QUESTIONS ON: TRANSITIONING FIELD REPS INTO CLOUD ECOMMERCE 2022

CLOUD ECOMMERCE 2022? E-Selling? New Business and Channel Selling Models?

1. What are your big assumptions for how B2B selling will be impacted by 2022?
2. Back-Cast from 2022 to What 2020 Action Steps:
    a. Imagine how buyers will have changed both: demographically (digital natives take over most B2B buying posts); and for customer-centric, friction-free buying expectations(?)
    b. What digital - product information, auto-configurators and quoting – will exist?
    c. Then, starting today how must reps reskill to win in that future vision over lagging competitors?
3. For pieces of our ’22 vision: ***what do we know for sure?***
    a. Digital-native, millennials are demographically taking over B2B buying.
    b. Surveys confirm that (too) many of them, especially at bigger firms:
        i. Don’t want to see Reps on a regular call basis?
        ii. Want 24/7/365 just-in-time: information; ordering; and expert help only when needed
        iii. Prefer to text (at least initially) over receiving outbound phone calls from you.
        iv. Like short, targeted video-clips for e-learning. (Who will provide, curate and discuss these video clips?)
    c. There will be a massive increase in on-line, product: information, videos and pricing options from different selling-model competitors (both reinvented and new)
    d. B2B brands will have invested heavily in digital content targeted directly and real-time at heaviest and most likely end-users (distributors’ best, historical customers).
    e. More brands will be selling a greater percent of their lines directly and/or through Amazon.
    f. Millennials will routinely shop your most popular, highest-priced SKUs on-line.
        i. Will they even give you last look to match? Or, split orders?
        ii. Can you match an on-line seller’s price for shoppable commodities if the digital competitor does not have/include the overhead costs (bundled into your prices) for both outside and inside reps?
    g. Will B2B distributors get stripped of advice and then price-shopped like auto dealers’? New-car-sales profits have dropped from 40% in ’99 to 10% today and are still fading. If customers think cars are commodities, aren’t yours too?
4. ***Speculative questions/thoughts about 2022:***
    a. Consolidation of – producers, distributors and end-users – will continue?
    b. The trend toward sole-supplier, integrated, automated (cloud tools?) will continue?
    c. Bigger buyers that consolidate vendors will buy from a company with the most effective, best-value, replenishment-system capabilities?
    d. How many, net-profitable customers will have buyers who are loyal to the rep and would switch their business to another distributor the rep might defect too? Get an analytical grip on this question.

        i. With consolidating distributors, how many alternative marketplace distributors will reps be able to switch too taking how much shrinking, net-profitable business with them?
        ii. What is one, final, estimated, potential-loss of net-profitable business to a competitor for each one of your reps?
        iii. Are these risk numbers much smaller than data-free concerns?
    e. Distributors will have to increase their selling models from just merchant selling of products/promotions to also:
        i. Web-based selling to small-customers/orders on a profitable basis?
        ii. 3PL, customized, replenishment-process solutions for key accounts in which the customer pays unbundled fees for the a la carte services they want (including fees for desired rep duties?)
        iii. Team E-selling to many next-gen, digital buyers
        iv. How each customer wants to be sold by what chosen team members will be the final arbiter of all questions. Distributors must become totally customer-centric first and rep-centric second. You can always – protect, keep and redeploy – your best reps.

More Questions:

5. If B2B brands ramp up their digital content availability and create new e-buying-journey scenarios for end-users, how will that impact you and your reps?
    a. Will some brands take on more of the support selling to end-users wanting more information sparked by on-line content engagement? (How to create realtime, seamless e-buying journeys?)
    b. How will distributors collaborate with suppliers on being dis-intermediated in some ways and perhaps re-intermediated in others?
    c. Goals: new net-profitable channel model for all that beats the unchanging brands and distributors?
6. Have can you start to envision your 2022 e-selling – scenarios, skills and tools?
    a. Are you surveying all buying influences (esp. new digital buyers) at key accounts about their shifting, e-buying desires?
    b. What new e-buying processes and tools are you experimenting with?
    c. Dynamic, curated, video-clip sharing?
    d. Do reps have virtual meeting credentials and skills?
    e. Are all necessary team members e-connected with key customers’ unfolding projects and needs?
7. Other distribution channels (drug, grocery, hardware, hospital supply) have - in the past - flipped to 3PL-type selling. *Can you put a team on proactively pitching key accounts on switching to this type of buying option, if and when they might be ready?*
    a. Do you have a cost-to-serve model and a rep comp plan that allows this type of customer-centric solution selling?
    b. Are your reps incented to and able to turn a – “here’s last-look” transactional buy – into a pitch for the team to propose a better, win-win replenishment solution?

