



NEW GMA STUDY: OUTSOURCING **SALES & MARKETING**

SALES & MARKETING AGENCIES ARE THE SWISS ARMY KNIFE OF CPG — in the field, they are the manufacturer's head and hands, its "go to" implementation guys and gals, its connection from the top of the customer organization to the floor of the store. Today, shifting market forces are rapidly leading even more manufacturers to employ this implementation 'tool' at an ever-faster rate: According to a new GMA study unveiled at the recent MSM conference, **sales agency market representation will have grown 10-15 percent in 2007 alone**, and by 2010 will represent a full \$213 billion — **almost double the 2005 level. HERE'S WHY.**

OUTSOURCING IS AN AREA IN WHICH CPG IS ROUTINELY OBSERVED TO LAG OTHER SECTORS. But in one key function, sales and marketing, CPG manufacturers are expert outsourcers: They have relied for many years on food brokers — today preferably known as sales and marketing agencies.

Now, according to an 18-month GMA study, "Outsourcing is In!",

financed by the ASMC Foundation and conducted by iCRM, the pace of sales and marketing outsourcing is picking up.

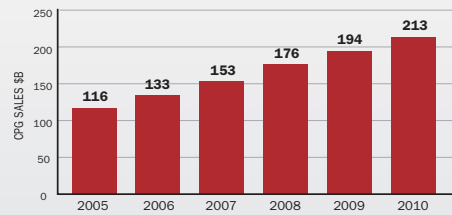
Why? "First," says Thomas W. Gruen, Ph.D., University of Colorado (*Colorado Springs*), a study author who presented the findings on October 2 at GMA's MSM Conference, "most ... CPG companies believe that sales and marketing agencies perform

transactional services at somewhere around 30 to 50 percent lower than direct sales teams."

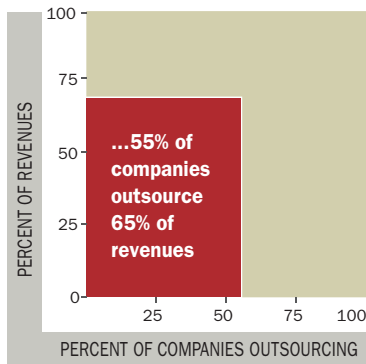
How? By spreading overheads and operating costs over multiple products and manufacturers: "Scale advantages from the syndicated sales model — back room support, HR, the general ability to spread overheads and operating costs across multiple companies all add up."

NEW GMA STUDY: OUTSOURCING SALES & MARKETING

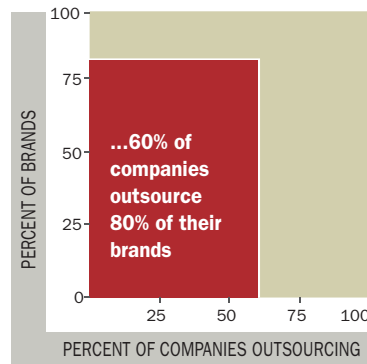
ON THE UPSWING: Expected CPG Sales Outsourced to Sales Agencies



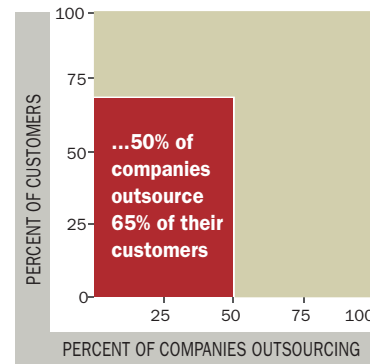
PREVALENCE OF OUTSOURCING: CPG Manufacturer Use of Sales & Marketing Agencies



Percent of CPG Revenues Outsourced



Percent of Brands Outsourced



Percent of Customers Outsourced

SOURCE OF ALL CHARTS: "Outsourcing is In! How CPG Companies Enhance Performance, Reduce Costs & Increase ROI Through Outsourcing Sales and Marketing," 2007, GMA/FPA, ASMC Foundation and iCRM.

Costs are lower also because sales agencies are better able to cope with the peaks and valleys of work force demand, especially for non-routine retail projects.

But today, cost savings are not the only benefit, according to CPG suppliers moving rapidly to deploy sales agencies more widely. Intense competition and shifting market forces are driving CPG companies to turn increasingly to sales agencies for more efficient and effective retail account servicing.

"Even companies that do not outsource their sales and marketing acknowledge ... superior capabilities by SMAs to provide more frequent retail coverage," Gruen notes.

More and more, the study finds, senior CPG executives are recognizing sales agencies as an effective tool for improving marketing productivity

and reduce the margin pressures caused by retail price erosion, rising wages and escalating fuel costs.

