

**2012 Executive War College
New Orleans, Louisiana**

Lab Outreach Sales Management for Non-Sales Managers

Presented by:

***Kathleen Murphy, PhD
CEO
Chi Solutions, Inc.***

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Advisor and Senior Consultant
Chi Solutions, Inc.***

May 2, 2012

Agenda

- **Welcome and Speakers' Background**
- **Agenda Review**
- **Interactive #1: Quick Check Assessment**
- **Sales Function Framework**
- **Chi's Findings Regarding Sales Function in Labs**
- **Strategic Sales Plan**
- **Go-to-Market Plan**
- **Sales Force Design**
- **Sales Management**
- **Recruiting**
- **Training and Coaching**
- **Sales Compensation**
- **Targeting**
- **Motivation Program**
- **Interactive #2: Participant Assignment and Discussion**
- **Adjournment**

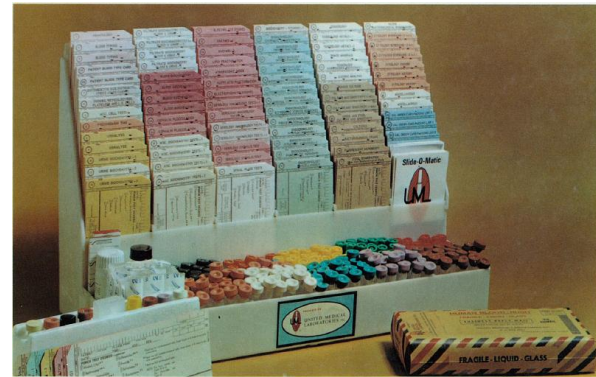
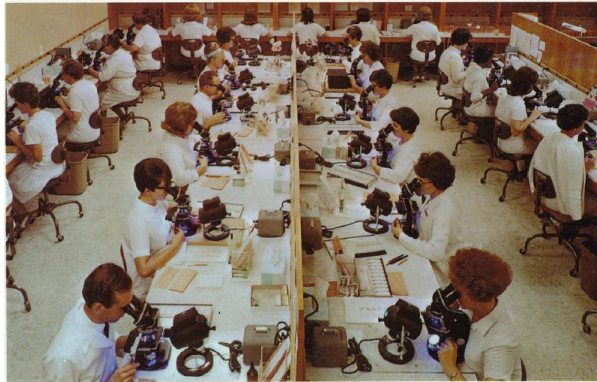
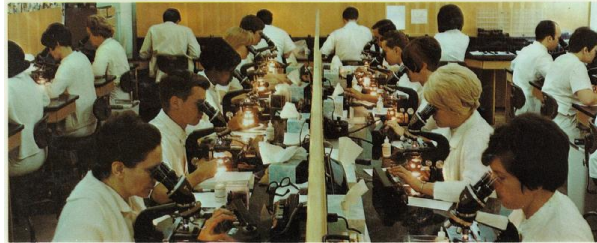
Speaker's Background – Kathy Murphy, PhD

- **More than 25 years of progressively responsible experience in management and consulting in laboratories and imaging centers.**
- **As Chi's CEO, oversees complex engagements involving strategic options development, operations optimization, consolidation, and outreach program implementation.**
- **Noted speaker and author on operations improvement, outreach trends, and laboratory accreditation. Directs Chi's widely regarded and referenced Comprehensive National Laboratory Outreach Survey.**
- **Education and training primarily as a scientist; executive education at Dartmouth and Harvard Business School.**
- **Prior to Chi, was Director of Operations for Laboratory and Radiology at Boston University Medical Center and Director of Laboratories at St. Elizabeth's Medical Center of Boston.**

Speaker's Background – Jim Root, MBA



United Medical Laboratories, 1964-1972
Sales Rep → Sales Director → VP, Marketing



Speaker's Background – Jim Root, MBA (cont.)



Lancet Laboratories, 1972-1978
Venture Group Leader → VP, GM - Chicago
Region → VP, Marketing



MetPath, 1978-1982
National Sales Manger → GM, Eastern Region →
Managing Director, MetPath (UK) Ltd



J. M. Root & Associates, 1983-1987
Owner

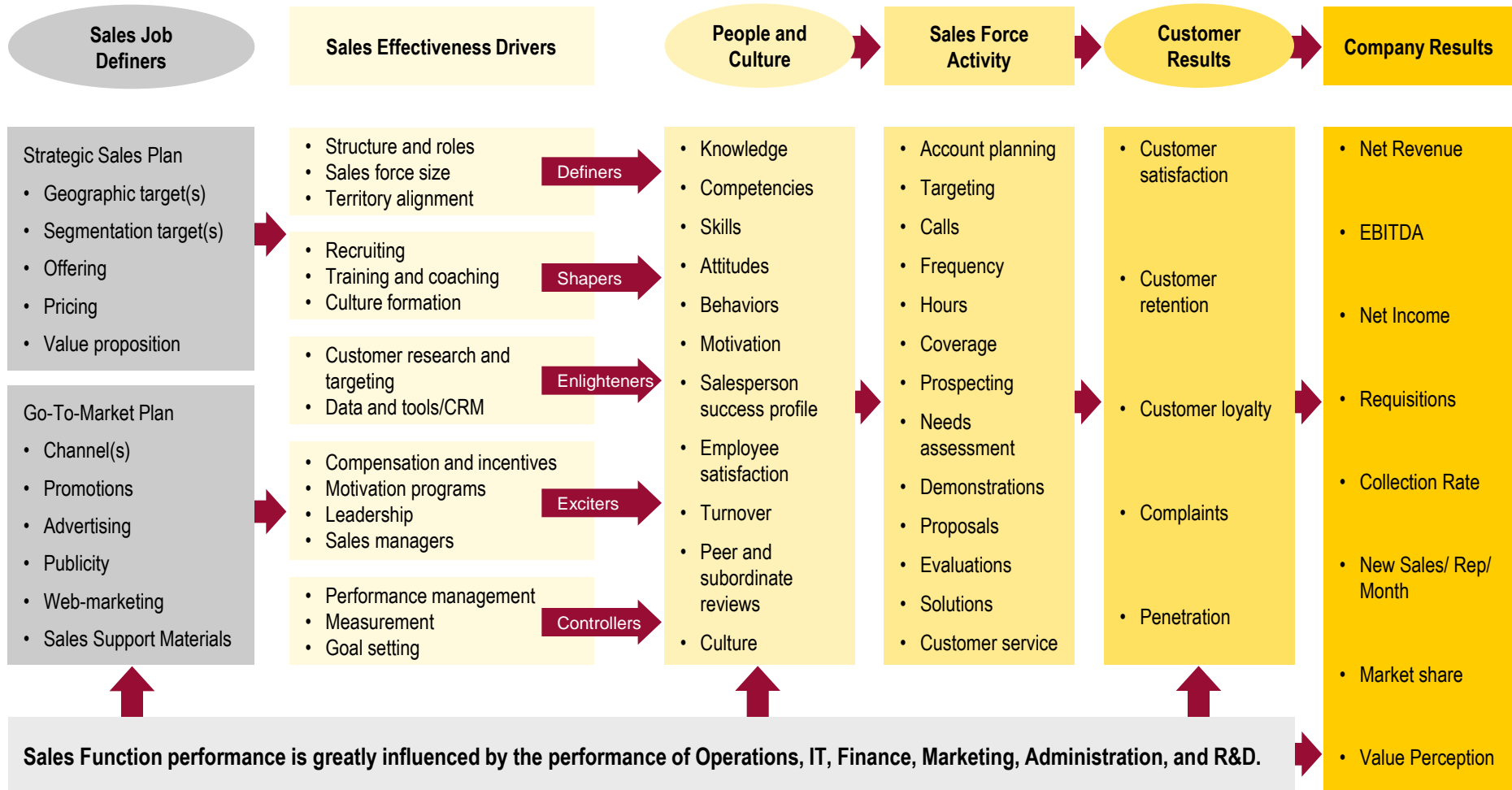


Chi Laboratory Systems, Inc., 1988 onward
Co-founder → CEO
Semi-retirement → Advisor & Senior Consultant

▼
EVOLVED INTO
▼

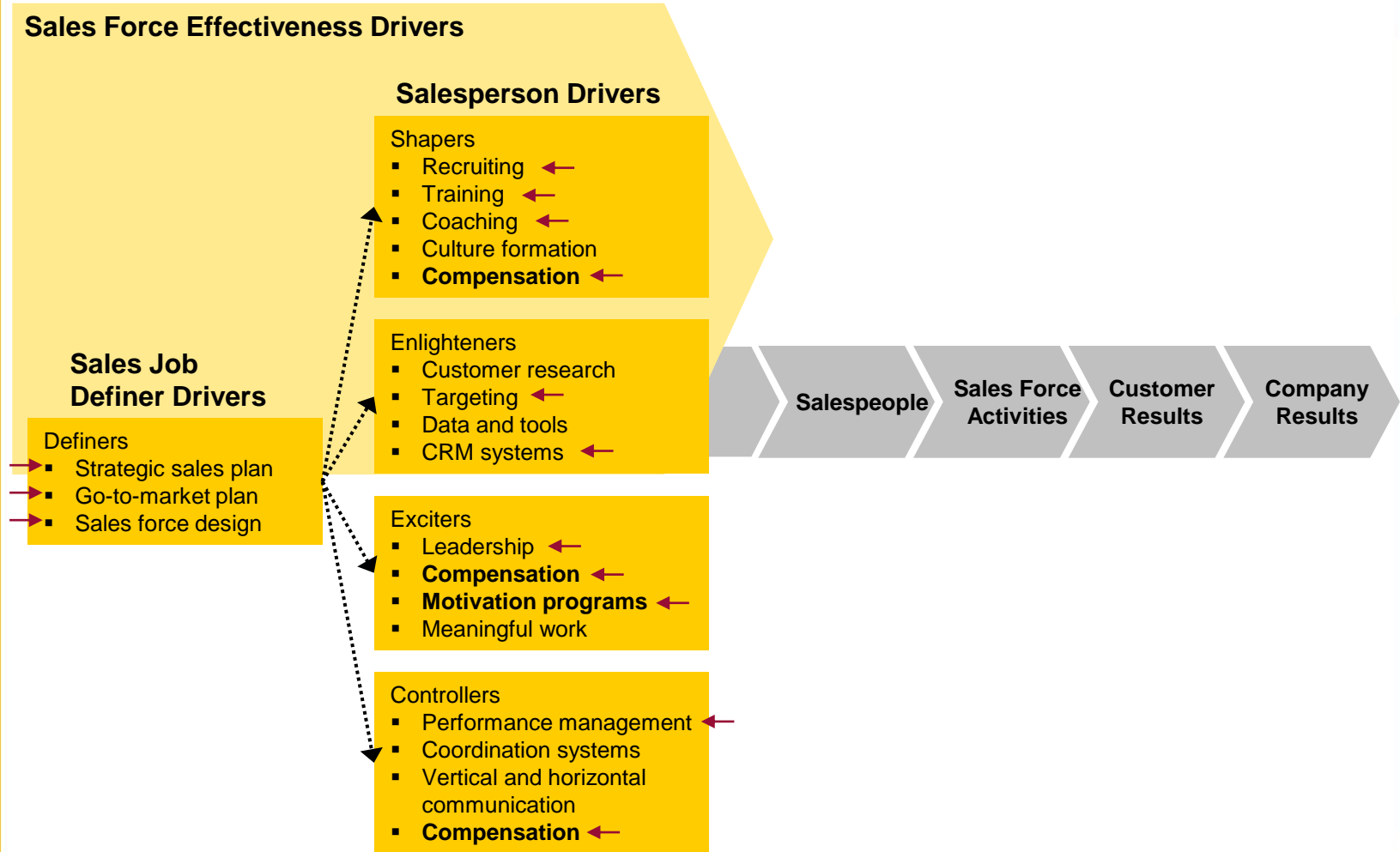


Sales Function Framework



Adapted from Building a Winning Sales Force, 2009, AMACOM, and The Complete Guide to Sales Force Incentive Compensation, 2001, AMACOM.

