Booklet 1 of 2

A Work Project presented as part of the requirements for the Award of a Masters Degree in Management from the Nova School of Business and Economics.

Reorganization and Improvement of the Sales Representatives Work

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A Project carried out during an Internship in Imperial Tobacco Portugal, under the supervision of Professor Carlos Marques

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Abstract

This study was conducted with the purpose of implementing a project, within the company Imperial Tobacco, with the goal of optimizing the work of the Sales Representatives and ultimately improve the company's results by assuring that their roles were well defined and met their expectations and skill sets. In order to do so, a new retail classification was performed, the previously theoretical role differentiation was now implemented and the activities performed per cycle were diminished in order to increase focus and efficiency. Due to its recent implementation, results are still unknown but are expected to affect in a positive way the Sales Reps morale, as well as the increasing sales in the higher turnover Points of Sale.

Keywords: sales representatives; engagement; job function; tobacco

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Introduction

According to Euromonitor (2016), the Tobacco Industry in Portugal faces a highly competitive environment with three major players, Tabaqueira SA - the Portuguese subsidiary of Philip Morris International (PMI), Imperial Tobacco Group (ITG) and Japan Tobacco International (JTI) with a combined share in volume of 60%. In such environment it is crucial to allocate resources effectively and this work project, that was written while working in the Sales and Marketing Support department (SMS) of Imperial Tobacco Portugal, focuses on an internal project called 3FT that aims at the reorganization of the Sales Force. In order to achieve this, three main tasks were performed: updating the classification of Points of Sale (POS) in Portugal, redefining the job functions and rethinking the objectives and functions of the Sales Representatives in order to increase synergies while also streamlining the cycle[1] operations.

This study will have a brief market overview where the main players and specificities of the industry are addressed, followed by the problem statement and literature review. Afterwards, the project is explained in detail, which will lead to the expected results and the conclusion. Some of the information had to be modified due to confidentiality reasons.

Market

Euromonitor (2016) stated that Portuguese citizens are smoking less, being heavily constricted by the growing taxes and economic crisis. However, this decrease in volume is in part explained by the 109% increase in tobacco from illicit trade (KPMG, 2015), that if taxed would have represented approximately €35mn. (Euromonitor, 2016). The current trend is for consumers to focus on value for money brands (Internal Report Market Induction, 2016) which will reorganize the market, along with the decrease in Fine Cut Tobacco due to severe tax increases in the past couple years.

[1] Cycle: The company splits the year in 5 cycles, having the first one in the beginning of October, when the Fiscal Year begins and they all ran for two or three months

The market is extremely competitive and players enforce their positions through aggressive pricing and efforts among the wholesalers. Throughout the year, *Limited Edition* campaigns (Figure 1) were created as an effort not only to gain share over the main competitors but also to avoid the penetration of Ultra-Low-Price brands that are becoming a major threat. These brands have grown over 20% in volume share (Internal Report BI, 2016) in the past few years specially in regions with lower income like Alentejo and the interior North of Portugal (Internal Report WS Performance, 2016).

Figure 1 - Examples of Limited Editions with 21 cigarettes

PMI has a strong position in the market with consolidated Brands like Marlboro, SG and Chesterfield with strong activation in the stores and close to none investment restrictions. As an example, in the Horeca channel alone, their investment is more than six times ITG's and four times JTI's (Internal Report Marketing, 2016 + WS info). JTI competes directly with ITG for the second position in the market, having as flagships Camel and Winston in Cigarettes and Amber Leaf in Rolling Tobacco BAT has a weaker position but it is still relevant as Lucky Strike is well known and appreciated and have recently started a strong activation in Rothmans (Internal Report Marketing, 2016 + WS info).

The Company

Imperial Tobacco Group is currently the runner up player in the Portuguese market with a Market Share of nearly 17%, having the top 1 SKU[2], the JPS Black (Appendix 1) with a Market Share of over 7% overall (Internal Report Sales, 2016[3]). The company has a team of nearly 30 people that has been growing steadily in the country. Its portfolio aims at being the best Value

[2] Stock Keeping Unit

[3] Information modified due to confidentiality issues

for Money offer and are usually from 0,10€ to 0,20€ below the competition. In Table 1, the comparison is made between the players in the Portuguese Market.