Today, in many operational areas, limits on available resources within the context of a rapidly moving and ever-changing business landscape are prompting CPG companies to focus more on their core capabilities and outsource those functions that can be better performed by others.

Outsourcing to sales agencies is considered by a growing number of CPG companies large and small to be a viable option for streamlining and improving the sales and marketing processes — indeed, even to serve some accounts at all.

Non-traditional specialty retailers, for example, are increasingly including CPG food products as part of lifestyle offerings. Often, these

accounts could not be efficiently served by a CPG company's direct sales force.

The emergence of an expanded scope of merchandise in non-grocery retailers, such as dollar stores and specialty lifestyle stores including Barnes & Noble, Best Buy, Home Depot, Victoria's Secret and Toys "R" Us, is another factor prompting more CPG companies to seek support from sales agencies.

Servicing such an emerging mix in non-traditional channels through a direct sales force can be difficult even for big CPG companies with deep pockets.

Finally, the expansion of mega-retailers into new geographies, new categories, new formats and new price positioning is compelling CPG companies to devise ways of participating more actively with retailer-defined tasks and objectives.



AS CPG MANUFACTURERS SEEK MORE SOPHISTICATION, EFFICIENCIES OF SHARED COSTS

NEW SERVICES COME TO THE FORE

What are today's sales agencies doing to keep up with the growing needs of manufacturers and retailers for more and better services? Here's what "Outsourcing Is In!" steering committee members and their services heads told us ...



Ben Fischer
President-Sales Agency
CROSSMARK

ONE OF OUR CORE BELIEFS IS THAT VALUE IS A RELATIVE THING.

Different-sized manufacturers get different value out of different services for different reasons. So, our approach is to work with each manufacturer to understand the unique needs that offer them the greatest opportunity to create value.

This could be everything from headquarter coverage to retail coverage to project-based work versus continuity-based work. It could mean that a different store base has greater value to one client, or even to one brand inside a client portfolio, than another store base.

Today, we're doing ROI-based modeling to understand which activities creates a quantifiable dollar return to our clients. At the same time, some things aren't necessarily an ROI calculation. Some things add value not because they make money per se, but because they help build a brand or establish a better business partnership with a key retailer.

The information we can gather and bring to bear for manufacturer and retailer alike is one of our greatest strengths. We have access to 75,000 SKUs, everything from the candy and gum on the front end all the way to meat in the back.

So we can understand which stores provide a manufacturer's profit — or could. For example, a store may be selling a lot of some product — but not a fair share of a given manufacturer's brand. Obviously, this visibility creates an opportunity.

Or, stores that seem similar in every way often turn out, when we analyze the data, to perform very

differently in terms of a given product or brand.

Traditionally, as a manufacturer you have wanted to be in all of a given chain's stores — yet when we analyze the data we have, we often find that, say, only 40 percent of this chain's stores create any profit for you. Which means you might be better served spending your money at a different retailer, one with a more profitable store mix, or a higher percentage of stores that perform well for you.

If you look at the world through that kind of lens, it greatly changes your thinking and your results. Every day, as the results of these kinds of analytics are applied to micromarketing and store clustering, it becomes clearer and clearer that this is the future.

MANUFACTURERS AREN'T THE ONLY BENEFICIARIES of these new capabilities; retailers gain, too. For example, different activity drives different results in different stores. Each store almost has its own unique behavior pattern. A display at the front of one store may not increase sales at the same rate as a display at the front of another store.

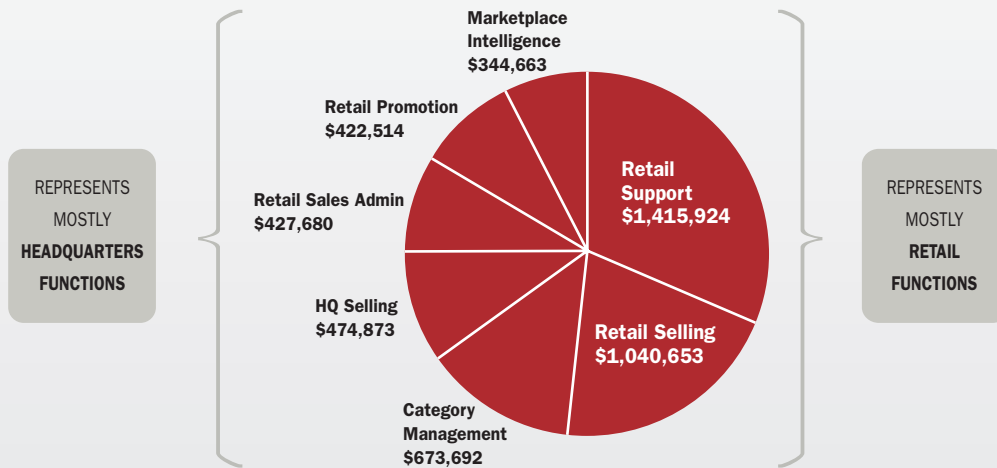
The more of such information you see, the more you realize it isn't just about product mix — it's *where the products are placed, what time of year, in which stores.*

This might seem obvious — but how do you know *where, when, which?* As a model, applying the right activities to the right store is quite complex, actually.