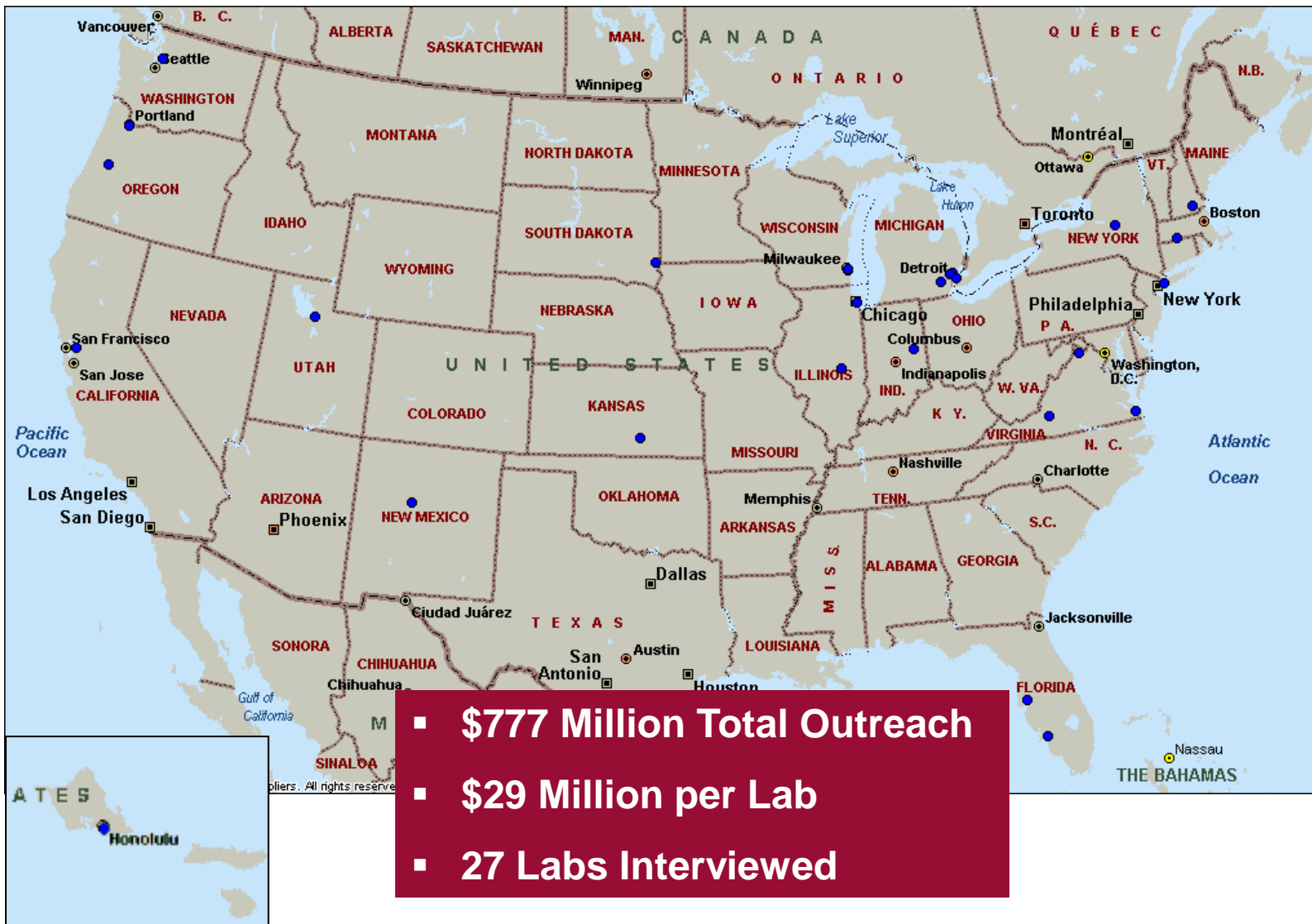
A Sales Management System Framework



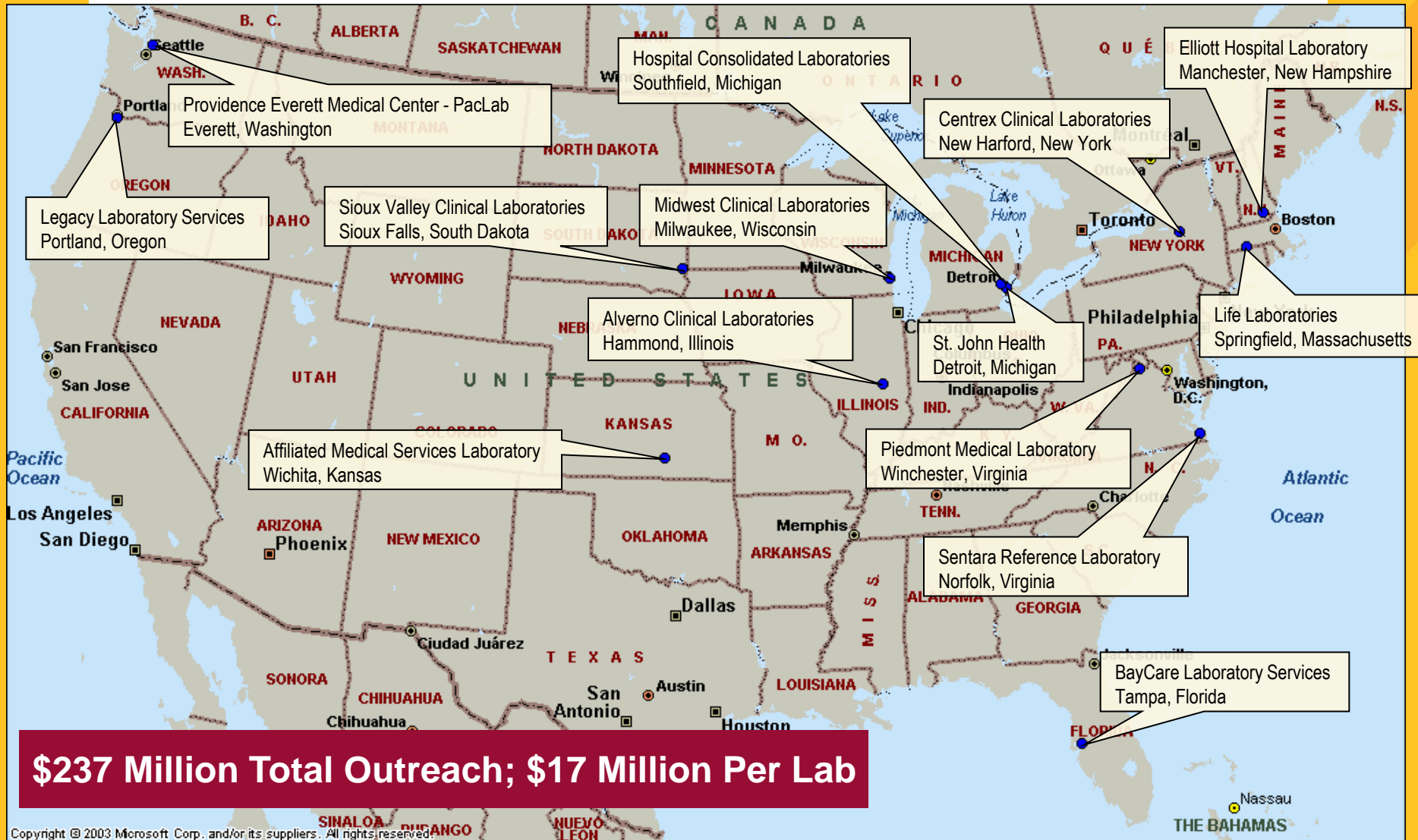
Source: [The Complete Guide to Sales Force Incentive Compensation](#), AMACOM, 2006.

Chi's Findings Regarding Sales Function in Labs

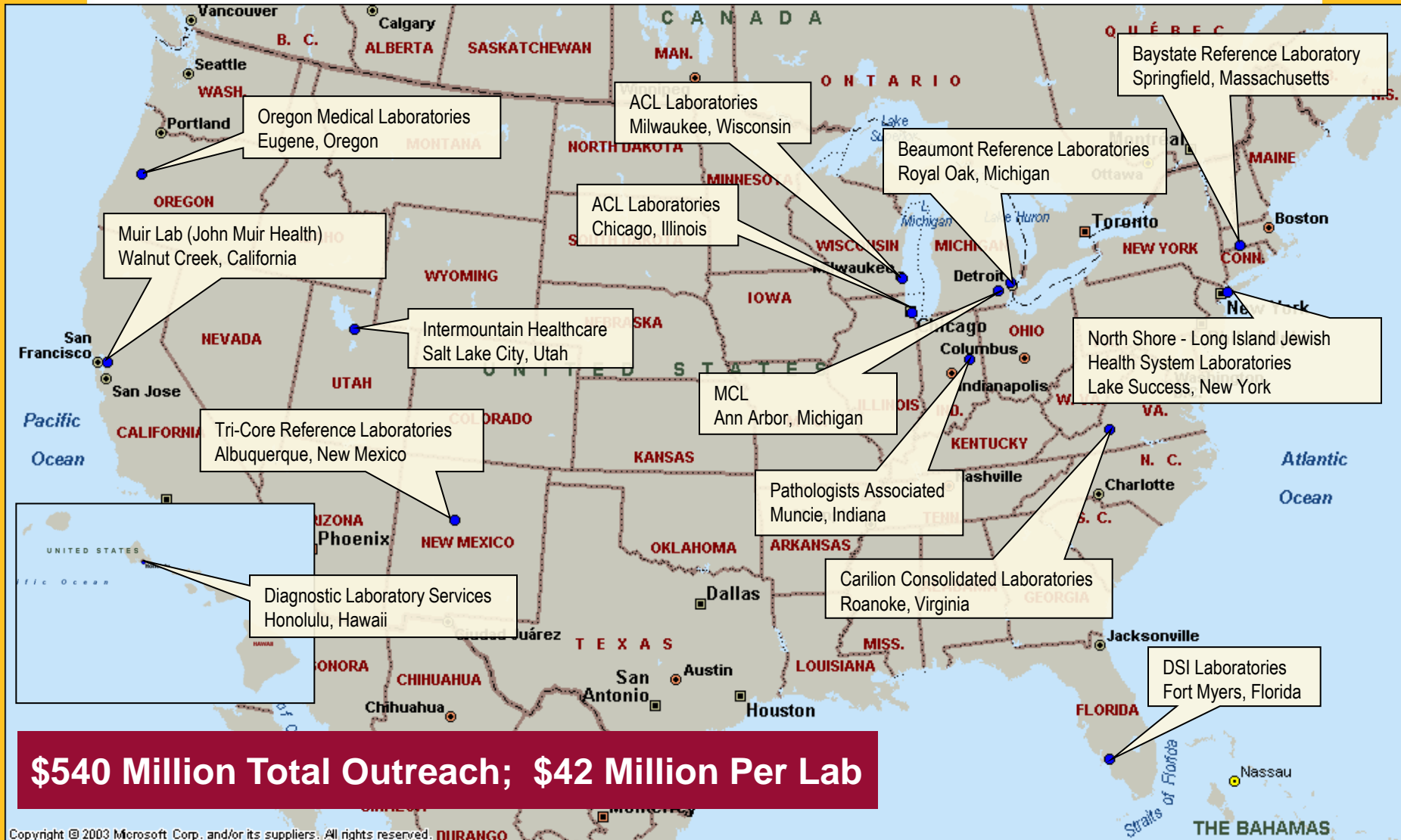
2006 Study of 27 Outreach Labs



Study Participants – Group 1



Study Participants – Group 2



Sales Program for 2006 Study Participants

Factors	Group 1 (14)	Group 2 (13)	Total (27)
<u>Number of Dedicated Sales Reps:</u> - Range - Median	0-3 2	0-11 3	0-11 2
<u>Number of Field Service Reps:</u> - Range - Median	0-5 1	0-12 3	0-12 3
<u>Sales Manager:</u> - Full-Time - Part-Time ¹	36% 29%	100% --	67% 15%

¹Part-time sales managers include lab network assigned sales manager and administrators experienced in lab outreach, although they have other duties.

2001-2010 Trends Analysis

- In 2008-2010, there was a 44 percent drop in the annual revenue growth rate.

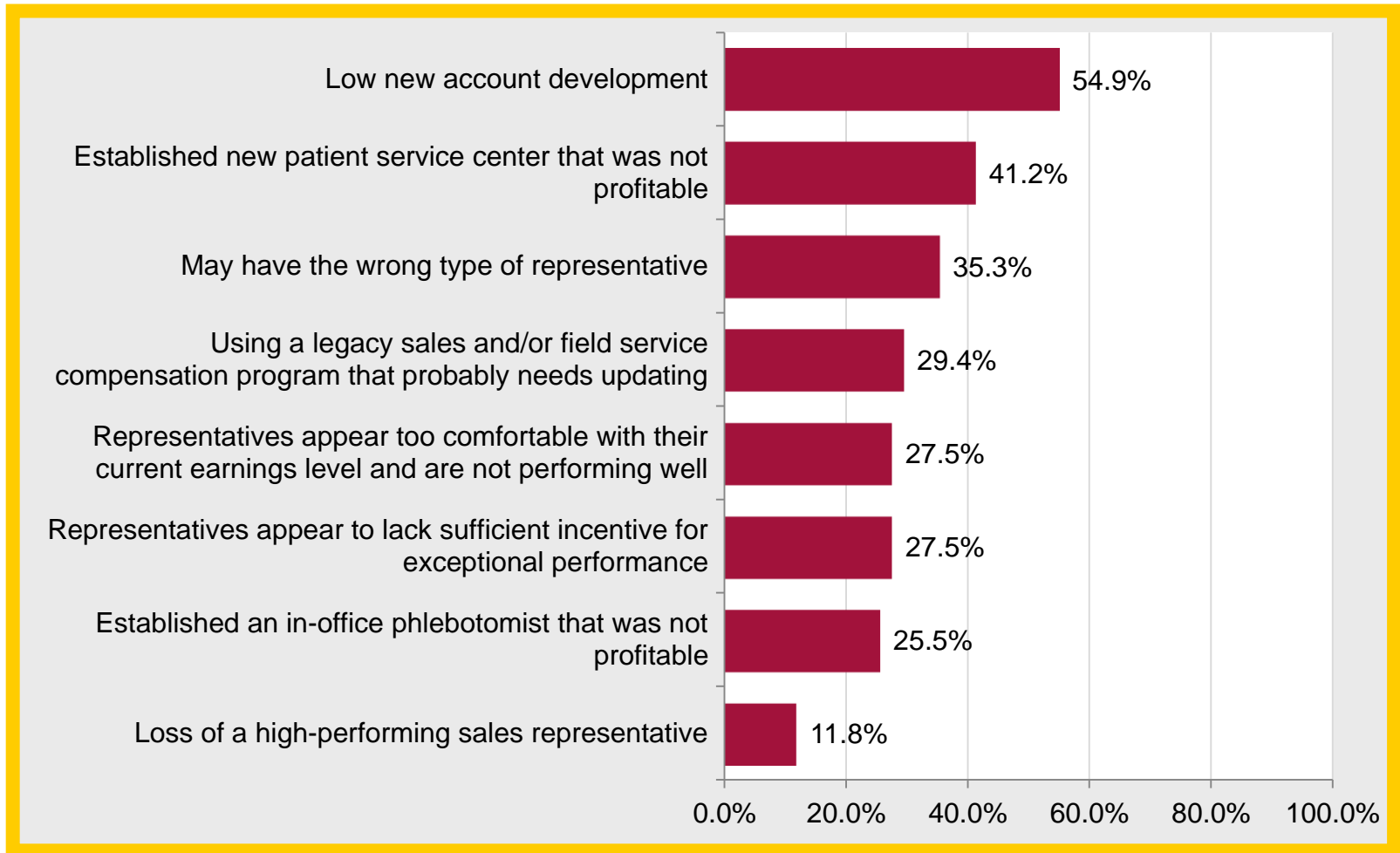
Annual Revenue Growth Summary for Each Quartile

	10 Years	2001-2007	2008-2010
Top Quartile (largest)	10.9%	13.3%	7.1%
2 nd Quartile	17.2%	17.9%	10.6%
3 rd Quartile	16.3%	15.5%	11.8%
4 th Quartile (smallest)	13.9%	16.7%	6.1%
Average	14.6%	15.9%	8.9%

- The lack of dedicated sales staff has averaged 46 percent of survey respondents.
- Mediocre sales capability has averaged 33 percent of survey respondents.
- The lack of a marketing plan has averaged 31 percent of survey respondents.

