

# Strategic Initiatives

Vol. 2 No. 3



**Discover.**

**Analyze.**

**Strategize.**

**Implement.**

**Measure.**

## Optimize Sales Force Effectiveness

Aligning the Sales Effort with Market Opportunities

Traditional sales forces are inefficient. Typically structured around geography instead of demand corridors, traditional sales forces are missing out on growth opportunities. Opportunities are not evenly distributed around the country, and sales forces should not be evenly distributed. The Hale Group's *sales force allocation model* identifies the optimal sales structure to focus on the greatest market opportunities.

### Where is the Opportunity?

The foodservice market is not evenly distributed across the US. In general, the largest opportunities are in the largest population centers – in other words, the opportunity follows the general US population. If you look at data showing total restaurant sales across the country, you find that the largest markets are: Boston, New York, Philadelphia, Atlanta, Miami, Chicago, Dallas, Houston, Las Vegas, Denver, Phoenix, LA, San Francisco and Seattle. These 14 markets represent 22% of the population, and surprisingly, 36% of US restaurant sales.

Not surprisingly, the top US foodservice markets (including both commercial and non-commercial foodservice operations) mirror the top U.S. restaurant markets as shown below.

#### The Top US Foodservice Markets



Source: The Hale Group, Ltd.

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Population, and the closely related foodservice sales, represents only one portion of the opportunity picture. In addition to the overall demand, many product categories show strong regional demand.

For example, lemongrass is commonly used in Asian cuisines. The Asian American population is heavily concentrated in only five markets – specifically, New York, Los Angeles, San Francisco, Washington D.C. and Chicago. These markets alone represent 55% of the Asian American population or 5.7 million people.

As a result, the geographic markets for lemongrass will look entirely different from the market for a less regional product like processed cheese or salad dressing. When determining the allocation of the sales effort – how many resources are where – *it is important to consider not only the population distribution of the US, but the specific regionality of product categories.*

*A third consideration in answering the question of “Where’s the opportunity?” is the purchasing locations of key accounts – whether distributors, national or regional chains. To look at the two largest distributors as an example of the impact the customer’s structure can have on the manufacturer’s organization is illuminating. US Foodservice, has made the strategic decision to consolidate purchasing in Columbia MD. Sysco, on the other hand, makes many decisions in Houston, but leaves the decisions of what specific products will be stocked from a supplier to the 66 Individual Operating Companies. The organizational implication for the manufacturer looking to service both USFS and Sysco is significant. Since USFS makes purchasing decisions nationally, the level of support at the house level can be lower. To adequately service Sysco, who makes most decisions locally, requires a much stronger presence at each of the 66 Operating Companies.*

The location of key operator accounts can influence the staffing and resource requirements of the organization, whether national, regional or emerging chain accounts. The organizational structure to service these accounts will likely look quite different from the street sales organization.

There are some highly concentrated pockets of key accounts that will likely demand more sales support than the broader foodservice market would justify. Columbus Ohio is one important anomaly. Columbus is home to an unusually high concentration of chain headquarters for a small city. Columbus is the headquarters for the following chains: Wendy’s, Bob Evans, Bravo!, Damon’s, East of Chicago Pizza, Steak Escape, Lindey’s, Max & Erma’s, Sanese, and White Castle, and represent total sales of \$7.2 billion, in a city that has estimated restaurant sales of \$1.7 Billion. Excluding Wendy’s, the other national chains have sales of \$1.8 billion, roughly equal to the total restaurant sales in Columbus. With combined headquarters and restaurant sales of \$8.9 billion, Columbus is as big a market as Chicago, and demands more sales attention than a city of that size would normally warrant.

### **How does a manufacturer align against the opportunity?**

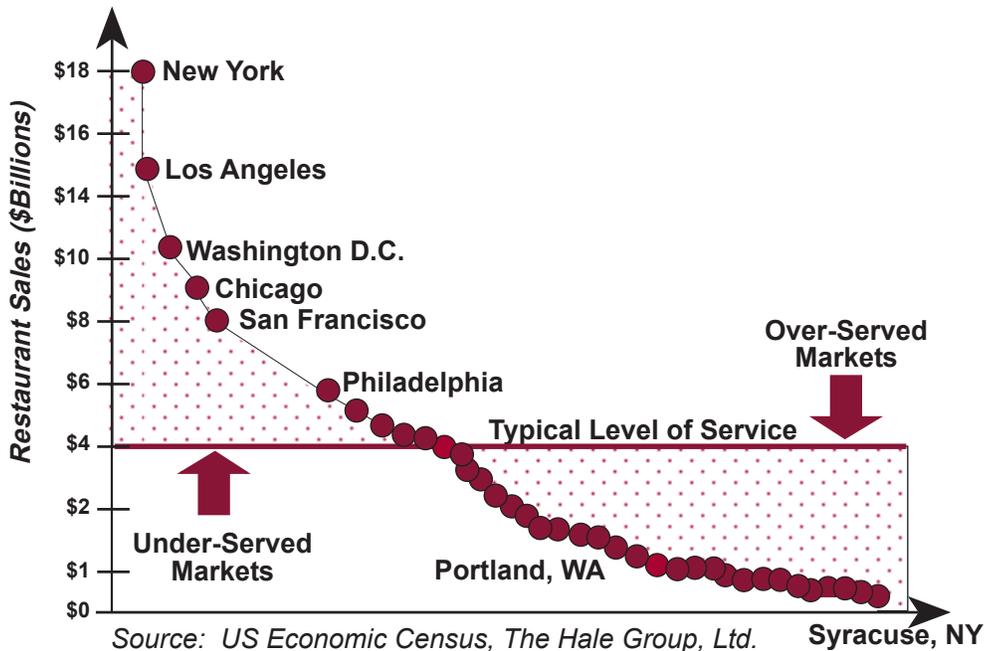
Most sales organizations we have encountered are designed to provide even coverage to the US on a geographic basis. Frequently, there are extended discussions about how large a sales area should be to allow adequate coverage by the sales people.

