Repsly™

We simplify field work.

Using KPIs to Simplify Field Activity Management

Matthew Brogie
COO at Repsly

Contents

Introduction

It has been said in business that you can only improve what you measure. Key Performance Indicators (KPIs) are constructs used in business to measure the success of individuals and organizations at achieving certain goals. KPIs are very tactical in that they provide a method of defining specific objectives in measurable terms, and allow management to analyze how well particular processes and activities are supporting the organization's goals.

If your organization includes any type of field team which performs Merchandising, Marketing, Selling, Servicing, Surveying or Inspecting functions outside the four walls of your office, then you can benefit from the use of KPIs to simplify your Field Activity Management processes. Field organizations are unique in that they are distributed away from the eyes and ears of management, with self-directed representatives conducting vital business activities that have a direct impact on the success of the organization. Companies must be able to measure activity levels in the field and the results that these activities produce, in order to optimize the performance of field operations.

Using KPIs is an effective way to maximize the efficiency and the effectiveness of field organizations. This publication describes what makes KPIs effective, provides examples of KPIs, how to recognize attributes that make them effective for Field Activity Management, and reviews some important aspects of how to analyze KPIs once they have been implemented. Using these straightforward guidelines when implementing KPIs in your field organization will simplify the job of managing the field activities that drive your business.

Attributes of Effective KPIs

As the name implies, KPIs provide an ***indicator*** of how well certain ***key*** resources and activities are ***performing*** with respect to the goals put in place by the organization. These indicators can be as diverse as *Number of new customers added by the company*, and as specific as *Rate of turnover of field employees*. It is important to recognize that in order for KPIs to be effective, they must be paired with specific goals. For example, if the KPI is *Number of customer visits per week*, there is no way of knowing whether the measured results are indicating something good or bad; unless there is a target to compare against. KPIs can be quite useful in setting and adjusting targets if none exist. Simply create the KPI, use the first results to establish a baseline, and then create a target that improves that baseline by some relevant and achievable percentage.

7 Keys to Effective KPIs

1. Simple
2. Aligned
3. Relevant
4. Measurable
5. Achievable
6. Timely
7. Visible

In order for KPIs to be effective, they must have certain characteristics:

Simple

A good KPI is easy to understand and to measure. The likelihood that a KPI is adopted and leveraged by an organization goes up significantly as the simplicity of the KPI increases. The reasoning behind this is that any task or process that provides value carries with it some amount of administrative overhead, and if this overhead feels at all burdensome, it will create resistance to adoption. A simple KPI (e.g.; How many customers did we add this month?) is much more likely to have a long and valuable life within an organization than a complex KPI, such as "What is the change in the ratio of high value customers to low value customers across our 4 regions over the past month?" The latter may give much more detailed insight to an aspect of the business, but it will be burdensome to extract and compile the necessary data.

Aligned

KPIs should be aligned with the objectives of the organization. There are many facets of a business that are important, and that can provide insights into specific operations, however there is typically a small subset that provide a meaningful and easy to grasp indication of how the business unit (or resource) is performing. Aligning the KPIs with business objectives will help focus management on achieving primary goals, and will contribute to a leaner organization overall.

Relevant

The KPIs that are used to measure specific metrics must be relevant to the resources being measured, and must be in the domain of control for key employees in order for the results to be meaningful and actionable. For example, if the KPI is *How many new customers did we add?*, then it should be applied to the sales organization, and the VP of Sales should be held accountable for affecting this KPI. Making a KPI relevant increases the focus on improving performance within the organization that can impact it, and focuses the right management resources on the things that most directly contribute to organizational goals.

Measurable

KPIs must be measurable; they may not always be fully quantifiable with specific numbers, and may be qualitative in nature, but they must be measurable in some way. Without the ability to measure, activities and results will have no baseline and cannot be analyzed for positive and negative variations. Some examples of measurable KPIs are:

- **Quantitative KPI:** *How many new customers did we add last month*. We can actually count and categorize customers.
- **Qualitative KPI:** *How satisfied are field employees with their jobs*. While job satisfaction can be measured on some scale using a standardized satisfaction survey, it is the result of subjective input that does not have a numerical measurement.

