Sales team transformation for industrial packaging player

Client context

- Worldwide leader in industrial packaging

- Significant competition in highly commoditized market

- Fragmented market with large customers making up less than 30% of their business

- Had established global commercial excellence program and wanted to use this to accelerate China growth

- Change program covered USD 80 million in sales
  - 24 key accounts around USD 30 million in sales
  - 200+ small accounts covering USD 50 million in sales

Client name: X
Team set-up: X
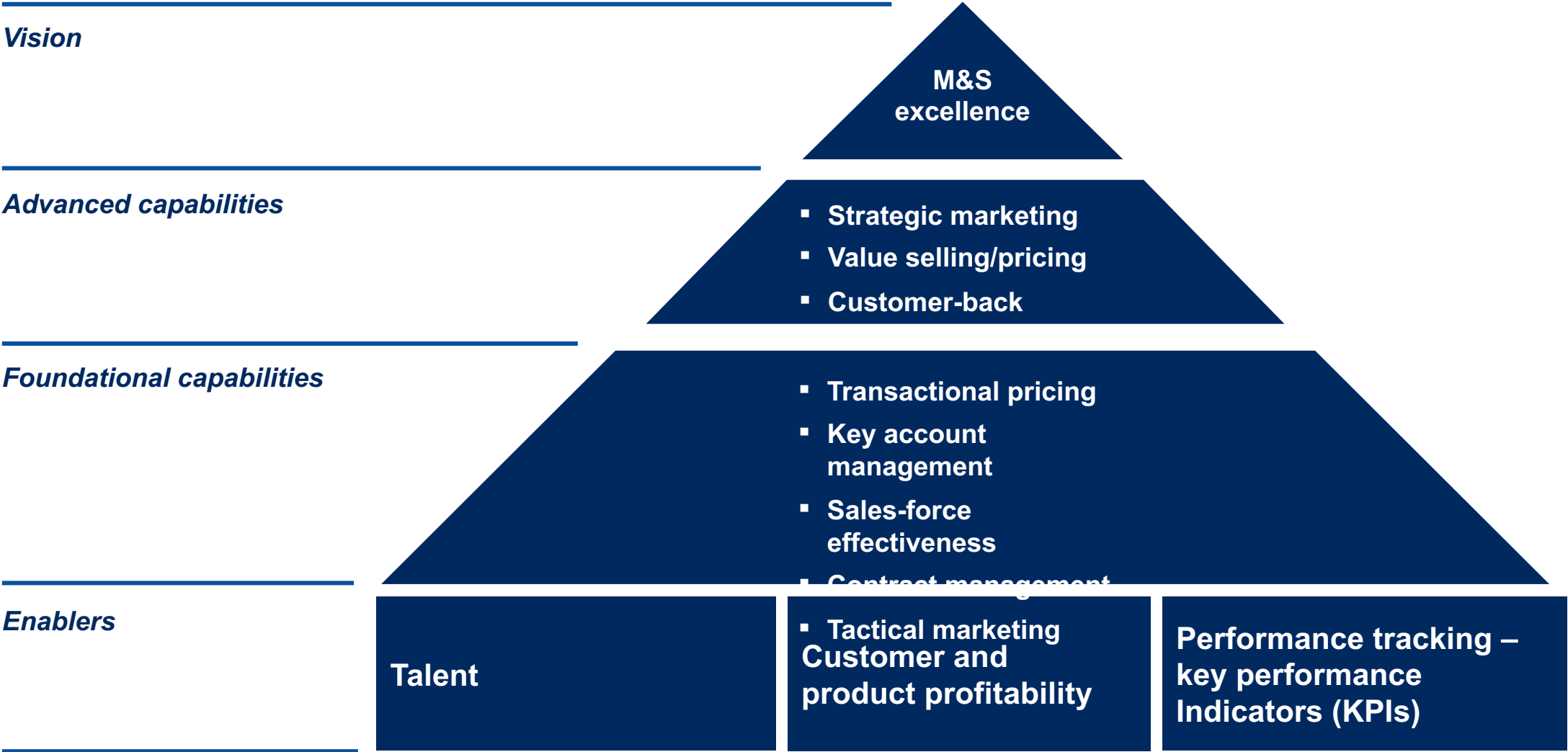**Fees Structure:** X

Approach

- Focus on two key sales packages:

- Key account manager training
  - Comprehensive transformation package including workshop teaching and one-on-one coaching
  - Use specially-tailored China cases for company
  - Focus on transactional pricing tool as basis for quantitative account management
  - Active problem-solving / support by key managers

