

# NUTCRACKER CASE STUDY

## COMPANY BACKGROUND

**Ace Limited** is a leading FMCG company in India and is the 2<sup>nd</sup> largest FMCG in the world with presence in more than 150+ countries. India business contributes to 40% of the turnover of the group and continues to be among the fastest growing markets.

In India there are over 30 brands spanning across three major product categories – Home Care, Personal Care and Foods & Refreshments. The company has been clocking double digit growth across all categories for 12 consecutive quarters.

## SALES STRUCTURE AT GLANCE

The sales system in Ace is a streamlined distribution network that helps the company ensure availability of products till the last mile.



The sales structure of Ace is based on geographical classification and an approach for winning in every part of a widely spread country like India to tap into local opportunities and drive significant competitive edge. The sales structure of the company is divided into 3 parts that are supported by partner functions such as HR, supply chain, finance, marketing and legal:

- General Trade (Traditional trade through local stores)
- Modern Trade (Organised retail and institutional business)
- Ecommerce (Online platforms)

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The sales organization operates on 3 pillars of sales:

- **Capturing Demand** – focuses on getting the shopper to general trade and shop more of Ace products. Sales representatives from the distributor team (stockist) visits outlets and takes orders to ensure availability of products in the market. A new digital solution is also now available for the retailers to facilitate self-ordering wherein the retailer can order on the app and it directly reaches to the distributor for servicing (delivery).
- **Generating Demand** - focuses on shopper and outlet interaction by ensuring visibility, attracting shoppers, and ensuring right products are billed in the right quantity. This also facilitates new launch and consumer promotion visibility.
- **Fulfilling Demand**- infrastructure required to service the outlets and optimize distribution. The focus is on timely delivery in the most efficient manner.

## PEOPLE STRUCTURE

The General Trade channel has the largest contribution at around 71% of the total sales. The other parts of the business such as modern trade and e-commerce contribute ~29% of the total business.

The Inner core of employees that consists of field sales team such as Territory Sales Officers (TSOs), Key Accounts Executive (KAEs) and Field Sales Capability Executives (FSCEs) are responsible for meeting volume and value objectives for the assigned territory within budget, time and policy parameters through efficient management of the distributor network and staff. The outer core of the GT business comprises 17000+ sales representatives working as employees of the distribution partners (stockists) as well as 6500 merchandisers driving demand generation by ensuring visibility of the products on the shelves of the retailers. To win in the market, Ace Ltd. has been focusing on the frontline outer core to drive standardized people management practices, capability development and engagement to ensure efficient execution in the frontline.

At a stockist/distributor point the sales representatives are categorized on the basis of product categories. They capture demand for their allocated category, using an HHT (hand-held terminal), from the outlets on their daily beat. The number of sales representatives at a distributor point are based on the agreed service mix. Service mix is the right frequency of visits to an outlet ensuring no loss in sales due to unavailability and is also based on the number of outlets to be covered by a distributor in a territory.

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## SALES HR PRIORTIES

Ace Ltd. has created a strategic roadmap for 2020 calling out efficiency and productivity increase in the frontline sales (distributor sales representatives) as a key driver of growth. Creating and deploying a comprehensive 360-degree life cycle management for the pool of 17000+ sales representatives has been identified as critical, through actions on:

- a) Strong fundamentals of people management
- b) Building careers and capability
- c) Hiring Right
- d) Developing pride and connect

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With changing customer and consumer trends and increase in the intensity of competition in today's VUCA world, it is imperative for the company to stay ahead of the rest and win at the point of sale.