An example of a poor KPI that cannot be measured is:

- ***Improvement in field marketing effectiveness.*** Not only is it nearly impossible to isolate the effectiveness of marketing vs. other factors that influence sales, this KPI has no specific aspects to measure… is it based on sales increases, market penetration, brand recognition or something else?

Achievable

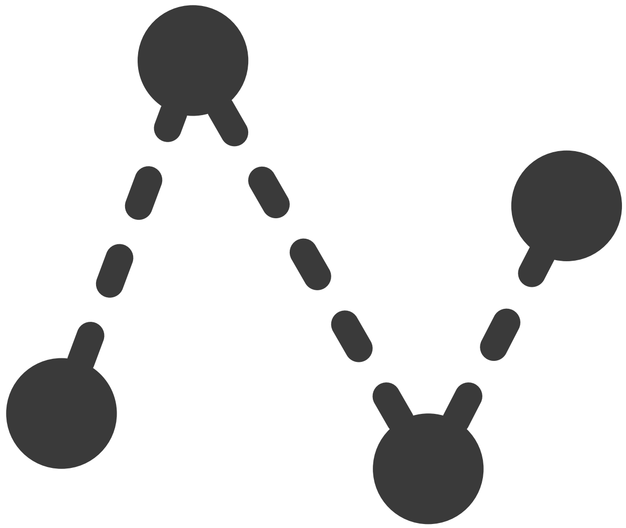
We mentioned earlier that KPIs need to be paired with specific goals in order to be meaningful. The ‘Achievable’ aspect of a KPI refers more to the goal being compared to. If the goal is not realistic, then the people involved in the execution of the KPI can become demotivated from putting in the effort to improve. It is much better to set goals that are on the cusp of achievable so that the team feels a sense of true accomplishment when they are able to meet them.

Timely

KPIs must be reported at a frequency, and within a time period that is meaningful to the process that they can impact. If the results are being reported too infrequently, it can be difficult to identify meaningful trends, while too frequent reporting can reduce the significance of the data to noise. In addition, measurements need to be delivered and assessed while they are still fresh enough to be relevant.

Visible

Finally, KPIs need to be visible across the organization. Making these key measures of an organization’s progress and accomplishments open and accessible is an excellent way to drive enthusiasm for success, and accountability for reaching the stated goals. Providing visibility to what is important to each group within an organization is also an effective way to foster communication and cooperation across teams.



Example KPIs – Matt's Snax

Now that we have developed a good understanding of what KPIs are, and the key elements that make up effective KPIs, let's look at some examples of KPIs that can help to effectively manage a field-based organization. For our example, we will use a fairly generic fictitious organization that has 5 teams of 10 field reps across the U.S. Our example company (Matt's Snax) distributes a line of healthy snacks through independent grocery stores, convenience stores and a few select chains. Field reps are responsible for making sure that the product is presented within these stores to maximize their appeal to consumers, identify distribution issues (out of stock situations), and gather information about what competitors are doing. Each rep has a territory covering a few hundred stores that they are supposed to visit at least twice each month.

KPI's for this organization will be separated into two broad categories: Field Management, and Product Performance. The Field Management KPIs will be designed to inform management about the effectiveness and efficiency of the field team itself, while the Product Performance KPIs will measure aspects of how well the product is selling through retail.

We need to start with the broad organizational goals. In our example, we'll focus on a growth goal. Let's say that the company wants to grow its sales through retail by 20% this year. In order to accomplish this goal, the management team has determined that they need to expand distribution into 1,000 new stores by the end of the year, and need to grow sales by 10% in existing stores. They will accomplish this primarily through in-store promotion and direct recruitment of independent grocery and convenience stores.

Matt’s Snax

Healthy Snacks for a Healthy Life

Profile

Maker of Health Snack Foods
Distributed through Independent Grocery, Convenience and Small Chains
50 Field Merchandisers across North America

- Visit each store twice per month
- Merchandise products on the shelf
- Work with Store Managers to promote products
- Gather data about competition
- Recruit new stores for distribution

Sample KPIs

Field Management

New Accounts Approached
New Accounts Opened
Frequency of Visits
Number of In-Store Sampling Events
Number of In Store Promotional Items on Display

Product Management

Per store volume for each product
Number of out of stocks
Competitors on the shelf
Average retail price
Number of varieties carried in the store

In order to determine which tactics are the most effective, and which reps need help in executing, the company must establish specific measurements and targets.

