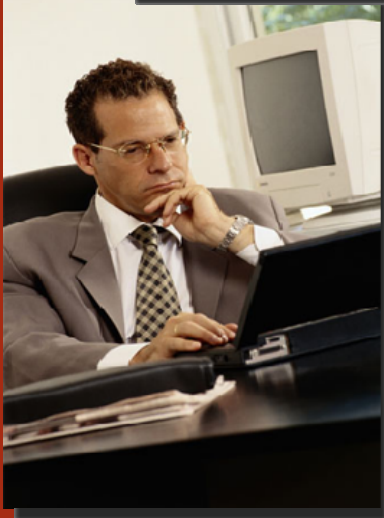




Assessing Your Sales Resources

A Comparative Guide



DechertHampe
Consulting

Assessing Your Sales Resources – A Comparative Guide

Sales Headcount...two words that cause consternation among top management, finance, human resources, and of course, sales. Two words that are heatedly debated, generally with fervent points of view, and often with minimal factual support. Two words that don't have to cause the teeth gnashing that they often do.

There is little disagreement that the face of the sales organization has changed dramatically over the past decade. Gone are the backslapping, golf playing, entertainment-oriented sales managers of old. The old school sales manager has been replaced by today's business manager. In addition to strong selling and negotiation skills, today's business manager needs team building skills, analytical skills, the ability to build relationships, the ability to work across many of a customer's departments, and the ability to be an ambassador for his/her company.

But the age-old question remains. How many people do I need to effectively run my sales organization and what level of sales support do I need to have in place? In an attempt to answer this question, many companies turn to benchmarking. While benchmarking is a traditional and time-honored methodology to assess best practices and resource allocation, it may not be the best option for determining optimal sales head count/resourcing. Why not?

For benchmarking to be effective, a company must ensure that they are benchmarking against a selection of comparable companies. This effort often proves difficult since there is such a wide variability in the way that companies structure and staff their sales organizations. Factors that impact resource allocation include:

- Size of company
- Number of categories/product lines
- Category dynamics: Competition, promotion frequency, importance of retail coverage
- Profile of product portfolio (leader, second tier, commodity)
- Financial constraints
- Resource deployment preferences/philosophy (dedicated/direct vs. shared/broker/rep/third party)

A review of some of the significant differences among varying types of companies highlights how benchmarking must be closely aligned to a company's go-to-market approach. To understand the impact of how variables can impact sales resources allocation, we have looked at a number of factors that are key drivers in allocating sales resources, including:

- Company size
- Product type
- Sales representation (direct, broker, hybrid)

Overview

Our review covers externally focused resources (account management and broker management), internal/sales support resources and resources allocated against specific account teams. Not surprisingly, gross sales dollars per headcount generally increase with company size, due in large part to economies of scale.

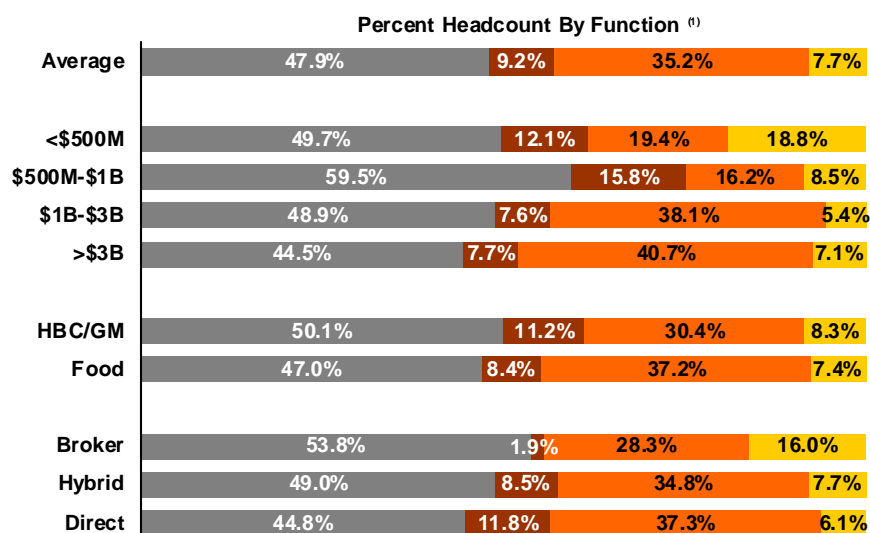
	COMPANY SIZE			
	<\$500M	\$500M - \$1.0B	\$1.0B - \$3B	>\$3B
\$ Per Headcount Total Sales Organization	\$7,879	\$7,273	\$11,714	\$13,904
\$ Per Headcount External Sales Team	\$12,745	\$9,662	\$21,925	\$26,622

