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(PAGE 2)

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CASE STUDY
Optimizing the
Medical Device
Sales Process

Optimizing the Sales Process

The decision to optimize all sales-related processes prior to the introduction of a CRM system resulted in significant revenue enhancement for the European division of a leading manufacturer of medical devices.

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DISCLAIMER: *The Case Study section comprises articles on company's successful marketing strategies. The views of the authors are their own and are not necessarily those of PM360 and its staff.*

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SALES FORCE EFFECTIVENESS HAS BECOME A PERMANENT concern for manufacturers of medical devices, as margins are eroding and growth is slowing. Most companies have invested substantially in upgrading the sales force and leveraging technology, but few have seen sustainable results. This case study describes how the European sales division of a leading industry player was able to achieve substantial revenue gains through a comprehensive effort that helped to improve local sales processes, leverage these improvements across the entire region, and lay the groundwork for a CRM deployment.

BACKGROUND

DeviceCorp EU (a fictitious name) is the European sales and marketing division of a leading global device manufacturer, comprised of more than 20 local sales organizations responsible for marketing a comprehensive range of medical devices under several different brands. The customer is both the surgeon and the operating nurse (primarily buying on clinical effectiveness) as well as the hospital administrator (primarily buying on economic effectiveness).

The president of the division, under pressure to implement a CRM system across the entire region, realized that he had a unique opportunity: Every sales force has a few outstanding sales reps who always deliver on and above target. What is it in their way of working (process) that makes them so outstanding? Identifying effective processes and replicating them across the entire organization could substantially increase Sales Force Effectiveness.

The decision was made to launch an initiative based on the Lean Sigma methodology aimed at optimizing the various local sales processes prior to implementing the new CRM system.

The overarching goal was to improve those processes that contribute to more sales per sales representative. If Lean Sigma could help identify, capture, and keep more business with the same or fewer resources, then it could make a significant contribution. However, it was unclear how to address the substantial challenges involved in such an undertaking:

- How to work on enough of the overall sales process to have significant impact rather than divide into subprocesses, for instance, qualifying sales opportunities, that by themselves won't drive increased sales?
- How to avoid duplication of effort by working with similar processes in each country, for example, how to leverage and build on the experience of the first successful sales improvement projects?
- How to get the buy-in of different salespeople, by product line or country, to using the best practice sales processes?

FIGURE 1

PROJECT AREA	REGION
Territory Planning	Czech Republic
Account Planning	Scandinavia
Segmentation of Stakeholders	UK
Increasing Effective Selling Time	UK
Planning & Conducting Sales Calls	Scandinavia
List and Floor Price Setting	Europe
Changing Floor Price	Europe
Increasing Pricing for Products Below Floor Price	Germany
Defining/Qualifying Sales & Market Opportunities	Portugal
Developing Offers that Result in Winning All Qualified Potential	Italy
Tender Implementation	France
ROI on Professional Education Courses	UK
Impact of Professional Education on Sales	Germany
Re-Launch Existing or Re-Designed Products	France
Capital Appropriation & Selling Process	Europe
Reducing the Cycle Time for Safety Conversions	UK
Improving the Sales Value of Consignment Stock	Germany
Process for Effective Use of Health Economic Related Information by Sales Representatives	Czech Republic

- How to measure sales force effectiveness?
DeviceCorp EU engaged Valeocon to address these concerns and help design and implement a comprehensive approach to improve local sales processes using the Lean Sigma methodology and leveraging effective solutions across the entire region, comprised of 26 individual markets.

THE APPROACH

The organizational challenge was how to work on areas of improvement substantial enough to make a meaningful difference and yet not make the projects too complex. The following design principles were developed to help overcome the challenges involved:

- Invest substantial time to carefully scope the projects with the business leaders sponsoring them, since sales processes are typically less well defined.
- Cluster related projects together to get the full desired effect while keeping the individual projects manageable.
- Enroll senior managers as project leaders. They will see that the “to-be” processes get implemented.

- Maximize the use of the time sales and marketing people are spending away from customers. Structure the training and project work into a series of shorter, more frequent workshops.
- Accomplish as much of the project work as possible in the workshops.
- Create a very senior level Steering Committee to help identify and work toward common goals and leveraging of results when working across business units and countries.
- Dedicate someone full-time to structuring and managing the initiative.

By clustering projects around a common theme (for instance, identifying qualified sales opportunities), individuals could work on subprocesses while contributing to a larger improvement (for example, the overall tendering process). A series of workshops were conducted with sales executives to scope meaningful projects across the spectrum of sales and marketing processes outlined in Figure 1 (at left), focusing on specific countries.