  c. Do you have the team capabilities (and pick-stat analytics by customer) to sell, install, improve and retain sole-supply replenishment solutions?

8. As Amazon and other digital disruptors offer customers alternative service and price models, could this spark more demand from your key customers for sole-supplier, integrated, automated replenishment systems?
   a. Digital sellers don't have the local, on-the-ground team or historical statistical buying activity for your key accounts. So, why not proactively challenge customers to grow their bottom line and improve their uptime productivity with a continually improving total-economic, replenishment program?
   b. How can you get most capable at 3PL, customized solutions? Even be like McDonald's distributors and sell on an open-book basis? Be a transparent conduit for special prices from suppliers. Just get your guaranteed, "cost of capital" (aka operating profit).
9. What are the big inhibitors for being more dynamically, customer-centric flexible for at least your key accounts?
   a. Straight commission and incentives based only on Gross Margin dollar totals guarantee big rep anxiety and resistance. Why? How to change to solve?
   b. Are all reps capable of being part of this new intention? Are all reps amenable to and able to reskill?
10. For your 2022 selling vision, how many of current reps will you need who can also re-skill to fit into the vision? The math of the time-and-territory selling on straight commission can help!

QUESTIONS ABOUT REP-CALL ECONOMICS

1. What is the good-enough, estimated, average, all-in-cost per field-sales call for each of your reps?
2. How many calls per year minimum, must a rep make to have both a personal and consultative "relationship"?
   a. Assume: 1 per month or 10/year (for some vacation misses).
   b. Are 1-4 calls per year then a waste? Could the selling cost of 4 field-calls be better invested into a blend of e-selling/telemarketing contacts?
3. What is the minimum, annual, gross-margin dollars an account must give you to support a traditional, regular-calling, rep relationship? For example:
   a. 10 calls x $100/call = $1000 of selling expense
   b. Keep selling expense at 20 to 25% of total margin dollars.
   c. Ans: $4-5000 in margin dollars/year is the minimum to support relationship, rep calls.
4. And, for this minimum, margin-dollar-volume account, what is the minimum, average, margin-dollars per order that an account must have to be net-profitable?
   a. $5000 in margin divided by two orders per month (25) = $200 in GM$/order. Profitable!
   b. $5000 divided by weekly orders (50) = $100/order. Breakeven to losing.
   c. $5000 divided by 100 = $50/order. Very unprofitable!
5. If you had customer net-profit analytics and ranked sales territories by net-profitability:
   a. What do you suspect that you would discover?
   b. Which reps will be most net-profitable? Which ones most net-unprofitable?

Questions About the Quality of and Re-Learning Ability of Each Rep

6. Do you have some reps who - knowing what you know now- you would not hire again? (No-Hire-Agains or ***NHAs)***
    a. If so, why do you subject them upon active customers?
    b. How many big, active and in-active accounts in their territory are being under-penetrated?
    c. You practice "rep avoidance" with some of your vendor reps. How many key accounts do the same to your NHA reps?
7. Rep-Avoidance, math-thought experiment:
    a. What percent of supplier reps would you still see if you had the alternative option of:
        i. Earning a 5% quarterly rebate (the cost of the suppliers' field sales force built into your current prices), IF you bought the same year-over-year volume or more.
        ii. If you bought less, the supplier would revert to rep calls at the higher price.
        iii. But, if you wanted to see the rep of your choice, you could for an unbundled fee as you would pay for other professional experts on an hourly basis.
    b. How many of your customers might like the same unbundled, rep-cost option?
    c. Going forward will rep-centric firms do better or worse than customer-centric first, rep-centric-second firms?
    d. Do your customers get to choose how they are sold, by whom and at what unbundled cost?

