

Animalytix[®] in Action | Case Study #1

The Use of “Three-Dimensional Performance Analysis” to Evaluate Sales Performance

The effectiveness of a sales and marketing organization has traditionally been measured by benchmarking against key internal metrics, specifically historic sales, sales forecasts and relative performance across a peer group, usually a sales team.

This traditional approach is an example of a “one-dimensional analysis” and ignores, in large part, the competitive dynamics of the larger market, primarily due to a lack of reliable and comprehensive competitive information. Sales professionals tend to reject a company’s use of “subjective” metrics such as projected market penetrations or total market growth as a basis for performance-based compensation given their perception as “unfair and arbitrary” values. As a result, managers often are forced to use the traditional internal metrics of sales vs. plan, sales vs. previous year and sales growth versus total company growth, as principal elements in determination of annual performance bonuses and salary increases even though they recognize these metrics are not well correlated with true market performance.

With the introduction of the Animalytix Market Survey, it is now possible to measure and link performance to objective metrics which more accurately reflect the value of a given representative’s performance. Animalytix makes it possible to assess performance across three dimensions, expanding the benchmarking capability to include the market at large and the performance of individual competitors. This allows managers to view sales representative performance in the "context of the market" providing invaluable insight on performance over time for any given sales representative or product.

The example below reflects the performance of Lynn Smith, a territory representative for Cyntex Animal Health in the Kentucky / Tennessee territory. In the example, Lynn’s performance is compared with the key competitor for this territory, the sales representative from AgriVet, Inc.

In Figure 1 on the following page, Lynn’s territory results indicate 4-5% in sales growth in each of the last three years, meeting or exceeding the 4% annual growth targets and surpassing peer growth performance throughout the period.

Sales Performance Analysis - Territory #107 (KY & TN)				
First Dimension - L. Smith Objectives (Cyntex)	2007	2008	2009	2010
Sales	\$ 3,245,213	\$ 3,394,493	\$ 3,530,273	\$ 3,713,847
Sales Growth	<i>na</i>	4.6%	4.0%	5.2%
Forecasted Growth	<i>na</i>	4.0%	4.0%	4.0%
Avg. Cyntex Rep. Sales Growth	<i>na</i>	3.5%	3.9%	4.2%
Annual Performance Rating	<i>na</i>	Exceeds Expectatations	Meets Expectations	Exceeds Expectations

Fig. 1 - First Dimension

Using a traditional, one-dimensional performance analysis, Lynn would receive an average or above average performance bonus each year. Additionally, if Lynn's performance is at or near target, it is likely the coming year's sales goals would be heavily influenced by those results and unlikely to vary significantly absent the introduction of major new products. While these results may be indicative of overall performance, a more robust analysis allows Lynn's performance to be viewed in an entirely different context.

Sales Performance Analysis - Territory #107 (KY & TN)				
Second Dimension - Total Market (KY & TN)	2007	2008	2009	2010
Sales - All Companies	\$ 27,834,125	\$ 30,478,367	\$ 33,129,985	\$ 36,177,943
Sales Growth - All Companies	<i>na</i>	9.5%	8.7%	9.2%
Sales Growth - L. Smith (Cyntex)	<i>na</i>	4.6%	4.0%	5.2%
Sales Growth Velocity Index - vs Market	<i>na</i>	48.4%	46.0%	56.5%
Velocity Performance Rating	<i>na</i>	Significantly Lagging	Significantly Lagging	Significantly Lagging

Fig. 2 - Second Dimension

In Figure 2 above, an analysis of the "Second Dimension," indicates Lynn's performance is lagging the market, generating a sales velocity index roughly half that of the total market. A "Sales Velocity Index" compares relative performance of an individual product or territory against a given benchmark, in this case, the sales growth of the total market.

Sales Performance Analysis - Territory #107 (KY & TN)				
Third Dimension - Lead Competitor (KY & TN)	2007	2008	2009	2010
Sales Leading Competitor - AgriVet	\$ 3,265,347	\$ 3,706,169	\$ 4,250,976	\$ 4,841,861
Sales Growth - AgriVet	<i>na</i>	13.5%	14.7%	13.9%
Sales Growth - L. Smith (Cyntex)	<i>na</i>	4.6%	4.0%	5.2%
Sales Velocity Index - vs AgriVet	<i>na</i>	34.1%	27.2%	37.4%
Share of Market - AgriVet	11.7%	12.2%	12.8%	13.4%
Share of Market - L. Smith (Cyntex)	11.7%	11.1%	10.7%	10.3%
Velocity Performance Rating	<i>na</i>	Significantly Lagging	Significantly Lagging	Significantly Lagging

Fig. 3 - Third Dimension

In *Figure 3*, an assessment of Lynn’s performance versus a key competitor (*Third Dimension*), in this case the leading competitor indicates sales results which are even more disappointing. In this analysis, Lynn is generating only 30%+ the growth achieved by the AgriVet sales representative.

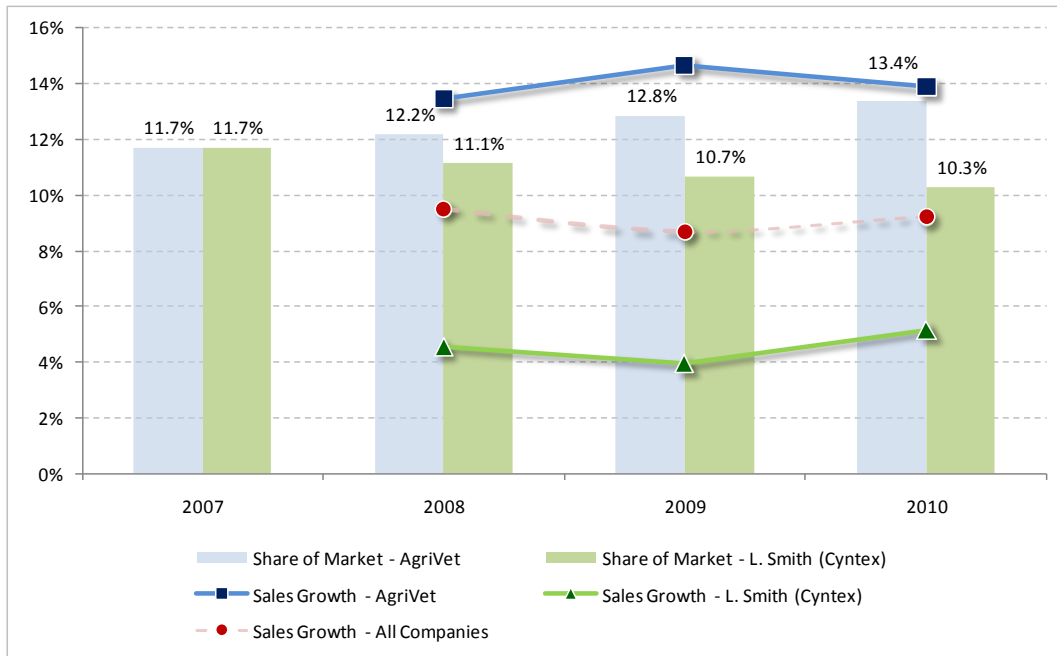


Fig. 4

The chart in *Figure 4* demonstrates the cumulative impact of Lynn’s “market lagging” performance. For the period, Cyntex market share has declined by 12% while key competitor AgriVet has significantly improved its position and now holds a 30% advantage over Cyntex.

The insight into territory growth and performance of key competitors provided by an Animalytix-based “Three Dimensional 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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