- Small account analysis and change support
  - Development of specific suite of tools built on detailed data analysis to screen for opportunities
  - Active involvement of key pricing analysts and financial analysts in the process to build capabiltieis

What was unique: X

Impact

- Sizeable 5% financial payback
  - Expected profit impact of USD 4 million of impact expected in 2 years
    - Key accounts USD 2 million (approx. 6% impact)
    - Small accounts USD 2 million (approx. 4% impact)
  - 0.6% profit impact around USD 0.5 million already achieved in 6 months
    - Key accounts USD 0.2 million (approx. 0.6% impact)
    - Small accounts USD 0.3 million (approx. 0.6% impact)

- More than 30 skilled key account managers and pricing analysts trained and able to radiate to rest of organization

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Articulated coherent and tailored commercial operating system…

Vision

M&S excellence

Advanced capabilities

- Strategic marketing
- Value selling/pricing
- Customer-back

Foundational capabilities

- Transactional pricing
- Key account management
- Sales-force effectiveness
- Contract management

Enablers

Talent

- Tactical marketing
Customer and product profitability

Performance tracking – key performance Indicators (KPIs)

… with benefits of key modules…

	Target	Key tools/analysis	Outcome/benefits
Key account management	▪ Key account managers	▪ Periscope ▪ Sales force management system	▪ Active customer serving ▪ Systematic account action follow up
SFE	▪ Sales manager ▪ Sales rep	▪ Leads funnel ▪ Sales pipeline ▪ Portfolio prioritization and time management	▪ Profitable growth through effective acquisition of new customers and development of existing ones
Tactical marketing	▪ Marketing managers	▪ Customer/product profitability analysis ▪ Complexity analysis	▪ Optimized customer and product mix ▪ Optimization of sales support
Contract management	▪ Sales manager ▪ Sales rep ▪ Legal department	Contract template	▪ Streamlined pricing procedure / contracts
Transactional pricing	▪ Finance ▪ Sales manager ▪ Sales force	▪ Pricing policies and rules ▪ Pricing enforcement tracking report	▪ Prevention of leakage due to pricing enforcement issues

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…And a clear picture of overall shift

From	To
• Operational and financial focus	• Customer and market focus
• Gross margin focus	• Net profitability by customer, product and machine hour (pocket margin)
• Sales and Marketing co-workers with varying levels of competencies	• Elevated stature of Sales And Marketing departments thanks to continuous training and development for newcomers and experienced professionals
• Varied approach to sales and marketing	• One standard approach across the company on sales and marketing with a common set of skills and tools

• Lack of clarity in:
  − measuring Sales and Marketing department performances
  − identifying high (and low) calibre people
	• Common tools and processes to:
	  − measure Sales and Marketing department performances
	  − attract, develop and retain sales and marketing talent

• Defensive to customer pressure and one dimensional approach	• Realize the full value through:
	  − understanding what customers value
	  − targeting sales and marketing effort

• Variable understanding and management of profit leakage	• Thorough understanding and systematic approach of profit leakage management

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Supported by clear roll-out framework covering process, tools and required capabilities

	Description	**KAM example**

Process

- End-to-end process for each capability and enabler
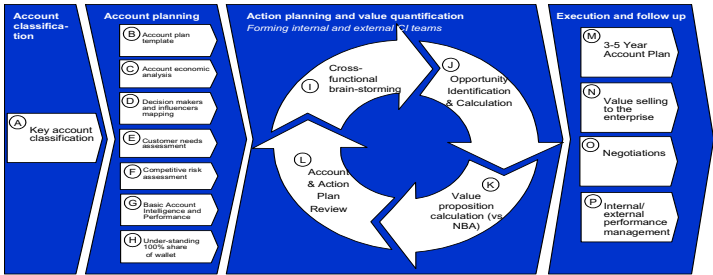
Tools