Chi's 2011 Compensation Study

Problems with Current Compensation Program

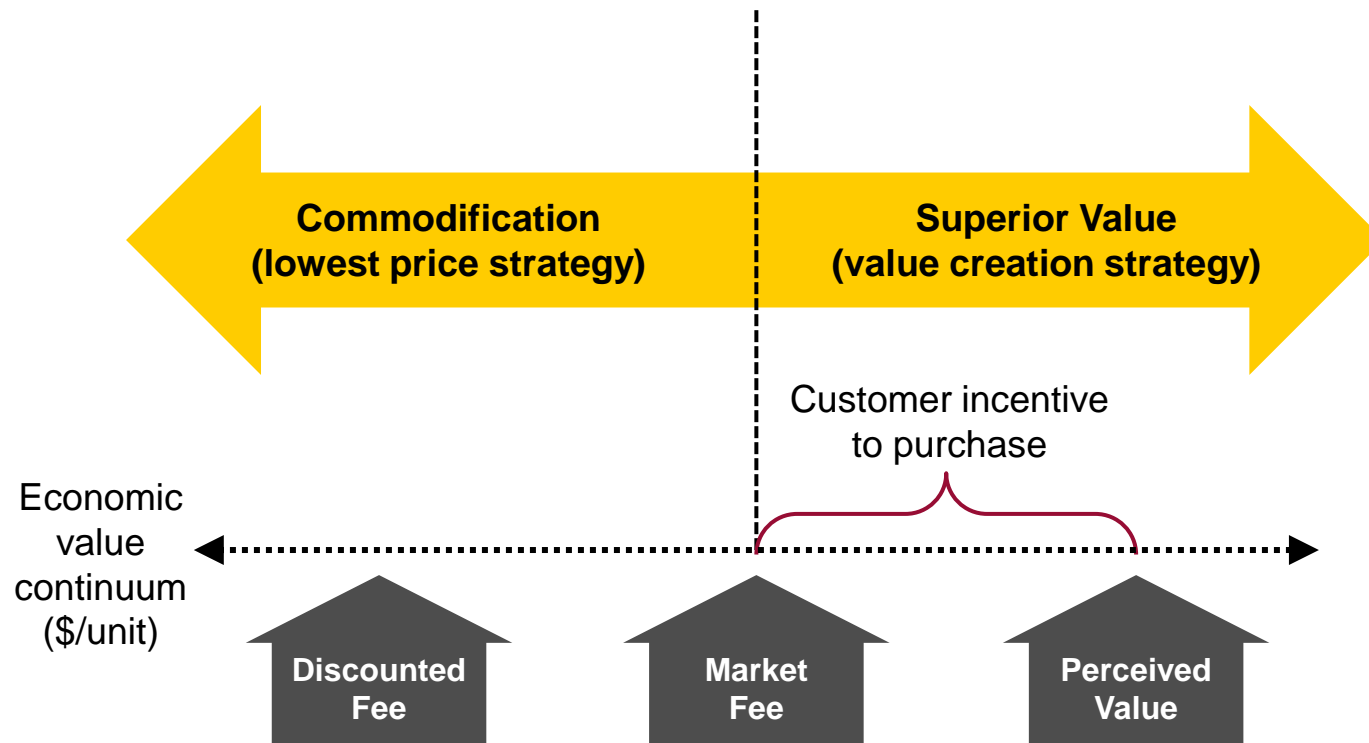


Strategic Sales Plan

- **Geographic and segmentation targets**
 - **Physician**
 - **Employed**
 - **Open staff**
 - **Market-at-large**
 - **Specialties**
 - **Long-term care**
 - **Hospital and independent lab reference**
 - **Direct to patient**
 - **Anatomic pathology**
 - **Veterinarian**
 - **Industrial/occupational**

Strategic Sales Plan (cont.)

- **Offering**
 - **Goal: Avoid Commodification**



Source: Adapted from *SalesForce Design for Strategic Advantage*, Palgrave Macmillan, 2004.

Strategic Sales Plan (cont.)

What are your differentiators?

Required Offering		Differentiators
Next morning results	→	Same-day results, stat service
Convenient phlebotomy sites	→	Weekend phlebotomy service
In-office phlebotomists		
Single and multiple daily specimen pickup	→	Weekend courier service
Reports via printer or fax	→	Results via smartphones/tablets
IT connectivity – efficient	→	Customization
Interfacing laboratory to client EMR	→	Fast interface/EMR for IP, OP, Non-P
Easy to access results	→	Access to hospital EMR data
Easy-to-read reports	→	Photos, graphs, color, reflexes noted; cumulative reports with prior results
Customizable request forms (general/specialty-specific)		
Customer inquiry services	→	Fast, knowledgeable services; personal relationships
Pathologist and management access	→	Quick access

Strategic Sales Plan (cont.)

What are your differentiators? (cont.)

Required Offering		Differentiators
Insurance contract coverage	→	Lab network member
Good test menu depth	→	Leading edge tests offered
Customer-focused culture		
Pap turnaround time within three days	→	One- to two-day Pap turnaround time; images on abnormal Pap reports; special reports (e.g., “Lost to Follow Up”)
Patient-friendly billing statements	→	Great billing customer service
Helpful website (PSC locations, etc.)	→	Website PSC appointments/test algorithms
Reflex testing		
Customer-specific call-back values	→	Results to smartphones/tablets
Customer-specific profiles		
Customer-specific pending results		
	→	Insurance eligibility check
Pathologist services	→	Sterling reputation
	→	Supportive medical staff

Strategic Sales Plan (cont.)

- **Pricing**
 - Flexible within compliance constraints
- **Value proposition**
 - What is your compelling story?
 - What differentiates you from the competition?
 - Value (to the customer):
 - Convenience
 - Reliability
 - Ease of use
 - Turnaround time
 - Customization
 - Price
 - Savings
 - Risk reduction
 - Accessibility
 - Better patient care
 - Proposition: Statement containing values to the customer

Go-to-Market Plan

- **Channels:** How a company communicates with and reaches its customer segments
 - Direct sales and service force
 - Website
 - PSCs
 - Direct mail
 - Co-marketing
- **Promotions**
 - New tests
 - Underutilized tests
 - New convenient PSC

Go-to-Market Plan (cont.)

- **Advertising**
 - Medical community publications
 - Medical staff publication
- **Publicity**
 - Charity events
 - Wet clinics (health check screening)
 - Press releases
- **Web Marketing**
 - Patients – appointment setting
 - Physicians – access to results, test algorithms, etc.
 - Community-at-large – teaches lab's value
- **Sales Materials**
 - Flyers
 - Advertising specialties
- **Entertainment/ Education**
 - Meals brought to practice
 - Special events
 - Pathologist or PhD client or prospect visit/discussion

Sales Force Design

- **2011 Chi Study Regarding Number and Types of Representatives**

HOSPITAL LAB OUTREACH (55 Programs)

	Sales Representative	Field Service Representative	Hybrid Representative
Maximum	10	8	7
Upper Quartile	3	3	2
Median	1	1	1
Lower Quartile	1	1	1
Minimum	1	1	1
Average (Mean)	2	2	2
Standard Deviation	2	2	1

Sales Force Design (cont.)

- **2011 Chi Study Regarding Number and Types of Representatives**

INDEPENDENT AP/CP LAB (25 Labs)

	Sales Representative	Field Service Representative	Hybrid Representative
Maximum	29	20	8
Upper Quartile	10	5	6
Median	5	4	2
Lower Quartile	2	3	2
Minimum	1	2	1
Average (Mean)	8	5	4
Standard Deviation	7	5	3

Sales Force Design (cont.)

▪ Representative Types Employed

Rep Combinations Used	All Lab Types	Hospital Lab Outreach	Independent Lab	Anatomic Pathology Lab	Esoteric Reference Lab
Only SRs	30%	10%	5%	--	50%
SRs + FSRs	27%	29%	41%	40%	38%
Only HRs	22%	35%	9%	30%	12%
SRs + HRs + FSR	15%	18%	32%	20%	--
HRs + SRs	4%	5%	5%	--	--
HRs + FSRs	2%	4%	4%	10%	--
Only FSRs	--	2%	4%	--	--
Total	100%	100%	100%	100%	100%

Legend:

- **SR = Sales Representatives (focus is on winning new customers)**
- **FSR = Field Service Representatives (focus is on servicing and upselling existing customers)**
- **HR = Hybrid Representatives (focus is on both winning new customers and servicing and upselling existing customers)**

Sales Force Design (cont.)

▪ Sales Force Structure

▪ Key Decisions

Decisions

Salesperson Roles and Specialization

What is the degree and nature of specialization of salespeople?

Coordination and Control

How are the activities of the sales force managed?

Reporting Relationships

How are management levels for the sales force organized?

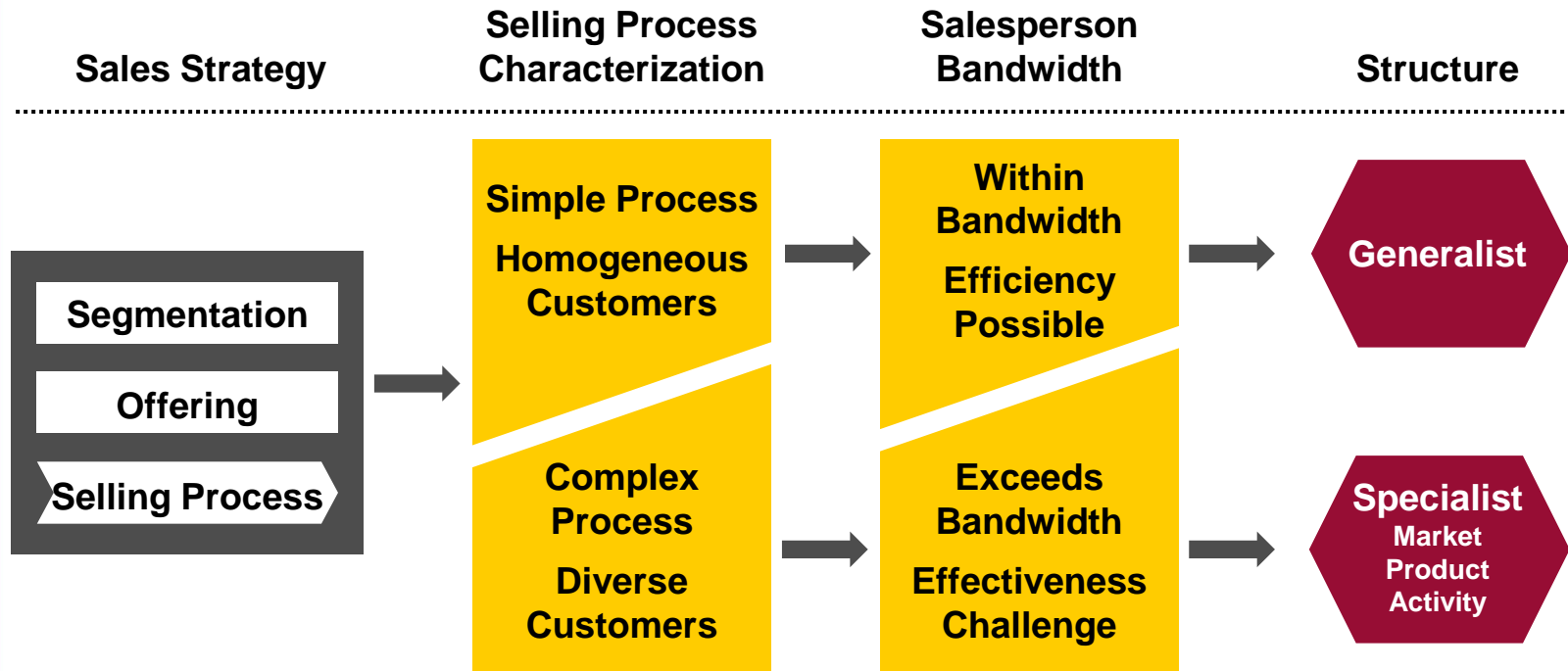
Choices

- **Generalist sales**
 - **Specialist sales**
 - **Technical sales support**
 - **Client service**
 - **Hybrid reps**
-
- **Loose or tight**
 - **Performance management**
 - **Goal setting**
 - **Geographic, specialty, center of excellence**
-
- **Span of control**
 - **Manager types**
 - **Rep type reporting**

Source: Adapted from SalesForce Design for Strategic Advantage, Palgrave Macmillan, 2004.

Sales Force Design (cont.)

Framework for Determining Sales Force Specialization



Source: [SalesForce Design for Strategic Advantage](#), Palgrave Macmillan, 2004.