Note: This study included 20 CPG (Consumer Packaged Goods) companies with total manufacturer sales in excess of \$50B. However, since these 20 companies are further segmented throughout this study, the "\$ per headcount" data is, therefore, based on a relatively small sample size. As a result, \$/headcount may be over/understated vs. broad industry averages.

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Internal vs. External Resources

While the absolute headcount (and dollars per headcount) increases with company size, the relative allocation of external vs. internal resources does not vary significantly (with the exception of companies with sales of \$500M-\$1B, where one company's strategy includes using numerous Account Managers). On average, 57% of a sales organization's human resources are allocated to external / field positions (Account, Broker and Retail management*). However, the ratio of internal (support functions) to externally oriented resources increases with company size due to the increasing complexity of larger organizations.



(1) Numbers expressed as a percent of total sales headcount

External Associates:

- Customer Management
- Retail Operations & Supervision

Internal Associates:

- Sales Support
- Other Sales

**This study did not include any assessments of retail sales personnel who would have responsibility for calling on retail stores (food, drug, mass, convenience, value, etc.). Therefore, the Retail Managers included in the external/ field assessment represent the personnel responsible for supervising / managing a retail sales force. Additionally, this study did not include any assessments of other functional groups that may report to sales (e.g., Customer Service).*

Regardless of company size, a majority of Sales organizations have allocated 45% to 60% of their sales resources to customer facing / management functions (account management, broker management) with a survey average of 48%.

The allocation of Retail Operations and Supervision resources range from 8% to 16% of total sales resources and tend to decrease as a percentage of total sales resources with the size of the company and the number of trade channels a company markets their products through.

Sales Support and Other internal/headquarter-oriented functions represent on average 43% of a company's total sales resources. Larger companies and companies who participate in multiple product categories and/or have products moving through numerous trade channels have a higher percentage of internal resources (48% on average for companies >\$3 Billion, and as high as 54% for one of these companies with multiple categories moving through a large number of trade channels).

While resources allocated to internal support functions increase with company size, how these resources are utilized also varies by company size. Smaller and mid-sized companies devote internal resources to core sales support groups (category leadership, sales planning, customer development, and sales analysts) but do not have the breadth of internal support that large companies are able to employ in such areas as customization, co-marketing, sales communication and sales learning.

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Companies employing a broker network typically devote internal resources to core sales support groups while looking to their broker partner to supply additional sales support.

Function	% of Companies Devoting Resources To Various Sales Support Functions									
	Overall Average	Company Size				Sales Approach			Product Portfolio	
		<\$500M	\$500M - \$1.0B	\$1.0B - \$3.0B	>\$3.0B	Broker	Hybrid	Direct	Food	HBC/GM
Category Leadership	80.0%	66.7%	80.0%	80.0%	100.0%	62.5%	90.0%	100.0%	75.0%	87.5%
Sales Planning	75.0%	50.0%	100.0%	60.0%	100.0%	62.5%	80.0%	100.0%	83.3%	62.5%
Administration	75.0%	33.3%	80.0%	100.0%	100.0%	50.0%	90.0%	100.0%	75.0%	75.0%
Customer Development	65.0%	50.0%	40.0%	80.0%	100.0%	62.5%	60.0%	100.0%	66.7%	62.5%
Operations	65.0%	33.3%	80.0%	80.0%	75.0%	37.5%	80.0%	100.0%	75.0%	50.0%
Technology	60.0%	16.7%	80.0%	80.0%	75.0%	50.0%	60.0%	100.0%	75.0%	37.5%
Trade Development	50.0%	16.7%	60.0%	60.0%	75.0%	37.5%	60.0%	50.0%	41.7%	62.5%
Sales Analyst	45.0%	50.0%	40.0%	20.0%	75.0%	50.0%	30.0%	100.0%	50.0%	37.5%
Sales Learning	35.0%	0.0%	20.0%	80.0%	50.0%	12.5%	60.0%	0.0%	33.3%	37.5%
Sales Communication	30.0%	0.0%	0.0%	60.0%	75.0%	12.5%	50.0%	0.0%	33.3%	25.0%
Other Not Listed	20.0%	0.0%	40.0%	20.0%	25.0%	0.0%	40.0%	0.0%	16.7%	25.0%
Co-Marketing	15.0%	0.0%	40.0%	0.0%	25.0%	12.5%	10.0%	50.0%	25.0%	0.0%
Customization	10.0%	0.0%	0.0%	20.0%	25.0%	12.5%	10.0%	0.0%	16.7%	0.0%