- Complete toolkit to support the front line

- Account plan
- NBA analysis tool
- Action tracking tool

Skills and competencies

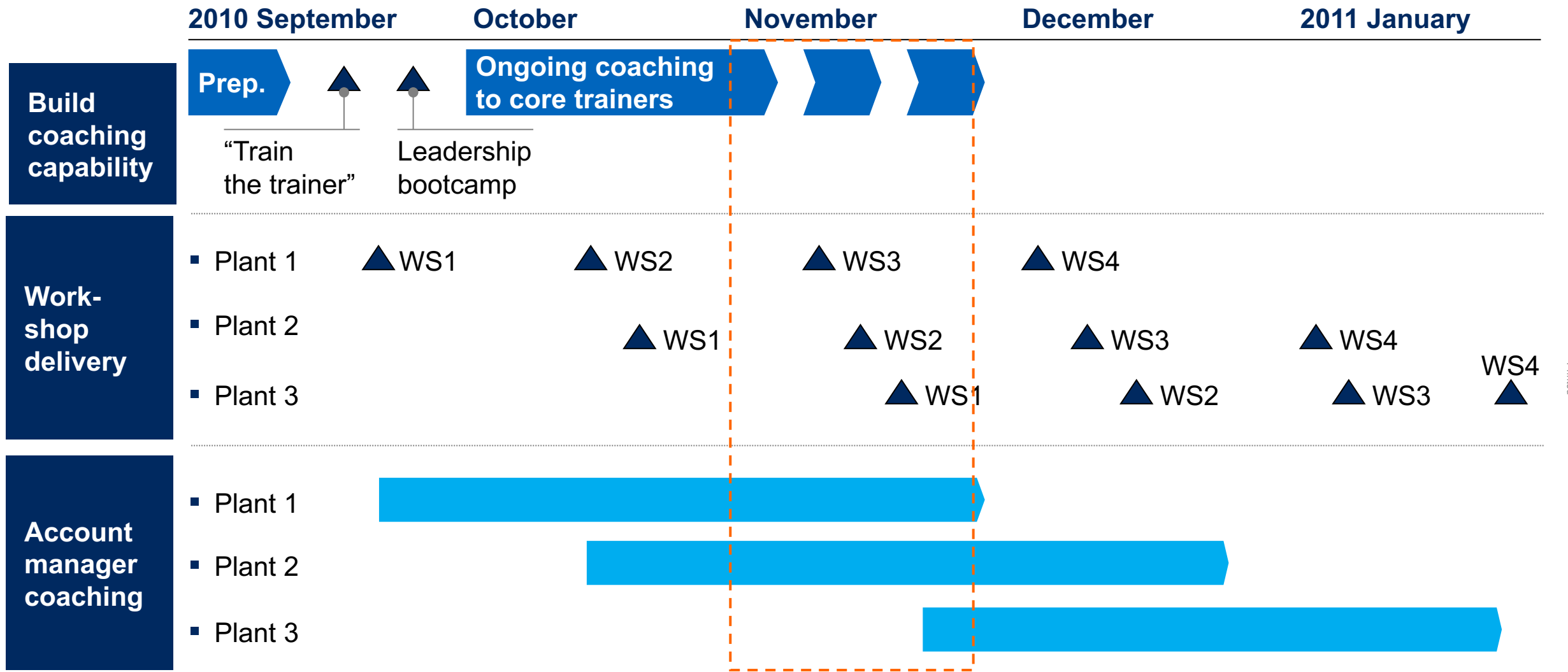- Pivotal roles defined for each capability along with a common set of job descriptions and competencies

- Job description   Competency grid

Drove roll-out in Asia with 3 month project with workshops and hands-on coaching

	2010 September	October	November	December	2011 January
Build coaching capability	Prep.	Ongoing coaching to core trainers			
	"Train the trainer"	Leadership bootcamp			
Work-shop delivery					
■ Plant 1	△ WS1	△ WS2	△ WS3	△ WS4	
■ Plant 2		△ WS1	△ WS2	△ WS3	△ WS4
■ Plant 3			△ WS1	△ WS2	△ WS3 △ WS4
Account manager coaching					
■ Plant 1					
■ Plant 2					
■ Plant 3					

Monthly timeline: Active cycle of performance reviews

Detailed subsequently

Workstreams		Week 1	Week 2	Week 3	Week 4

1 Build coaching capability

Ongoing coaching / reflection with client trainers

2 Workshop delivery

- Plant 1
  - ▲ Workshop 3 on Key Account Management
  - ▲ Workshop 3 on Sales Force Effectiveness

- Plant 2
  - ▲ Workshop 2 on Key Account Management
  - ▲ Workshop 2 on Sales Force Effectiveness

3 Account manager coaching

- Plant 1
  - ▲ Coaching sessions led mainly by McKinsey with client trainer participation (12 x 2 hours)
  - ▲ Coaching sessions led mainly by McKinsey with client trainer participation (12 x 2 hours)
  - ▲ Rehearsal for presentation to business leadership (6 x 1.5 hours)
  - ▲ Presentation to business leadership on key account plan (12 x 1 hour)

