

Animalytix® in Action | Case Study #2

The Use of “Three-Dimensional Performance Analysis” to Evaluate Sales Performance – A Sponsored Analysis of Territory Performance

Overview

Animalytix in Action Case Study #1 examined the utilization of “Three-Dimensional Performance Analysis” as a primary means of assessing sales force effectiveness. In contrast to traditional evaluations which focus only on internal metrics, the “3-D” analysis incorporates direct comparisons to overall market performance and performance versus key benchmark competitors. By expanding the evaluation to include these external metrics, senior sales leaders can effectively assess actual performance versus true potential.

This case study applies these principals to a regional sales team and assesses relative performance among a group of 12 large animal sales territories over a defined time period. The analytical methodology and presentation format were chosen by the assigned Animalytix Senior Business Advisor responsible for developing the case study. A variety of alternative metrics and presentations can also be compiled from the underlying Animalytix survey data as needed to best fit the objectives of any manufacturer interested in conducting this type of analysis.

The Assignment

The Sponsor for this case study is a top-10 global animal health company with significant presence across multiple species and product segments. The Sponsor expressed an interest in undertaking a Sales Force Effectiveness evaluation for its entire commercial organization. The objectives for the evaluation were two-fold, addressing both “sales productivity versus potential” and sales force alignment. The Sponsor provided geographic alignment for its sales force, the relevant products from its pharmaceutical and vaccine portfolios as well as the corresponding competing products. The assigned Animalytix Senior Business Advisor was tasked with creating a series of objective metrics by which the Sponsor’s executive sales team leadership could critically evaluate the existing sales organization and make determinations as to realignments, reassignments, terminations or expansions.

Methods

For this exercise, the Sponsor provided the following:

- 3-digit ZIP code alignments for 12 sales territories

- A list of 100+ pharmaceuticals and vaccines from 10+ total manufacturers
- A defined time period for which to conduct the analysis

A review of the relevant Animalytix data bases indicated the analysis would include sales information from more 20,000 unique ship-to-locations or “Market Consumption Points” across the sales region.

The standard CSV file format provided to ALYX-Market Survey subscribers was then used to conduct the analysis.

Findings

Analysis of the Sponsor’s territories demonstrated a marked variance in both total territory sales and relative market penetration. Period sales for all products from all manufacturers ranged from \$18.9 mln to \$ 71.2 mln while Sponsor market penetration ranged from a low of 16.2% to a high of 29.3%. Median market penetration was determined to be 19.6% – 19.7% while median market size for total revenues fell between \$ 44.9 – 54.3 mln. (Fig. 1)

Territory	Share of MKT	Mkt Size
# 1	16.8%	\$ 18,920,211
# 2	19.7%	\$ 32,134,420
# 3	16.2%	\$ 33,635,828
# 4	19.3%	\$ 34,369,737
# 5	19.7%	\$ 35,675,022
# 6	29.3%	\$ 43,983,274
# 7	19.7%	\$ 54,253,632
# 8	19.6%	\$ 55,340,360
# 9	19.4%	\$ 55,697,024
# 10	23.0%	\$ 62,595,008
# 11	23.3%	\$ 64,830,870
# 12	17.0%	\$ 71,156,220
AVG	20.5%	\$ 46,882,634

