Measuring the Returns from Field Sales

A Case Study

retail alchemy

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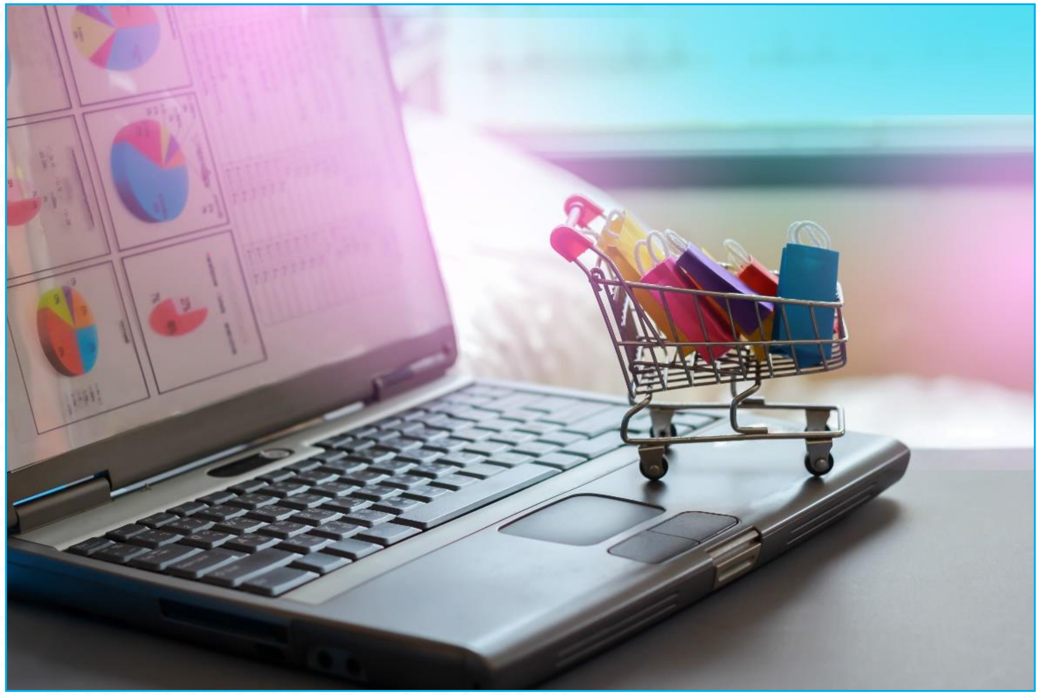
Background to the study

- Having just switched field supplier, a major FMCG manufacturer wished to take a closer look at the overall effectiveness of its field operations.
- As well as establishing a “baseline” in terms of overall ROI performance by category, the manufacturer wished to understand which areas of its field activity it could focus on going forward to help improve returns over time
- With a track record of working on just this sort of problem with a range of other well known FMCG manufacturers, Retail Alchemy were drafted in to help answer this brief, with the results of our work being used to not only highlight areas of success with the field but form the basis for a programme of improvement to the shape of service over the following year



Our methodology: the basics

"A statistical process that uses various data sources to assess the level of mutual correlation between a dependent (KPI) variable and multiple explanatory variables"

