new mindset and behaviours**—field and unit managers who have accomplished the goal and who can speak powerfully about what it means to them, and what it took to get there.
- **Demonstration sites**, where executives and field managers can go to “kick the tires” as part of their learning process.
- **A good understanding of the roadblocks** to change that will be encountered and must be overcome, for roll-out success.

In our experience, possessed of these deliverables, many organizations have the capabilities required to package and manage the roll-out process. Once the answer has been demonstrated, it’s often pretty clear how to implement it more broadly.

**This approach works. We have refined it over a period of 15 years, helping large, successful marketers identify and surmount the sales-growth challenge.**

We would be pleased to share actual case histories with you, and discuss examples that relate to your business challenges.

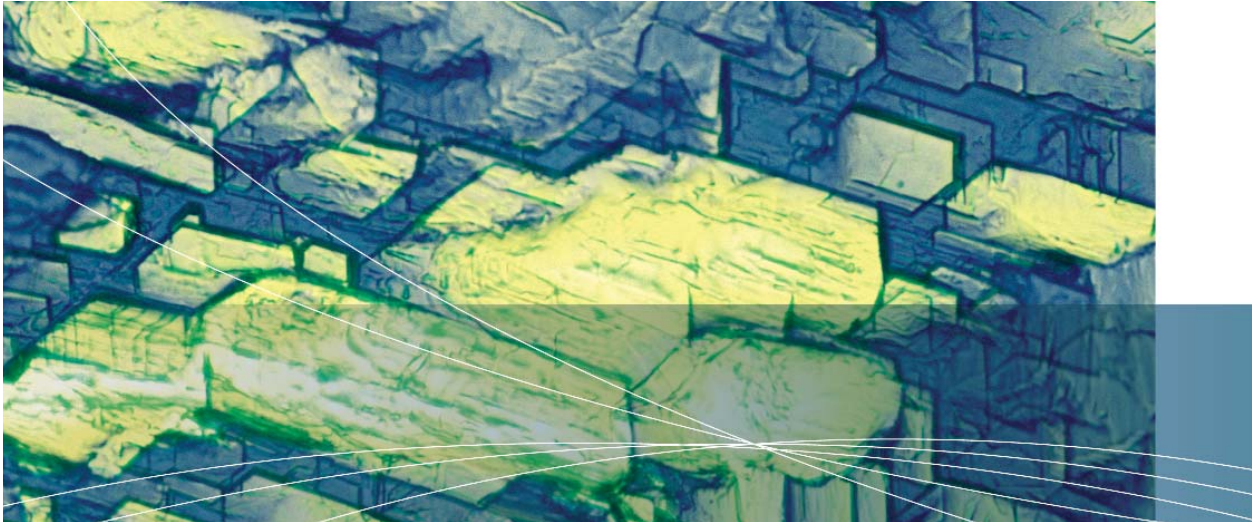
**Getting started.**

**The opportunity is real. So are the barriers – but those barriers can be overcome.**

If you’d like to explore the possibilities, we would welcome the opportunity to help you better assess the potential in your own network. It’s quite possible for management teams to define and evaluate the business case before making any significant investments in change.

It starts with the question—are you satisfied with the return your organization is achieving on its field assets and cost structures?





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