- Plant 2
  - ▲ Coaching sessions led by McKinsey (10 x 2 hours)
  - ▲ Coaching sessions led by McKinsey (10 x 2 hours)
  - ▲ Rehearsal (5 x 1.5 hours**)

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Weekly timeline: Hands-on coaching

☐ Background analysis and preparation activities

Workstreams			Monday	Tuesday	Wednesday	Thursday	Friday
① Build coaching capability	• AM						Post coaching session reviews with client trainers
	• PM				Post workshop session review with client trainers		
② Work-shop delivery	• AM		Workshop on Key Account Management	Workshop on Sales Force Effectiveness			
	• PM					Preparation of China-based cases for discussion in workshops (~ 2-3 days per monthly session)	
③ Account manager coaching	• AM		Preparation for coaching session: • Review of PMDB to identify potential for improvement • Recap of cross-cutting themes post coaching session		Coaching sessions with 12 members @ 2 hours per individual (2 sessions in parallel at each moment)		Recap of cross-cutting themes post coaching session
	• PM						Impact analysis and overall gap to opportunity

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Imparted critical skills in quantitative transactional pricing analysis

Understand where leakages exist…

Customer leakages analysis

% of Revenue

Customer rebates are not tied to any incentives

Sometimes customer takes discount for early payment…

Other costs such as EDI, VMI, special rush shipments, joint consulting, etc. need to be factored in

Transport costs are greater than freight revenue – another leakage

100 · 1 · 3 · 3 · 2 · 9 · 82 · 3 · 1 · 50 · 7 · 21 · -2

Total revenue | Rebates | Early pay | Late pay | Payment differences | Transportation | Pocket price | General admin | Selling expense | Material | Production labor | Other production costs | Pocket margin

Analysis of performance by account and by product requires transaction-level database

…and the profitability of specific products

Product by plant location

Pocket margin %

Increase share

Address low-performing SKUs

Revenue
RMB Millions

Opportunity frequently exists to boost profitability on specific loss-making SKUs

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Identified opportunities for sales team to increase customer-facing time by 20%