$$Y = \alpha + \beta X_1 + \beta X_2 + \ldots \beta X_n$$

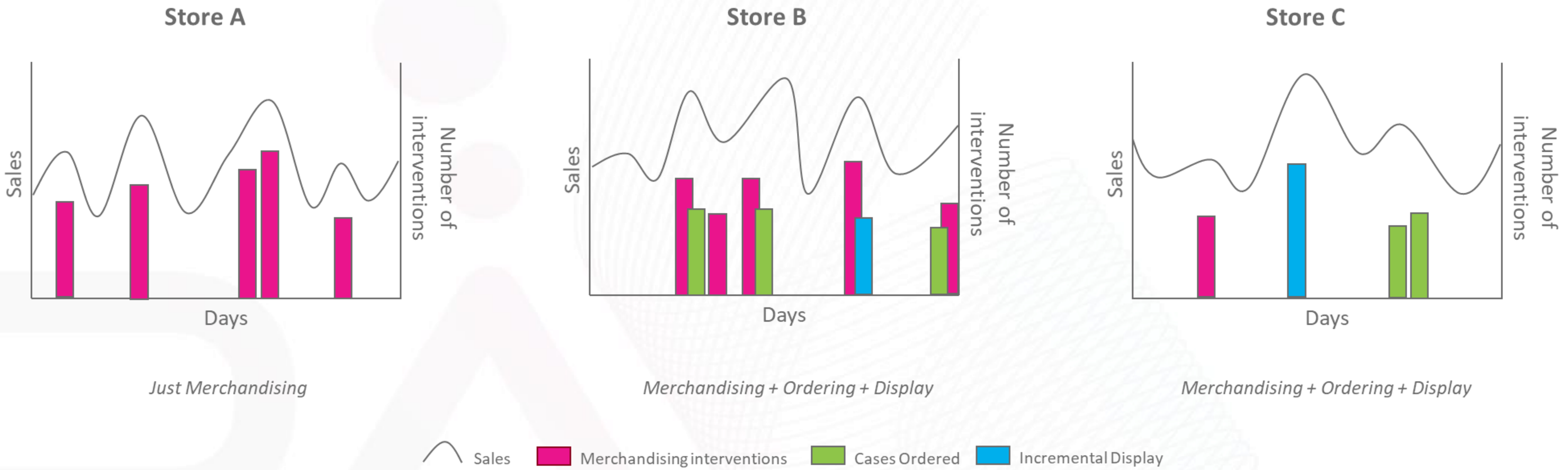
Dependent Variable

Explanatory variables

Example equation:

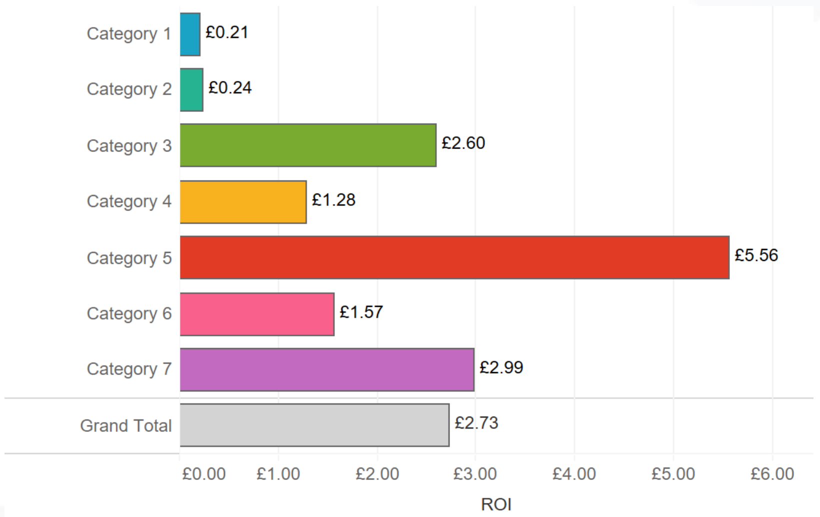
Seasonality = α + β Seasonality + β Economy + β Price + β Competitors + β Marketing

Pictographically, this methodology is akin to trying to explain the peaks and troughs in sales by matching up data with a similar pattern. Different stores have different levels and mixes of activity, resulting in different patterns in sale