Company	***SR***[4]	***Invest.***[5]	***# Workers***	***Coverage***[6]	***Main SKU***	***Segment***[7]
ITG	16,8%	1	29	92%	JPS Black (4,30€)	Low
PMI	57,2%	8	85	94%	SG Ventil (4,60€)	Medium-High
JTI	14,8%	3	26	89%	Camel (4,50€)	Medium
BAT	5%	0,6	7	44%	Rothmans (4,20€)	Low

Table 1 - Resume of the main players in the Tobacco market

The Portuguese filial of Imperial Tobacco belongs to the Iberian Cluster, comprised by Spain, Canaries, Gibraltar and Andorra and there is currently the trend to streamline the operations in the Cluster, to make them as similar as possible in every region.

Route to Market and Trade Margins

According to Internal Report Market Overview (2016), the Route to Market is similar within the industry. Companies are not allowed to sell directly to the final consumer or wholesalers, having to rely on Logista Portugal that imports, storages and provides the product to the 137 wholesalers. The bridge with the market is made by the Wholesalers that then fulfill the demand. The market is divided in Vending Machines Operated and Independent (VMOP and VMI), Tobacconists, HORECA, Convenience and Others[9] (Table 2).

<table>
<tr><td colspan="5">Logista Portugal</td></tr>
<tr><td colspan="5">Wholesalers – 137</td></tr>
<tr><td colspan="5">Market – 48.130 Points of Sale</td></tr>
<tr><td>VMOP
POS: 31.600
SR:38.8%</td><td>Tobacconist
POS: 3.242
SR: 18,4%</td><td>HORECA[8]
POS:11.883
SR:16,2%</td><td>VMI
POS: 6.754
SR: 13,3%</td><td>Convenience
POS: 1.171
SR: 7,1%</td></tr>
</table>

Table 2 - Route to Market

4 Sales Relevance
5 Information modified due to confidentiality issues and show as a proportion
6 Coverage: Percentage of the Points of Sale covered
7 Segment of the main SKU's, Davidoff belongs to ITG and is premium. However, ITG's key positioning is Low
8 Horeca is split in smaller types of shops such as Kiosk and Others
9 VMOP: owned by the wholesaler; VMI: privately owned; Convenience: Gas Stations Others: Supermarkets, Wineries, etc

It is vital to achieve a key position among wholesalers since they take care of the distribution in the majority of the Points of Sale – POS and control the number of facings[10] and channels[11] in their VMOP's (Appendix 2). The Trade Margins offered by companies to sustain their position varies between Cigarettes and Rolling Tobacco and go from 7% to 9%, depending on the player (Appendix 3).

The retailers also play a major role in the equation through different agreements with the Sales Representatives. In ITG, these agreement vary from offers of packs of lighters to vouchers (Internal Report Sales and Marketing Support, 2016) as a way of making sure that a certain number of brands' SKU's are available and the maximum share of facings is achieved. The higher turnover POS may also have different agreements where often the furniture is provided by companies in order to ease the process (Appendix 4) and allows communicating with clients.

Legislation

The EUTPD – EU Tobacco Products Directive are regulations in terms of design, format and description allowed in the packs as a tool of discouragement for consumers, creating awareness for the hazardous effect of tobacco products. The EUTDP gives the guidelines for governments to use, relying on them to decide the extent of the measures. In Portugal, the packs are still allowed to have image but in some countries, there are already plain packages. The Portuguese government chose to have shocking images in the packs, covering 65% of the pack (Figure 3).

Figure 3 - EUTPD Packs

It was also defined that flavored cigarettes should stop being produced in May 2016 and the Crushball category will only be produced until May 2020 (Law nº 109/2015 that transposes the

[10] Facings: Number of spaces the customer sees in a Vending Machine
[11] Channels: Number of slots available to store inside the Vending Machine

new European directive). Regarding Communication, companies are only allowed to communicate price, brand and origin inside POS and it is forbidden to relate tobacco as an experience or with people. (Appendix 5)

Problem Statement

Considering the inability of talking directly to the customer other than by pricing initiatives and brand name, it was clear that the growth of market and volume share heavily depends on what the field force is able to do while visiting the POS. The frequency[12] of visits and the coverage[13] became essential to be able to engage with the retailers and make sure that ITG's SKU's had the right visibility and share of space in the stores. After conducting internal research, it was seen that both coverage and frequency were below the target, the first in HORECA and VMI and the latter in all turnover ranges, mainly in the higher volume POS that require more visits (Nielsen, 2015). There were several challenges:

1- The market is geographically dispersed, complex and fragmented with over 48.000 POS although fragmentation is decreasing with -3,4% POS in the last 3 years (Nielsen, 2016);
2- The competitors have more product availability since their numeric distribution is above ITG's across channels (Nielsen, 2016 and Internal Report WS)
3- The decision making being based on an outdated retail classification[14] that made investments hard to monitor and targets per POS obsolete;
4- A theoretical role differentiation between Sales Reps "B" and "D" that actually was not applied which provided no clarity on the career path progress and impacted negatively morale and commitment.

