

Sales Force is Key to Unlocking Value

Would you like to unlock the full value of your company? You have invested millions of dollars in plant and equipment. You have experienced employees producing a variety of quality products. You have a long history in the industry and a strong reputation in the market. Why then do you worry that you are not getting everything you should from your investment?

The key to unlocking the value of your company may rest with your sales force. I have been training sales people in the aggregate and concrete industry for fifteen years and have learned a lot from the people who attend. I listen carefully as they describe the challenges they face in their markets. Some are college graduates fresh out of school and anxious to practice the things they learned. Others have spent years in operations before recently being promoted to a sales position. Most are somewhere in between with five to ten years of sales experience. Some have come from other industries but most grew up in the materials industry and probably spent some time in production, dispatch, or QC.

I was recently asked by a leading national supplier, "How can we better manage the sales force to improve company profitability?" After thinking about what I have learned from training almost 1,000 sales people over the years, I concluded there are five keys to unlocking value with your sales force.

1. Select Your Customers Carefully

How many times have you heard a sales person say "He is a good customer, he just won't pay his bill" or "We had to cut the price but we made it up in volume"? The fact is all customers are not created equal and some customers are much more desirable than others. Every customer list I have ever seen in this industry was sorted by volume from largest to smallest. The basic assumption of most sales people is that bigger is better.

In reality, some customers are much more profitable than others and volume is not usually the driving factor. Some of the biggest customers also get the biggest discounts resulting in margins that are thin at best. A few of these customers are also some of the most demanding and require extra time and energy to ensure they don't take their business elsewhere. On the other hand, some customers pay a fair price, are easy to work with, pay on time and value your expertise and service. Your overall profitability is greatly impacted by how many of each type of customer you have on your list. I would rather have more of the latter.

2. Focus on Value not Price

Does your customer consider your products to be commodities? If so, then price is all they want to discuss. By definition, a commodity is a product that is identical from one supplier to the next so that price is the only factor used to select a supplier. Customers want you to believe you are selling a commodity so they can convince you that you must cut your price to get the business. Their argument falls apart whenever they give you "last look". What they are really saying is that they want your quality and service and the other guy's price.

It is the job of the sales person to identify and communicate the value your company can bring to the project. One of the techniques is to refocus the discussion from the price of the material to the cost of the project. A creative sales person can find ways to save the customer money by avoiding delays in delivery, providing special access to the plant or setting aside inventories for that particular job. If you can get the customer to focus on cost then you become a partner with him to help him save money while keeping the business and getting your price.

3. Don't Give Away Your Limited Capacity

This is a production driven industry. The need to operate at full capacity in order to reduce unit costs puts volume ahead of most other considerations. This mentality causes many companies to offer deep discounts to volume customers. It also causes

companies to aggressively market early in the year to lock in much of the plant's capacity. This behavior persists even when the plant is sold out year after year.

A plant that is operating at full capacity can no longer increase profits by selling more material. However, it can increase profits by trading low price tons with higher priced tons. Even at full capacity, some companies are too quick to chase volume when a focus on higher priced business would add more to the bottom line. Let the competition chase volume while you retain the flexibility to bid on projects later in the year when you are the only plant with enough capacity to meet the customer's needs.

However, all bets are off when the market has plenty of supply. Everyone rushes to drive down unit costs by increasing throughput. Margins can increase if unit costs go down faster than prices. On the other hand, there is some analysis to suggest that modest reductions in volume can be tolerated if reasonable prices can be maintained.

4. Manage Important Accounts with a Plan

I am a firm believer in the 80/20 rule. Applied to sales, this rule indicates that 80% of a sales person's profit will come from 20% of their customers. If this is true, then every sales person has a handful of customers that deserve most of their time and energy. One way to accomplish this is to develop a Key Account Plan for each of their major customers. (See insert)

Many sales people sell by repetition. They call on the same people within the same customers over and over. An account plan encourages the sales person to set objectives for the account and better understand the dynamics within the account. A well formulated plan identifies new relationships within the customer that should be developed. It looks for opportunities to build loyalty and gain a larger share of the customer's business.

There is another reason account planning can help a sales person. Most sales people in this industry also have a major role in customer service. Sales people tell me that 60 to 80% of their time is spent dealing with service issues. These issues are always

urgent and usually crowd out the important work of selling. A key account plan helps the sales person to retain focus and remain proactive. It is also an important tool for the sales manager to direct the resources of the sales force.

5. Properly Train and Manage Your Sales Force

The fifth key to unlock profitability is training and management of the sales force. The level of sophistication among customers and suppliers has increased dramatically in the last several years. Consolidation has created a number of very large suppliers. The gap between the companies that invest in their people and those that don't is growing. When the only tool in your toolbox is a hammer, every problem looks like a nail. Every day, sales people are sent out to call on customers with only one tool in their toolbox. If their only tool is to cut the price, then every sales objection looks like a complaint about price.

Proper training can fill out the sales person's tool box. It will help them define value from the customer's perspective. It will help them better communicate the benefits of their company's products and services. Training and good sales management can also focus the sales person on developing the long-term relationships needed to build a loyal and profitable customer base.

Summary

I believe the value of your sales force is measured in part by your average selling price. Anyone can take an order and pass it on to dispatch. If price is the only way to get the sale then hire some order takers and do everything you can to keep your costs down. However, if you want to unlock the full value in your company, develop a strong professional sales force and give them the tools and support they need realize the value you have created.

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Key Account Plan

KEY ACCOUNT PLAN FOR: _____

CUSTOMER ANALYSIS	
Current Customer Rating (A, B or C)	
Trend with Customer	
Customer Growth Rate	
Other Suppliers (Competition)	
Your Strengths with the Customer (Relative to Competition)	
Your Weaknesses with the Customer (Relative to Competition)	
Customer's Top Priorities	
Decision Makers <ul style="list-style-type: none">• Primary• Secondary• Up & Coming• Supporters	
Other Issues (Trends, New Competitors, Customer Mergers)	
If not an "A" Customer, What Keeps this Customer from Being an "A" Customer	

OBJECTIVES	Last Year	This Year	Next Year
% of Customer's Aggregate Business (Within Our Market)			
Volume			
ASP			
Profit (Gross Margin)			

ACTION PLANS (12 Months)			
	What New and Specific Actions Will You Take?	Who	When
1			
2			
3			
4			
5			
6			
7			
8			