In our simple example, the company has tasked its existing field force of 50 reps with opening new accounts within their territories, expanding the variety of its products carried by existing stores, and implementing in store marketing (shelf tags, aisle displays and sampling events) throughout the territory. These are excellent tactics for growing the business, and if executed well should produce the desired results. In order to determine which tactics are the most effective, and which reps need help in executing, the company must establish specific measurements and targets. Here is a set of KPIs that will help the company achieve its goals:

Field Management KPIs

- **Number of new accounts approached:** This is an indication of how much effort and focus the rep is putting on opening new business in the territory.
- **Number of new accounts opened:** This KPI indicates whether or not the rep is effective at selling the brand into the stores that he or she approaches, and can help determine if the entire team can benefit from better programs to offer to new retailers.
- **Frequency of existing store visits:** This metric is designed to make sure that reps remain balanced in their work, and that they continue to work on expanding the brand presence within existing outlets, an important piece of Matt's Snax' overall strategy for growth.
- **Number of in-store Sampling Events held:** Specific KPIs such as this one can help focus the team on the specific activities that drive the best results. They can also be used to determine which activities are the most effective.
- **Number of in-store promotional items on display:** This is an example of a KPI that straddles both Field Activity (ensuring that reps work to expand the brand presence within the store), and Product Performance (measuring the impact of multiple locations on dollar volume)

Product Performance KPIs

- **Per store $ Volume for each product:** This is the ultimate measure of success, and when compared against other metrics will help to pinpoint which activities have the greatest impact, and which reps are the most skilled at driving results. Both pieces of information will help management focus their efforts and resources in the field.
- **Number of Out of Stocks for each variety:** Having reps report when and where a product is out of stock gives management the ability to identify potential distribution issues, and to identify which products are selling the best. For consumer goods companies like Matt's Snax, it is especially impactful to correct chronic out of stock situations as they are often associated with the most popular varieties of the product.

- **Competitor Products on the Shelf:** This is a key metric that informs management of how strong the competition is, and how sensitive sales are to the presence of certain competitors. This can drive decisions on where and when to run promotions.
- **Average retail price for each product:** This metric helps management to understand the impact of discounts on the sales of products. It is as important to know when a product sells well without a promotion, as it is to know how much impact a reduction in retail price has on sales volume.
- **Number of varieties carried in each store:** Studies have shown that a broader variety of a product that is available drives up sales volume, so having insight into how broad its presence is in the stores will give Matt's Snax the information it needs to focus reps on this piece of the business.

The company will need to establish the frequency with which these KPIs will be gathered and reported. This requires a balance between administrative overhead and the timeliness of the data. In an ideal world, the metrics that drive these KPIs can be collected and reported in real time, with the data being recorded as a normal part of a rep's field activities. This is possible when using a mobile Field Activity Management solution that both monitors the activities carried out by reps, and gives them the tools to record and report actions and observations made in the field. These systems will often make the field data available to managers as it is collected. Otherwise, reps will need to fill out daily or weekly activity reports and send them to management for consolidation. This adds administrative overhead at all levels, and impacts the timeliness of the data. Management needs to balance any overhead associated with data collection and reporting against the benefits derived. In our example, even a small impact to some of the metrics can have a significant effect on the results. For example, driving 'New Customer' visits from 20 per week to 25 per week, and raising the 'conversion' of these outlets from 10% to 15% has a net impact of increasing each rep's new account penetration by 91 new accounts per year (from 104 to 195), for a combined impact of 4,550 more new accounts opened by the team than if the metrics had remained flat. This impact is

...it is a best practice to implement the KPIs for several cycles to establish a baseline, then to create goals that improve upon the baseline in order to reach the organizational targets.

substantial and will make it much more likely that Matt's Snax reaches its goals for the year.

Each of the KPIs provides a different piece of insight to management. The results will help direct management attention to the areas that a) need to be improved, and b) are working well and should be expanded. In order for these KPIs to become truly effective, accurate goals must be developed for each. If the company's experience with these measures is limited, it is a best practice to implement the KPIs for several cycles to establish a baseline, then to create goals that improve upon the baseline in order to reach the organizational targets.

In our example, Matt's Snax management may find that reps are opening 10% of the 20 new accounts they visit each week. They may decide to set a goal of 25 new account visits, and a 15% 'close rate' for these visits. These goals appear to be realistic based on the fact that they are derived from the existing performance.