[12] Frequency: Number of times a POS is visited
[13] Coverage: Number of POS visited
[14] The last version of Retail Classification had been made in November 2013

Theoretical Insight

The Role and Management of Sales Force

Kotler and Keller (2011) state that the previous idea that "all sales force did was *sell, sell, sell*" is long gone. Nowadays sales reps "need to know how to diagnose a customer's problem and propose a solution". Moreover, they also have different objectives as "a company might want its sales reps to spend 80% of their time with current customers and 20% with prospects". Regardless the market, their tasks usually comprise of "prospecting, targeting, communicating, servicing, gathering information and allocating resources". Salespeople ought to be placed effectively and strategically so they "call on the right customer at the right time in the right way, acting as account manager who arrange fruitful contacts in the between people in the buying and selling organizations" (Kotler and Keller 2011). In figure 5, the main steps of designing the salesforce are shown.

Figure 5 - Main steps of designing the sales force

Regarding the salespeople themselves, there are a number of key qualities they should possess such as "empathy and an interest in people" to help identifying customers' real needs; "ability to communicate" as a way to get a message to a customer; "determination" although he needs to be able to hear "no" for an answer since "it is a fact that customers might say no when they really mean maybe" which eventually the sales rep will turn into a yes and "self-discipline and resilience" since he needs to deal with the downsides of working in the field alone. (Jobber, Lancaster and Jamieson 2011). Furthermore, McMurry (1961) split the salespeople in six categories based on the negotiation skills required. (Appendix 7) and Zeyl (2002) added the risk and customer's experience factors as well as the bond stablished between seller and buyer. *Transitional selling* where "products and services are well known to customers and available from many suppliers" and "price comparison is easy" and *Seduction selling* where "the customer has no specific needs of problems" but is afraid of being behind the competitors.

It is usual that a sales rep compensation is delivered in fixed income plus a variable part. Chung (2015) claims that motivating the sales force is a tricky endeavor and through his research found that "sales reps work harder for the chance to earn a reward than they do after receiving one". On the other hand, sales reps do not deal well with ceiling on commissions since "capping commissions when salespeople are hot may control costs, but it also encourages stars to quit selling" (Steenburgh and Ahearne 2012). It was also found that when offered a variable component, "spikes in output occur when agents are close to the end of the quarter" when it is likely that the *quotas* will be evaluated (Misra and Nair 2010) When setting objectives, one should also regard them as being "SMART – Specific, Measurable, Achievable, Relevant and Time-bound" (Doran 1981).

Territory Coverage and Alignment

To Zoltners and Sinha (2005), "Territory alignment has a cascading impact on company performance with primary, secondary and tertiary effects" as Figure 6 shows. This is reinforced by Rajagopal and Rajagopal (2006) stating that the sales territory design has a large effect on sales organization effectiveness, both directly and indirectly, through its relationship with salespeople's behavioral performance.

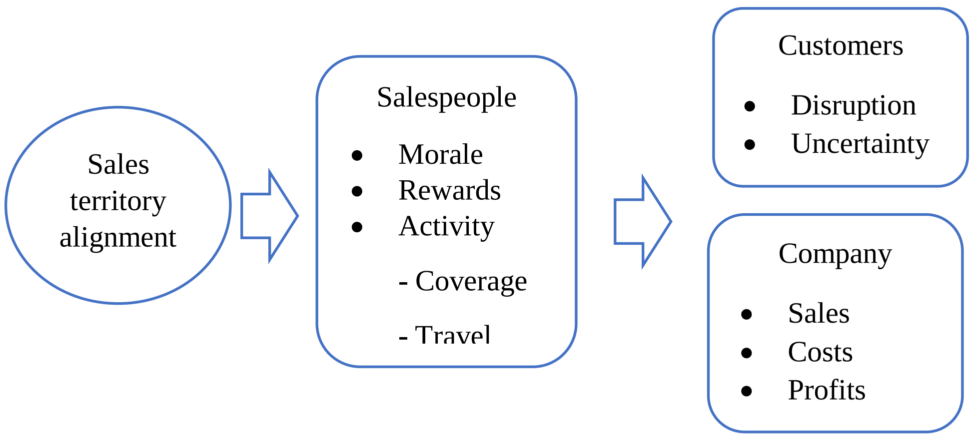

Figure 1 -Sales territory alignment impact on salespeople, customers and company results

Territory allocation "defines the workspace for everyone", allowing "fair performance evaluation, equitable workload and controllable travel time" that will have an impact in "levels of morale and motivation" (Zoltners and Sinha 2005). It was also estimated that a proper alignment could represent 2% to 7% of sales that due to mismatches were missed. "Companies can create and maintain territorial alignment by measuring the time and effort necessary to service customers every year" and "take accounts away from salespeople who can't give them sufficient attention and transfer to those who don't have enough work" (Zoltners, Sinha and Lorimer 2006).