Each project leader had two deliverables: a “to-be” process that solved the problem presented to him by his local sponsor and a “best practice” process that could be adopted by others across the region. The participants were sales and marketing managers responsible operationally for the processes on which they were working. A number of the participants were clearly opinion leaders and were respected as high performers in their respective businesses.

Wanting to create reference projects for the region as well as processes that could be adopted broadly, regional representation was required. The approach we took was to combine the formal Lean Sigma training with small-group workshops and individual coaching. This allowed each project leader to present and get input from regional colleagues while learning the methodology.

The benefits of using a fact-based, data-driven approach such as Lean Sigma became apparent early on. The teams were challenged to clearly state their hypothesis for each process (see Figure 2, below).

FIGURE 2

EXAMPLES OF HYPOTHESES TESTED
● Volume and price are related
● Age of the product affects volume below floor price
● Performing a quality interview to investigate needs is driving order closures
● The number of visits is driving order closures
● Consignment has a positive impact on volume and price
● The more involved the sales rep is in managing consignment inventory, the greater the positive impact on price and volume
● We sell new and relaunched products in more volume and faster when we have consignment inventory and a higher number of visits
● Participation in professional education has an effect on overall sales

Following the Lean Sigma methodology, the teams documented the current processes and collected data that could be used to test the initial hypothesis. In many cases, the insights generated by the teams clearly challenged the conventional wisdom and improved the understanding of the factors that truly matter (see Figure 3, below).

FIGURE 3

CHALLENGED ASSUMPTIONS AND FINDINGS

Sales Call Planning Activities are managed more than objectives; sales management tools control activity quality rather than improve the quality of sales calls.

Stakeholder Management Top performing salespeople target stakeholders who are the most influential, while average performers call on their friends.

Pricing There is no correlation between price discount and volume.

Professional Education Formalizing selection and follow-up is critical for improvement of revenue generation.

Capital Appropriation Each country has a different forecasting method, but it's possible to harmonize the forecasting method.

Setting List and Floor Price No data-driven process has existed in the past for this critical issue.

Tendering It's surprising that we miss 27% of all minimum qualities, considering this minimum is a contractual commitment from customers.

Effective Selling Time Out of a 10.4-hour working day, sales reps spend 3.5 hours driving and 3.5 hours on non-selling activities.

One participant confessed, “I have been selling medical devices for seven years, but it wasn't until now that I really understood what effective selling was about.”

With the exception of one project, the first round of 18 projects were successfully completed and delivered a net benefit of \$8 million. However, each of these solutions had been developed within the context of the specific market the team was based in.

LEVERAGING LOCAL RESULTS

It had been recognized early on that the biggest benefits to the business would come from leveraging best practices across the region. It was the responsibility of the steering committee and the council of country presidents to drive leverage regionally. What was unclear was to what extent the local improvements could be leveraged across the entire region while avoiding the “not invented here” syndrome or the negative consequences of benchmarking (“Why aren't you as good as your peers?”).

Companies that are geographically dispersed are excellent candidates for improvement leveraging. Sales and marketing affiliates are typically smaller businesses with limited resources constantly juggling the increasing demands of customers and of the parent corporation. They are eager to adopt practical ideas that require minimal investment, especially those already proven by their peers to work.

Leveraging is more about change management than about process re-engineering. Therefore, generating

excitement, enthusiasm, interest, and commitment at the top levels of the organization is essential.

Once the initial projects were completed, the team leaders and all the company's general managers are brought together in a “gallery walk.” Each project team presented its results using a poster board format showing the logic that led to the solution. The general managers circulated in a ballroom setting from one presentation to another at 10-minute intervals, using the following questions to zero in on the ideas most relevant and applicable to their business:

- Does the idea address a problem or opportunity I have?
- Does the “before” process look similar to my current process?
- Are the conditions for success, such as enabling technologies, in place or readily available?
- Are the people who would be involved in adopting the solution open to new ideas?
- Would the business benefits be comparable for us—or higher? or lower?