Sales Force Design (cont.)

- **Specialization choices:**
 - Generalist sales role
 - Market-based specialization
 - Product-based specialization
 - Activity-based specialization
- **Definitions:**
 - **Segmentation: Geographic, specialty, Center of Excellence**
 - **Offering: Basic to esoteric**
 - **Selling process: Simple to complex**
 - **Bandwidth: How much an individual sales person can understand and be effective at selling**

Sales Force Design (cont.)

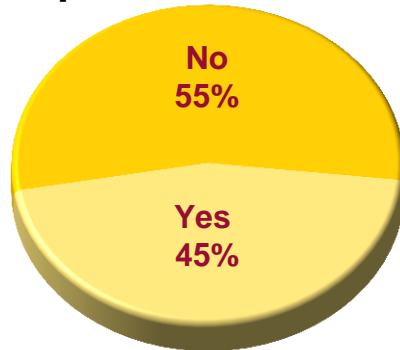
- **Hybrid representative cautions:**
 - Difficult part of job may lack attention
 - Operational issues absorb time
 - Sales potential may not be realized
- **Sales force sizing questions to answer:**
 - How many sales people are needed?
 - How many should be generalists?
 - How many should be specialists?
 - How many managers are needed?
 - How many field service people are needed?
 - Are hybrid representatives to be used?
 - How will sales and profits vary with different sales force sizes?
 - Do the answers fit the go-to-market strategy?

Sales Management

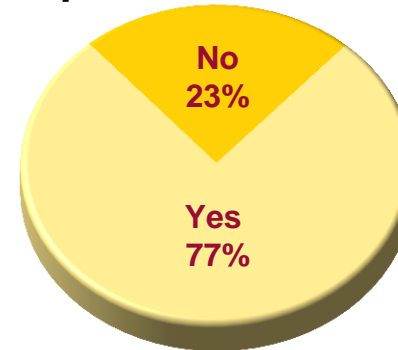
- Prevalence of a Sales Manager

Chi 2011 Study
Do You Have A Sales Manager?

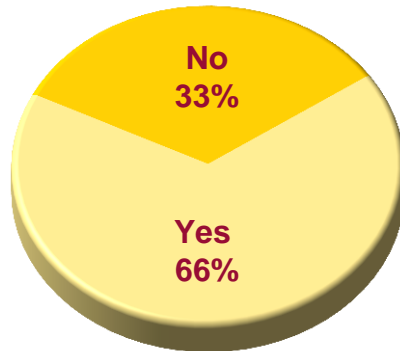
Hospital Lab Outreach



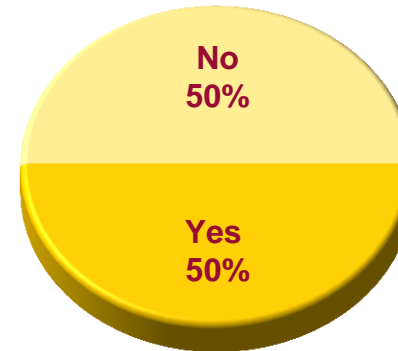
Independent AP/CP Lab



Anatomic Pathology Lab



Esoteric Reference Lab



Sales Management (cont.)

Basic Sales and Marketing Manager Responsibilities

Marketing Management	Sales Management	
<ul style="list-style-type: none"> ▪ Market opportunity analysis ▪ Marketing planning ▪ Sales forecast ▪ Pricing strategy ▪ Promotional material ▪ Pursuit of advantageous managed care contracts 	<ul style="list-style-type: none"> ▪ Sales/field service representative recruitment ▪ Compensation (salary only or incentive-based) ▪ Sales objectives/quotas ▪ Supervision of up-selling efforts ▪ Representative report monitoring ▪ Expense report approval ▪ Customer record maintenance 	<ul style="list-style-type: none"> ▪ Sales territory assignment ▪ Sales training/coaching ▪ Performance reviews ▪ Discount request approval ▪ Regulatory compliance monitoring ▪ Progress reports to administration ▪ Sales team/internal team motivation

Source: Chi Solutions, Inc.

Sales Management (cont.)

People Management Activities of Sales Managers

- **Select the team**
 - Recruit and screen applicants
 - Hire and terminate salespeople
- **Build the team**
 - Help sales people develop skills, knowledge, and competencies
 - Coach and counsel
 - Set goals for salespeople, measure progress, and provide feedback
- **Lead the team**
 - Develop and share a vision
 - Listen to and communicate with salespeople
 - Manage crises

Source: [SalesForce Design for Strategic Advantage](#), Palgrave Macmillan, 2004.

Sales Management (cont.)

People Management Activities of Sales Managers (cont.)

- **Manage the team**
 - Delegate and empower while providing direction and advice
 - Ensure that the sales strategy is implemented effectively
 - Hold salespeople accountable for results
 - Manage company assets, such as cars, computers, telephones, and office space
 - Manage operating expenses, such as salaries, relocation, travel, entertainment, and training
 - Be a good general manager, attending to a broad mix of marketing, finance, and human resource issues
- **Reward the team**
 - Provide extrinsic rewards, such as salary increases, bonuses, perks, trips, and promotions
 - Provide intrinsic rewards, such as appreciation, recognition, security, and encouragement

Source: [SalesForce Design for Strategic Advantage](#), Palgrave Macmillan, 2004.

Sales Management (cont.)

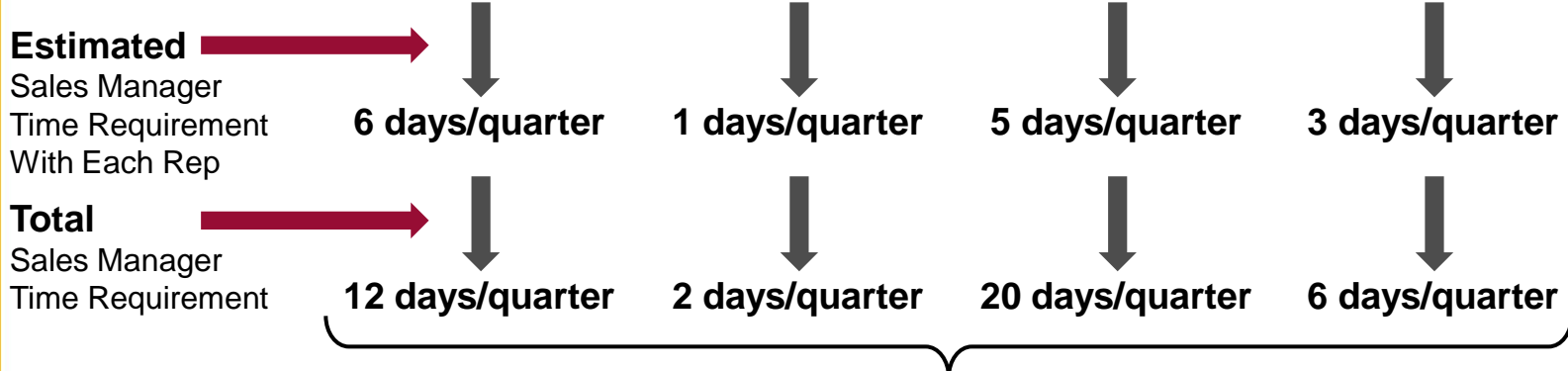
▪ Should Sales Managers Sell?

Pros	Cons
<ul style="list-style-type: none">▪ May have special expertise▪ Value in selling large or key prospects▪ Assists salespeople on difficult sales calls or large prospects▪ Helps them stay connected to the marketplace▪ Additional earnings potential	<ul style="list-style-type: none">▪ May not spend enough time on basic duties, like field coaching▪ Can create role ambiguity, interfering with accountability

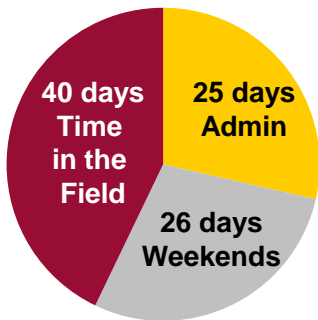
Sales Management (cont.)

Span of Control Workload and Sales Manager Time Requirement

Assume a Sales Force of 10 People with the Following Characteristics			
2 New Salespeople	8 Experienced Salespeople		
	2 High Performers	4 Average Performers	2 Low Performers



Sales Manager Time Availability



40 days/quarter

$$\frac{40}{40} = \text{Need 1 Sales Manager}$$

Recruiting

Triangle of Sales Success



Characteristics of Salespeople—Salary vs. Incentives

Salespeople Who Prefer Salary...	Salespeople Who Prefer Incentives...
Are customer-centered; they like to focus on problem solving and meeting customer needs.	Are sales-centered; they like to focus on short-term results.
Are motivated by security, belonging, and opportunities for professional development.	Are competitive and highly motivated by money.
Like being part of the team.	Seek personal recognition.
Want direction from management.	Want to be empowered to make their own decisions.
Have low tolerance for risk; they like the security of a guaranteed income and are willing to accept lower pay in exchange.	Have high tolerance for risk; they are willing to forgo income guarantees in exchange for the possibility of higher pay.

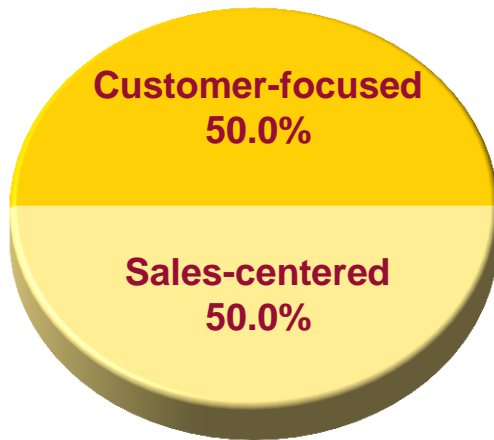
Source: Adapted from [The Complete Guide to Sales Force Incentive Compensation](#), AMACOM, 2006, and original research by Chi Solutions, Inc.

Recruiting (cont.)

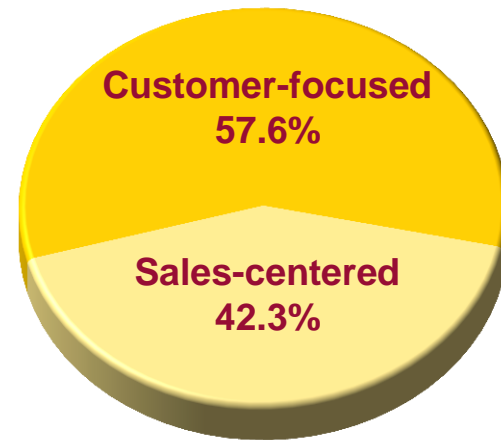
- **Chi 2010 Study**

Percentage of Sales Representatives Identified as Customer-Focused or Sales-Centered

Hospital Lab Outreach



Independent AP/CP Lab



Recruiting (cont.)

- **Hunters and Farmers Defined**
 - **Hunters: Responsible for finding and bringing in new business from new accounts**
 - **Farmers: Cultivate and grow the relationship and generate repeat and some new business within an existing account**

Recruiting (cont.)

- **Key Success Traits of Productive Sales and Service Representatives**
 - **Positive attitude**
 - **Self-motivated**
 - **Responsible/proven track record**
 - **Well-organized**
 - **Ego-driven**
 - **Empathetic**
 - **Resilient**
 - **Confident**
 - **Competitive**
 - **Likable**

Recruiting (cont.)

- **Recruiting Sources**
 - **Internal candidates**
 - **Pluses:** Know work habits, saves time and recruiting fees
 - **Minuses:** Lack sales skills, bring no book of business
 - **External candidates**
 - **Pluses:** Search firm to find the best, knowledgeable, experienced
 - **Minuses:** Recruiting fees, may need non-compete, mercenaries

Recruiting (cont.)