Spiro (2002) states that a sales force that "allocates effectively their time amongst diverse segments of clients, products and activities will have a better performance" than one that is bigger but has a median effort rate. Despite the virtual impossibility of having territories perfectly balanced due to "geographic constraints, salesperson differences, trade area considerations and data imperfections" (Zoltners and Lorimer 2000), studies show that as the level of satisfaction related with the territory design rises, the effectiveness of the seller and his business do as well. (Piercy 2004).

There are several ways of defining the territories, Justino (2007) and Johnston and Marshall (2009). However, since the tobacco market is unique, it was decided that these methods would not be applied due to the fact that the POS are fixed and the objective of making the differentiation amongst Sales Reps, thus, a different approach was followed.

Project 3FT – Field Force Fast Tracking

3FT was created across the company in order to optimize the outputs from the work of the Field Force in which every market had different objectives aligned with the necessities. In the Portuguese market the strategies were combined to affect the issues they were facing.

In order to develop the project, there were several steps needed in order to change the way things were done. First, the Retail Classification - RC and segmentation strategy, since there was the need to focus resources in higher sales relevance areas, to optimize investment and impact. Then, to redefine coverage and frequency targets based on the new retail classification and the resources available. Moreover, the role re-definition that aims at differentiating roles in terms of objectives and types of POS visited in order to promote advocacy initiatives with main POS, to engage with clients and increase the numeric distribution of SKU's across channels while at the same time increasing career path clarity that would ultimately improve performance and stablish new responsibilities as well as keep motivation levels. The cycle activities will also be addressed since one of the main issues reported was the broadness in the number of activities per cycle made it difficult to fulfill the objectives.

Retail Classification

The first step was to extract the results of the questionnaire (Appendix 8) made in every POS visited to assess its turnover[15]. From the nearly 3900 POS analyzed, it is possible to see that more than 20% of the classification had changed in three years[16] (Table 3).

Evolution in Turnover		
Increase	337	8,8%
Decrease	399	10,4%
Same	3038	79,1%
N/A	65	1,7%

Table 3- Evolution in turnover

This results prove that the RC was outdated and that there is a considerable chance that some decisions may be negatively influenced by the incorrect turnover, either when paying incentives to sell ITG's brands and to increase facings or when deciding where to place a Galaxy[17] (Appendix 6)

[15] In ITG, the Turnover is measured in volumes sold per week, from every brand and manufacturer
[16] N/A stands for POS that were not classified in the previous version of RC, in most cases because they only appeared afterwards
[17] Galaxy is the name given to the top furniture from ITG, installed in the higher turnover POS

It was also crucial to understand how the turnovers were in a more detailed range than the entire country and so, there was made a match between districts (Appendix 9).

Lisbon's Example of Updated RC

Turnover	<25	>25<50	>50<100	>100<200	>200<300	>300<400	>400<500	>500
Current #POS	122	378	290	156	55	15	2	3
Previous #POS	10	428	358	143	69	0	0	0
% of total in Lisbon	11,9%	37,0%	28,4%	15,3%	5,4%	1,5%	0,2%	0,3%
% of total in General	8,4%	33,0%	31,6%	19,6%	5,7%	1,0%	0,3%	0,4%

Table 4 - Lisbon's example of updated RC

In Table 4[18], Lisbon's example is represented and the two main ideas given are that according to the current classification, Lisbon appears to be consistent with the rest of the country. Also, more alarmingly, previously there was an overestimation in the smaller POS with an increase of more than 1000% in the "<25" turnover range.

Looking at the higher Turnover POS (Tables 5 and 6), the country was divided in roughly North and South and the total number of POS is 175 in the South and 111 in the North. Lisbon, Oporto and Faro have a major contribution for this numbers, having 175 high turnover POS together. Nevertheless, Faro is a special case due to the Seasonality effect (from the 99 POS classified as having seasonality, 77 of them were from Faro), easily explained by the Tourism that from October to March makes the sales weak, when comparing to the warmer months.