Fig. 1 Territory SOM% & Sales Revenues

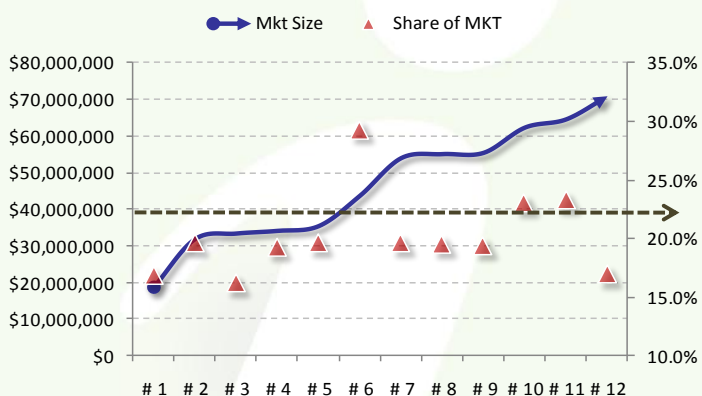


Fig. 2 % SOM & Sales Revenues vs. Benchmark Thresholds

The Animalytix Sr. Business Advisor selected \$ 40 mln in sales revenues and a Share of Market of 22.5% as threshold performance targets for the exercise. These values will have to be reviewed and validated by the Sponsor following a complete assessment of the findings. The ALX “3-D” Analysis showed results were at or below these levels in multiple territories. (Fig. 2)

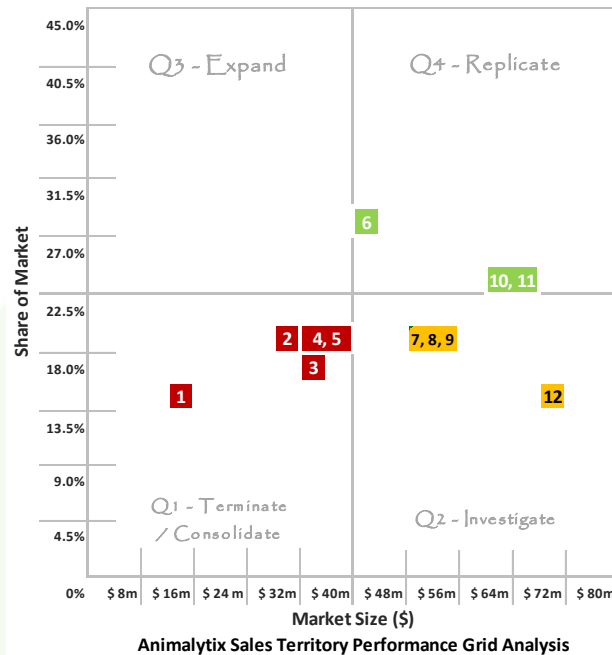
To assess outcomes for this type of territory analysis, it is helpful to establish guidelines for managers and supervisors to use to structure initial assessments and follow on discussions with affected sales representatives. The Animalytix Sales Territory Performance Grid Analysis™ provides such a structure. This tool utilizes the familiar grid format with market penetration and market potential as the two axis values. The sample benchmark

performance target values of \$40 mln in total territory potential and average Share of Market of 22.5% were used to create the resulting four quadrants.

Quadrants are then categorized as follows:

- Q1 “Terminate / Consolidate” (low share / low potential)
- Q2 “Investigate” (low share / high potential)
- Q3 “Expand” (high share / low potential)
- Q4 “Replicate” (high share / high potential)

Utilizing the grid methodology as shown below (Fig. 3), outcomes can be plotted against the benchmark performance targets and readily segmented into performing and non-performing territories.



(Fig. 3)

For the period evaluated, three of 12 territories were found to be meeting the established benchmarks while 5 were underperforming. The remaining four territories were found to be meeting overall sales potential objectives but fell short of share of market targets. (Fig. 3)

The performance grid results indicate an initial priority on territories 7, 8, 9 and 12 as territories each offering market potential sufficient to support one or more sales representatives. Following a determination of underlying causative forces for the outcomes in these territories, a subsequent analysis of the non-performing territories should be undertaken in the event realignment of territories or personnel is warranted.

Priority One – Q4 Evaluations

The Grid Analysis findings present a wealth of data to sales executives while simultaneously raising a series of questions to be addressed. More traditional approaches may lean towards addressing the Q1 issues however, this is often a mistake. A comprehensive understanding the underlying factors present in high-performing Q4 territories is the critical

first step. Managers should first conduct a thorough review of the key work habits, territory composition, utilization of supporting services and other factors of Q4 territories to determine to what degree certain elements should be replicated across other territories.