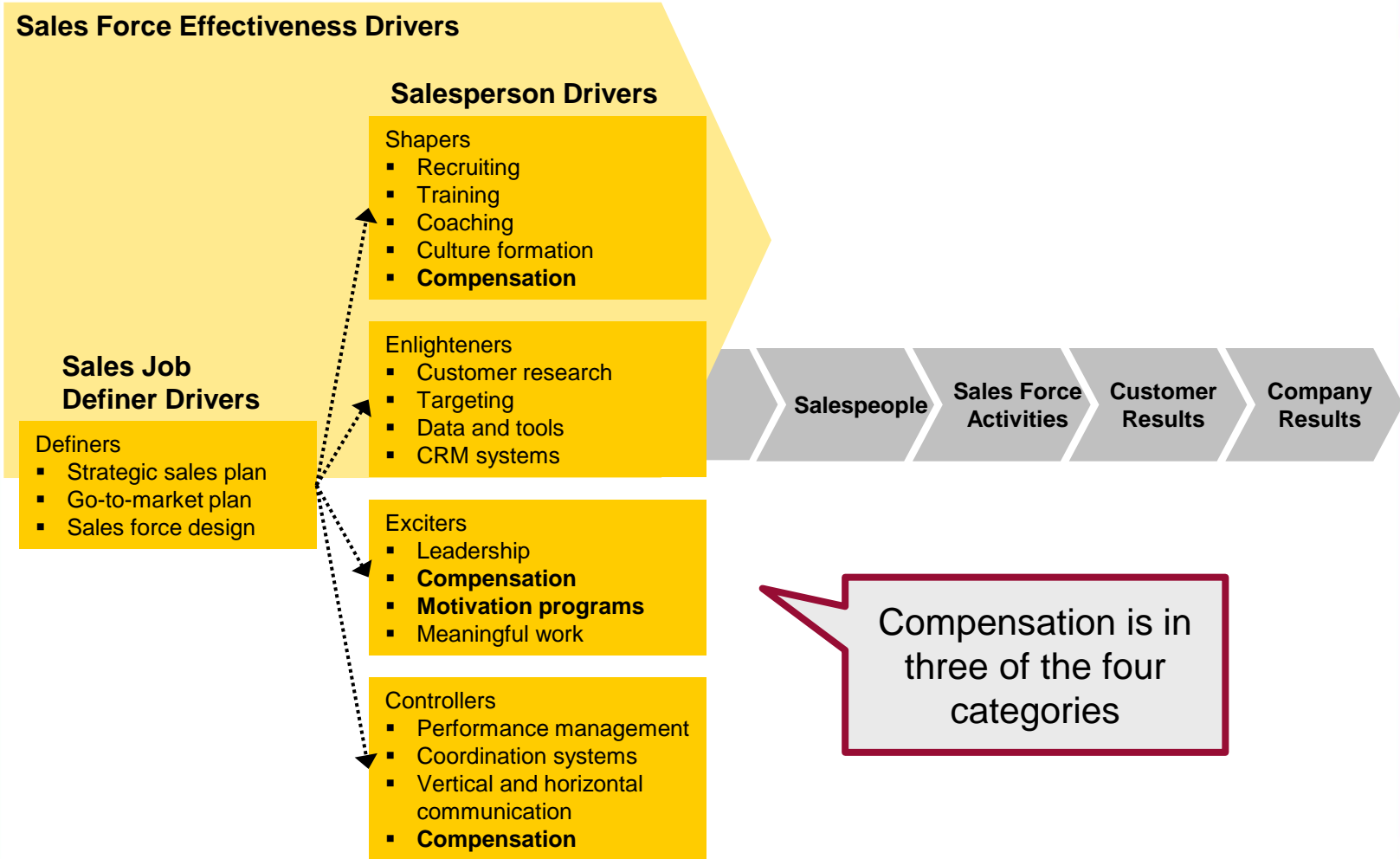
- **External Sources**
 - Website postings
 - Networking within the industry
 - Referrals from clients/colleagues
 - Your laboratory/hospital
 - Professional sites (G2, CLMA, AACCC, etc.)
 - Classified advertising
 - Trade journals
 - Conferences (War College, G2, CLMA, AACCC)
 - Headhunter
- **Aptitude Test: Caliper, Princeton, New Jersey**

Training and Coaching

- **Ongoing Training Recommended**
 - Sales skills
 - Product knowledge
 - Compliance
 - Morale boosting
 - Third-party trainers are a good option
- **Consultative Selling Method**
 - Step 1: Preparation
 - Step 2: Investigative Call
 - Step 3: Proposal Presented
 - Step 4: Decision Call
 - Step 5: Service – Follow-up

Sales Compensation

Sales Management System Framework



Source: The Complete Guide to Sales Force Incentive Compensation, AMACOM, 2006.

Sales Compensation (cont.)

Reasons for Reassessing Your Sales Comp Plan

- You need more sales growth
- Your salespeople have become comfortable with the income they earn
- You need to better align your incentive plan with your strategic initiatives
- Your plan seems to lack fairness and credibility with your salespeople
- Your plan ignores the profitability of the new accounts sold
- Your best salespeople are being lured to the competition

Sales Compensation (cont.)

Total Rewards Package Components for Sales Reps






Component	Forms
Pay or Compensation	<ul style="list-style-type: none"> Base salary Short-term cash incentive compensation Contests and spot awards Long-term incentives Recognition awards
Benefits or Reimbursements	<ul style="list-style-type: none"> Healthcare insurance Retirement and savings Paid time off Reimbursements Death and disability insurance Elder and child daycare
Personal Development	<ul style="list-style-type: none"> Technical training Leadership development Coaching and mentoring Career development and career paths Full-circle feedback and performance management
Work Environment	<ul style="list-style-type: none"> Accountability Communications Flexibility Performance standards Fairness, teamwork, and integrity

Source: [The Complete Guide to Sales Force Incentive Compensation](#), AMACOM, 2006.

Sales Compensation (cont.)

Performance-Payout Relationship Decisions and Their Drivers and Influences

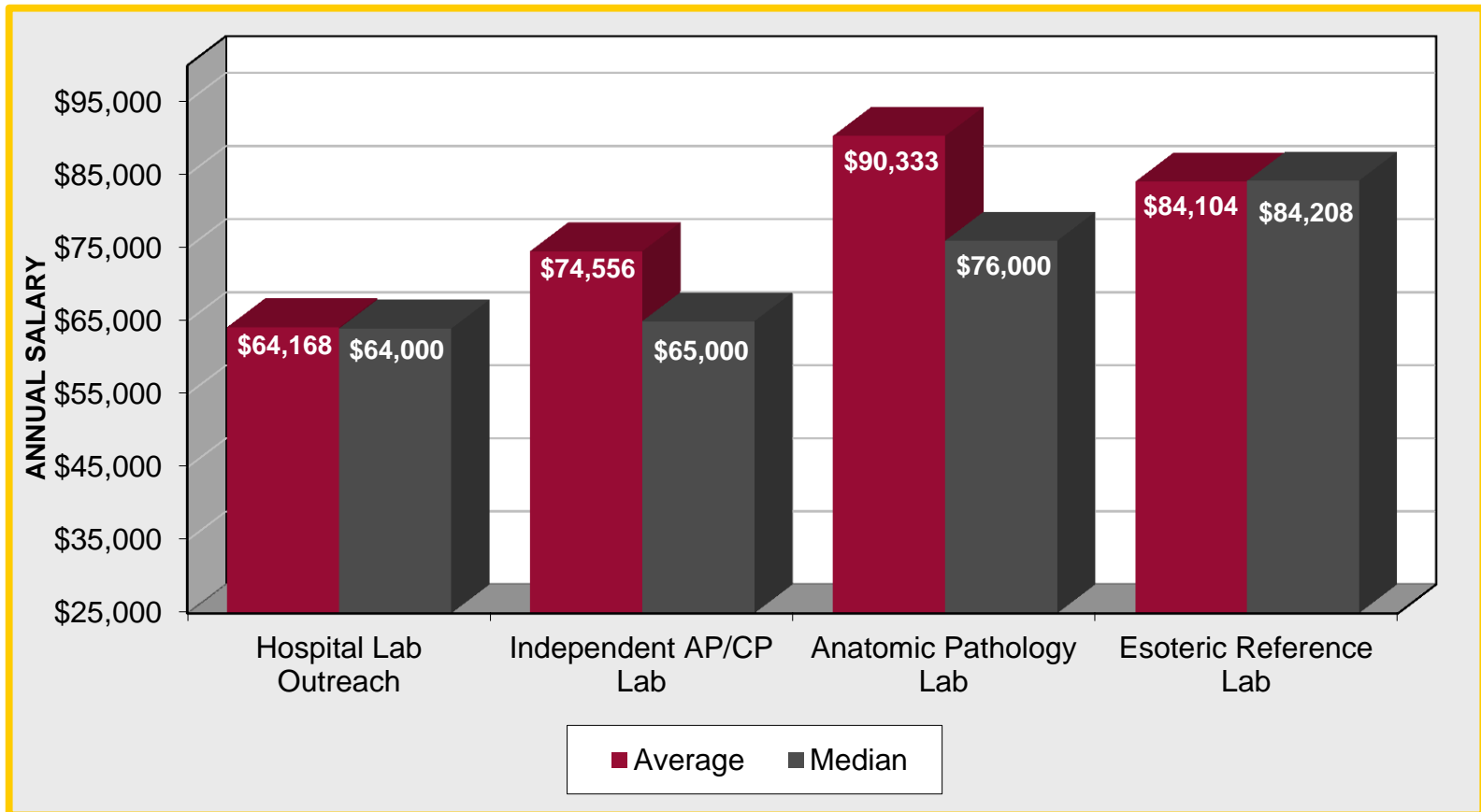
Performance-Payout Relationship Decisions

Quota-bonus plan		Commission plan
Regressive payout		Progressive payout
Capped plan		Uncapped plan
Start payout at goal		Start payout below goal
Multiple measures		Single measure

Source: [The Complete Guide to Sales Force Incentive Compensation](#), AMACOM, 2006.

Sales Compensation (cont.)

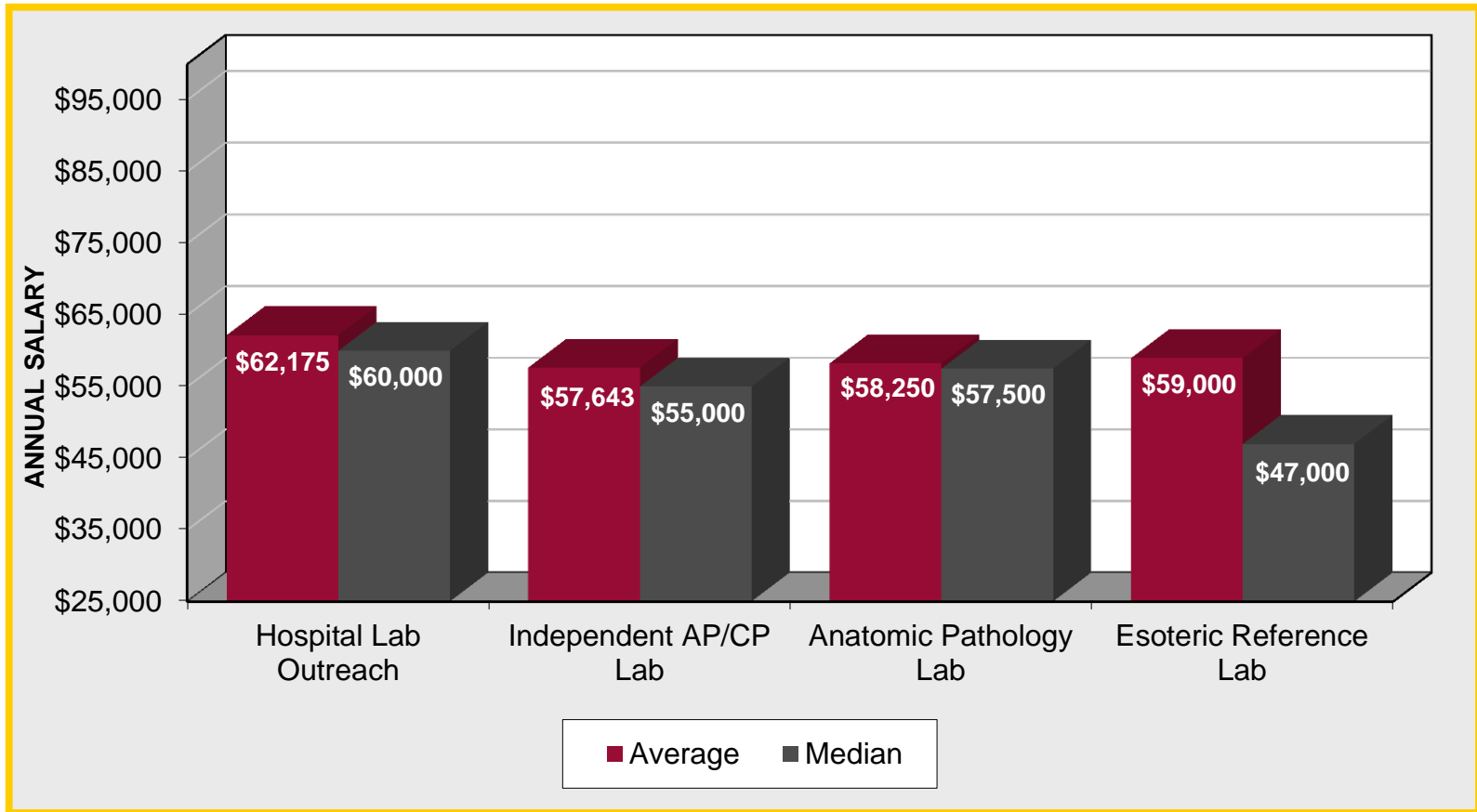
- Annual Salaries
 - Dedicated Sales Representative Annual Salary