>200 Turnover District Analysis - South

Turnover	Lisboa	Faro	Setúbal	Santarém	Leiria	Évora	Beja
>200<300	55	35	14	8	8	3	0
>300<400	15	6	8	2	0	1	0
>400<500	2	2	2	0	0	0	0
>500	3	9	2	0	0	0	0
Total	75	52	26	10	8	4	0

Table 5 - >200 Turnover District Analysis – South

[18] The previous version of RC only went until >200 thus the lack of information in the other classifications

>200 Turnover District Analysis - North

Turnover	Porto	Aveiro	Braga	V. Real	Viseu	Guarda	C. Branco	Coimbra
>200<300	42	12	10	8	7	6	5	3
>300<400	4	0	1	1	0	1	0	0
>400<500	2	2	2	0	0	0	0	0
>500	0	0	0	0	1	0	0	0
Total	48	14	13	9	8	7	5	3

Table 6 - >200 Turnover District Analysis – North (Without Portalegre, Viana do Castelo and Bragança)

Role Assignment

The HR department conducted several interviews with the field force team as a way of getting to know the desires and ambitions as well as testing their abilities to negotiate, to engage with customers combined with analytical skills, with the final goal of assessing the best candidates to be empowered and promoted to Sales Rep D. In order to correctly understand which features to search for, the role details had to be stablished, along with the criteria (Table 11).

	Availability	*Activation*	*Advocacy*	*Performance Indicator*	*Flexibility*	*Capabilities*
Sales Rep B	99% availability	Volume push activities Shaping orders	Basic service	Availability Sales cycle objectives Call rate	Fixed plan 100% Standard call time: 25 min	Selling Demand placement
Sales Rep D	99% availability	Trade incentive programs	Training retailers on ITG Portfolio Business development	Increase Market Share Availability Sales cycle objectives	Fixed plan 75% Standard call time: 40 min	Influencing Responsive

Table 7 - Role details and objectives

Clearly, the roles are well defined and the needed capabilities will differ from one to the other. As Sales Reps B, one needs to be effective in his visits. As he does not have a lot of time to spend in each place, he has to make it count. His main functions are to push volumes and check whether the POS has all the brands that it is supposed to or if there are any stock shortages. On the other hand, Sales Reps D should pay more attention to each customer and spend more time in each POS as a way of building engagement and relationships with the retailers. This is the best way to make them brand ambassadors so whenever clients are in doubt, they recommend

ITG's product. As it was seen in the theoretical insight, B's would be Inside order takers and D's Missionary selling (McMurry, 1967). Finally, and looking straight at the capabilities, Sales Reps D need to know (or be inclined to learn) how to influence and be responsive. This was something that they might have shown or not in their previous role, but now is crucial.

In Table 8, there is the comparison between the previous objectives and the new ones, with the new role implementation both for sales force and for the Call Center - CC[19]. The values in red show the discrepancies between the objectives and the actual results.

		Old Plan (Actual values)	*New Plan*
Calls/Visits per day	Role CC	40 (55)	50
	Role B	15 (12,3)	13
	Role D	N/A	9
Duration of the call/visit	Role CC	5 minutes (3 minutes)	4 minutes
	Role B	25 minutes (unable to measure)	25 minutes
	Role D	N/A	40 minutes

Table 8 - Old plan vs New plan

This new stipulation shows an attempt of adapting the previous values that were way below the targets in terms of Sales Reps, precisely due to the fact that there was no clear distinction between functions and even though there was a theoretical differentiation between them, the objectives and targets were the same. Regarding the CC, since they were constantly overcoming the needed number of calls per day but not taking enough time in each one, the objectives were slightly changed by raising the number of calls per day, but reducing slightly the duration. Again, it is important that the calls have a certain duration in order to create some engagement and to give the workers time to effectively fulfill or even create needs in the customer side.

The KPI's play a major role in the evaluation of their performance and were stablished taking into account each role. The proposal plan for the next cycle is in Figure 7, with their objectives.

[19] The Call Center was composed by two workers, that contacted retail stores regardless of the Turnover

KPI's			
Sales Reps B	Objective	Sales Reps D	Objective
ITG Distribution	95%	ITG Distribution	100%
Visits Average	100%	Visits Average	85%
Share of Space	85%	Share of Space	95%
		New Opportunities plan[20]	5

Figure 7 – KPI's and respective objectives

Finally, and after extrapolating the results of the HR analysis that had been done, it was possible to have five potential candidates (two from the North and three form the South) for the two available positions.