Priority Two – Q2 Investigations

Q2 territories should be the second priority as these areas have been identified as “target rich environments” providing significant levels of existing sales to competing companies.

Principal causes for Q2 level performance can be segmented into three primary categories:

“Skimmers” – poor transparency into true market potential results in low sales goals versus potential, allowing sales representatives to grossly underperform in market penetration while still meeting sales expectations.

“Drowners” – sales representatives struggling with any of a variety of issues which restrict performance including excessive numbers of clients, poor organizational skills, poor selling skills or insufficient access to critical resources (e.g. marketing or technical services support).

“Out-of-Towners” – a further challenge in certain territories is a geographic coverage model which makes it impossible to call on key accounts with sufficient frequency. Oversized territories underperform versus those which allow 6-8 week call cycles on “A” priority accounts.

Territory managers faced with Q2 outcomes must conduct thorough investigations of the underlying factors impacting performance to determine appropriate mitigation strategies. Supplemental training, increased rep presence, improved work ethic, geographic realignment or increased access to supporting resources may be indicated for resolution. Once identified, an assessment of Q1 and Q3 opportunities for either realignment of territories, reassignment of personnel or staff replacement can be incorporated into Q2 solutions.

Priority Three – Q1 & Q3 Realignments

Q1 & Q3 territories lack sufficient sales revenue potential to warrant assignment of a full-time sales representative. Resolution will include either geographic or account realignment to expand the potential sales base. Managers should critically assess the potential economic value of maintaining an active sales presence in each of these areas and realign boundaries to assure adequate underlying sales potential in each territory. With new territory alignments in place, managers can then proceed with staffing evaluations from among the Q1 and Q3 staff. Priority one should be given to assessing future potential for Q3 staffers having demonstrated success in reaching desired market penetration albeit in

sub-scaled territories. Once any Q3 prospects are addressed, the final step is resolution of Q1 performance issues. Underlying causative factors are comparable with those identified in the Q2 scenarios and include training, organizational skills, work ethic and access to resources among others.

Cross Selling Index

The Sponsor indicated a potential concern with an imbalance in sales between the vaccine and pharmaceutical portfolios in certain territories. A sub-folio analysis reflected significant variability both across and within certain territories as reflected below. (Fig. 4 & 5)

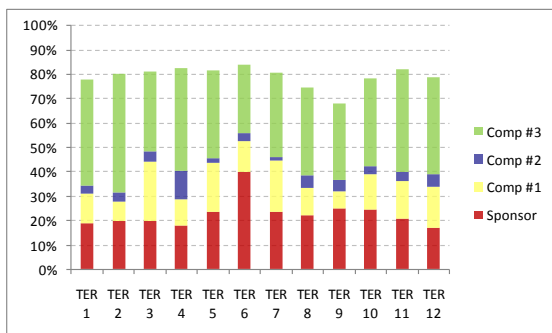


Fig. 4 Pharmaceutical % Share of Market by Territory

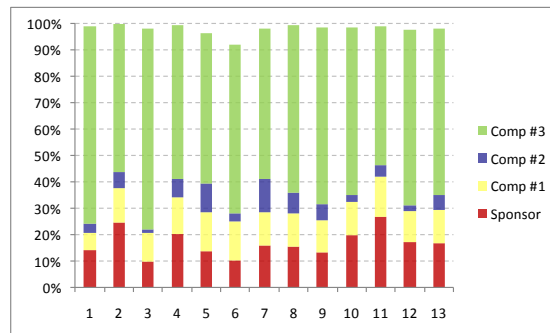


Fig. 5 Vaccine % Share of Market by Territory

As an assessment aid, Animalytix prepared a Cross-Sell Index (Fig. 6) which reflects vaccine sales per territory as a % of total pharmaceutical sales. Territory results ranged from a low of 14% to a high of 131%. For the purposes of this exercise, a target range of 40-70% was identified as ideal for the Sponsor's portfolio.