Each business leader was challenged to identify at least one idea that they could apply within their local market. In subsequent meetings with the project manager, they developed a 90-day implementation plan. To ensure applicability and buy-in at the local level, each participating business was asked to develop the following deliverables as pre-work:

- Project brief describing the problem to be solved and expected date of completion
- Business case that estimates the cost savings and/or revenue enhancement compared with the investment necessary to implement the idea
- A high-level process map that describes the current process in the recipient organization
- An estimate of the current process performance
- An analysis of the stakeholders whose support is critical and the possible implementation risks

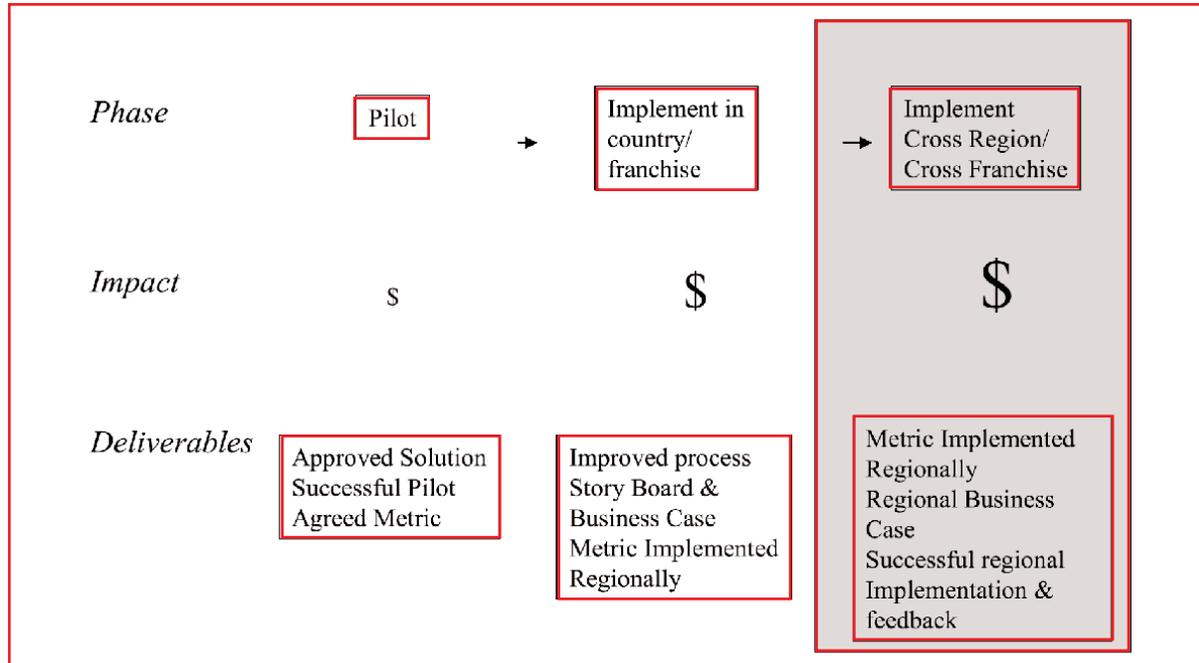
Investing the time to study the local situation carefully before implementing a solution that has worked elsewhere proved crucial to overcome local reservations and customize the solution to the requirements of the local markets. Beyond generating additional savings, this approach also helped with identifying further improvements to the initial solution.

Several elements were critical to capturing “the big dollars,” namely process-oriented dashboards reviewed regularly by local business leaders and the subsequent enablement of sales planning and execution processes, which helped to institutionalize the optimized processes.

RESULTS

During the course of the initiative, the project leaders went through the normal stages of a project: initial scepticism, hope, exasperation, insight, and breakthrough. In retrospect,

LEVERAGING BUSINESS BENEFITS ACROSS FRANCHISES & REGIONS



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the participants highlighted the following lessons learned:

- “Just by looking at our sales processes more closely through the Lean Sigma lens, they start to improve.”
- “Salespeople are interested in the science, not just the art of selling.”
- “The lack of standardized processes (for Professional Education) is a barrier to proliferating know-how across and between businesses.”
- “Standardizing the [tendering] process has reduced errors by 20% and time by 40%.”
- “Clear operational definitions of expected outputs, inputs, and process steps are vital for a marketing process like product conversion.”
- “The fewer the steps and people involved in the [tendering] process, the higher the quality of our analysis.”

Project members started as a very mixed group of people from different countries, different businesses, and each with different understandings of how the individual businesses work. Through the experience, the team learned a common language that allowed team members to get to the substance of what each

individual is doing. That was the key to learning from each other and helping one another get to a new level of performance.

Clustering Green Belt projects around core selling processes, consolidating training and coaching into a series of six workshops spread out over 10 months. Seventeen of the 18 projects launched were successfully completed with a net annual benefit of \$8 million. The solutions developed are now being leveraged from the original 5 countries and 2 businesses involved to a total of 10 countries and 4 businesses for an expected annual benefit of \$50 million. Adding science to the art of sales can dramatically increase sales effectiveness. ○



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