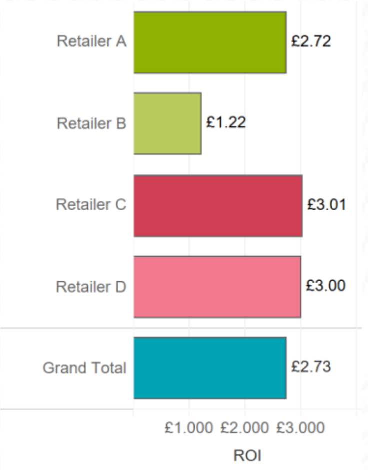


Key insights: Return on Investment by Category, Retailer and Fascia

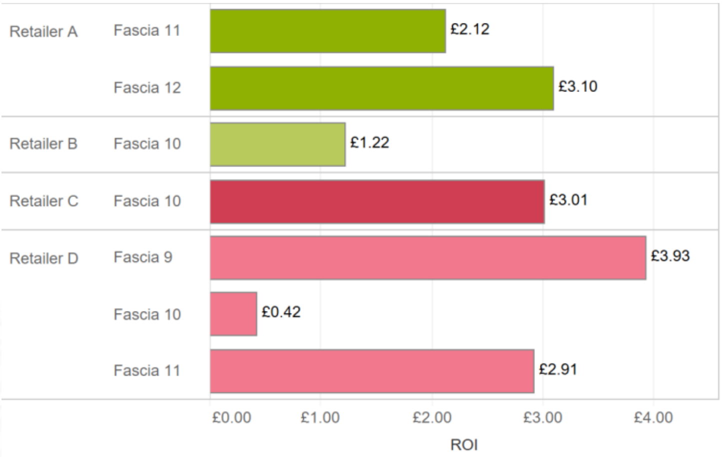
ROI by Category



Overall ROI by Retailer



Overall ROI by Fascia



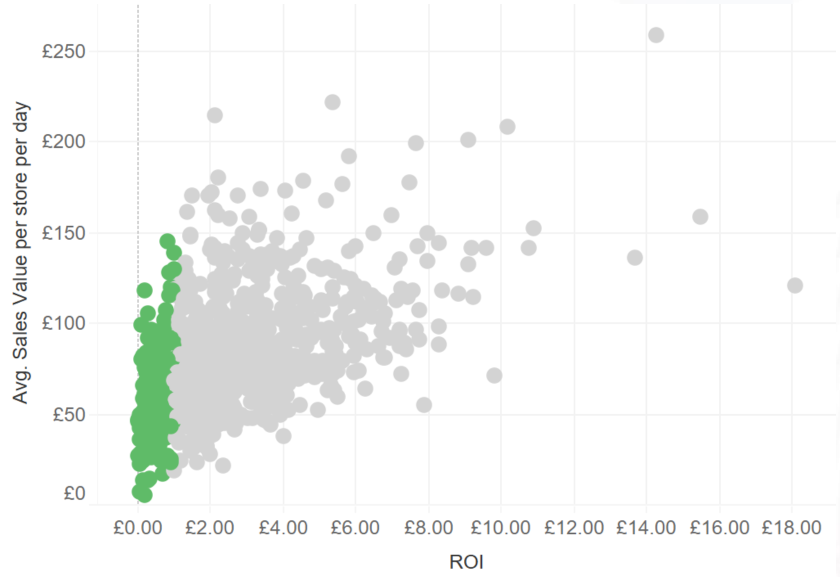
- Although the manufacturer was overall making a profitable return from field activity (£2.73 for every £1 spent), the returns from such activity were not split evenly category by category
- Some categories (particularly categories 5, 7 and 3) were providing the bulk of the return
- Whilst other categories (particularly categories 1 and 2) were actually costing the manufacturer money to be serviced instore

- Returns were also not split evenly by retailer with Retailers A, C and D providing the bulk of the return
- Retailer B, however, whilst still profitable, provided returns that were far behind those of the other retailers

- Drilling down to fascia level, however, revealed that whilst Retailer B underperformed versus the other retailers at an overall “retailer” level, it’s stores clearly outperformed some of the other formats used by the other retailers
- The smaller formats used by Retailer D (fascia 10) clearly did not respond to field sales leading to questions around the suitability of investment there

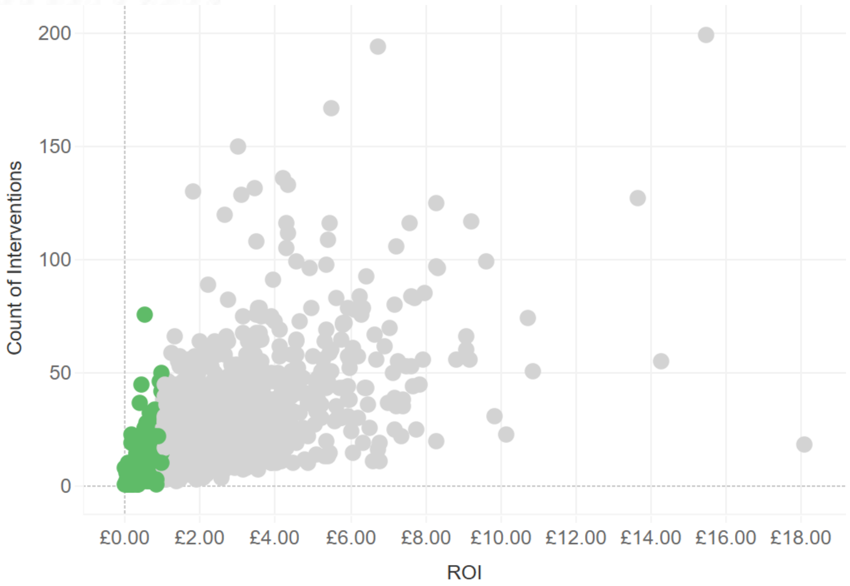
Understanding performance: Rate of Sale and Opportunity to Intervene

ROI vs Average Rate of Sale



- One of the key factors in Field Sales performance is the underlying rate of sale present in the store
- The lower the rate of sale, the harder field sales has to work given the cost of the call
- In the case of Retailer B, we can see that although there is quite a large range in rate of sale per store, this is no different from the spread present in the other retailers (grey area) indicating that rate of sale is not an issue in this case