So we have focused on building in a lot more speed and flexibility. As an example, we call on every Kroger store for one client in a 32-hour window — we hit 2,000 stores between Tuesday morning at 8 a.m. and Wednesday afternoon at 5 p.m. This gives us a snapshot that almost no retail-

■ *Continues on page 84*

2006 VALUE OF OUTSOURCING SALES and MARKETING



SOURCE: "Outsourcing is In! How CPG Companies Enhance Performance, Reduce Costs & Increase ROI Through Outsourcing Sales and Marketing," 2007, GMA/FPA, ASMC Foundation and iCRM.

Servicing today's emerging CPG product mix in non-traditional channels through a direct sales force can be **difficult even for big CPG companies with deep pockets.**

SUCH HAVE PRESSURES INTENSIFIED THAT EVEN THE LARGEST CPG COMPANIES, those that have traditionally used direct sales teams — Kraft, General Mills and Procter & Gamble, for example — are now considering or moving to sales outsourcing.

Multiple factors are driving this trend, Gruen states: "Besides the cost advantage — that minimum 30- to 50-percent savings — there is the flexible work force; as a CPG company's business goes up and down, the SMA has the ability to adjust accordingly."

In-market expertise is another strong appeal. "Local market knowledge, sell-through promotions, relationships inside the customers, relationship continuity all make for greater

effectiveness," Gruen observes.

"Finally, there's the marketing capabilities — the frequent retail coverage, effective shelf performance, secondary selling and new-item cut-ins, the ability to generate a greater 'share of voice' with the customer."

CPG COMPANY RESPONDENTS EXPRESS SIGNIFICANT INTEREST IN INCREASING THEIR MARKET COVERAGE primarily to the fast-evolving multi-channel world.

Even in more traditional supermarket channels, high-value stores account for 60 percent of all commodities' actual cash value, while independents and smaller customers offer greater opportunities to increase actual cash value and margins.

For reasons of scale and local market

presence, sales agencies are considered by ever more sales executives to be better positioned than direct sales teams to service these customers. Several CPG sales vice presidents who have made a transition or partial transition addressed GMA MSM conference attendees in a video accompanying Gruen's presentation; all report great satisfaction with the move.

States Tim Snelling, vice present-sales for Kimberly-Clark, "What led us to use sales and marketing agencies is the effectiveness they offer at retail, in the small accounts. And the efficiencies — in some areas, a sales agency can provide services for us at a cost of sales well below what we can do for ourselves."

NEW GMA STUDY: **OUTSOURCING SALES & MARKETING**

As for the impact, he says: "We do not feel we made any tradeoffs with the customer or regarding our internal organization, or sacrificed anything with our accounts because they are no longer served by a direct Kimberly-Clark employee. Today, our representatives are members of our sales team through the agency — and, again, we have gained efficiencies."

States Vanessa Maskal, vice president-sales for B&G Sales, "We use SMAs for both headquarter and retail execution throughout our market area.

"Because we have a diverse portfolio of retail brands, we need local market expertise to effectively communicate with our customers, and service their needs and our brands properly."

For this reason, Maskal explains, B&G has chosen to use what it believes is the best sales agency by market, rather than contracting with one national service:

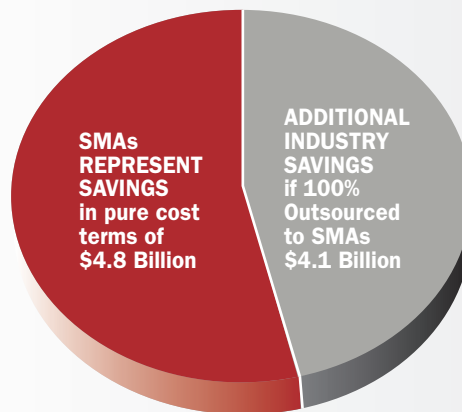
"It's important to us that the key selling people at headquarters have the local knowledge and the skills to effectively accomplish our objectives."

Overall, she notes, "Our success with SMAs has been to maximize our sales efforts by market area, while minimizing costs — while at the same time providing our customers with the best information and resources possible by market area."

MERGERS ARE ANOTHER INFLUENTIAL FACTOR cited by CPG companies who use sales and marketing agencies.