Internal Sales Support

The bulk of a sales organization's Support resources (55%) are typically allocated to the Sales Planning, Category Leadership, Customer Development and Operations functions. Some large companies with numerous product categories report allocating over 80% of their sales support resources to these four core support groups.

On average, companies allocate about 30% of their sales support resources to the Sales Planning and Operations functions. The relative allocation of these resources does not change dramatically based on company size or between broker and hybrid sales organizations.

Category Leadership resources average 16% of a sales organization's support resources (and 11% of total sales resources), making this function the second most prevalent support group (after Sales Planning). The relative percentage of Category Leadership resources increases with the size and complexity of the company, and is reduced significantly (by one-half or more) for those companies with full service broker representations.

Some of the less prevalent support groups, including Customization (average 6% of sales support resources), Co-Marketing (average 7%) and Sales Technology (average 4%) often report to departments other than sales – particularly in the case of small companies – and therefore are difficult to compare between companies.

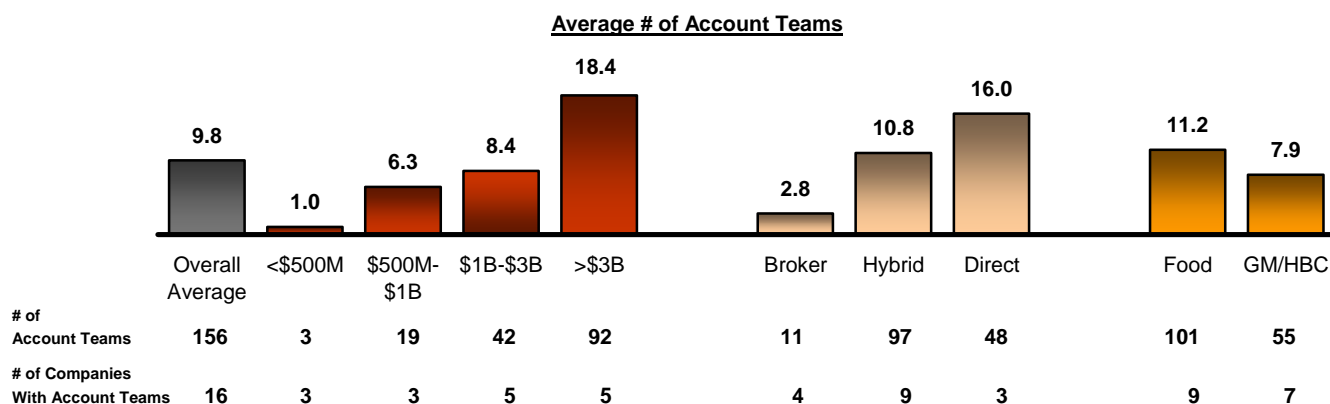
Function	Allocation by Sales Support Function (1)									
	Overall Average	Company Size				Sales Approach			Product Portfolio	
		<\$500M	\$500M - \$1.0B	\$1.0B - \$3.0B	>\$3.0B	Broker	Hybrid	Direct	Food	HBC/GM
Sales Planning	19%	5%	12%	12%	23%	6%	16%	29%	22%	12%
Category Leadership	16%	12%	15%	18%	19%	5%	16%	17%	17%	20%
Customer Development	10%	11%	10%	14%	9%	9%	7%	17%	9%	15%
Operations	10%	8%	5%	10%	13%	13%	5%	17%	11%	5%
Sales Analyst	7%	7%	5%	2%	7%	4%	7%	8%	9%	2%
Co-Marketing	7%	–	5%	–	7%	4%	15%	1%	6%	0%
Administration	6%	26%	11%	15%	4%	20%	7%	2%	5%	13%
Sales Communication/Training	6%	–	3%	7%	4%	9%	6%	0%	6%	10%
Customization	6%	–	–	4%	4%	9%	8%	0%	5%	0%
Technology	4%	5%	5%	5%	5%	4%	5%	3%	4%	5%
Trade Development	2%	5%	5%	2%	1%	4%	2%	2%	2%	3%
Other / Senior Management	8%	21%	23%	11%	5%	13%	7%	4%	5%	15%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) Numbers expressed as a percent of Sales Support headcount. Average percent by company size and type includes only those companies staffing that specific function.

