Customer Management Team Organization and Alignment

BY BOB MONAGHAN

MOST COMPANIES HAVE MADE SIGNIFICANT INVESTMENTS IN KNOWLEDGE AND INFORMATION BUT ARE NOT FULLY LEVERAGING THEM TO MAXIMIZE REVENUES AND PROFITS.

In an evolving retail marketplace still feeling the ripple effects of continuous merger and acquisition activity, the gaze of CPG is concentrating with increasing intensity on the customer. As such, more and more CPG companies have bolstered their sales organizations by installing customer management teams. At the same time, they find themselves struggling with a number of prevalent and difficult issues associated with customer management team organization. Namely:

- Dotted versus straight line reporting relationships for non-sales members of customer management teams.
- Shared versus individual incentives for team members.
- Incentives based on volumes versus profits.
- Field versus headquarters locations for team members.
- Geographic versus by-customer organization.
- Segmenting customers and determining where to draw to the line for "C" customers.

While CPG companies weigh these options, they also find themselves weighing their own organizations against others: "What are they doing?" vs. "What are we doing?" As the focus shifts to the management of customer relationships, companies are perhaps focusing too much on organizational structure; or rather, how an organizational structure looks as opposed to how it works. This is a subtle yet significant difference.

CPG companies implementing customer management teams are right to ask what others are doing, up to a point. This question is a good place to start. But where to go from there? Companies must move on to the next critical questions: "What should we do?" And, more importantly, "What can we do?"

The Age of Alignment

Before addressing the key issues surrounding customer management team organization, we must first address the issue of alignment – aligning "What should we do?" with "What can we do?" For a go-to-market organization to achieve optimal performance and productivity, it must be fully aligned across key dimensions, including the following six:

1. Objectives/Strategies: What the organization should do.
2. Organization Structure: The "Boxes", i.e., reporting relationships, career paths, etc.
3. Staffing: The right numbers of the right kinds of people.

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4. Training and Development: Continuously improving team member skills.
5. Management Systems: Business processes, financial and non-financial performance measures, budgets, cost of sales, etc.
6. Information Management/Analytical Capabilities: Communication, analytical and data access capabilities.

Aligning these dimensions is akin to aligning dominoes: change that occurs or is contemplated in any one dimension will certainly impact the other dimensions. Only by anticipating and preparing for the impact can alignment be maintained.

The trick to keeping those dominoes aligned is in understanding their delicately balanced relationship, to each other and to the organization. Each dimension is at once an enabler and a limiting factor in terms of achieving go-to-market success. Consider, for instance, a large direct sales force – typically the most effective approach to managing key accounts and retail execution. This same large direct sales force is also very expensive. This expense puts limits on the resources and capital that could be spent on training, information infrastructure, and other initiatives, and also puts limits on non-sales spending like advertising and promotion.

Equally important to identifying the impact of change from one dimension to the other is identifying the actual capabilities of the company implementing these changes. Companies whose scale and competencies have not yet reached the proportions of a Procter & Gamble or a Frito-Lay or a Kraft, should think twice before adopting their structures – structures that most likely will not be implemented, at least not immediately. With the exception of minor tweaks, reorganizational change should be evolutionary, not forced into a mold it does not fit.

The challenging choices around the customer management team organization that kick-started this discussion brings the issue of alignment to the forefront. After all, it is alignment that ultimately determines the go-to-market success of customer management teams.

**Reporting Relationships:
Dotted-Line, Straight-Line, Aligned**

When it comes to advocating dotted versus straight-line reporting relationships for non-sales team members, the industry has yet to come to a consensus – leaving CPG companies and their customer management teams to decide for themselves which approach is better. Whether dotted-line or straight-line, the key is the alignment of the underlying processes and infrastructure that guide the team's operation. It also remains critical to consider who is evaluating the performance of each team member.

Say a salesperson takes the helm as team captain of the customer management team, as is typically the case. If this captain has been honed into a super-salesperson more so than a true businessperson, straight-line reporting could be problematic. Super-salesperson aside, he or she might lack a strong grasp of non-sales functions – including the ability to competently and fairly appraise the performers of these functions.

Additionally, the super-salesperson may be too enthusiastic of a customer advocate, placing the desires of the customer over the needs of the company. As team captain, the super-salesperson may leverage his or her straight-line authority to steer subordinate team members responsible for logistics, finance, and so on, away from the company's best interests.

On the other hand, having team members report directly into their respective functions – rather than directly into the team – can pose the reverse problem. In this kind of reporting relationship, each team member is concerned primarily about his or her own function. These function-centric priorities and biases can often leave the team captain's hands tied, and just as often, can do harm to the overall customer relationship.