99% of the time this decision is based on the number of miles the sales person will drive or fly to adequately service the area. We have seen earlier that the opportunity is not evenly distributed throughout the country. Why should the sales force be evenly distributed?

Markets are either over-served or under-served by sales organizations. The chart above highlights the potential opportunity that is lost by providing any equal level of service in all markets.

Instead of being organized by geography, sales people should be assigned based on the market opportunity; but what is the market opportunity? The key is to build the opportunity up from the local or regional level. Ultimately, this will lead to logical and efficient staffing and service decisions.

## Top Restaurant Markets



the weather – hot chocolate, iced tea, and soup are some examples.

For a soup company, the northern half of the country has a longer and more severe winter, and a longer “soup season” than the southern half. As a result, if there are two markets identified in step one of equal population opportunity, one in the north and one in the south, the northern market will have a greater opportunity based on the influence of the custom and weather.

### ■ Identify Key Account Purchasing Locations

## The Process

### ■ Identify the Real Market Opportunity

The first step is to quantify what the opportunity is in each market for specified product categories. This is developed in a two-step process. The first step is to understand the foodservice opportunity by market, and then to develop a model that relates that overall opportunity (restaurant sales) to a product category (bacon sales).

### ■ Adjust the Opportunity for Regional or Seasonal Influences

Step two is to overlay the regional or seasonal influences in the product categories to the general market opportunity. Jalapeno peppers are one example where the markets in the south, southwest and west can be bigger opportunities than other areas of the country due to the long standing influence of Cajun, Tex-mex and Mexican cuisines. Seasonality can also play a role. There are many product categories where the sales are related to

The third step is to overlay the locations of key national regional and emerging operator and distributor accounts, and to quantify the opportunity in each account purchasing location. It is important to understand how and where the accounts purchase. As shown earlier, the amount and type of coverage for a centralized account (US Foodservice) versus a decentralized account (Sysco) will be very different.

### ■ Create the “Big Picture”

The final step is to adjust the general foodservice opportunity for regional or seasonal impacts, and then overlay the key account opportunity by geography. The result will be a “picture” of the market that is far from uniform. It is possible – even likely – that concentrated markets (New York, Los Angeles, Columbus) will have a significantly larger sales presence than geographically large portions of the country with less opportunity. For example, based on the opportunity it may make sense to have four times the sales effort in Las Vegas as all of North Dakota, South Dakota, Wyoming, Montana and Idaho. In the past, the sales organization may

have looked for even coverage (2 brokers or managers per state) regardless of the opportunity. This model allows manufacturers to tailor their resources on the basis of the opportunity.

Note that this analysis will have different implications for different sales models. Direct organizations may reallocate headcount to appropriately serve the market opportunity.

Brokered organizations have different options. One is to re-align the broker managers so the manager is devoting more resources to fewer brokers in high opportunity areas. The second option is to engage multiple brokers in a single large market (New York, Los Angeles, Chicago) that has the opportunity to support the effort.

### The Process



Source: The Hale Group, Ltd.

## Summary

Historically, foodservice sales organizations have strived for even geographic coverage. However, the foodservice marketplace is not evenly distributed throughout the country. The Hale Group's *sales force allocation model* was designed to help clients understand the market opportunity on a market-by-market basis and devote resources appropriately. It is important to note that re-distributing the sales resources does not mean an incremental increase in sales resources. Rather, it is the appropriate alignment of the sales effort against the opportunity that will lead to superior performance.

## About The Hale Group

*The Hale Group is a consulting and advisory partner assisting companies develop fact-based strategies to contend with an evolving landscape. The underlying philosophy of the firm's efforts on behalf of its clients, and in collaboration with them, is to formulate strategies that enable clients to break through the market clutter and identify platforms for growth.*

*The Hale Group has developed proven processes and tools to help organizations gain perspective on the opportunities and challenges within an industry. The level of The Hale Group's participation can take many forms from addressing the overall process or an individual part of the process. However, in whatever capacity we participate, the desired outcome is for our clients to be successful.*

*Our products and services include:*

- Strategy
- Organizational Effectiveness
- Market Research
- Operating Efficiencies
- Opportunity Analysis
- Mergers & Acquisitions

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