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Account Teams

Sales resources allocated to account teams vary dramatically across companies depending on the manufacturer's sales approach and the size of the company. The utilization of account teams is one area where "size really matters". It is very clear that the larger the company, the more resources that can be invested in fielding account teams and the headcount allocated to those teams. Smaller companies (<\$500M) typically only field a Wal-Mart team while larger companies (>\$3B) field eighteen separate account teams. Companies that go to market through brokers field fewer account teams (on average 3) since these manufacturers are often relying on their broker partners to provide customer coverage, and as required, account teams. HBC/GM companies tend to have fewer account teams (~8) than food companies (~11) since some of their key customers are in the drug class of trade, where account teams are less prevalent.



Not surprisingly, Wal-Mart is the retail account with the most account teams, generally regardless of company size, sales approach or product categories in which the manufacturer competes. While smaller companies do not typically have the financial resources to field a broad array of account teams, the importance of Wal-Mart (both in \$ sales and in strategic value) dictates that if a company is going to field an account team, it starts with Wal-Mart.

Kroger and Safeway both have broad account team representation across all but the smallest companies. This broad penetration of account teams assigned to Kroger and Safeway is, in all likelihood, due to the size and complexity of these key customers (numerous retail banners, geographically dispersed, multiple decision points, individual planogram / distribution decisions).

% of Companies with Account Teams

Team	Overall Average	Company Size				Sales Approach			Product Portfolio	
		<\$500M	\$500M - \$1.0B	\$1.0B - \$3.0B	>\$3.0B	Broker	Hybrid	Direct	Food	GM / HBC
Wal*Mart	71%	50%	40%	100%	100%	50%	80%	100%	67%	78%
Kroger	57%	0%	60%	80%	100%	13%	80%	100%	58%	56%
Safeway	52%	0%	60%	80%	80%	13%	80%	67%	50%	56%
Target	43%	0%	20%	80%	80%	13%	60%	67%	42%	44%
COSTCO / Club	43%	0%	20%	80%	80%	25%	50%	67%	50%	33%
Publix	43%	0%	40%	60%	80%	13%	50%	100%	42%	44%
Ahold	38%	0%	40%	40%	80%	13%	50%	67%	42%	33%
Albertsons	33%	0%	40%	40%	60%	0%	50%	67%	33%	33%
HEB	33%	0%	40%	40%	60%	0%	50%	67%	25%	44%
Kmart	29%	0%	20%	40%	60%	0%	40%	67%	25%	33%

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While the number of account teams fielded increases with company size (refer to previous chart), as shown on the chart below, the personnel allocated to these teams does not follow a similar pattern. The average account team size is around 3-4 people for all companies below \$3B in sales. Larger companies (>\$3B) however, have significantly larger account teams (averaging 17 people per team). These larger companies generally have the financial resources to field a broad array of account teams, and due to the complexity of these large businesses (more products, more categories, more supply chain issues/initiatives) they need larger teams.