8. Back to NHAs: are some doing the "Rocket Roadster" value proposition? Which is:
    a. "Hi, do you need anything today? (And/Or) Here is something to pass on to you from my company" (e.g. the product, price promotion of the month. Whether it's an appropriate fit for the customer or not).
        i. To earn orders from small, lonely accounts for showing up. But, many of these accounts' annual margin dollars and small order sizes total to un-profitable.
9. Data-free beliefs for keeping them?
    a. "They are on straight commission, which means they are paying for themselves (assuming order-size economics and account under-penetration don't matter)
    b. Their average margin percentage is high. (assuming that high GM% orders have enough GM$s to cover Cost-to-serve$s for positive Profit$s which is too often false)
    c. All of our costs are fixed, so every incremental customer and margin dollar lost hits our overall bottom line immediately."
        i. All distributor costs are variable or quickly so.
        ii. Everyday: service folks dynamically react to serve growing-activity accounts which is possible because other accounts have declining activity.
        iii. Constant service energy flows to where the customer activity is realtime.
    d. Aren't these beliefs blind to: average order size; the variable costs of fulfilling orders; and the opportunity cost of not having best reps penetrating biggest, best potential accounts the RR is not getting?
10. OTH, ***do you have some "best" reps who you would hate to lose?***

a. Why not assign them more and better accounts (that Rocket Roadsters are not penetrating) in exchange for their minnows being assigned to the Small Account Division?
b. Then, assign extra resources to help them better crack key, target accounts?
c. Can't you always – with extra considerations – keep and better leverage your best reps?

11. How easy it is to reassign accounts: amongst reps; minnows to the house; and giants to the "enterprise team selling" division?
12. What are all of the problems and inequities of paying rep incentives on margin dollars (if not straight commission on margin dollars)?
13. If you make big changes to: your selling models; comp plan; and/or, account reassignment policies, then:
    a. How much do you worry about best reps leaving for a competitor and taking their business with them?
    b. How can you zero in on the odds of this happening and the net-profit account volume that you would lose?
    c. Might not some rep-level analysis reveal that your risks of defection are far fewer than you think?
14. With the insights from Rep-Call Economics (1-5 in this section) along with some management discussions about subjective rep qualities: how might you sort reps into different categories and manage them differently?

SUMMARY QUESTIONS

15. If you make any major changes and/or shifts in your field sales force,
    a. Do respect the past: how did the current industry practices evolve to the present?
    b. What was the original (c. 1920) cost/benefit to customers of the commissioned, territory rep?
    c. How have rising costs/call coupled with technological changes eroded the cost/benefit to the point of offering different selling models?
    d. What are other channels that have switched to more progressive models?
    e. Can you borrow and adapt ideas from those channels? For example:
        i. During the '80's the drug wholesale channel flipped from buying from 2-3 Rocket Roadsters taking stock orders and offering the promotion of the month to 100%, automated contracts. Margins dropped in half. Order-size and sales volume per rep territory both increased by over 1200%.
        ii. Only 10% of old reps transformed into consulting reps. They e-called and visited on periodic basis to cover a full agenda of ideas and unbundled services for fees. The new goal was to help the drugstore grow faster and more profitably.
        iii. Hospital supply distribution flipped in the late '90's. One national distributor bought hospital, consulting firms to get the consultants required to – analyze, sell, install, measure and continuously improve and adapt - automated

replenishment solutions that delivered goods directly to on-premise supply closets.

iv. By 1986, Super-Valu had a "Services Division" with its own P&L. They had over 185 services that grocery customers could buy unbundled for fees.

f. What will cloud ecommerce and next-gen buyers do to your traditional selling model?
g. Why and how can best customer (and SKU) net-profitability analytics help to both answer all of these questions and enabled new business and channel model solutions?
h. Should you subscribe to the best cloud analytics solution (www.waypointanalytics.net) and be innovating immediately?
i. Or, should you risk taking years and unknown expense to reinvent Waypoint's capabilities in-house (and fail)?
j. To help with all of these questions be in touch: bruce@merrifield.com. We can schedule an initial, free, virtual (management team) introduction to both Waypoint and how to better answer these questions?