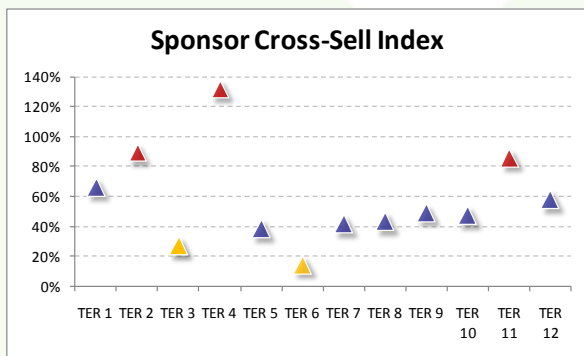


Fig. 6 Vaccine Sales as % of Pharmaceutical Sales

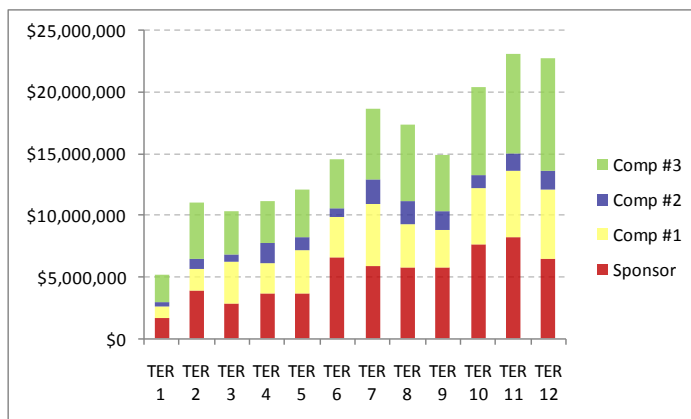
Territories with values exceeding this range (shown in red) should be evaluated for lagging pharmaceutical sales while those with values below the target range (shown in yellow) are potentially underperforming relative to vaccine sales. Five territories were identified via this tool as candidates for further investigation.

Territory Yield & Contribution Margin

While the principal role of a sales representative is profitable revenue generation, many companies lack adequate systems to evaluate profit contributions on a territory level. This

results invariably in sub-optimal performance across a large % of sales territories despite the best efforts of managers and supervisors. Lacking adequate information, many rely on top line sales revenues as a proxy for profit but this approach has often proven to be misleading and may actually prove dilutive to profitability, prompting excessive discounting and promotional spending to artificially accelerate sales levels.

Effective valuation of profitability contributions requires the utilization of territory P&L statements, including direct territory expenditures as well as net product contribution margins. Once determined, these findings should drive critical decision-making regarding future staffing, marketing and technical services investments. A sample Contribution Margin calculation for the Sponsor’s territories ranged from \$ 1.7 - \$8.2 mln. (Fig. 7)



(Fig. 7) Sponsor Contribution Margin Calculation by Territory

A further example of comparative profitability analysis is provided via a “Laggards & Leaders” format (Fig. 8). Performance comparisons versus a defined standard, specifically peer averages or benchmark targets, allows managers to put into dollar terms the relative costs and benefits of under and over achievers. An analysis of the Sponsor’s territories relative to the market penetration target of 22.5% yielded the following results (Fig. 8).

Laggards & Leaders Analysis - Sponsor Territories vs. Targeted Market Penetration of 22.5%											
TER 1	TER 2	TER 3	TER 4	TER 5	TER 6	TER 7	TER 8	TER 9	TER 10	TER 11	TER 12
\$(609,261)	\$(67,141)	\$(1,207,420)	\$(589,054)	\$(628,787)	\$1,308,134	\$(630,883)	\$(957,159)	\$(1,119,619)	\$102,107	\$353,011	\$(2,111,328)

(Fig. 8) Laggards & Leaders Analysis – Sponsor Territories Contribution Margin vs. Benchmark %SOM

Most notable in the findings is the need for immediate corrective action to address the \$2.1 mln earnings gap in Territory #12 and additional \$ 1.0+ mln gaps in Territories #s 3 & 9. Special recognition of the \$ 1.3 mln over-achievement in Territory #6 may also be warranted.