Choosing the right two was a critical part of the process. It would not be easy to suddenly allocate the majority of the high turnover POS to someone without affecting the morale and engagement of the workers that were responsible for those places and that had been stablishing relationships with the customers for years, in some cases. Furthermore, it was also challenging from a retailer perspective to start working with someone they do not know or trust and, ultimately, they could even prefer the previous sales rep due to the connection achieved.

With that acknowledgement, the people chosen to take these roles needed also to be resilient and have outstanding interpersonal skills to deal with the different realities they would face when embracing this new challenge.

Finally, the choice was made by the HR department after listening to all the inputs retrieved from this analysis and also from the interviews and tests, as well as the performance and comments from the Unit Managers.

The territories allocation will later be performed by an internal tool to optimize the routing and the waiting times, but until the time of delivery of this project it was still pending since it is optimal to perform it as close to the beginning of the implementation as possible due to the creation and extinction of POS that will occur until then.

[20] A new task for the Sales Reps D will be to search for investment opportunities within their POS

Capacity Analysis

With the new RC ready and the awareness that some of the POS's turnover was wrongly classified, it was time to evaluate the current size of the Sales Force, composed by the Sales Reps and the Call Center workers, in order to allocate the resources effectively.

The two Call Center workers are now in charge of all the "<25 POS" and the ">25<50" in the Horeca and Convenience stores since these channels are deeply fragmented and even some of the Sales Reps had already stated that their work was not fully effective in those stores because they had no room to offer anything and were wasting time going there on purpose.

Turnover	***Convenience***	***Horeca***	***Kiosk***	***Others***	***Tobacconist***	***VMI***	***Total***
< 25							
>25<50			162	52	628	9	851
>50<100	214	99	144	31	721	1	1 210
>100<200	243	24	46	13	425	0	751
>200<300	58	3	11	13	134	0	219
>300<400	12	0	2	2	24	0	40
>400<500	5	0	1	0	6	0	12
> 500	0	0	0	4	11	0	15
Grand Total	532	126	366	115	1 949	10	3 098

Table 9 - Points of Sale distribution per Turnover and Channel

After removing the "<25" and ">25<50" from Horeca and Convenience, there were still 3098 POS to attribute (Table 9). The daily routine of the Sales Reps was assessed and Table 10 shows the time spent either in the POS or in the road to reach them. The travelling times came from previous data and will be reevaluated as soon as the cars start having trackers, which is planned to happen in the next cycle.

Sales Rep	***Time in POS***	***Travelling time***	***Visits p/ day***	***Total time***
B	25 min	12 min	13	8 hours
D	42 min	18,5 min	8	8 hours

Table 10 - Time spent on a daily basis in different tasks

Having the time distribution during the days, it was also necessary to assess the number of possible visits for the following Cycle taking into consideration all the days of training and spent doing administrative work (Table 11). Since it is the trial phase of the project, it will start with only two D's and the rest B's. Considering what has been stated regarding the higher turnover POS in the North and the South, they will be one from each area and both will get the main cities of Oporto and Lisbon due to the high concentration of valuable POS.

Sales Rep	*Total Days*	*Adm. work*	*Trainings*	*Working days*	*Total visits*	*# of Sales Reps*	*Visits/ Cycle*
B	52	2	2	48	624	14	8 736
D	52	8	3	41	328	2	656

Table 11 - Potential number of visits per type of Sales Rep

The number of visits is potential since there are some factors such as taking a sick leave or flat tires, among others that may stop the Sales Reps from working properly. The average absenteeism may not be disclosed.

Table 12 shows the frequency objectives per year that will vary according to the turnover of the POS and to the type of Sales Rep.

Freq.	*<100*	*>100<200*	*>200<300*	*>300<400*	*>400<500*	*>500*
B	2	4	4	6	6	6
D	-	-	-	8	8	8

Table 12 - Frequency per Turnover

Regardless of the coverage being done by the CC or by Sales Reps, the frequency in the >25<50 is the same as in the ones with <25 that are only contacted by the CC.

The final step of the capacity analysis was to measure if the available visits per cycle, 8736 from Sales Reps B and 656 from D's was enough to fulfill the frequency stablished. Once again, it should be noticed that in the trial phase, the Sales Reps D will be in Oporto area and in Lisbon. From tables 5 and 6, it is possible to see that there are a total of 3098 POS and in the following Table 13, they are split.