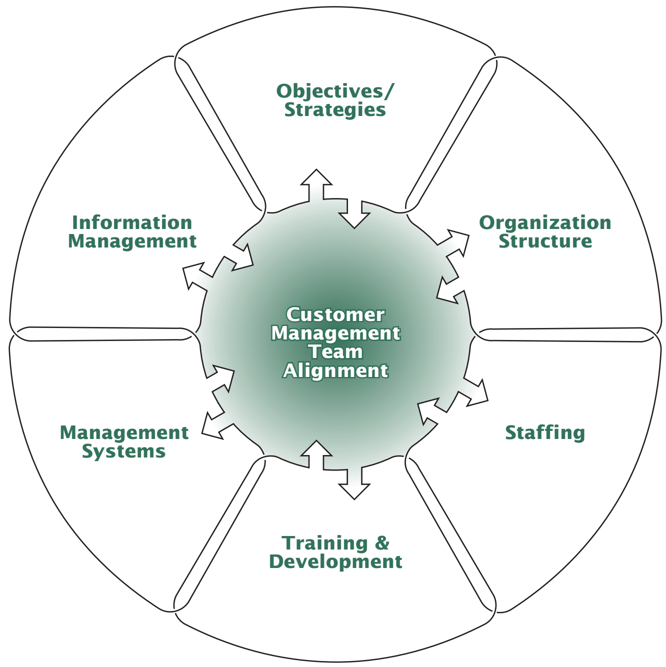
Once again, the mantra is alignment – the delicately balanced relationship between the key factors of your organization. If the team captain is a businessperson – with the proper understanding of staffing, training, incentives, information and analytics – then straight-line reporting is probably the way to go. If the team captain is a salesperson, then dotted-line reporting is most likely the best choice, and the best way to avoid losing operational control. Now, how to ensure that the chosen reporting relationship actually works? This leads us to our second issue: shared versus individual incentives.

Incentives: To Share or Not to Share

Finally, a question with an unambiguous answer: share, share and share. Regardless of how the reporting relationship works, shared objectives are the clear choice. In a true team environment, where members report to the team captain, individual objectives go against the nature of team spirit.

Even with straight-line, functional reporting, shared objectives focus the team's attention collectively on building the business at the customer level. Shared objectives also encourage team members to stay in line with company objectives, as opposed to individual functional goals.

Alignment plays a critical role here, as well. You must get functional alignment on what the shared objectives should be and the company's wherewithal (information systems, etc.) to record, measure and report the metrics necessary to manage those shared objectives.



Volume vs. Profit:
The Measure of Success

Should incentives be based on volume or profit? Here, too, there appears to be a clear preference. The widely shared belief is that profitability, measured at the account level, is a metric superior to simple volume. In spite of this consensus, most companies have encountered a significant challenge in using profit as the preferred metric: the absence of systems that can measure account profitability accurately. This perfectly illustrates the consequences of non-alignment. Information management has not yet been aligned to support the better approach to customer management.

Team Member Location:
Location Is Not Quite Everything

"Closer to the customer." When it comes to geographically situating team members, most would agree that this should be the rule. For those who operate by this rule, alignment plays an important role in the existence of sound communication, information dissemination and authority delegation (management systems). Properly aligning these factors keeps a lid on the chaos inherent in disparately placing team members.

While closer to the customer is closer to what most consider the ideal arrangement, locating team members at headquarters should not be discounted. One must take into consideration the hefty travel budget needed to make this approach effective. With a hefty budget comes a trade-off: what else could the organization be getting for the money spent on traveling? This will be a key factor in determining whether this option is the right choice for the team.

Regardless of where one ultimately decides to locate customer management team members, the alignment – or lack thereof – of all the associated areas can make or break the new organization. Making the old adage, "location is everything," not entirely true.

Organize Geographically or
by Customer: Will You Follow?

You must go where the large, multi-regional customers do business. Following large customers becomes increasingly necessary, as a number of these large customers have essentially started demanding it. Stretching customer management across regional lines can leave resources and customer relationships stretched thin as well. Using a single organization team to manage interactions with a single customer certainly facilitates command and control, more so than with a geographic organization.

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But, again, there is a trade-off. While perhaps more customer-effective, "by-customer" organizations are, by definition, less cost-effective than the geographical alternative. For those unwilling to make this trade-off, a geographical organization can be customer- and cost-effective, provided the proper communication infrastructure, information sharing, and shared measurements/incentives are all in place.

"C" Customers: Making the Grade

Ask different CPG companies for the best approach to customer segmentation, and you'll get a variety of answers. There is one thing on which we can agree: the top 20 to 30 customers capture just about every company's main focus, depending of course on their product categories. In the big picture, however, where consolidation is a fact of retail-industry life, the issue becomes less relevant. "B" and "C" customers are quickly nearing extinction, and are not expected to make a come-back anytime soon.

So where does that leave customer segmentation? Perhaps the most logical approach is to look at it from the supply side: which customers are worthy of doing business on a ship-to basis, and which ones might be better served through a secondary distribution channel? Ask a salesperson who they should no longer be calling on, and you're likely to get a somewhat biased answer. For this reason, a logistics staff is best suited to make the distinction, using neutral analysis and numbers as their rationale. Once the smaller customers are folded into someone else's number, converting to less expensive coverage options (like telesales) becomes easier.

Summary: Make It Work for You

True, we can identify many common issues, common choices and common ground among CPG sales organizations, where customer management teams are becoming a common presence. Even so, there's another truth: no two CPG organizations are created equal. As such, there is no cookie-cutter or one-size-fits-all approach to structuring customer management teams. Examining how others are doing it may reveal their rationale, which is certainly important. But even more important is examining your own organization's plans, abilities and constraints. By turning the focus inward, organizations will be able to design their optimal go-to-market teams.

This inward gaze reveals the realities of your specific company, which in turn offers valuable insight into reporting relationships, incentives, job locations and more. Once you've examined how it works, you can then determine how it looks, in the process making sure the two are aligned. Adequate numbers of properly trained staffing, empowered by business processes and technology that support overall objectives and strategy – this is how you sharpen your organization's focus on the customer.

Before you know it, other organizations will be looking at you, scratching their heads and asking themselves "What are they doing?" Obviously, something right. V

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