

Building a top consumer goods sales force



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Although most of these companies have recently revamped their sales organizations, only a few managed to achieve higher sales and lower costs.

Pressured by a smaller, more sophisticated, and increasingly demanding group of retailers, upward of three-quarters of North American consumer goods manufacturers have reorganized their sales forces since 2002, a survey finds (Exhibit 1). Yet only a handful of these manufacturers have gained market

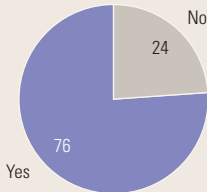
share during this period without incurring higher selling costs. An examination of the sales force winners highlights three ways in which top manufacturers distinguish themselves and suggests that the talent-management approaches many manufacturers use are not sufficient to achieve success.

EXHIBIT 1

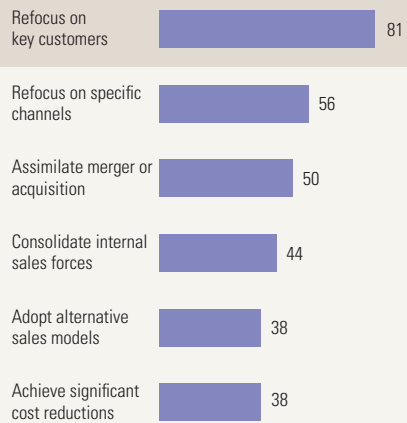
Reorganizing for focus

Leading North American consumer goods makers

Reorganization of sales force in past 3 years,
% of respondents



Reasons for change,
% of respondents¹



¹ Figures do not sum to 100%, because respondents were allowed to choose more than one reason.

Source: 2005 McKinsey Customer and Channel Management Survey of 29 leading North American consumer goods makers, undertaken in partnership with AC Nielsen and the Grocery Manufacturers Association

These insights are among the principal findings of the 2005 McKinsey Customer and Channel Management Survey of 29 leading North American consumer goods makers, which together represent some 30 percent of the industry’s sales.¹ This survey, the seventh in a series begun in 1978, was undertaken in partnership with AC Nielsen and the Grocery Manufacturers Association.²

We defined sales force winners as companies with top-quartile market share growth, by revenue, relative to their peers in the same category. On average, the eight companies in this group increased their share by more than 4 percent from 2003 to 2004, while the others’ share fell by nearly 2 percent. Meanwhile, the winners’ selling costs, trade spending,³ and marketing costs, taken together, were 20 percent lower than those of the other manufacturers.

In helping to achieve these results, three practices stood out. First, the top sales organizations concentrated more resources on a smaller—and more thoughtfully selected—pool of retailers than the typical manufacturer did. They served half as many customers through key-account teams, on average, than other manufacturers—yet appointed almost a

third more people to each team (Exhibit 2). That kind of focus is crucial because the top US national and regional retailers (such as Wal-Mart Stores) are growing much faster than their competitors; for manufacturers, this development means that sales are now concentrated in the hands of fewer and fewer customers.⁴ Indeed, in our experience, the largest US consumer goods makers commonly rely on just 10 to 15 customers for 50 to 80 percent of their sales, depending on their mix of categories.

Another way the winners concentrated their resources was to use third-party sales and merchandising agents more actively than other manufacturers did. Many top sales forces, for example, increased their use of such agents to undertake lower-value back-office activities such as order processing (43 percent for the winners versus 12 percent for the others) or in-store merchandising (71 percent versus 18 percent, respectively).

The second way top consumer goods manufacturers excelled was in organizing their key-account teams along cross-functional lines so that they could better serve the retailers, whose demands on manufacturers, we find, increasingly extend into areas such as customized packaging, shopper marketing (activities,

EXHIBIT 2

How they win

Winners focus efforts on fewer key accounts . . .

Average number of accounts served by key-account teams



. . . and dedicate more people to them.