Says Lou Tursi, vice president-consumer sales for Church & Dwight, "In recent years, our company has acquired a lot of businesses. Having a broker partner gives you instantaneous selling teams to sell those new products. This makes it simple for us to acquire a business, and almost seamlessly be able to take it to market."

2006 VALUE DERIVED by CPG COMPANIES From **OUTSOURCING** to **SALES** and **MARKETING** AGENCIES



MANAGING THE OUTSOURCING RELATIONSHIP: Key Collaborative Dimensions / Activities / Parameters

- Periodic meetings to review progress and achievements
- Collaborative governance with joint development of strategies, plans, systems, processes and competencies
- Continuous improvement process planning and implementation by both parties
- Independent responsibilities undertaken by company executives and sales agencies to manage the relationship
- Established processes for reviewing results
- Ongoing transparency of sales agency activities and results
- Continuous visibility (including web-enabled reporting tools)
- Alignment of each party's sales administration process to avoid duplication of activities and errors
- Well-defined roles and responsibilities of sales agencies vis-a-vis CPG internal sales teams
- Variable models — dedicated or syndicated teams, according to client need

CASE STUDY: Rapid and Effective Cut-In of 31 New Items

The following case illustrates how an SMA firm successfully managed a large new product introduction for a CPG firm. In a two-week period, the sales agency had to:

- Cut-in 31 new pet food items in more than 2,000 stores of a major retailer
- Visit 70 percent of stores in the first week
- Ensure new shelf tags are in place
- Pack out shelf
- Complete reset

The sales agency handled the following steps:

- Received project request from CPG firm
- Identified required stores for project
- Built stores list and project plan
- Sent project plan to field
- Assigned field labor and executed project
- Pulled reports daily to ensure timely execution
- Sent reports to client weekly

IMPACT OF SMA'S WORK:

- Number of stores in project: **2,164**
- Number of stores completed: **2,055**
- Two-week completion rate: **95 percent**

Pet Food

- Out-of-Stocks Corrected: **831**
- Voids Corrected: **396**
- Tags Replaced: **1,475**

Litter

- Out-of-Stocks Corrected: **25**
- Voids Corrected: **6**
- Tags Replaced: **1,475**
- ROI Ratio Impact: **\$233.33 to every \$1**

Merchandising is still another advantage Tursi cites: "(Our sales agents) are incredible at helping us place merchandise. Their merchandising results are unbelievable! As an example, on our Crest Spin Brush, this year — 2007 — we will place about 158,000 displays."

Finally, he cites technology advantage: "Our sales agents stay up on all the latest technologies in the industry, and keep us abreast of what's going on with each."

Outsourcing Trends Quantified

SALES AGENCIES, THE STUDY FOUND, NOW REPRESENT ABOUT 54 PERCENT of all US CPG company retail sales revenues, equivalent in 2006 to \$133 billion in actual cash value of commodity revenues for CPG companies.

Given the trends of increased outsourcing, the level of market representation by sales agencies grew 15 percent from 2005 to 2006, and is expect-

ed to grow by another 10 to 15 percent for 2007 and beyond.

Thus, by 2010, sales and marketing agencies would represent \$213 billion — almost double the 2005 level — in CPG sales to the retail channels.

The additional gain in SMA representation of CPG revenues will come largely from three sources:

- shifts from direct sales to agencies;
- growth in new categories such as

Sales and marketing agencies currently represent a full **67 percent** — **more than two thirds** — **of all CPG brands.**



organics and naturals;

■ significant growth of such channels as dollar stores and lifestyle stores.

Sales and marketing agencies currently represent 67 percent, or more than two-thirds, of all CPG brands. They cover 63 percent, or nearly two-thirds, of all retail customers. Study results show that 55 percent of CPG companies outsource more than 65 percent of their retail sales dollars. Sixty percent of companies outsource 80 percent of their brands to sales agencies.

Aggregate Value of Outsourcing

CPG COMPANIES DERIVE AN ECONOMIC VALUE OF MORE THAN \$4.8 BILLION ANNUALLY by outsourcing to sales and marketing agencies, the study indicates. Adjusted modestly for perceived sales agency effectiveness compared with direct sales teams, this value reflects net cost savings accrued via outsourcing by CPG companies.

An additional net value contribution of \$4.1 billion to the CPG industry is possible from outsourcing the 46 percent of CPG sales revenues not currently handled by sales agencies. If CPG companies did outsource all the sales and marketing functions currently performed by direct sales teams, sales agencies would gain additional professional services revenues in excess of \$2.3 billion.

