SALES FORCE MANAGEMENT – KEY OPPORTUNITIES FOR RETAIL

In Canada, telecom companies rely on franchised retailers for virtually all new sales and for providing handsets and hook-up service for cell phone buyers. The performance of stores therefore has a significant impact on the telecommunications company's profitability. A Trindent survey of Canadian stores finds that top performers are more than three times as profitable as average ones and highlights three ways in which top stores distinguish themselves. Our study suggests that telecom companies should investigate ways of collaborating more with retailers to improve their performance, because both parties appear likely to reap substantial benefits from such efforts.

To understand what separates the best stores from the rest, we conducted 15 in-depth interviews with high performers and then surveyed more than 100 owners and general managers to assess their operational practices. Next, we compared the responses of the retailers with their key financial metrics and evaluated different practices to investigate the correlation with performance. The study showed a strong correlation between certain practices and the financial results of retailers and confirmed our experience that operational and other practices can substantially affect the performance of stores.

We expected that certain static factors largely outside the immediate control of retailers would influence their profitability—and indeed we found that the brand they sell, their size, and the demographic characteristics of the markets they serve correlated positively with net profits. However, half of the difference in profitability that we observed between high and average performing stores was correlated with factors more immediately under their influence. The results suggest that even retailers with few structural advantages (such as a flourishing brand or a large market area) can hope to increase their net profits significantly. Three areas in particular stood out.

The first is turnover management. High employee turnover plagues many retail stores, yet our survey's top performers had turnover rates that were 17 percentage points lower than those of retailers in the bottom quartile (54 percent versus 71 percent, respectively). When we looked further we found that top stores were more likely to indicate that they used formal, consistent talent-management practices, such as structured recruiting processes with a number of interviews for each candidate. Likewise, high-performing stores were more likely to provide formal training to their employees (57 percent versus 40 percent of the poor performers) and to use long-term incentives to retain top talent. By contrast, high-ranking managers at average and poorly performing retailers focused less attention on recruitment and frequently weren't even directly involved in hiring decisions.

Second, we found that some retailers don't appear to be paying enough attention to practices that could help them increase their customers' loyalty. Although 78 percent of the top stores offered to configure a newly-purchased handset and transfer over customer contacts, for instance, only 60 percent of the low performers did. Moreover, 63 percent of top stores encouraged repeat service visits from customers by sending them reminders about new products and value-added services, as opposed to only 42 percent of the poor performers. In our experience, focusing on improvements in the service department to win more repeat customers can help stores increase their profit margins and reduce both their own and the telecom companies' customer acquisition costs.

Third, we found that the amount of time a shop associate spends actively selling was dramatically higher in the top quartile observed. A series of 'day-in-the-life' studies were completed on over 50 stores nationwide to determine how a shop associate spends their time. We defined active selling as any 'interaction where the associate and customer were moving the sales process forward' by discussing features and benefits of the product, pricing, plans etc. We defined relationship building as time spent with the customer but not actively selling the product. Administrative time consists of telephone inquiries, paperwork, stocktaking, data entry, and meetings. The 'available' category consisted of mainly non-value-added tasks such as extended breaks, idle time, time spent off the sales floor etc.

Strong Performers (Top 25 Stores by EBIT)

Active Selling	12%
Relationship Building	23%
Administration	25%
Available	40%

Poor Performers (Bottom 25 Stores by EBIT)

Active Selling	7%
Relationship Building	18%
Administration	25%
Available	50%

Following the study it seems that strong performers were observed to spend a greater proportion of their time actively selling to customers, and a lesser proportion on the administrative and available job functions. This may be due to a lack of expectation, capability or purely having too many associates on staff for the volume of customers – in either case, it is a tremendous opportunity for retailers in the telecommunications industry.

Although stores could do more to improve their operations, our study suggests a larger role for telecom companies as well—particularly when it comes to understanding the specific situations that retailers face. In fact, nearly two-thirds of those we surveyed complained that their telecom company representatives lacked the required knowledge to improve their operations. Our experience shows that when the field staff of an telecom company knows about the competitive threats its retailers face—and has concrete suggestions for addressing them—the telecom company enjoys greater credibility. Attempts to improve the stores' operations will work only if telecom companies overcome these relationship and credibility issues. For many in telecommunications, better expectations and training for the field staff would be an important first step. The rewards can be worthwhile. Fully 58 percent of the top-performing retailers we surveyed met or exceeded the sales goals their telecom company partners set; while only 36 percent of low-performing retailers did.