



Outsourcing an In-House Merchandising Team: Success Story* #1

Spotlight on Training

Results Summary:

- **Phase 1 Cost Savings of \$1,700,000 Savings Per Year (Approx.)**
- **Reduced Average Hourly Cost (including overhead) from \$38 per hour to \$26 per hour for 76 people.**
- **RIGHT FIELD MERCHANDISER IN RIGHT PLACE, WHEN NEEDED: Increased Store Visits by 25% for Same Budget Dollars (Approx.)**
- **BIG BENEFITS FROM LONG TERM PROGRAM: Manufacturer Was Acquired, but Director of Retail Merchandising Continued Running Program for Acquirer, Continuously Improving Results Over the Years. See additional success stories for same program:**
 - ***Now Number One Selling Product in Wal*Mart for Our Manufacturer***
<http://www.tomingraminc.com/NoOneSelleratWalMartv3.pdf>
 - ***Major Program Success - Drive Sales - All Facets***
<http://www.tomingraminc.com/MajorProgramSuccessGeneric.pdf>
 - ***17% increase in sales over the past 4 weeks...***
<http://www.tomingraminc.com/HolidayCompliance17PerIncrSalesv2.pdf>
- **Comprehensive Training Makes The Difference.**
- **Ultimately Reduced Full Time Staff by 50%.**

Problems: When considering whether to outsource an in-house merchandising team, the following key problems seem to rise to the surface:

1. **Pay Scale Creep:** In-house merchandising people, whether full or part time, tend to rise in seniority and pay. Over five to seven years, this pay increase becomes significant enough that large cost savings are possible by outsourcing to a third party services firm.
2. **Right Field Merchandiser In Right Place, When Needed:** People move, retail chains open and close stores, and priorities shift from one retail chain to another. Over time, this results in the manufacturer's in-house merchandising people, who are often very good at what they do, simply not being where they are needed.
3. **"A Third Party Cannot Possibly Do The Work As Well As Our 'In-House' People:** While many manufacturers believe this to be true, our experience has been that it is possible for a properly trained and motivated third party firm to do equal - sometimes superior - work. Please review the above success story links for evidence.

4. **The Budget for In-House Merchandising Work is Fixed, But The Number of Stores That Must Be Covered is Growing.** This is especially true for Wal*Mart. It is not possible to make all the store calls needed with the cost structure of an in-house merchandising team.
5. **Gas Prices Continue to Increase.** Cost savings must be found elsewhere.

In this case, our manufacturer was facing all of the standard problems of an in-house merchandising force. The work done by the in-house people was great, there just was no way to get all the work done with the available dollars.

Some Solutions:

1. **The Cost Savings / Scheduling Worksheet:** REPS created a special worksheet to make it easy to see where REPS merchandisers might be scheduled for a store visits, and how much cost this would save. This allowed the Director of Retail Merchandising to allocate his budget to 60% of the stores covered by in-house people and 40% covered by REPS people (for example.) The scheduling worksheet helped stretch every dollar by making it easy to use the best person for the each situation.
2. **Spotlight on Training:** Training is what has allowed both the cost savings and excellent quality of work to be performed. Following are some highlights:
 - a. **Training program was continuously improved over multiple years.**
 - b. **Training was defined as a PROCESS, adhered to and updated as changes were needed.**
 - c. **The entire training program was specifically designed for just this manufacturer.**
 - d. **Many different training media and tools were used:**
 - i. **Paper instructions**
 - ii. **Websites to view or print pictures of ads, products, displays, etc.**
 - iii. **Video training**
 - iv. **Training meetings – bringing people to a central location**
 - v. **Management ride-alongs in the field**
 - vi. **Product Knowledge Training:** It is important to know the product's features and benefits, but this is not enough.
 - vii. **Customer Need / Feature / Benefit Training:** Effective sales training goes beyond simple product knowledge. For example, training for shampoo products would include "Here are the premium products, the mid-range products and the basic products. Here are the needs of each class of customer and the features that will appeal to each. Here is how you work with your store managers to promote the product we are most interested in a the moment..."
 - viii. **Aggressive Selling Skills:** In certain cases, it is desirable for REPS personnel to actively sell store managers on adding displays, end caps, additional stock, etc. The following success story describes how one REPS district manager succeeded in getting **90%+ of Secondary Display Space...**
<http://www.tomingraminc.com/AggressiveSellingTipsFromBest.pdf>

*** Please Note:** Percentages and dollars are approximations of estimated benefits for illustration purposes only. Company names, names of individuals, financial and other details may have been changed in order to protect client confidentiality. **For more information, contact Tom Ingram at 972-394-5736 or tom.ingram@handleman.com**