CPG companies and their sales agencies would gain further, the study suggests, by making collaborative efforts to increase sales agency effectiveness and success in achieving CPG company marketing objectives. Respondents

indicate that sales agency performance can be improved in several areas, including:

- promotional effectiveness
- customer service processes
- entry into new markets

Satisfaction Levels Vary

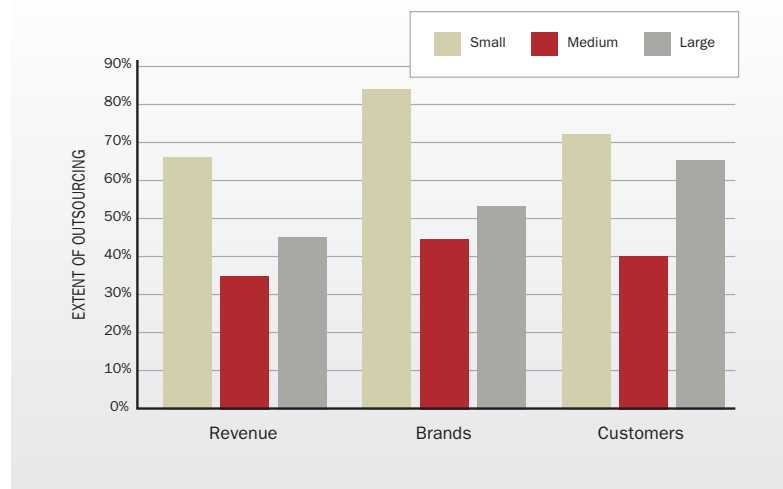
DESPITE THE CLEAR TREND TO GREATER SALES AND MARKETING OUTSOURCING, satisfaction levels among those who use agencies varies — curiously, with those who do the least outsourcing also expressing the least satisfaction with it. The question, in classic chicken-and-egg fashion, is: *Are these companies doing less outsourcing because they're less satisfied — or less satisfied because they're doing less outsourcing?*

"We spent quite a bit of time in recent weeks trying to tease out some of these differences between overall responses, respondents who outsource just a little bit, and respondents who outsource most of their sales and marketing work," says Tom Gruen.

To do so, researchers examined seven areas:

- retail support and merchandising
- retail selling
- marketplace intelligence / monitoring
- category management
- headquarters selling
- retail sales administration
- retail promotion management

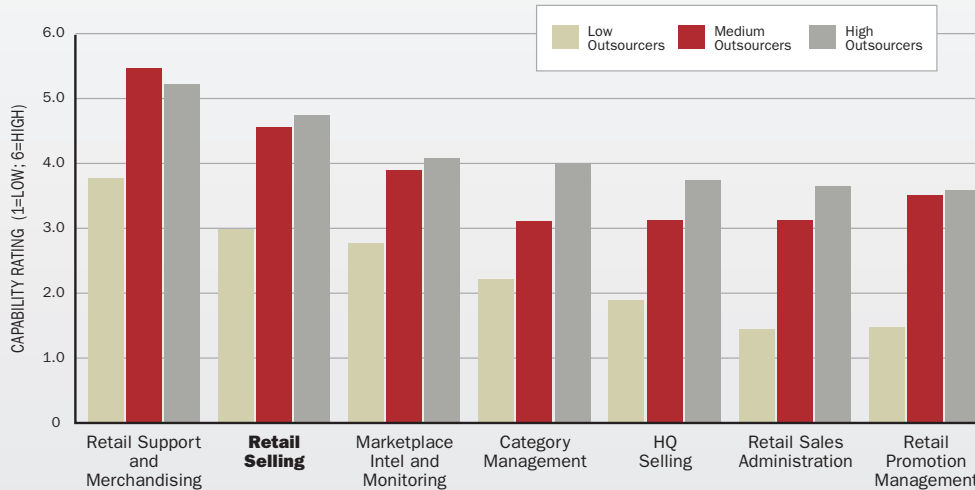
OUTSOURCING PENETRATION: Highest Among Small Companies, Followed by Large Companies, with Medium in Middle



NEW GMA STUDY: OUTSOURCING SALES & MARKETING

CPG User Perception: CAPABILITY RATINGS of Sales & Marketing Agencies

(Ranked by low, medium and high users)



The study found that the lowest-level outsourcers rated sales and marketing agency capabilities at two on a six-point scale — hardly a vote of confidence. Conversely, high and medium-level outsourcing CPG companies rated SMAs at over four on a six-point scale.

Observes Tom Gruen, "What we're seeing are real differences between the perceived capabilities, based on the degree to which respondents outsource.

"From this, it's reasonable to conclude that CPGs who practice little or no outsourcing may be missing opportunity to enhance performance through higher SMA utilization.