% of sales resources dedicated to key-account teams



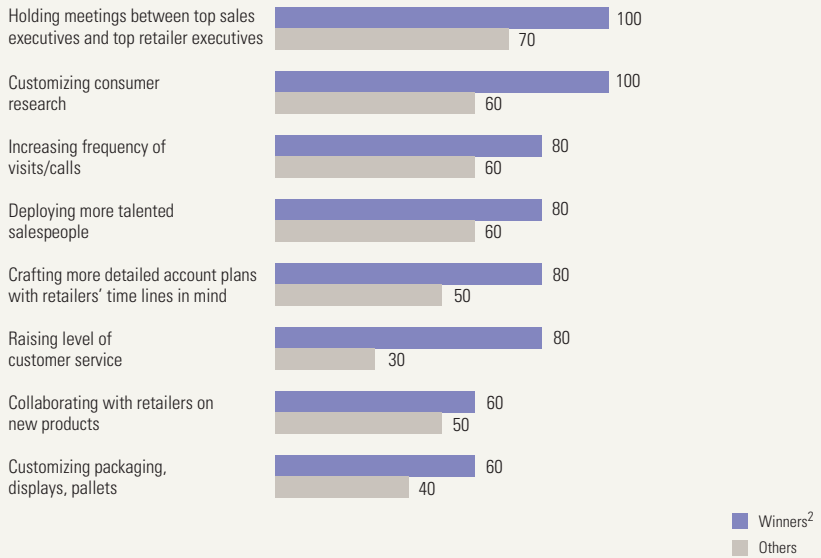
¹ Companies with top-quartile market share growth (by revenues) relative to their same-category peers.

Source: 2005 McKinsey Customer and Channel Management Survey of 29 leading North American consumer goods makers, undertaken in partnership with AC Nielsen and the Grocery Manufacturers Association

EXHIBIT 3

Customizing services

% of respondents whose companies engaged in given activity for key retailers¹



¹ Figures do not sum to 100%, because respondents were allowed to choose more than one activity.

² Companies with top-quartile market share growth (by revenues) relative to their same-category peers.

Source: 2005 McKinsey Customer and Channel Management Survey of 29 leading North American consumer goods makers, undertaken in partnership with AC Nielsen and the Grocery Manufacturers Association

inside and outside stores, undertaken to influence the way consumers shop), and even product development. The sales force winners' teams were more likely than those of other manufacturers to include not only sales personnel but also experts in category management, customer marketing, finance, and supply chain operations. By contrast, more than half of the other manufacturers populated their teams exclusively with salespeople and category managers.

Third, the sales force winners actively customized their services to meet the needs of individual retailers—in part by collaborating more intensively with key accounts than other manufacturers did. The winners not only called on key retailers more often but also said that they had taken greater pains than others to send their most talented sales and customer

service employees to work with these clients. Further, the collaboration was more likely to extend to the executive suite: all the best manufacturers held planning meetings between their top executives and those of the retailer, compared with some 70 percent of the others. This point is crucial, we find, because such collaboration dramatically raises the likelihood that teams will succeed in creating the differentiated service offerings retailers increasingly demand. We also discovered that sales force winners were more likely to plan—and carry out—customized in-store research on shoppers, to collaborate on the development of new products, and to create customized packaging for key retailers (Exhibit 3).

These findings support the view—confirmed by our experience—that the level of talent a manufacturer brings to

bear on an account will be more and more important. Indeed, we find that the role of key-account managers is shifting. Traditionally, relationship managers focused solely on sales, but now they are becoming true general managers, with more wide-ranging responsibilities.

However, the survey's findings also suggest that many consumer goods executives aren't managing their talent as rigorously as necessary. Sales force winners review their salespeople carefully and regularly—two-thirds hold reviews quarterly or semiannually, and the rest at least annually. The others are far less diligent; in fact, one-third of them conduct no reviews at all. As the relationship between suppliers and retailers continues to evolve, and the demands on manufacturers increase, world-class talent management is one way a top sales force can differentiate itself from the pack.

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¹ The survey, which examined leading food and nonfood companies, garnered responses from more than 300 senior operating managers in 41 business units. This article examines a subset of the broader results of the survey, whose topics included pricing, trade spending, in-store execution (including shelving and displays), sales force strategy, key-account management, and supply chain management.

² For results of the 2002 survey, see Kari G. Alldredge, Tracey Griffin, and Lauri Kien Kotcher, "Spotlight on the sales force," *The McKinsey Quarterly*, 2003 Number 1, pp. 29–37 (www.mckinseyquarterly.com/links/20595).

³ Trade spending, which can represent 10 to 20 percent of revenues, depending on the category, is the money that a manufacturer gives to retailers to support the in-store marketing of its product.

⁴ The top ten US retailers, for example, held 29 percent of the US grocery market (by revenues) in 1995; by 2003, their share had increased to 55 percent.