Team	Overall Avg	Company Size				Sales Approach			Product Portfolio	
		<\$500M	\$500M - \$1.0B	\$1.0B - \$3.0B	>\$3.0B	Broker	Hybrid	Direct	Food	GM / HBC
Average H/C per Account Team	9	3	4	3	17	2	8	14	9	9
Wal*Mart	22	3	4	8	55	3	16	67	25	19
Kroger	13	0	8	4	24	1	11	22	16	9
Safeway	6	0	5	2	9	1	6	5	6	5
Target	9	0	1	3	17	1	9	13	7	11
COSTCO / Club	5	0	2	3	9	4	7	3	5	6
Publix	7	0	6	1	12	1	6	10	8	5
Ahold	7	0	5	1	11	1	9	3	6	8
Albertsons	8	0	4	3	13	0	9	6	7	9
HEB	4	0	4	2	5	0	4	3	4	3
Kmart	8	0	1	3	13	0	6	11	4	11

While these larger companies field larger teams, the percentage of a total sales force that is devoted to account teams is not in direct proportion to sales. Large companies (>\$3B) have an average of seventeen people assigned to account teams, which represents approximately 25% of the sales organization, a percentage that is generally in line with all but the smallest companies (who allocate about 5% of their sales resources to account teams). Companies that field a direct sales organization, however, devote a significantly higher percent of their sales group to account teams (37%). This is due, in large part, to the fact that direct companies bear 100% of the responsibility for customer contacts and have elected not to use any broker assistance.

	Overall Avg	Company Size				Sales Approach			Product Portfolio	
		<\$500M	\$500M - \$1.0B	\$1.0B - \$3.0B	>\$3.0B	Broker	Hybrid	Direct	Food	GM / HBC
% of Sales Resources Allocated to Account Teams	19.5%	5.5%	15.6%	24.8%	25.4%	10.8%	26.3%	37.1%	23.2%	21.7%

Conclusion

Today's companies are taking a strategic approach to resource allocation and organization development based on their individual go-to-market approach, the categories in which they participate, the financial resources available and what other comparable and/or competitive companies are doing.

These factors must each be considered and evaluated when assessing the appropriate allocations of sales resources; but establishing the right allocation of sales resources and figuring out what works best for your company is generally hard work. Gone are the days when you could merely evaluate your closest competitor, or mirror a company of comparable size. Today, sales resource allocation needs to be based on a variety of factors that are important to your business and the way you go to market. While benchmarking remains a key ingredient in any assessment of sales resources, it must be carefully designed to ensure that you are benchmarking the right companies for the right reasons.

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Methodology

The objective of this study was to better understand functional staffing levels, resource allocations and the extent to which they vary by type of company and size of sales organization among various U.S. CPG sales organizations.

Dechert-Hampe & Company (DHC) contacted, researched, and collected data on a number of CPG sales organizations. The types of companies included Food, HBC, and General Merchandise manufacturers. The participants were aggregated into four categories on the basis of Annual Gross Sales: <\$500M, \$500M-\$1B, \$1B-\$3B, and >\$3B. The functional areas surveyed included Field and Headquarter Sales positions, including: Account Management, Broker Management, Retail Management/Supervision, Category Management, Operations, Co-Marketing, Administration, and others.

Twenty-four companies participated and shared data via personal interviews and a “blind” survey. The survey reflects the results of the 20 companies who provided the most complete information.

Participant Overview

Type of Company ⁽¹⁾	Food	HBC	GM	TOTAL
# of Companies	12	5	3	20
Size of Company	<\$500M	\$500M - \$1B	\$1B – \$3B	>\$3B ⁽²⁾
# of Companies	6	5	5	4
Types of Sales Representation	Broker	Hybrid	Direct	
# of Companies	8	10	2	

⁽¹⁾ Some companies market products in multiple categories. Gross sales volume was used as the primary determinant for categorization.

⁽²⁾ One additional >\$3 Billion company provided Account Team information only

About The Authors

For more information on this research, or if you are interested in participating in future studies, please contact one of the authors.

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About Dechert-Hampe

Dechert-Hampe & Company (DHC) is a management consulting firm with offices in Connecticut, Illinois and California. DHC provides Sales and Marketing consulting services to the consumer products and services industries. We work with clients to deliver integrated, customer focused solutions and to help clients generate increased ROI from their sales and marketing investments.

For additional information on Dechert-Hampe, or any of our services, visit our web site www.dechert-hampe.com, or contact one of our offices.

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