"In other words, *'Try it! You might like it!'* After all, the people who are using



SMAs are finding their capabilities to be very strong across all seven areas."

Retail Customer Satisfaction

Clearly, no matter how much sales and marketing outsourcing saves the manufacturer, it won't work for long if it doesn't work for the retail customer. Accordingly, researchers measured retailer satisfaction against three criteria:

- Partner satisfaction
- Performance satisfaction and
- Process satisfaction

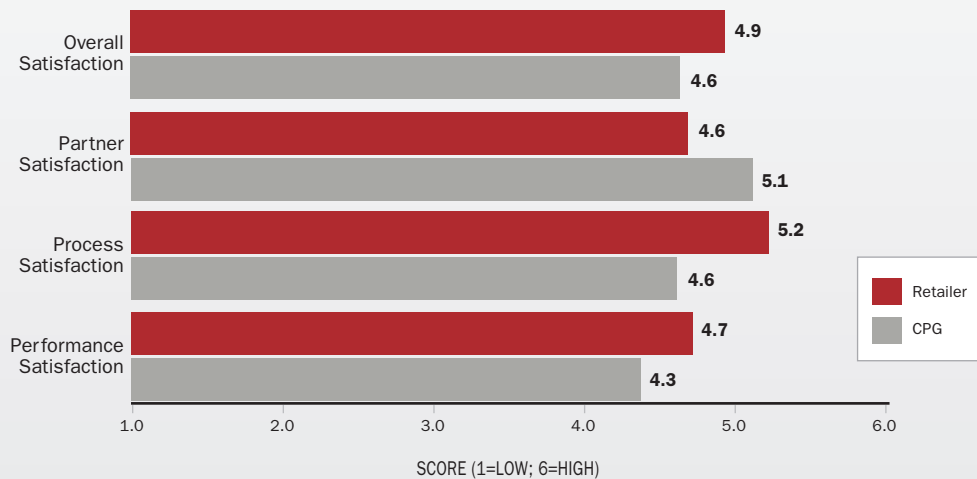
"These," Tom Gruen observes, "are what drives overall relationship continuity and commitment to the organization."

HAPPILY FOR SMA USERS ON THE CPG SIDE, RETAILER SATISFACTION IS HIGH. "In essence, the overall satisfaction rating was almost five points on a six-point scale," Tom Gruen adds.

Sales and marketing agencies are viewed as good partners, since they and retailers share a common goal: retail sales. Retailers view SMAs as knowledgeable about customer processes, with appropriate relationships to accomplish necessary tasks.

CUSTOMER SATISFACTION: How Happy Are Retailers with SMA Service?

(Scoring: 1 = low, 6 = high)



SMA's bring efficiency to the overall process via their sectional view on category improvement and the large portfolio of products they represent — attributes that enable myriad decisions through a single point of contact.

This helps retailers optimize their time for overall sales and merchandising management. Retailers can also provide more inputs to manufacturers through SMA's, thanks to the portfolio handled by the latter.

SMAS BRING PROXIMITY AND INTIMACY TO THE TABLE, retailers indicate, thus facilitating better top-to-top dialog and articulation of retailer strategy to manufacturers.

At the operational level, retailer focus is on achieving "sell-through;"

the expertise and efforts of SMA's in supporting sell-through is recognized by retailers as very valuable. Retailers also value the field work performed by SMA's — store project executions and other related tasks

"Retailers highly value the work that SMA's do in aligning and marrying the manufacturers' strategies with their own plans. They're viewed as good implementors," Gruen states, adding that in some parts of the world with low labor costs, stores are full of staffers constantly doing whatever is needed:

"But here in the US, retailers just can't afford a like level of labor to keep their shelves reset and filled, and their stores re-merchandised. So, SMA's provide a critical fill-in role."

It's a vital function, retailers agree.

"SMA's do some of the real hands-on work that needs to be done," says Mark Doiron, Senior Vice president-Merchandising and Distribution for Hannaford Brothers.

"But consumer and market knowledge is also key. SMA's help us keep a close eye on what's happening at retail — trends, sales opportunities, new ways to grow our business.

"We know there are always more ways to grow, more ways to get an additional item in the basket. Those SMA partners who help us drive these additional sales are those who truly add value."

With CPG manufacturers and retailers so aligned on this subject, it's a good bet that outsourcing sales and marketing will continue to grow. ■

NEW SERVICES COME TO THE FORE

CROSSMARK: ROI-BASED MODELING REVEALS NEW INSIGHTS, ENABLES SUPPLIERS, RETAILERS TO TAILOR SERVICE LEVEL TO NEED

■ Continued from page 77



Ben Fischer
CROSSMARK

er ever has of just what its store conditions are in that small a window of time. So we're able to understand, say, overall readiness for the fall baking season — where the stores are in terms of their preparedness, whether displays of the relevant product are up, are the price points correctly reflected.