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

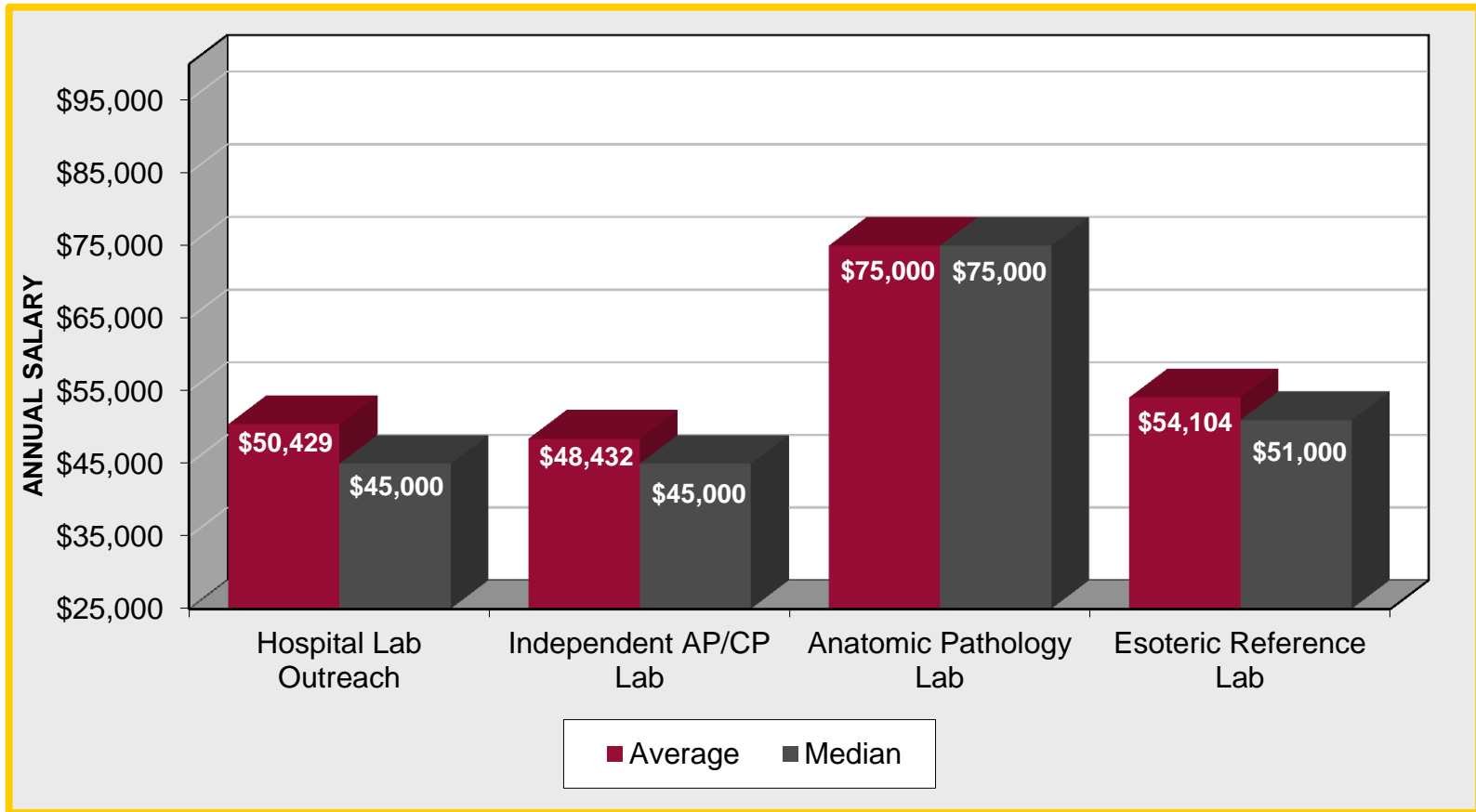
- Annual Salaries
 - Hybrid Representative Annual Salary



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

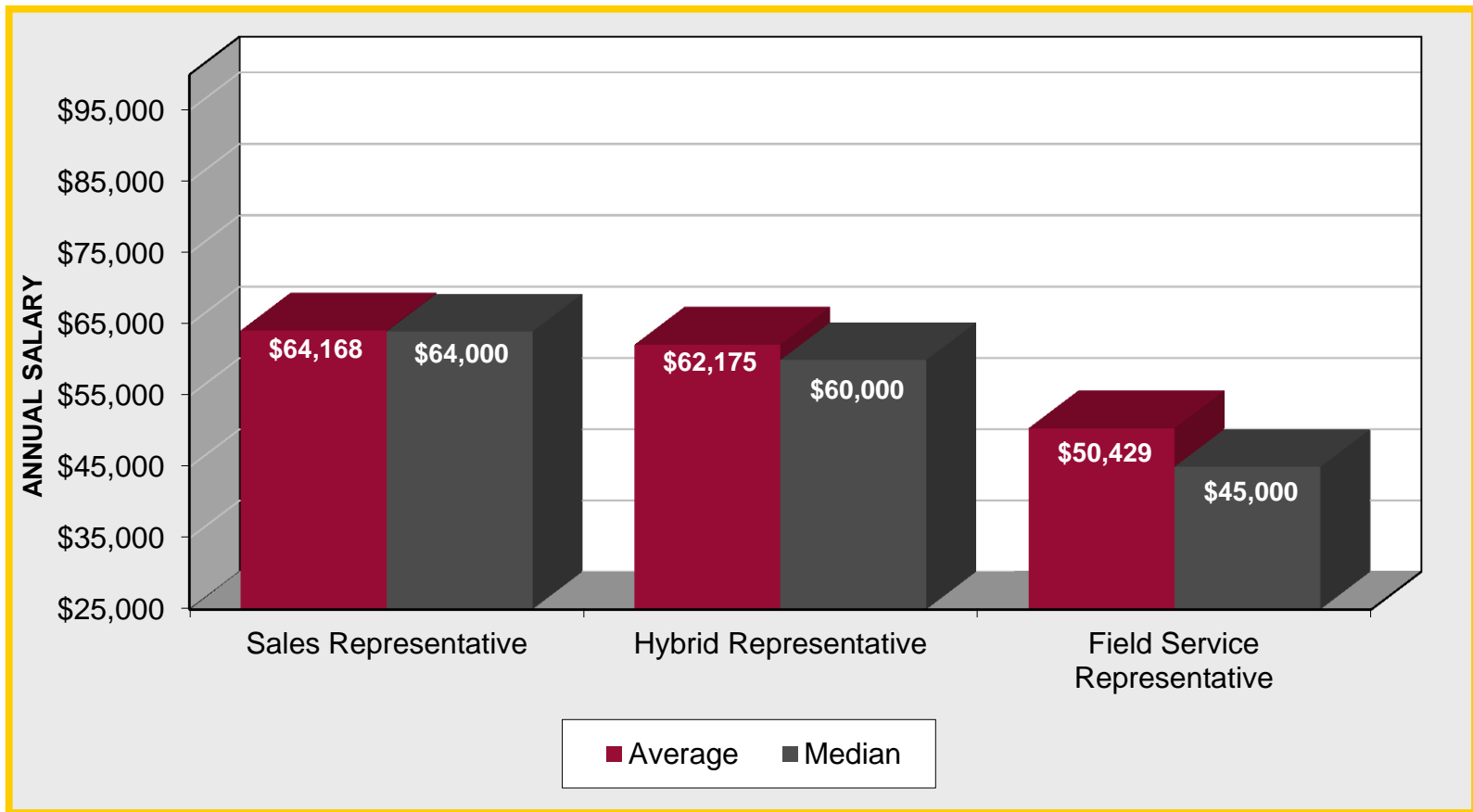
- Annual Salaries
 - Dedicated Field Service Representative Annual Salary



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

- **Annual Salaries**
 - **Hospital Lab Outreach Annual Salary**

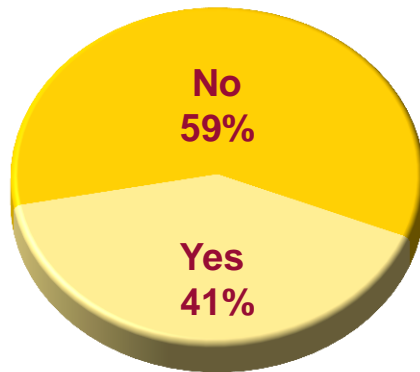


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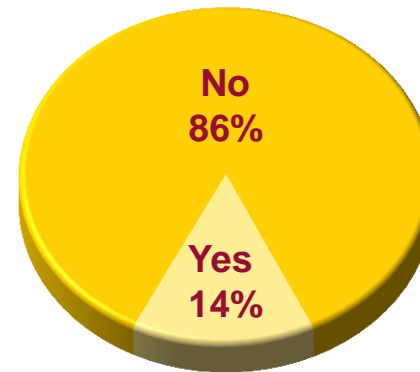
Sales Compensation (cont.)

Utilization of Sales Territory Revenue Quotas

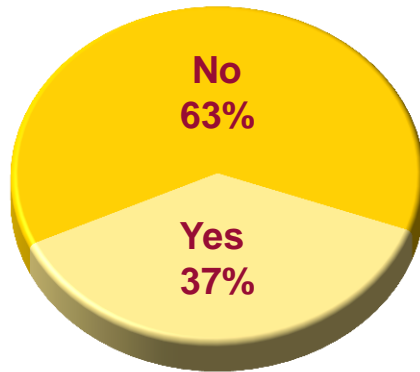
Hospital Lab Outreach



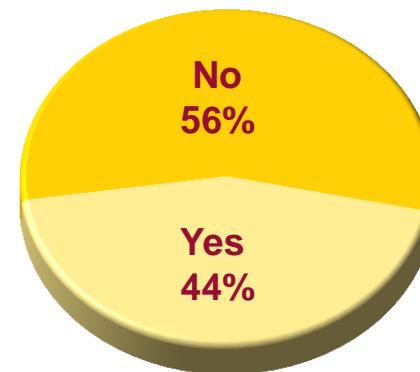
Independent AP/CP Lab



Anatomic Pathology Lab



Esoteric Reference Lab

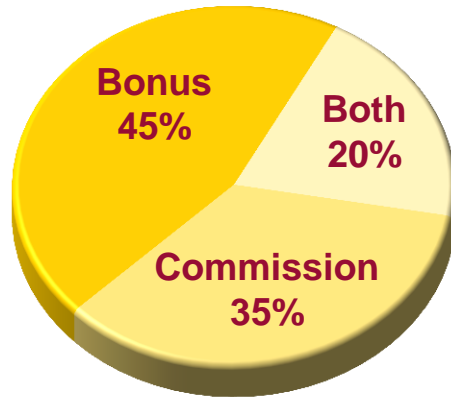


Source: 2011 Chi Solutions study.

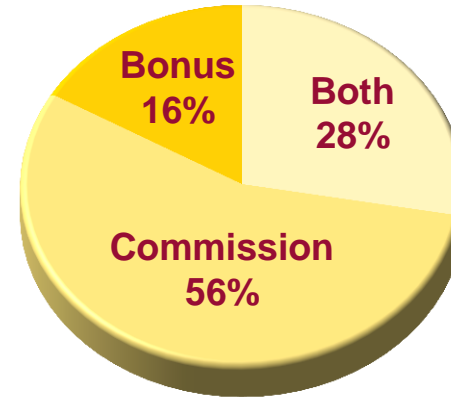
Sales Compensation (cont.)

Sales Rep Incentive Types

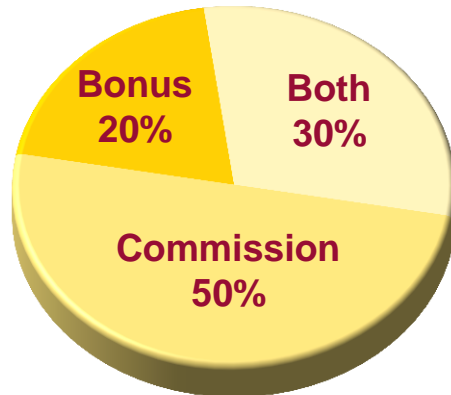
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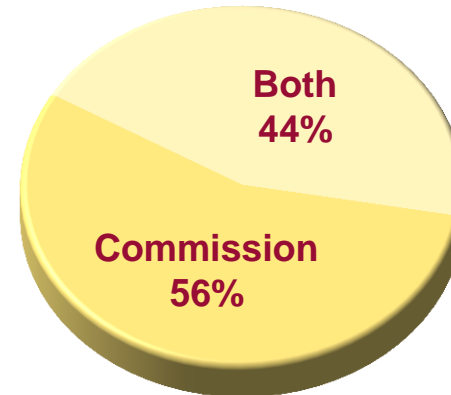
Independent AP/CP Lab



Anatomic Pathology Lab



Esoteric Reference Lab

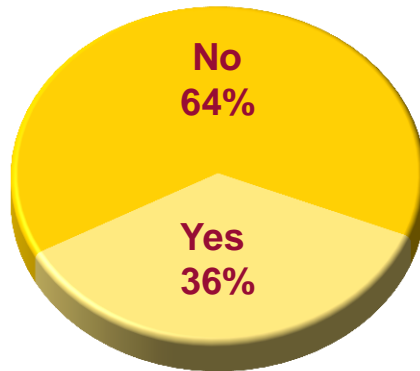


Source: 2011 Chi Solutions study.

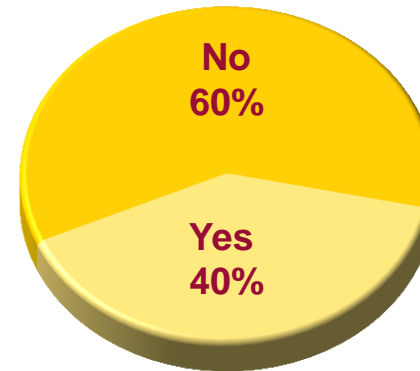
Sales Compensation (cont.)

Sales Rep Bonus for Above 100% Quota

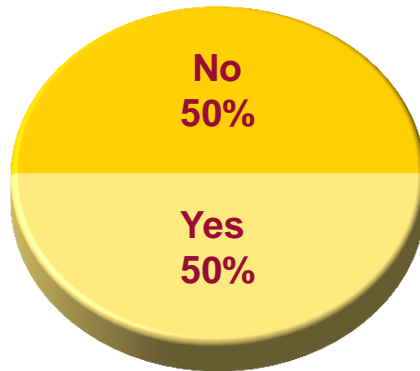
Hospital Lab Outreach



Independent AP/CP Lab



Anatomic Pathology Lab



Esoteric Reference Lab

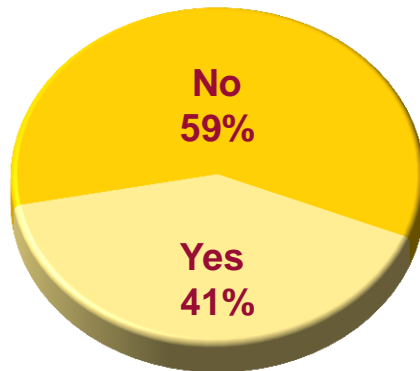


Source: 2011 Chi Solutions study.

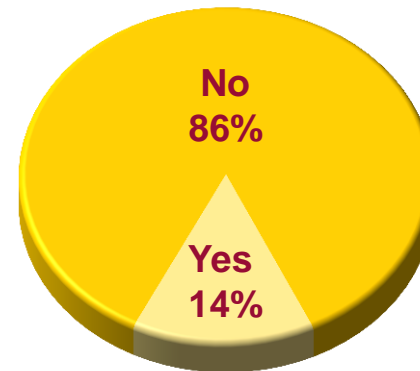
Sales Compensation (cont.)