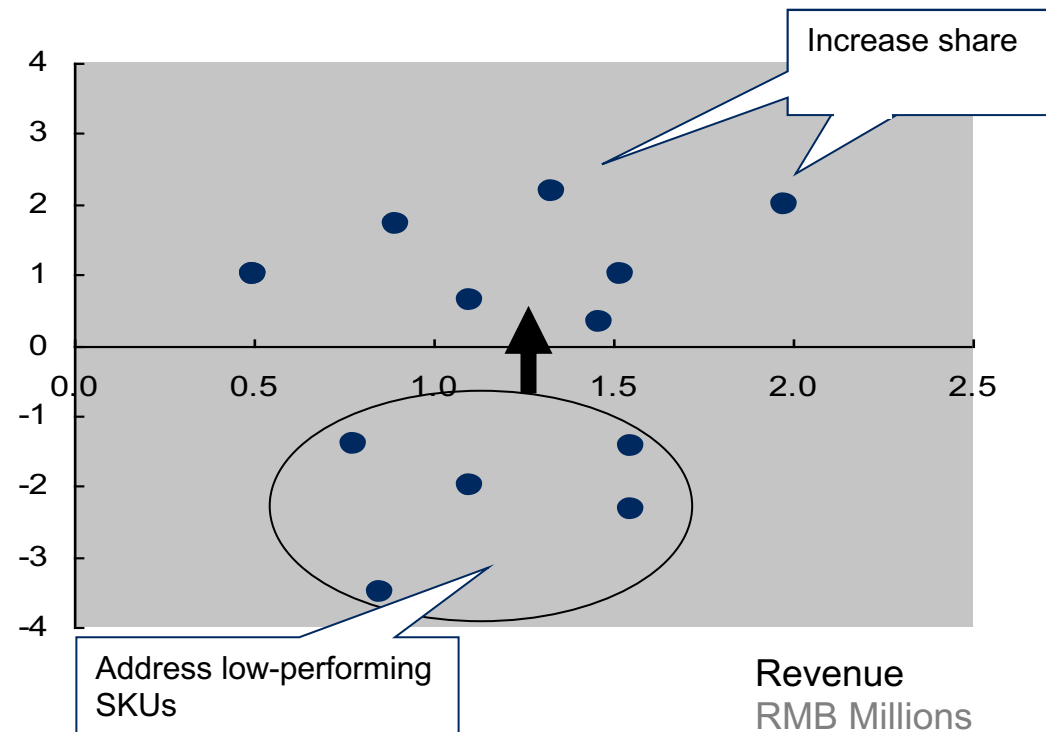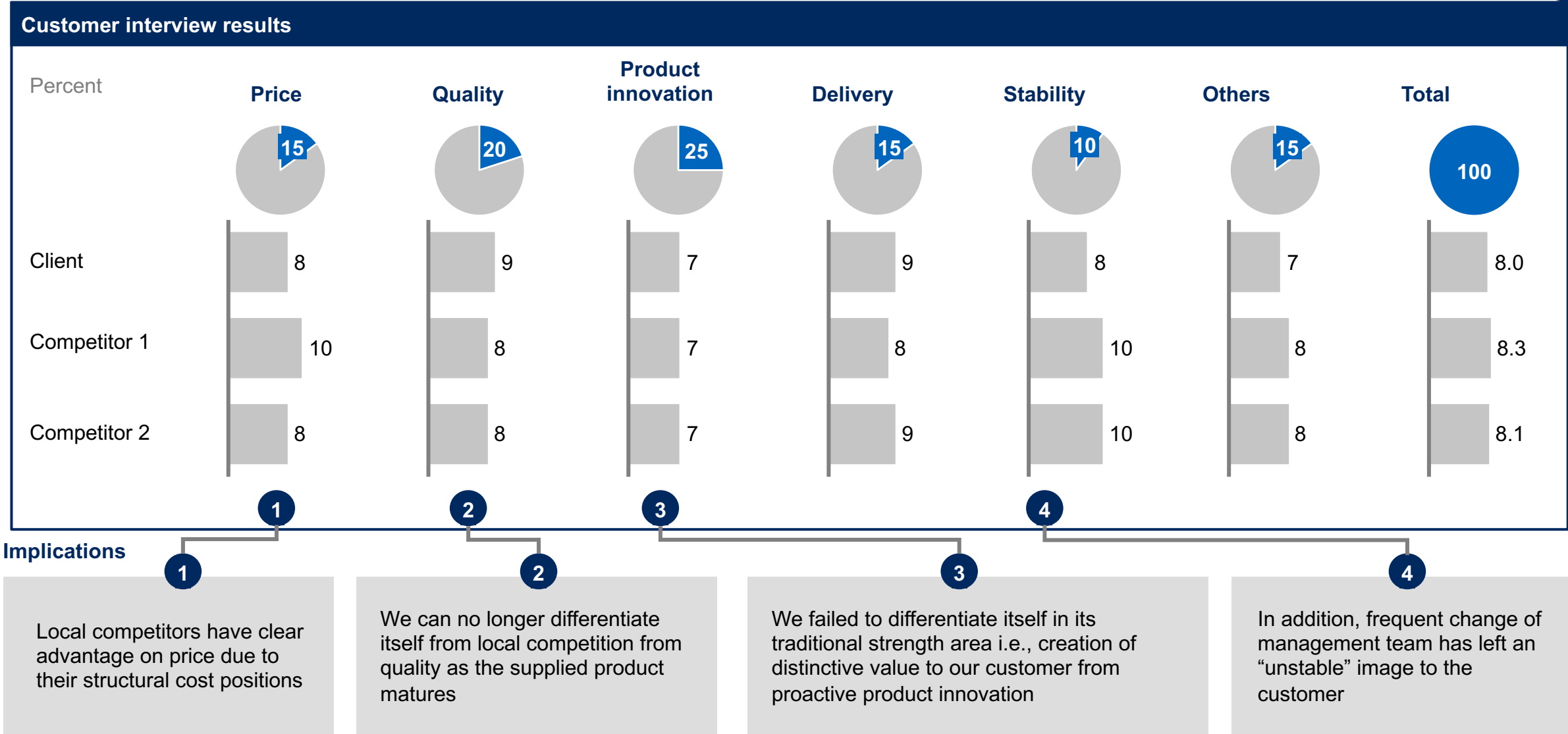| Activity type	Activities	% time involved	% removed[3]	% delegated to support team	Key initiatives
Customer contacts	▪ Phone calls ▪ Face-to-face	14% 15%	- -	- -	▪ Set up calling norms and prioritize accounts[1] ▪ Focus on shifting to calls rather than visits
Traveling	▪ Travel and waiting	20%	25%	-	▪ Optimize travel logistics and only make necessary visits
Meetings	▪ Internal meetings ▪ Interdepartment (troubleshooting)	10% 5%	25% 25%	- -	▪ Cut down on non-essential meetings and improve efficiency
Paperwork	▪ Memo ▪ Reports	10% 10%	- 25%	50% -	▪ Delegate paperwork to team assistant; sales officers to give input and review ▪ Use standardized reports
Others	▪ Training ▪ Miscellaneous and errands	6% 10%	- -	- 25%	▪ Delegate miscellaneous items and errands to admin as much as possible
		100%	11.25%	7.5%[2]	