Sales Rep B	*# POS*	*Freq.*	*Total*
>25<50	851	2	1 702
>50<100	1 210	2	2 420
>100<200	751	4	3 004
>200<300	168	6	876
>300<400	20	8	240
>400<500	4	8	72
>500	12	8	90
Total	3 016		8 422

Sales Rep D	*# POS*	*Freq.*	*Total*
>25<50			
>50<100			
>100<200			
>200<300	51	8	400
>300<400	20	8	160
>400<500	8	8	64
>500	3	8	24
Total	82		656

Table 13 - Distribution of POS per Sales Reps

Finally, in Table 14, the slack and the effort rate is calculated.

Sales Rep	*Potential visits*	*Visits Needed*	*Effort rate*
B	8736	8422	96,3%
D	656	656	100%

Table 14 - Slack and effort rate

The 100% effort rate in one of the cases might seem a red flag, however, since it happened in the position D, it is not alarming due to the quantity of administrative days accounted for. If one of them has any issue one of the days and is unable to visit the supposed 8 POS, he will be able to trade one of the administrative days for a field day. In the case of B's, it is helpful that there is a slack of about 4% since they do not have the amount of administrative days as D's and it would be tougher to overcome the problems that occur during the workdays if the effort rate was nearer 100%.

Streamline Cycle Operations

Granted that the team roles were define, there was still the need to change several aspects of their work habits, namely the cycle operations. The cycle activities[21] and content were extensive in a way that brought performance down by decreasing the coverage and frequency objectives whenever it was impossible to combine both. This resulted in poor frequency results, lack of focus and complications in the operations management due to prioritization issues.

[21] Activities performed by the Sales Reps in every POS like Evaluating the number of ITG's SKU's or try to convince the customer to buy a determined amount of volumes in exchange for gifts

Another problem relied on the average visit duration (despite not having the compiled data since the system did not record this), the Sales Reps complained that due to everything they had to fill in their iPads to answer the questionnaires[22], they stayed in every store for too long which made them struggle to achieve the daily and cycle objectives.

For those reasons, there was the need to define the activities taking into account the ongoing market objectives and adapting the measures to foster the desired behaviors. The first step was to implement the reduction of cycle activities to two. This will increase the focus per cycle, the average visits per day and the frequency of visits as well.

However, there are some risks associated with reducing the activities, the flexibility that currently existed may be lost due to the only two activities and in a more remote hypothesis, the effective work of the sales rep may become increasingly monotonous and less rewarding. This feature has already been tested effectively and the results seem promising, considering that the two campaigns[23] of the first cycle of Fiscal Year 17 have reached outstanding results, almost achieving the targets, when there is still one third of the cycle to go.

The next steps of the streamlining are aligned with the strategy of the cluster. The first consists on better information and reporting management with an aim of ensuring that the required information is available, easy to understand and present to the customers. This will be achieved by small teaching classes provided by the Sales and Marketing Support department whenever there is a cycle meeting (there are five per year) where the Sales Reps will learn how the reports are made and how to present the information to the customers. This task is currently made by the SMS department that receives the sales information that the Sales Reps retrieve from the POS and then treats the information, extracting the useful outputs like market share and growth.

[22] Like the questionnaire shown previously, whenever there was a new activity, it had to be filled. There were times when they needed to fill up to four questionnaires per store which was incredibly time consuming

[23] Cannot be disclosed due to confidentiality reasons until the campaigns finish

With this new approach, the Sales Reps will gain autonomy and have a better understanding of what they are presenting to the customers, as well as leverage their position in any bargains they face when negotiating share of space or a new implementation.

Expected results

One of the main objectives of having the "D" Reps in a role more aligned with negotiating is to reinforce the company's position in the main POS. Ultimately, this will be achieved by making deals with the retailers to place ITG's top furniture – Galaxy's in the majority of the >200 Turnover Points of Sale. However, since it was just implemented, there is still no available data to infer if this new classification will provide the desired results in terms of sales effectiveness due to the reorganization of the retail classification.

The effect of the Galaxies on the other hand may be analyzed and quantified since they have been being implemented since March of 2016 and the Sales Reps have retrieved the Sell Out data from several POS. In figure 8, the results of beginning and final market share as well as growth are displayed.

	Market Share Before GALAXY	Market Share After GALAXY	
ITG	**12,3%**	**15,1%**	**23%**
PMI	63,0%	60,1%	-5%
JTI	17,0%	15,0%	-12%
BAT	4,0%	4,7%	**18%**

Figure 8 –Market Share Before vs After

Financially, the expected results are calculated by measuring the increase in sales from the top SKU's and multiplying them by the Profit, taking into consideration that implementing a Galaxy has costs and even where there is already a Galaxy, there is the need to pay a fee to the retailers. Further, when there is no ITG furniture, the fee is also paid in order to put ITG's products within the competitors' furniture.