Now, this kind of detail isn't needed on every brand at every time of the year. But when you do need it — during ice cream season, say, if you're a toppings manufacturer — frequency does matter, and it can be very valuable.

We've also found, as we have measured back to which activity produces which results, that in fact a display is not always a display. That is, while many CPG companies think that if they can just get a display up in the stores, they'll do well.

But in fact, some stores sell a lot more off of one kind of display, or a display in one location, than they do off another. We don't always know, immediately, just *why* this is, but we do know that, in certain stores, this is how consumers shop.

Again, we know this because we're in the stores frequently and we monitor the scan data. Then, the challenge is to determine *why* this is the case in a particular store. *Was it the specific location within a particular aisle?* So we pick things up that create more questions — but isn't it great that we now have information to ask those questions?

Answering them, of course, takes good analytics work — another thing we have been focusing on. In fact, we now have one CPG company client that goes direct — but has engaged us to provide analytical services. The reason is our knowledge of and insights into store level; some of our information is now being used to help better direct this company's own retail force.

We're seeing more and more outsourcing in all areas occurring across the CPG space, even including R&D and brand marketing. Retailers, too, are begin-

ning to realize they need outside help at store level. Wal-Mart, for example, has engaged us to do a major frozen food reset.

This involved some 250,000 man hours in a five-week window — all at night, so as not to disrupt the shopper. In some cases, this involved resetting as many as 300 freezer doors in a single night. We'd have 12 to 14 people show up at 10 p.m. on a Monday night, and by 6 a.m. Tuesday morning, the store was reset. Again, the process never interfered with the shopper.

This not only created value for Wal-Mart, but for every manufacturer in the planogram.

ALL OF THESE CAPABILITIES REFLECTED AT RETAIL HAVE SIMILAR IMPLICATIONS FOR HEADQUARTER. They enable manufacturer and retailer alike to better understand which stores should have which planogram and what kind of retail coverage is needed. There's great value in retail coverage — not only for its own sake, but as a headquarters tool in terms of the information it can generate, and feed back up to management.

Often, manufacturers and retailers alike think that retailers know which planograms they have in which stores, what the adjacencies are, and what the product mix is. But the reality is, things can and do change fast in the stores, and it's very difficult for any retailer to keep up with these. Because we're in these stores on a regular basis, we have more data at our disposal. We can, for example, do a space utilization study that will produce more information than could be obtained any other way.

If used appropriately, for the manufacturer these are fabulous headquarter tools. And for the retailer, the efficiencies are huge: If every manufacturer went direct, just think of the number of category managers the retailer would have to hire to work with every manufacturer's representative.

In short, not only does the manufacturer gain through reduced costs, but the retailer gains great efficiencies as well. ■



ADVANTAGE SALES & MARKETING: ORDER-TO-CASH SERVICES FREE CPG CLIENTS TO FOCUS ON SELLING, RETAILER RELATIONSHIPS

Sonny King, CEO and **Sandy Yob**, Vice President-Administration

ONE BIG THING WE'VE BEEN WORKING ON AND DOING MORE AND MORE OF IS AN ORDER-TO-CASH SOLUTION. We developed this because, for years, we have had a core competency in customer service and trade management.

We have expanded our services in this arena because our clients were coming to us needing help. They were challenged in areas like vendor managed inventory, customer service, EDI processing and data synchronization. With all the new trade management packages out there, they were spending a lot of money to get up to speed on these things.

But because we serve so many clients, we *have* to be up to speed on everything. So, a lot of people were coming to us and saying, *Can you do this for us?*

Basically, what we do encompasses everything from the time the order is placed or created (if we're doing VMI for them), all the way to collecting the cash. Our services include customer service, EDI processing, order management, data sync, deduction management, and more.

DEDUCTION MANAGEMENT HAS BEEN HUGE. As we all know, some clients have looked at their strategic retail customers and decided, *We'd like to make that sales call*. But when they started to do that, they suddenly realized they had been resourcing from us all of their admin services related to that retailer.

So, we have often gotten these back — deduction management and order processing, for example. Manufacturers realize we can simply be a lot more efficient than they can be. After all, while they may be processing 1,000 orders a month, we process 100,000 — and efficiency results from that kind of volume. It's simple math.

IT'S EXCITING FOR ME THAT WE HAVE BUILT SUCH A GREAT CORE COMPETENCY that we can say to our clients: *Yes! We can make you more efficient.*

As for trade promotion management, another high-interest service, we have two processes. Some

clients come to us and say: *We don't want to touch any of this. Do the whole thing for us, start to finish.* Then we have other clients who say: *We want this particular system*, perhaps because they're running SAP and they want its trade package or some other package. But they don't want to manage it.