One of the crucial aspects of competitiveness in the marketplace is to complement a winning strategy with execution excellence in terms of speed and quality of delivery. As per the prevailing GT distribution model in the country the sales representatives have very high attrition (Industry vs company), which directly impacts presence of feet on street (FOS). An attrition of one sales representative has an estimated impact of 40% business decline on a beat for 2 months. The challenge is that the new hired sales representatives are exiting faster than hiring of replacements.

| Branch | Salesman budget | Exits 2019 | YTD Attrition % 2019 | QOC Score of Exits | # Exits of <6 months tenure | % <6 months exits out of total exits | QOC score of <6months Exit |
|--------|-----------------|------------|----------------------|--------------------|-----------------------------|--------------------------------------|----------------------------|
| East   | 1042            | 152        | 14.6%                | 2.51               | 57                          | 38%                                  | 1.28                       |
| North  | 1331            | 451        | 33.9%                | 1.99               | 219                         | 49%                                  | 1.31                       |
| South  | 2946            | 1034       | 35.1%                | 2.20               | 552                         | 53%                                  | 1.67                       |
| West   | 2188            | 426        | 19.5%                | 2.57               | 147                         | 35%                                  | 1.98                       |

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The HRBP deep dived into the reasons for exits of the new hires and identified 4 probable reasons – Reduced incentive earnings, job complexity, too many outlets and Low travel/daily allowance earning, lack of training. The inference of the analysis was that the attrition is directly correlated to performance and hence presence in the market is impacted by the productivity of the sales representative. The KPIs basis which the sales representatives earn incentives are as follows:

| Parameter  | Slabs   | Weightage | Score | QOC  |
|--|---|-----------|-------|------|
| <b>Monthly Sales target</b><br>(monthly sales target vs achievement)   | ≥103.0%   | 50.0%     | 5     | 2.50 |
|  | 100% - 102.99%  |           | 4     | 2.00 |
|  | 98% - 99.99%  |           | 3     | 1.50 |
|  | ≤97.99%   |           | 0     | 0.00 |
| <b>Lines Sold per day</b><br>(customised line targets for the day for every outlet according to historical trend)  | ≥60.0%  | 50.0%     | 5     | 2.50 |
|  | 45% - 59.99%  |           | 4     | 2.00 |
|  | 30% - 44.99%  |           | 3     | 1.50 |
|  | <30%  |           | 0     | 0.00 |
|  | <50%  |           | 0     | 0.00 |
| <b>GPS BP</b><br>(Sales representatives achieves 40% of bill productivity (no. of bills made in a day) of outlets of his beat. If no. of outlets in a beat are <20, sales representatives needs to achieve min 8 bills for 1 GPS BP man-day) | TA/DA per day paid out basis achievement of GPS BP man-days defined |           |       |      |

## Problem Statement 1:

A strategy to identify the key drivers of performance during the first 120 days of new sales representative and plan that provides timely corrective action to curb attrition.

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While attrition of sales representatives was the biggest challenge for the sales HR in 2019 and start of 2020, suddenly with arrival of the pandemic (covid-19) there was disruption in the marketplace. The nation-wide lockdown restricted the mobility of the sales team impacting business operations of the distributors. While the company procured licenses from administrative authorities for uninterrupted operations, one of biggest challenge faced was ensuring presence of sales representatives for market work. With business disruptions, the company was also focused on protecting the livelihood of the outer core of the sales representatives and business continuity was important to ensure the same. Ace Ltd. prioritized safety and hygiene and created clear protocols for market working in order to minimize pandemic related risks.

The sales structure for Ace Ltd. is also based on 3 product categories – Home care, personal care/ Beauty, and food & refreshments. During the pandemic while home care and foods category were performing well, being part of essential services, the personal care category saw mixed results. Parts of the company portfolio that focused on health and hygiene did very well while other discretionary products like cosmetics, creams, Ice Creams etc. could not be sold. This led to a decline in service mix by 20% at a national level making the sales teams to move from category bases sales structure to consolidated company level sales. Also, outer core employees such as merchandisers were unable drive demand generation in the market and their livelihood were at risk.

| 3P RSSM Plan of 2020: | Sales representatives budget for 2020 | Sales representatives available as of March | Sales representatives available as of July | Present But not working due to external Factors | Not worked and no salary | Marked Absent | Marked Present But not coming to work |
|-----------------------|---------------------------------------|---|--|---|--------------------------|---------------|---------------------------------------|
| West                  | 2280                                  | 2309  | 2271                                       | 57  | 104                      | 75            | 29                                    |
| East                  | 1145                                  | 1117  | 1102                                       | 27  | 26                       | 21            | 5                                     |
| North                 | 1546                                  | 1489  | 1439                                       | 23  | 134                      | 120           | 14                                    |
| South                 | 3218                                  | 3254  | 3215                                       | 103   | 99                       | 54            | 45                                    |

## Problem Statement 2:

1. What type of incentive scheme should be designed to ensure continued livelihood for the sales representatives and to drive sales for the company?
2. With increased absenteeism, the distributors are looking for manpower to support them for front line and backend operations, suggest a strategy to bridge the gap? What additional role can HR play to ensure success of the strategy?