Conclusions & Next Steps

An overall assessment of the strategic health of each of the Sponsor’s 12 territories using the Animalytix “3-D” Territory Analysis identified a number of opportunities for improved

performance. The ability to discern whether to realign territories, reassign personnel, provide supplemental training and other appropriate corrective actions are made possible only by critical analysis of territory performance across multiple dimensions. Additionally, priorities are readily identifiable, specifically the need to address the \$ 2.0+ mln profitability gap identified in territory #12.

Territory	Total % SOM	Mkt. Size (\$)	VAX % SOM	PHA % SOM	Cross-Sell Index	Cont. Margin.	Cont. Margin Lag & Lead	Performance Grid Analysis Rating
# 1	16.8%	18,920,211	14.3%	19.0%	66.4%	\$ 1,718,381	\$ (609,261)	Q1
# 2	21.9%	32,134,420	24.4%	20.1%	89.0%	\$ 3,853,183	\$ (67,141)	Q1
# 3	16.2%	33,635,828	9.7%	19.8%	27.0%	\$ 2,845,167	\$ (1,207,420)	Q1
# 4	19.3%	34,369,737	20.4%	18.1%	131.4%	\$ 3,693,847	\$ (589,054)	Q1
# 5	19.7%	35,675,022	13.8%	23.4%	38.4%	\$ 3,700,932	\$ (628,787)	Q1
# 6	29.3%	43,983,274	10.3%	39.9%	14.3%	\$ 6,609,499	\$ 1,308,134	Q4
# 7	20.7%	54,253,632	15.8%	23.7%	41.4%	\$ 5,940,489	\$ (630,883)	Q2
# 8	19.6%	55,340,360	15.6%	22.0%	43.0%	\$ 5,738,975	\$ (957,159)	Q2
# 9	19.4%	55,697,024	13.2%	25.2%	49.4%	\$ 5,754,629	\$ (1,119,619)	Q2
# 10	23.0%	62,595,008	20.1%	24.7%	47.4%	\$ 7,663,237	\$ 102,107	Q4
# 11	23.3%	64,830,870	26.6%	21.0%	85.5%	\$ 8,233,658	\$ 353,011	Q4
# 12	17.0%	71,156,220	17.1%	16.8%	57.6%	\$ 6,472,815	\$ (2,111,328)	Q2
AVG.	20.5%	\$ 46,882,634	16.8%	22.8%	50.6%	\$ 5,185,401	\$ (513,117)	
Target	22.5%	\$ 40,000,000	22.5%	22.5%	40-70%	\$ 5,500,000	\$ -	

(Fig. 9) Animalytix “3-D” Territory Performance Analysis Summary (values in “red” are non-performing)

Equally important is the ability to identify situations such as the one in territory #6, where a substantial disparity exists in performance between the vaccine and pharmaceutical portfolios. In addition to recognizing the importance of the territory’s overall profitability contribution, identifying means by which to expand vaccine penetration in that territory will add significantly to the company’s overall profitability.

The insight into territory growth and performance of key competitors provided by an Animalytix-based “3-D” Performance Analysis makes it possible for sales representatives and managers to engage in highly productive tactical and strategic sales planning. For sales representatives, an understanding of the competitive drivers leads to better decisions in prioritization and identification of underlying issues and opportunities impacting sales effectiveness. For sales managers, understanding true sales potential and relative performance across all territories allows for improved deployment of technical, training and marketing resources.

Alignment of sales goals and compensation plans further enhances the return on investment employers can realize when routinely utilizing highly accurate, timely and comprehensive sources of market insight.

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