Of course, this requires ongoing communication with the client and its sales force. For example, we're working on a project right now with one CPG client, and have staffed a position there to manage trade promotion and deductions on a major retailer. We are in constant contact with their sales team; we work with them on a day-to-day basis, we understand what deals they're offering.

In most cases, retailers require contracts to be written, and so we also do the contracts. That way, we're right in the loop; we know what is supposed to happen. The benefit to the client: Whether it's a direct sales team or our sales team, the team can *sell*. They're not spending their time doing admin work.

There have also been situations where companies simply have not had people in given locations to do this. Because we're all over the country, maybe they want the admin support to do the contracts and trade management, but they want them to be where a person is located. And because we're strategically located around the big retailers, we usually have a team in that city.

SO THAT'S HOW IT HAS GROWN: clients have come to us and said: *Will you do this for us?* And we have.

Only recently have we started to market it. In the past year, we have begun to bring a great many clients onto it, at many different levels. Some want to outsource their customer service completely, and save themselves 25 to 50 percent. Others want to do it on a lesser scale, transitioning some smaller customers while retaining the strategic customer.

The feedback we have been getting is exciting for us — we have been able improve the customer's bottom line. ■



NEW SERVICES COME TO THE FORE

SELLETHICS MARKETING GROUP: PROPRIETARY SOFTWARE SHOWS STORE CONDITIONS, AUTHORIZED PRODUCT, OUT-OF-STOCKS, MORE



Ritchie Davis
Vice-President of Operations
SELLETHICS MARKETING GROUP

AS DR. THOMAS GRUIEN AND DR. DANIEL CORSTEN POINTED OUT IN THEIR STUDY OF OUT-OF-STOCKS,

there are many factors that come into play, including warehouse inventory, accurate store ordering, and proper shelf allocation.

As an industry, we did not have the insight 10 or 15 years ago that we have today. If we did, we would probably find that out-of-stocks weren't as much of a problem, but inventory carrying costs probably were a problem.

Cash flow was negatively affected due to excessive inventory levels. But at least the product made it to the store and, more than likely, made it to its spot on the shelf because of more full-time stockers.

Since very few retailers had effective measuring systems back then, they didn't understand the costs associated with these high shelf availability rates. But here we are today, with out-of-stocks costing many retailers around \$800 a week per store.

This doesn't include the loss of customer satisfaction, considering roughly 31 percent of customers visit a competitive store to purchase the out-of-stock item. If I were a retailer, I would have to ask myself, *What other of my competitors' items are making their way into my customer's basket?!*

WITH KNOWLEDGE COMES RESPONSIBILITY. With all of the information at our fingertips our industry should be able to make great strides towards improving service levels throughout the product sales cycle while at the same time provide retailers

with efficient and effective inventory levels. We knew that as a broker we could not affect everything in the product's cycle but that we could make a very positive difference at the shelf.

With this in mind, we spent the last few years developing proprietary software that would not only help our clients but also help retailers to better understand store conditions.

This year, we placed over 300 laptops in the field with our new software (*SellEthics Retail Solutions*) and the results have been outstanding. The most impressive component of the software is that a retail associate can put in a retailer's store number, and only those products authorized for that specific store are shown on their screen.

Having this feature puts us in a great position as more and more retailers pursue store specific product mixes to meet the unique needs of their consumers at each individual store.

Our program also allows our retail representatives access to display images, planograms, product images, sales sheets and manufacturer questionnaires, so they can more effectively work each store and educate the retailer and our principals on various opportunities that exist.

With a click of a button, the retail rep can show a store's grocery manager or scan analyst all products that were out-of-stock, missing a tag, or void altogether. With store employees being as busy as they are, you can imagine how helpful this quick access is to them.

We have already partnered with retailers to assist them with improving store conditions on their private label items. The reporting aspect of the system gives buyers, category managers, and store ops personnel insight into what is really happening at store

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level and what needs to be done to better serve their customer base. This has made a tremendous impact on our organization as we are better able to understand on a strategic level where our retail partners are headed and how we can better serve them through our associates and principals.

The more insight we receive from industry studies like the *Comprehensive Guide to Retail Out-of-Stock Reduction*, conducted by the GMA/FMI/NACDS, the more encouragement we receive for the direction we are headed as a company.

Every organization should constantly evaluate the products and services they offer to ensure they are of value to the market.

More and more, we see that manufacturers can benefit greatly from outsourcing retail services. We want to take it a step further. We want to make sure that we aren't just considered a cost-effective option to performing retail services but instead, the best return on investment. ■



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