

Snack Food Leader Finds the Route to a Happier, More Productive Sales Force

Situation

The leading US snack food company was losing millions of dollars annually because an antiquated sales performance management system was churning out unfair quotas and inaccurate payments for route sales representatives. In many instances, average performers were being overpaid and high performers were being underpaid, leading to widespread discontent in the sales force.

Challenges

The existing quota management system could not properly account for the dynamics of customers, product segments, and territory size in its calculations. As a result, management's quota allocations were often unrealistically easy—or impossibly hard—to attain, and the inequitable quotas were instigating territorial infighting among the sales force.

Without the tools to properly assess their plan's effectiveness, management's attempts to affect changes in sales behaviors were often futile. During a limited pilot for a new incentive plan, there was an 8% discrepancy between actual payouts and those predicted by the plan modeling performed by a previous consulting company.

Solutions

Optymyze identified the flaw in the previous plan and designed a solution that did not affect the upside incentives that the salespeople had come to appreciate. Setting realistic and fair quotas hinged on the ability to effectively mine sales data and calculate revenue potential for every single combination of product mix and customer location, and then roll the results up to the territory level.

Utilizing Optymyze Sales Performance Software and its team of consultants, quotas for thousands of individual customer outlets were established and combined to set the allocations for a new quota-based compensation plan, where every dollar sold is worth more in compensation than the dollar before. The plan was structured so as not to pay commissions on product price increases, which couldn't be done in the past using a straight commission plan. As a result, all price increases will go to the bottom line which, in a thin margin business with high distribution cost, is quite significant.

Optymyze helped the management pilot a new quota-based compensation plan to a regional subset of route sales representatives. The plan utilized weekly processing of data and weekly or monthly earnings calculations and payouts.



The fair, equitable, and accurate quota setting process is projected to save \$16 million annually, while the consistent and well understood quotas eliminated most of the negative feelings associated with the change to a quotabased compensation plan.

Outcomes

Optimize performed complex calculations on massive volumes of data to create objectively realistic quotas as the basis for the route sales representatives' new incentive compensation plan. The outcome of the pilot plan proved the value in a change from a fully commission based pay structure to a quota-driven base with bonus pay structure:

- easier identification of top and bottom performers
- direct and significant positive impact on revenues
- better ability to manage earnings
- greater operating efficiencies
- lower administrative cost
- significant increase in motivation from monetary incentive for reps to sell at or above plan

The new quota setting process designed by Optimize is projected to save an estimated \$16 million per year on the large-scale roll-out of the plan by eliminating over payments. After achieving a budget for expansion of the program, Optimize was cleared to begin setting and rolling out full plans.

Because the projected cost savings were so significant, the roll-out was accelerated from the previous plan of 1,500 routes over four years to 2,500 routes over one year, with a full roll out for all 20,000 participants in four years. Roll-outs to selected regions began in 2012 and are ongoing.

Optimize has helped the management remove a blind spot in visibility into sales force performance with the introduction of new analytics and reporting tools:

- plan metrics vary by role and include proprietary sales achievement and route sales metrics
- informative analytics help managers identify trends and plan changes for the upcoming year
- route sales reps receive clear and concise reports that show what they're earning and why
- output process to generate general ledger accruals and other company data needs

Optimize analyzed ways to allocate the national budget to reward good performance significantly more than average performance, and modeled a range of scenarios based on different methodologies. Moving forward, Optimize is helping the company create a merit increase system based on objective measures that result in an annual raise for participants who make plan.

About Optimize

Optimize helps companies improve sales and channel performance with enterprise cloud applications and professional services for aligning sales goals and compensation; efficiently executing sales strategies; driving faster increases in sales results; and gaining visibility into sales performance.