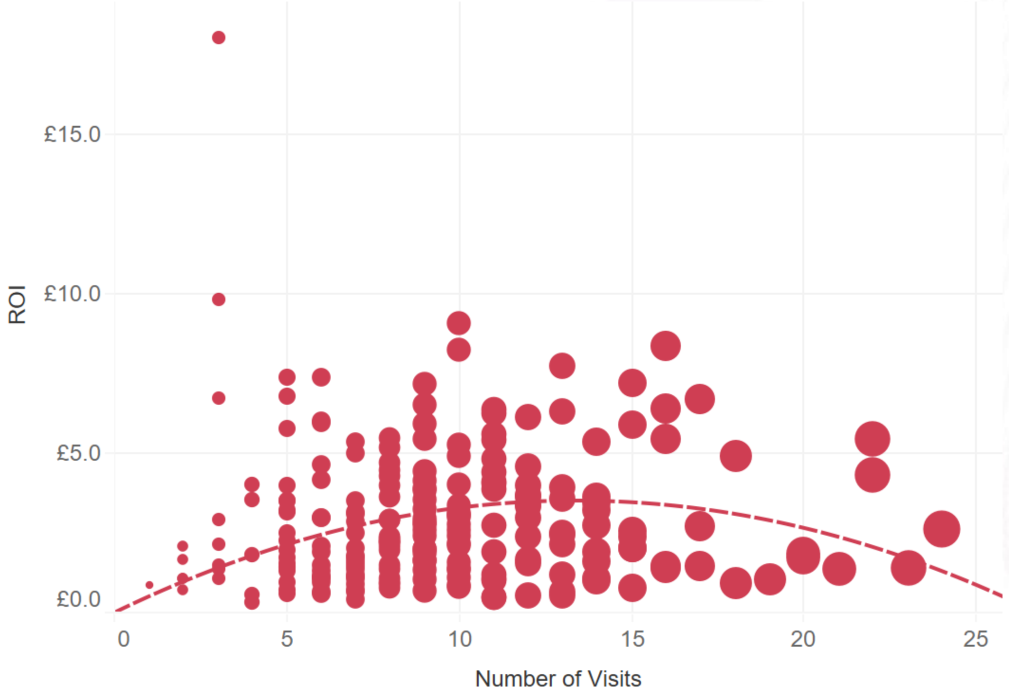
ROI vs Number of Interventions



- Comparing ROI to number of interventions, however, does reveal the cause with lower intervention counts present in Retailer B than all other retailers
- The finding here is that the retailer itself isn't necessarily a "bad" retailer from a brand point of view: rather that the manufacturers categories are already quite well serviced by the retailer, negating the need for a field sales call