Utilization of New Client Sales Quotas

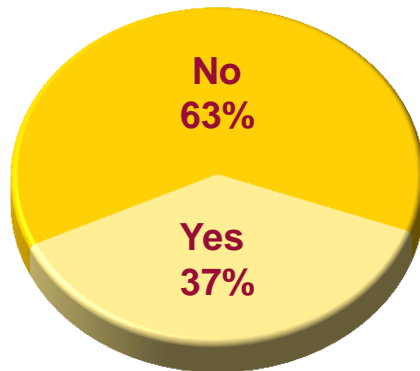
Hospital Lab Outreach



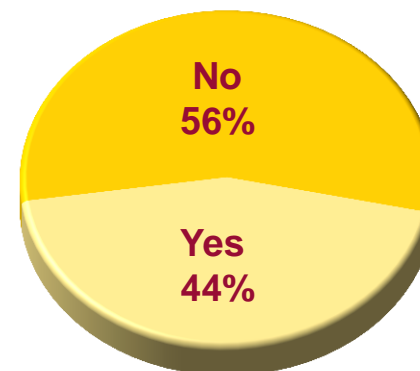
Independent AP/CP Lab



Anatomic Pathology Lab



Esoteric Reference Lab

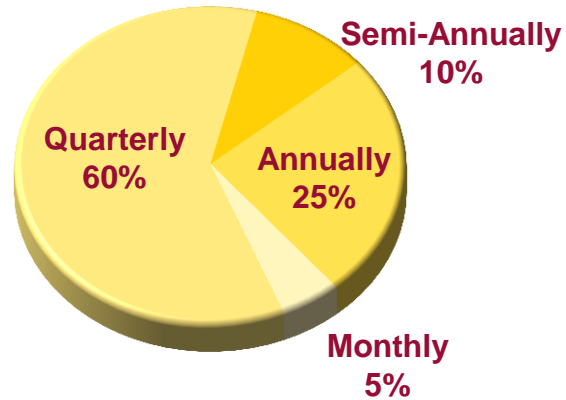


Source: 2011 Chi Solutions study.

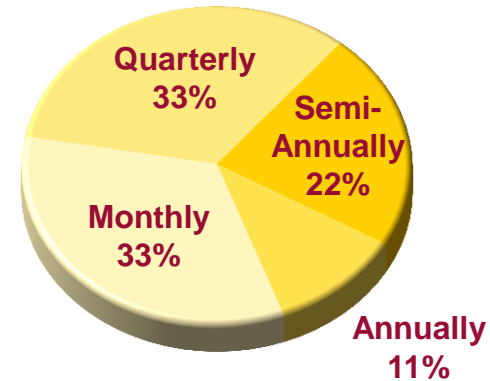
Sales Compensation (cont.)

Sales Rep Bonus Time Period

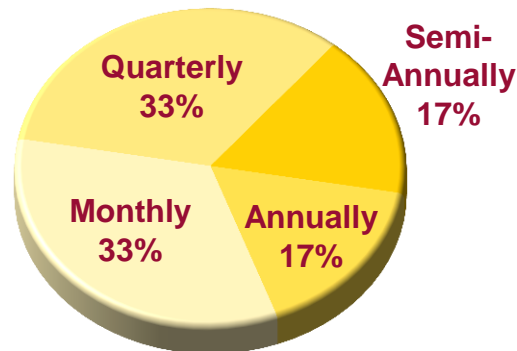
Hospital Lab Outreach



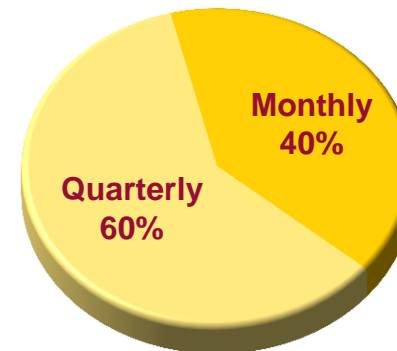
Independent AP/CP Lab



Anatomic Pathology Lab



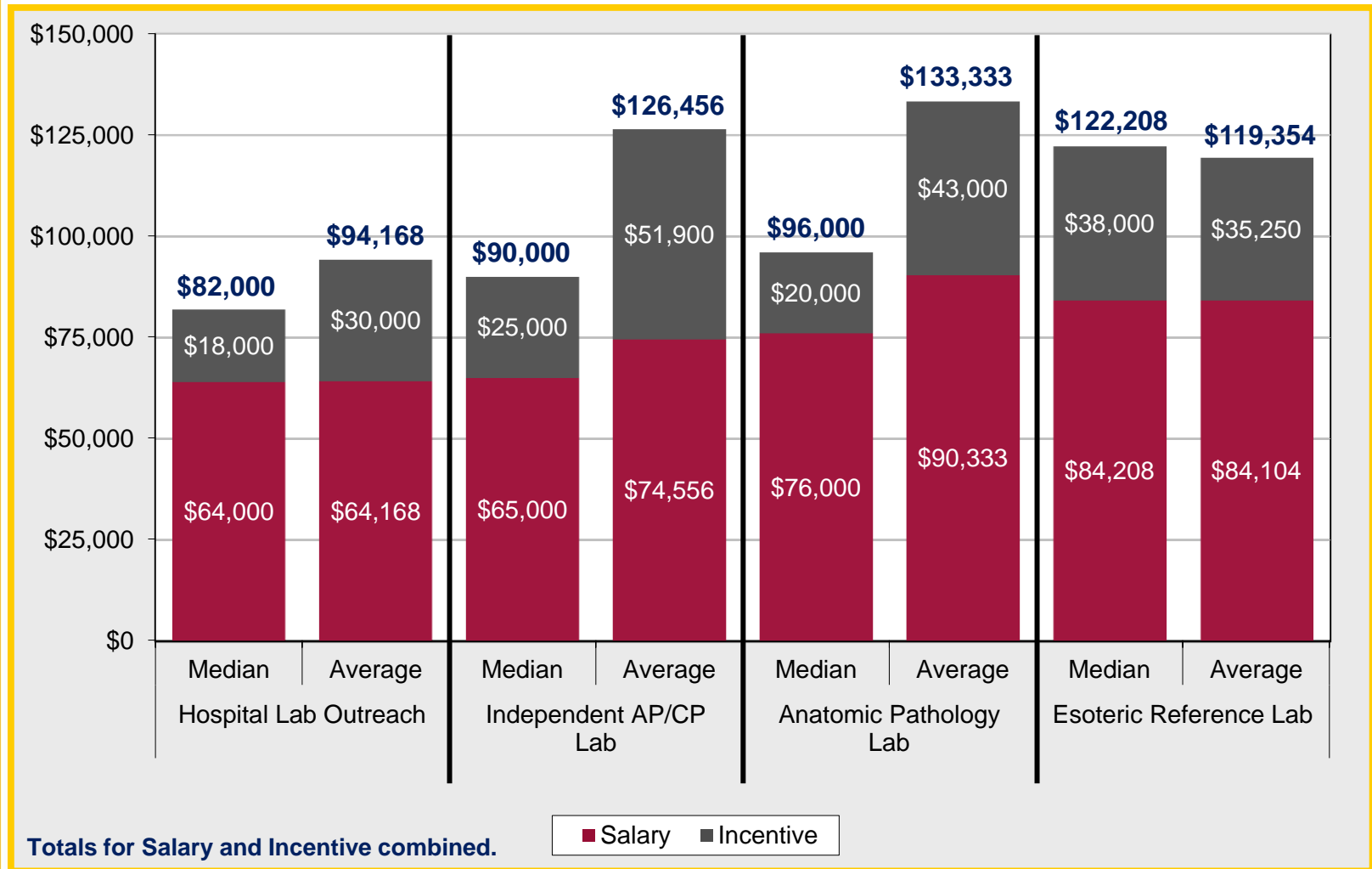
Esoteric Reference Lab



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

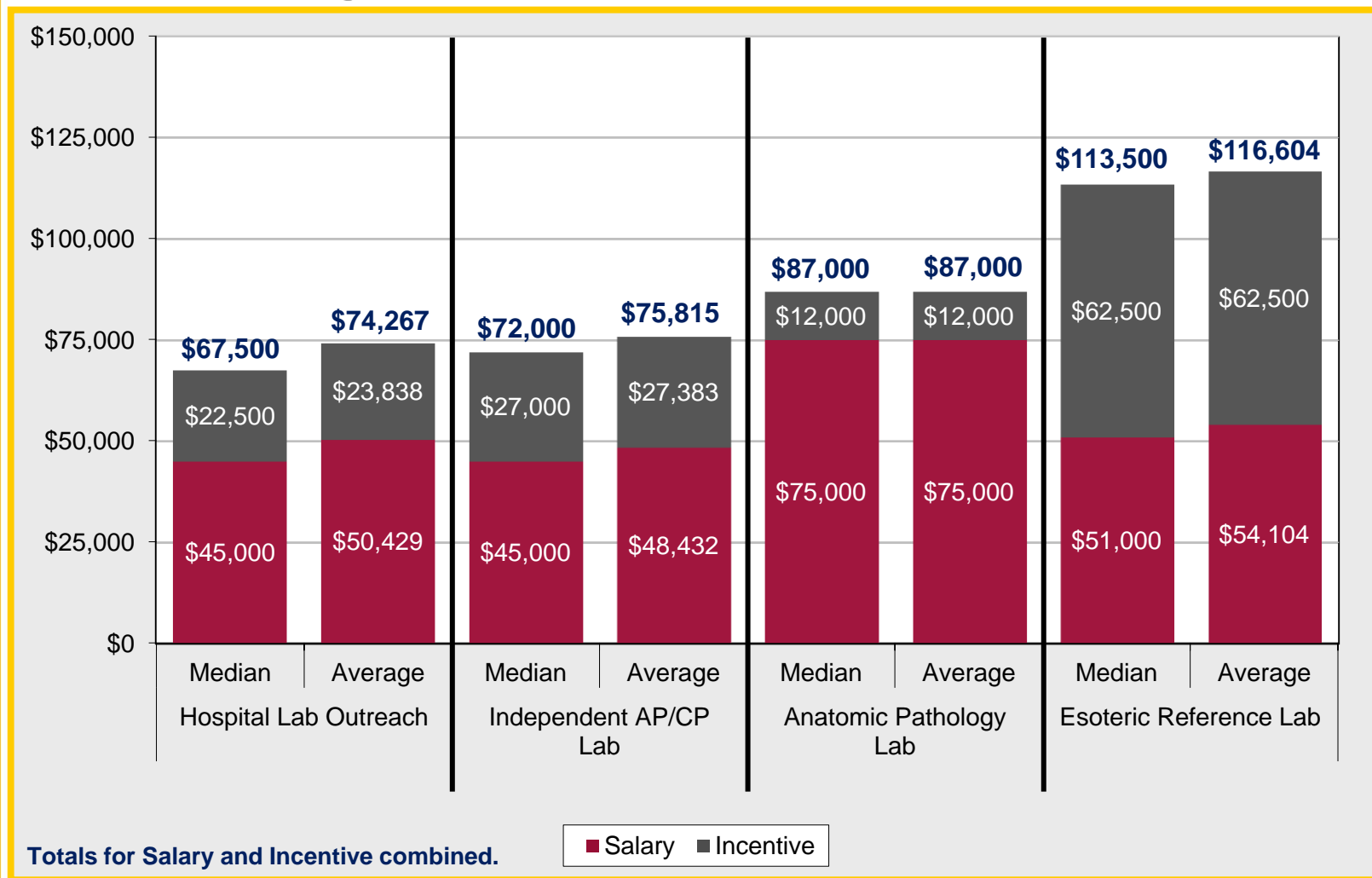
Total Earnings: Sales Reps



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

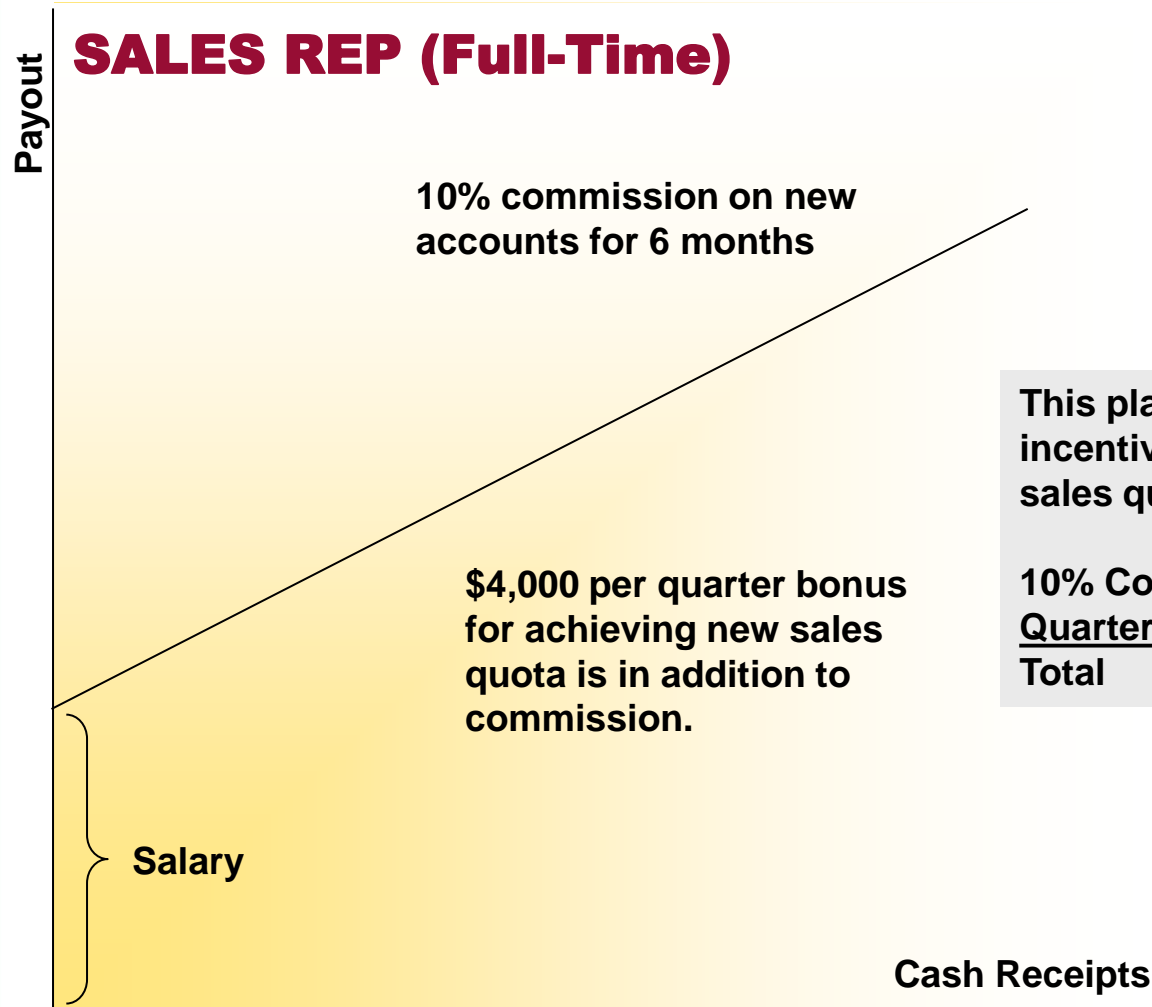
Total Earnings: Field Service Reps



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

Incentive Plan Idea: Sales Rep



This plan will have these incentive earnings at a \$5,000 sales quota:

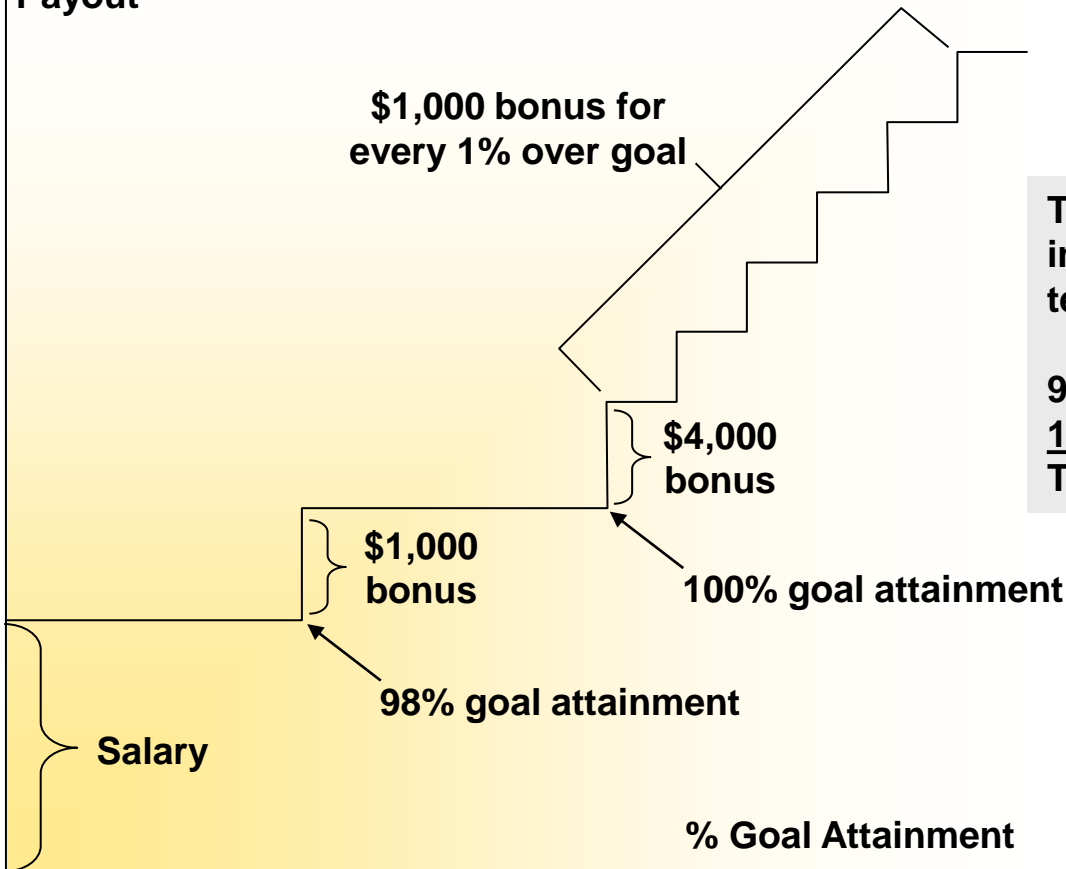
10% Commission	\$36,000
<u>Quarterly Bonuses</u>	<u>\$16,000</u>
Total	\$52,000

Sales Compensation (cont.)

Incentive Plan Idea: Field Service Rep

FIELD SERVICE REP

Quarterly Payout

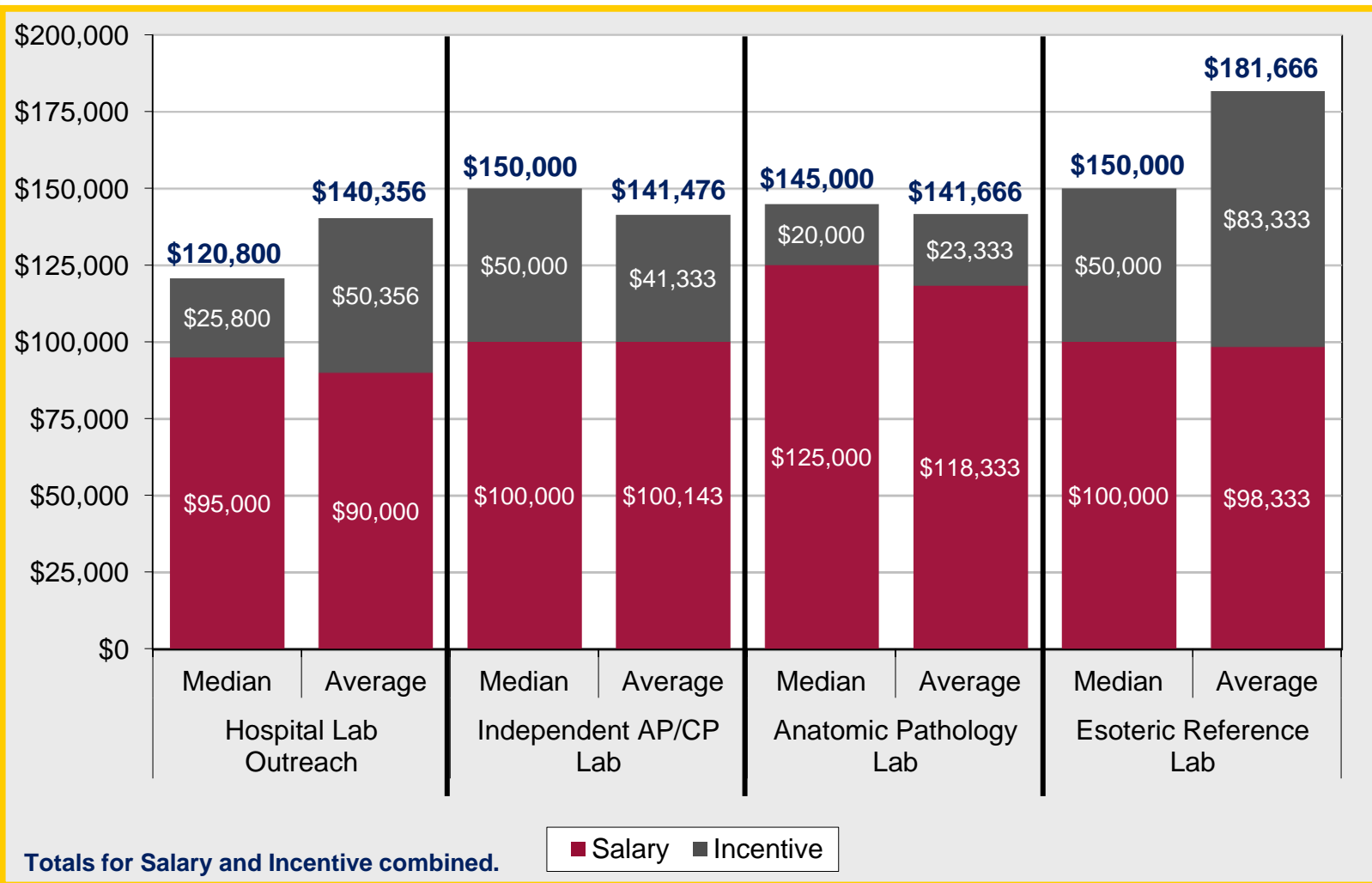


This plan will have these incentive earnings at territory quota:

98% Quota	\$4,000
<u>100% Quota</u>	<u>\$16,000</u>
Total	\$20,000

Sales Compensation (cont.)

Sales Manager Total Earnings



Source: 2011 Chi Solutions study.

Sales Compensation (cont.)

Sales Manager Incentive Plan

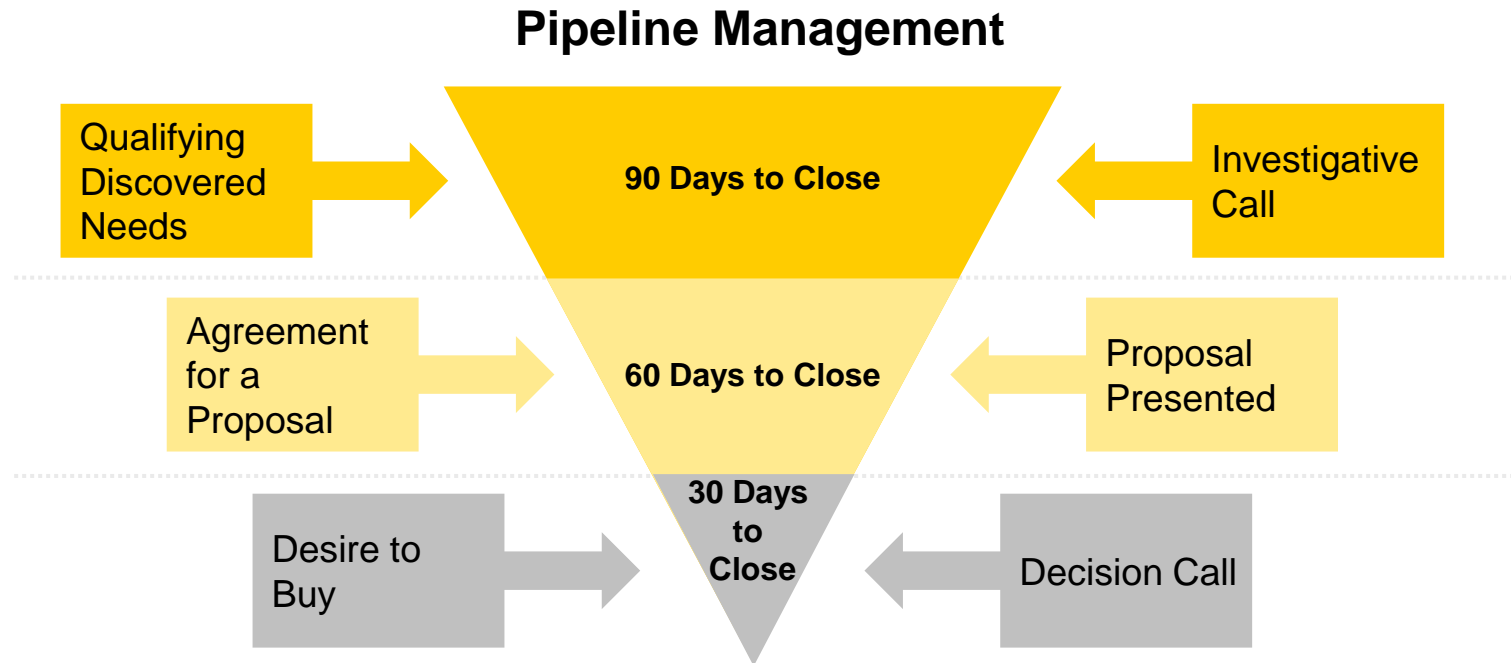
- **Sales (new account business) quota achievement**
- **Service representative territory quota achievement**
- **Discretionary bonus components:**
 - **Recruiting effectiveness**
 - **Strategic sales plan**
 - **Go-to-market plan**
 - **Focus on priorities**
 - **Administrative duties**
 - **Collaboration with management**

Targeting

- **Know revenue source by specialty and per physician in the specialty**
- **Focus sales representatives via specialization to specialists where practical**
 - **Base on tests commonly ordered by each specialty**

Targeting (cont.)

- **Pipeline management**
 - Track all prospects



Targeting (cont.)

- **CRM (Client Relationship Management)**
 - Pipeline report management
 - Capture call data
 - Access client information
 - Review previous call/pre-call planning
 - Lost account reasons
 - Client call record
 - Competitor intelligence resource

Motivation Program

- **Psychological need of field representatives**
- **Recognize:**
 - **Monthly winners**
 - **Quarterly winners**
- **Sales team-building retreat**
 - **When sales team in aggregate meets the new account sales quota for a three-month period**