As the KPI results come in over time, management may find that their reps are increasing the number of new customer visits they are making, but some may be struggling with converting those customers. This makes it easy for management to prioritize its efforts towards coaching and enabling reps to more effectively sell the brand as opposed to focusing on strategies for approaching more accounts, for example.

Over the course of time, goals can be reviewed and adjusted as they are informed by the measurements that come in. Management may find that some activities are more effective than others at driving sales (e.g.; sampling vs. posters) and may adjust the goals to drive more of the successful activities, and reduce or altogether remove goals associated with less productive activities. Additionally, KPIs can be used to balance field reps' focus across several productive, but opposing priorities. For example, it is intuitively clear that visiting more customers gives more touch-points in the field, and that this will have a positive impact on the relationship with customers. However, it would be best practice to also understand what the optimum length of time a rep should spend with a customer is. If this is not done, reps may work hard to maximize their performance at getting from one customer to the next as quickly as possible at the expense of the value and quality of each visit.

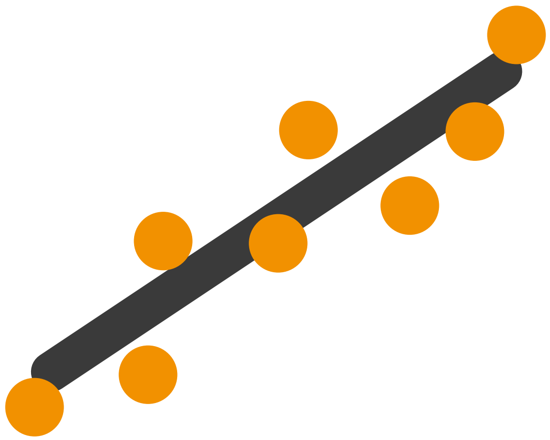
Interpreting KPIs

KPIs are not "spot checks" that illuminate the current status of some aspect of an operation; they are instead a study of performance, which is inherently measured over a period of time.

As we saw in our example with Matt's Snax, KPIs do not stand alone. They are empowered by coupling them with intelligent goals, and can provide deeper insights when they are analyzed within the context of each other. There is also quite a bit more that can be learned from KPIs than simply the measure that they report. KPIs are not "spot checks" that illuminate the current status of some aspect of an operation; they are instead a study of performance, which is inherently measured over a period of time. The three key time based components to KPIs are:

- **Frequency of measurement:** How often are measures taken and reported, (e.g.; 4 times per month)
- **Long term duration:** Examining measures over an extended time (e.g.; Year to Date, or 4 rolling quarters), and
- **Period:** The time from one measure being examined to the next (e.g.; vs. one year ago, or since the last measure)

Because these time-based components exist, it is possible to extract significant meaning from the numbers that are reported. Some examples of time-based analysis that should be considered when looking at KPIs are:

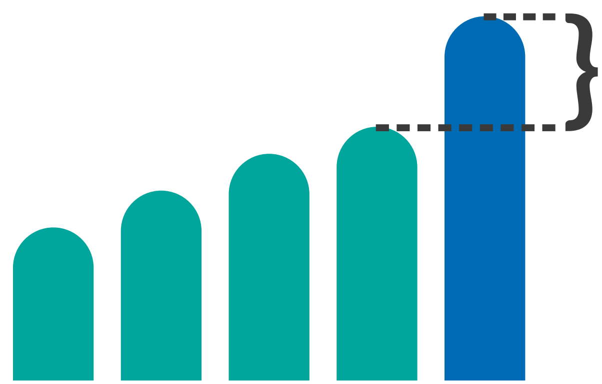


Trends

Trends look at how a measure changes over time, typically a minimum of three periods in a row with consistent change indicates a meaningful trend. Anything less than three can be an anomaly, and while changes in these numbers can raise awareness about the potential positive or negative impact of some change, managers should be disciplined about not basing long term changes based on individual measures. Trends tell us how a measure behaves over time, and is typically looked at in relation to a goal. How has the number changed over time? Is it approaching the goal? Is it consistently above or below the goal? Is the trend line smooth or does it vary significantly across periods? Each of these aspects of a trend will indicate various adjustments that should be made to the tactics or strategies of a particular organization: whether a goal should be adjusted, more (or less) focus should be put on that piece of the business, or even if the KPI itself is meaningful.