The first step was to check what the average Market Share[24] was, either in POS with Galaxy and without (Table 15). Then, using the average values of the Turnover Ranges, the average amount of packs sold in a single shop was calculated (Table 16).[25]

	Avg. M.S.
Nothing	12,30%
With Galaxy	15,10%

Table 165 - Average Market Share

Quantities	*>200<300*	*>300<400*	*>400<500*	*>500*
Nothing	30,75	43,05	55,35	67,65
With Galaxy	37,75	52,85	67,95	83,05

Table 156 - Average Quantity in packs per Turnover

The second step was to calculate the Profit achieved in each of the scenarios (GM considered = 20€ per 1000 cigarettes), getting the results in Profit per Week and per Year (Table 18)

GM Week	*>200<300*	*>300<400*	*>400<500*	*>500*
Nothing	3,1 €	4,3 €	5,5 €	6,8 €
With Galaxy	3,8 €	5,3 €	6,8 €	8,3 €

Table 17 - GM per Week

GM Year	*>200<300*	*>300<400*	*>400<500*	*>500*
Nothing	159,9 €	223,9 €	287,8 €	351,8 €
With Galaxy	196,3 €	274,8 €	353,3 €	431,9 €

Table 18 - GM per Year

Thirdly, the costs associated with the implementations and the fees paid to retailers had to be taken into consideration (Table 19). The fees are higher when there is no Galaxy and the Sales Reps need to pay to get facings in the competitors' furniture. The costs of the Galaxies are presented per year (Internal Information).

Fees per year	*>200<300*	*>300<400*	*>400<500*	*>500*
Nothing	100 €	120 €	130 €	150 €
With Galaxy	75 €	90 €	100 €	105 €
Cost of Galaxy	45 €	45 €	45 €	45 €

Table 19 - Fees and costs associated with POS

[24] From this point on, the majority of the values had to be modified due to confidentiality issues. However, there was the effort to make sure that every value given was plausible and that in the end the results would make sense.

[25] For the purpose of this analysis, since it was acknowledged that there are already some Galaxy's in the POS, it was decided that they will all be considered to be in POS not visited by the Sales Reps D. This way making sure that the costs of producing the Galaxies are correctly allocated, even if that may not be exactly what happened in the POS.

Finally, the return of implementing these changes was calculated (Table 20).

Balance	*>200<300*	*>300<400*	*>400<500*	*>500*
Number of POS	51	20	8	3
Nothing	3 054,9 €	2 077,2 €	1 262,6 €	605,3 €
Galaxy	3 891,3 €	2 796,4 €	1 666,7 €	845,6 €
Result	836,4 €	719,2 €	404,2 €	240,2 €

Table 20 - Potential returns of the project in one year

There is a positive trade-off of 2.200€ between having the Galaxies vs not having them which means that results support that having Galaxies in the POS is better than not having them, not only in terms of quantity of sales (that will provide market share), but also since the extra income that will be made will cover the costs and even provide some profit.

Analyzing the project by itself, the ROI is estimated by considering the results aforementioned and including the trainings for the new Reps D in the equation, that should range from 400€ to 500€ (taking into consideration the training itself, the room rental and travel expenses). The ROI is highly positive which reinforces the potential success of this project. (Table 21)

ROI Analysis	
Total Revenue (#POS × GM Year)	19 630€
Total Costs (#POS × (Cost of Galaxy + Fees + Trainings))	12 430€
ROI	57,9%

Table 21 - ROI Analysis

Conclusion

This project provides the insight needed to change the way of working of Imperial Tobacco Sales Representatives. It aimed at solving the problems that were reported and the action plan was developed accordingly. It started with a new analysis of the fragmented market in Portugal, in order to assess the turnover of the POS visited by the Sales Reps. On a second phase, their job objectives and functions were also adapted and finally, the duration and amount of cycle activities and objectives per cycle were revised with the capacity analysis. In the end, a financial analysis was performed and provided a highly positive ROI.

Even though it has not been implemented yet, there are strong reasons to believe that it will provide an outcome with results affecting not only the Sales Reps and their work but also increase company results and strengthen its position in the top selling POS throughout Lisbon and Oporto in a first stage.

There were some limitations regarding the information that could be shared in the report, especially when it came to the numbers, but there was an effort to make it as close to the reality as possible without compromising the company. It was also challenging to pick the right information to present since the market is incredibly complex and regulated.

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