
Chapter V

Sales Force Management in the Consumer Products Industry

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Introduction

One of the largest direct-selling companies in the world, with sales forces in the U.S. and abroad, sells a line of beauty, health, and fitness products through a network of independent sales representatives. Currently in the United States alone, the representative population has grown to several hundred thousand individuals. Representatives purchase products from the company at a discount, and in turn, sell them to their own customers, earning revenue through volume discounts. Customers order their products from catalogs that contain a mix of seasonally appropriate items along with core and new products, and special promotions to choose from. To assist its field sales force, this consumer products

organization provides incentives, sales recognition awards, and training programs in beauty consultation and sales effectiveness.

Given such a large and varied sales force, the potential of experiencing significant sales-rep turnover exists. As a result, the company needs to target its sales and marketing efforts for maximum sales effectiveness. One of the targeting measures currently being evaluated is *lifetime value*: the expected value of a representative for the length of the representative's tenure.

One of the principles of direct marketing is that it generally costs less to keep an existing customer than to acquire a new one. This is also applicable to sales representatives, as the costs associated with advertising for new representatives, meeting with and evaluating prospects, and training new hires can be substantial compared with the costs associated with efforts to retain current representatives. An early warning system that identifies representatives who are at risk of attrition, along with an assessment of their future value, would support a retention program that targets the most profitable customers from among the "at risk" population.

Concept of Lifetime Value

How can we identify our best customers? Many companies use a measure of *lifetime value* (LTV) for a customer. LTV is an estimate of the total revenue generated by a customer over the entire duration of the customer relationship. It is generally measured in terms of gross sales, although total profit, when available, can be a more accurate measure.

Lifetime value for a sales-rep is a projection, or forecast, of the future sales produced by a representative from the measure-

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