**Finally, what would be your recommendation for the sales representative's lifecycle strategy going forward which integrates with pre and post pandemic scenarios.**

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## EXPERT NOTES

### Problem Statement 1:

A sales representative lifecycle phase model **“Presence to Productivity”** was created to tap into the lifecycle of the new sales representatives within first 100 days of joining the role. It identified the key drivers which impacts their performance. The model provided timely prompts to the line managers with 3 actions:

- Ensuring that the new sales representative settles into the role within 90 days of joining
- Recognizing the performance of the new sales representative who have been doing well.
- Capability building actions and on-the- job training

Corrective actions were suggested for those who struggled in the first 100 days to ensure they get timely support and direction. An improvement in their performance led to better earnings and engagement among the new joiners.



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**The actions and focus were on retention of the sales representatives in the category of struggling independents and the suggested actions were:**

- Monthly connects to understand and identify the reasons for low performance
- On the job learning with capability executives during market visits
- Consistent weekly tracking of performance and recognition for sales representatives moving from struggling independent to developing independent within 30 days.

**The Impact:**

- No exits happened in Developing independents in last 3 months.
- 20% of sales representatives moved from struggling to developing independents within 60 days
- 15% of sales representatives moved to settled category within 30 days from developing independent stage
- Incentive earnings of struggling independents improved by 500BPS withing 30 days of market contact actions.
- Overall drop in attrition of new sales representatives by 10% within 30 days of the launch of the model.

## **Problem Statement 2:**

Sales representatives were unable to visit outlet physically to capture demand and many others had migrated to their hometowns. To maximize coverage, they were encouraged to promote self-ordering by outlets through the company App and were incentivized on every bill they generated through the App. Incentives were no longer kept at category level but overall HUL sales levels. Remote working beats were redesigned to increase coverage with fewer sales representative and their incentives were based on bills generated (min value of Rs. 1000), Rs. 30 was paid for min 5 bills generated with Rs. 5 for every additional bill.

**Impact:**

An improved sales growth trend in last 3 months:

| Jan | Feb | Mar  | Apr  | May | June | Jul   |
|-----|-----|------|------|-----|------|-------|
| 3%  | 7%  | -21% | -27% | 5%  | 10%  | 13.2% |

There was an improvement in sales representatives presence in the market and even saw a spike in June'20 incentive earnings in comparison to pre-pandemic scenario with the clubbing of TA/DA and variable incentive structure

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| Region | Apr'20 | May'20 | June'20 | July'20 |
|--------|--------|--------|---------|---------|
| North  | 22.66% | 50.97% | 66.47%  | 72.33%  |
| South  | 18.20% | 58.49% | 64.39%  | 70.81%  |
| East   | 17.46% | 56.44% | 60.26%  | 68.90%  |
| West   | 20.33% | 50.38% | 45.14%  | 55.67%  |
| Total  | 19.66% | 54.07% | 59.07%  | 66.93%  |

6500+ population of merchandisers were unable to work in the market due to restrictions. Additionally, there was a challenge of optimizing costs. Hence, action was taken on redeploying these available resources into frontline vacant sales representative roles. This redeployment not only helped in supporting business operations but, led to protection of livelihoods of these merchandisers who were on verge of losing their jobs.

## Impact:

4000+ livelihoods are being protected with redeployment of merchandisers. Unproductive sales representatives who have not been present in the market from last 4 months are now being treated as on leave without pay. The salary budget saved is being utilized to drive incentive schemes and redeployment plans.

## ANNEXURE CONTENTS:

1. P2P sample data with key parameters
2. Glossary (QOC, TA/DA, definitions of Sales rep, merchandisers etc.)
3. Overall RSSM attrition trend 2018 and 2019