Improving shape of service: frequency of call

ROI vs Frequency of Field Visit, Retailer C

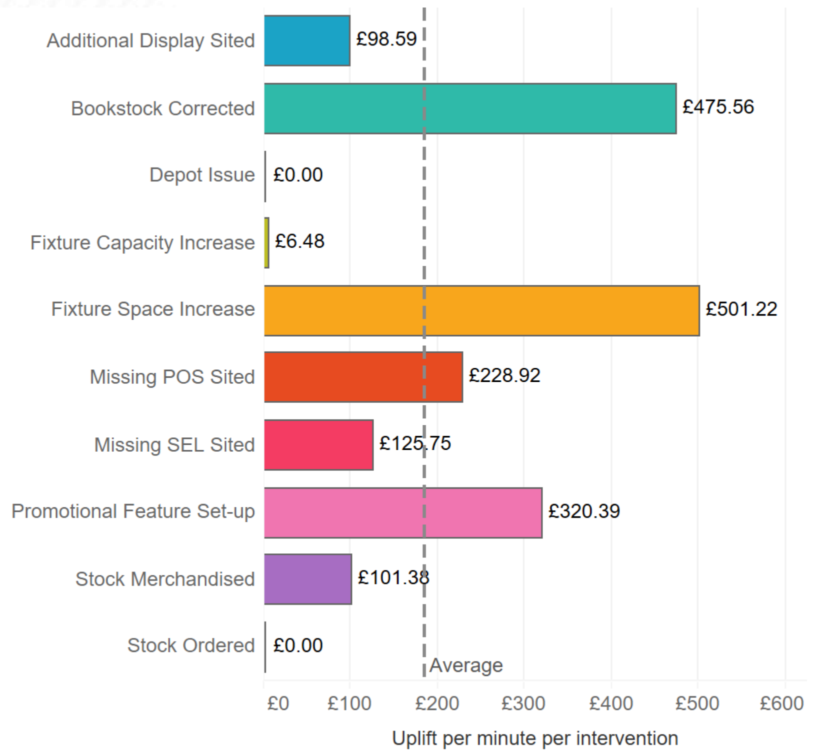


- One of the key determinants of field sales ROI is the impact of frequency of call on ROI
- Fairly obviously, the more frequently a store is called on the higher the cost of servicing that call.
- By the same token, the more frequent the call, the more opportunities a field sales agent has to intervene and therefore generate incremental revenue for the manufacturer
- However, there comes a point where frequency of call is too high, leading to a decline in ROI associated with increasingly diminishing opportunities to intervene against rising cost.
- For retailer C in our study, that point comes between 10-15 visits over the sample period, indicating that a lower frequency of visit in some stores would benefit overall ROIs

Improving shape of service: focus on incremental interventions

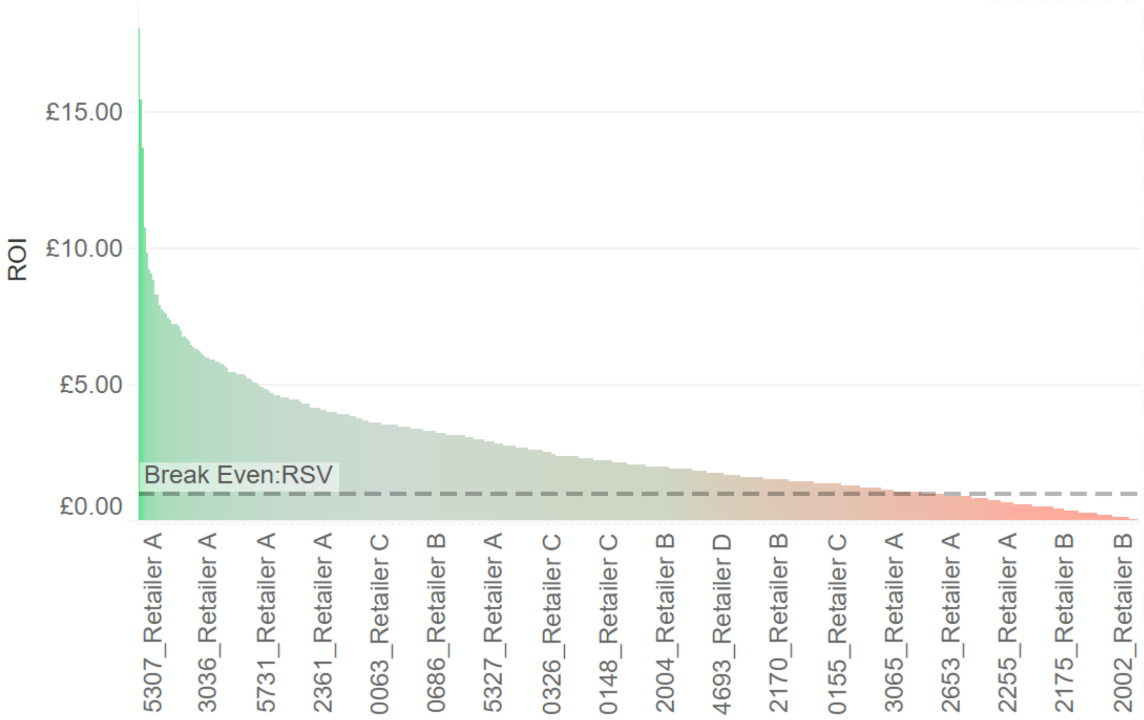
- Focusing on the right intervention during a call can make the difference between delivering an ROI or not
- Our analysis not only measures the incremental sales uplift generated by different interventions, but also the physical time it takes for the field sales agent to undertake that intervention
- In the case of our manufacturer, we found that, overall, Correcting Bookstock Errors and increasing space on the fixture were crucial to success on a call, closely followed by promotional feature set up and siting missing POS
- Conversely, ordering and merchandising stock, two common focuses of field sales visits, did not fare as well, generating low levels of incremental sales per minute spent

Sales generated per minute per intervention



Improving shape of service: focus on underperforming stores

ROI per store



- The final element of a successful field team operation is to identify under and over performing stores
- By evaluating our results at the individual store level, we can identify which stores over and under perform versus the ROI benchmark set by the manufacturer (often based on margin)
- In the chart opposite, we can see that there are a range of stores that fail to generate even £1 for every £1 invested implying that they should be cut completely from the call file
- Conversely, there are a range of stores at the other end of the spectrum that deliver some very high ROIs implying that frequency of call/length of time in store should be increased as there is considerable headroom available

Thank You!

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