Can achieve 20% more time for sales activities

1 Not necessarily saving time, but will help improve effectiveness and coverage of the contacts
2 Assuming 30 hours/week of assistant's time can be dedicated, we need approximately one assistant per ten sales officers
3 Based on sales officers and sales managers interviews

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Work with account managers to drive detailed account by account action plan

	Value proposition	Account strategy	Action name	Actions	Value RMB mn		
					Jan-Mar 2011	Apr-Jun 2001	Jul,11-Jun,13
Account 1	Ensure stable and high quality supply to assist the customer to successfully ramp up production	▪ Optimize product structure and stabilize quality to improve customer's manufacturing efficiency	▪ Reduction of XXX cost	▪ Negotiate with XXX to increase market share by 17% to 75%	8.3	8.3	67.1
			▪ IncreasingXXX dimension	▪ Grow volume by XXX through enhanced appeal to XXX need	0.5	1.3	11.2
Account 2	Support XXX to grow rapidly in the middle end segment by supplying products with stable quality and of price advantage	▪ On the basis of stable product delivery, maintain exclusive supplier position for middle-end products by ensuring sustainable cost advantage	▪ Upgrading XXX	▪ Enter XXX markets by upgrading XXX machines (from XXX to XXX), with expected annual sales of 6 million	6.7	10.0	146.9
			▪ Increasing XXX speed	▪ Reduce cost by XXX% through increasing XXX speed (from XXX to XXX) and XXX replacement	7.5	11.4	250.4
		▪ Improve printing quality and gradually enter high-end market	▪ Increasing pouch price	▪ Increase price of XXX product by XXX%	2.5	2.5	41.7
Account 3	Proactively drive quality and product innovation to help XXX improve its product brand value	▪ Launch [client] specific quality improvement initiative to ensure consistent and stable product quality,	▪ Improving production cost	▪ Expand share of wallet through systematically optimizing XXX/XXX/XXX/XXX structural cost (XXX%) — Increase production volume XXX times by manufacturing semi-finished product XXX/XXX/XXX in advance. — Replace XXX by XXX (0.6%) — Replace XXX by XXX, reduce cost by XXX%, and XXX% rebate to the customer	9.8	9.8	103.5
		▪ Become [client] supplier chain partner through high-quality service and global technology advantage	▪ Improve overall quality	▪ Develop XXX customer specific quality assurance guideline and improve overall manufacturing quality — Reduce replenishment transportation by XXX times every year in average, RMB XXXfor each time — Avoid XXX% quality loss and increase the share of product by XXX%	30.1	30.4	264.6

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Supported account managers in driving for deeper customer insight

Customer interview results

Percent	Price	Quality	Product innovation	Delivery	Stability	Others	Total
	15	20	25	15	10	15	100
Client	8	9	7	9	8	7	8.0
Competitor 1	10	8	7	8	10	8	8.3
Competitor 2	8	8	7	9	10	8	8.1

1 **2** **3** **4**

Implications

1 Local competitors have clear advantage on price due to their structural cost positions

2 We can no longer differentiate itself from local competition from quality as the supplied product matures

3 We failed to differentiate itself in its traditional strength area i.e., creation of distinctive value to our customer from proactive product innovation

4 In addition, frequent change of management team has left an "unstable" image to the customer

Impact – drove a doubling in gross margin in 18 months

Gross margin impact via key account management – 2x impact in 18 months

Indexed to current value = 100

100	Starting point
22	Realized in 6 mths
120	Realized in 18mths
180	Realized in 36mths
422	Total

Impact derived from:

- Volume growth (~50%)
- Product / customer mix change (~10%)
- Reduced cost-to-serve (~20%)
- Price increase (~10%)
- Plugging of leakages (~5%)

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