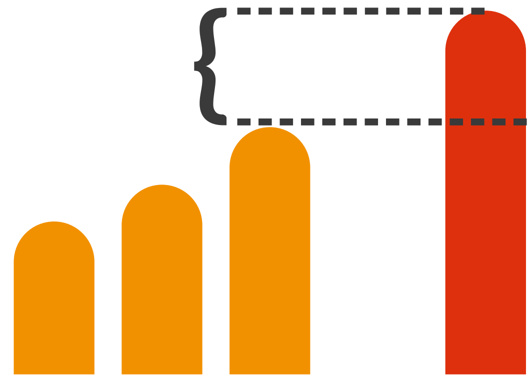
Net Change

The net change in a measure from one period to the next does not indicate a trend, but can serve as an early indicator of some important change in the business. While long term decisions shouldn't be made based on a single change in a KPI measurement, if the change in measure can be correlated to a change in some activity or other influencing factor, it can send a signal to management to pay close attention and prepare to make appropriate adjustments if a trend develops.



Net Change is measured in two ways: Absolute Change, which measures the actual numeric difference between two results, and Percentage Change, which measures the percentage difference between measures. To calculate Percent Change, simply divide the Absolute Change by the first measure. (e.g.; a rise in visits from 20 to 25 represents a 25% increase in visits: Absolute Change (5) divided by the first measure (20) equals .25, or 25%)

The Percent Change can be much more meaningful than the Absolute Change. Take an increase of 5 visits from 300 to 305. This would probably be seen as a meaningless change. But the same change of 5 from 10 to 15 is huge! The Absolute Change is identical: 5 Visits, but the Percent Change is wildly different: an increase of 1.6% vs 50%! Looking at KPIs from a percentage perspective shows at what rate the numbers are changing, which can provide valuable insights to the effectiveness of various changes made by an organization.



Variance

The Variance is similar to Change in that is describes the difference between two measures, and it can be expressed as Absolute or Percent Variance. The difference is that Variance compares the KPI to the Goal, not to the prior period's measure. The Variance shows how close or far a goal is from being reached, and can itself be tracked and analyzed over time.

Each KPI provides meaning and value on its own, however most KPIs can be leveraged with others to provide additional meaning and insights. One measure examined in isolation may indicate something positive, when in fact other associated measures may change the interpretation to show that there are opportunities for some improvement.

For example, if the number of visits made each week by Matt's Snax reps is consistently above the stated goal, ***and*** the other KPIs are also in line, management make an upward adjustment in goals. If, on the other hand, number of visits is consistently high ***and*** the number of distribution points is consistently low, management may leave goals where they are and focus on coaching reps on techniques they can use to sell in more locations for the product, which may take some time and may drive the number of visits down a bit.

In this example, examining the KPI measuring the number of visits in isolation would lead management to implement changes that would degrade the organization's ability to expand its presence in retail shops. It is very important to look at all of the relationships between KPIs before making decisions based on the results of any of them.

Summary

It is as important to measure the results of activities as it is to measure the activities that produce those results.

KPIs are measures of specific business processes and results that provide an ***indication*** of the ***performance*** of ***key*** resources and activities in an organization. Effective KPIs need to be well thought out, and structured for success. They need to be simple, so that they can be easily understood and interpreted and well aligned with the business and its goals. Managing the business through KPIs requires that all of the right people have visibility to the results, and that the results are available in a timeframe that allows management to effectively do something about the performance that they indicate.

When it comes to field teams, KPIs don't just measure the performance of your field reps and the activities that they conduct; they should also be constructed to measure the results of the activities. In our example, we listed some example Field Management KPIs, but also included some Product Performance KPIs. For other types of field organizations, these may have been sales-based KPIs, Service Performance or even Customer Satisfaction KPIs. It is as important to measure the results of activities as it is to measure the activities that produce those results.

Once KPIs have produced some measurements, it is best practice to establish baselines, create goals and then establish a cycle of measuring, analyzing and adjusting. The raw data that comes from KPIs represents interesting information on its own, however when analyzed in the context of goal, time and other KPIs, the data provides much deeper insights that can be used to drive constant improvement.

WWW.REPSLY.COM

Repsly™

We simplify field work.