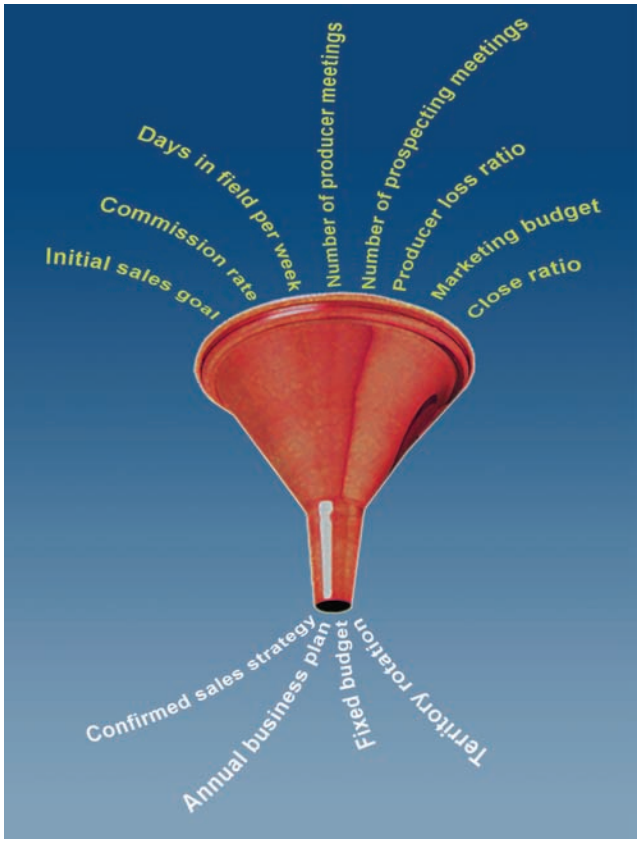
What the Aerospace Industry Can Teach Us About The Value of Simulation In Wholesaler Strategy

BY PERRY MOORE

EVERY YEAR SALES MANAGERS and wholesalers embark on the yearly planning process. A great deal of time and effort goes into sales goals, territory plans, target marketing concepts, and the like. The entire process ends when the wholesaler polishes and submits his or her annual business plan. But despite all the preparation, sales managers and wholesalers are consistently plagued by a nagging question: "How confident am I that the plan will work?"

Managers and wholesalers need a strategy to help make sense of the data they have and the plans they put together. What does a business plan tell you as a sales manager? How does a wholesaler validate whether or not it will work? The answer may be found by looking at other industries.



RISKY BUSINESS

One of the key weapons the U.S. military is developing to fight the war on terrorism is the X-45A Unmanned Combat Air Vehicle, one of a class of "drone" fighter jets. The aircraft, designed by Boeing, is tested by the Defense Advanced Research Projects Administration, or DARPA, based in Washington, D.C.

With hundreds of millions of dollars on the line, project engineers are not about to send a test aircraft out into the field without thoroughly simulating as much as they can. Indeed, testing and simulation are key to ensuring that the weapons systems work effectively.

Michael Schlabach is a project engineer for DARPA who worked on the X-45A. "We use simulation extensively. You can play things out in a low risk environment. By the time our flight engineers trigger the first real flight, they have already 'flown' the aircraft about 100 times."

THE CASE FOR SIMULATION

Validation using simulation comes in less time and with lower cost and less risk than actual flight time. "Putting jets in the air is expensive," says Schlabach. Clearly, simulation is a valuable tool in such situations.

Perhaps the distribution business could learn a thing or two from the defense industry. After all, putting wholesalers in the field is expensive too. We deal with large sales and expense budgets, and we face situations where many variables come into play—situations where a sales manager needs a way to lower the risk of failure for wholesalers. Simulation can be the answer.

SALES TRAINING

Top annuity industry wholesalers can bring in $200 million annually in sales. Wholesalers who desire to get to that level need a strategy, a target marketing plan, and a territory management system. Above all, they need a way to verify that their assumptions will work. Yet until now, simulation has not been a key part of most wholesaler training.

STRATEGY—SIMULATING THE FUTURE

We consider simulation vital to the sales management and training processes. Our training begins with a thorough discussion of strategy, which we define as "a disciplined effort to achieve a desired future." We've found that the best wholesalers are those who operate their territory as a business. And if strategic planning makes businesses better, it will make a wholesaler better, too.

In a sense, strategic planning is simulating the future. A wholesaler looks at his core competencies, external threats, and opportunities, and comes up with a plan to win sales. A good strategic plan takes into account a blend of what the wholesaler does best and what tactics

will work in each territory. But how does a wholesaler know if his plan will actually work when there are so many interlocking pieces? By simulating a marketing plan, a territory management system, and presentation training, the interaction of the various parts can be tested and the strategy validated.

1. Target Marketing—Simulating a Service Plan

Most wholesalers plan for activities, services, and funds to be spent on their clients throughout the year. They may, for example, want to take their top advisors out twice a year, create a mailing campaign, send out birthday cards, and have a certain number of actual face-to-face meetings. But with limited time and resources, how can they make the most efficient, effective choices? Through the use of a target marketing simulation tool—a sophisticated database/spreadsheet—all the assumptions and variables (days in the office, days in the field, close ratios, loss ratios, mailings, events, etc.) can be entered into a matrix and linked together. The impact of changing one variable (i.e. increasing the close ratio) can immediately be seen on other variables and, more importantly, on the bottom line. By simulating the experience for the wholesaler, he or she is able to maximize the services and activities provided to the various advisor segments by calendar period.

2. Territory Management—The Control Tower of Simulation

Another key area which can benefit greatly from simulation modeling is territory management. If, for example, a wholesaler plans to spend time in the next year servicing 240 advisors, how does he know where to focus his effort?

By using a modeling tool which encompasses population data, geographical areas, and zip code profiles, overlaid with the number of days and weeks available in the field, the average number of meetings per day, the number of times the wholesaler wants to meet with certain advisors, etc., an optimal territory management plan can be created.

This analysis can be expanded to the prospecting level as well. If the wholesalers in a certain territory are mismatched with the population, the effect of adding or moving wholesalers, or putting more effort into prospecting can be tested before actual changes are made.

Boeing, DARPA

Most wholesalers develop their client service and prospecting plans in isolation. A solid territory management tool allows a wholesaler to bring it all together. Simulating the gap between prospecting and client service is key to lowering the risk of failure halfway through the year.

3. Group Presentation Skills—Simulating Success

While presentation training may not have as many moving parts as target marketing or territory management, simulation can still play an important role. Most training programs encourage participants to present in front of their peers. But wholesalers still need to test their actual message—to simulate the real thing by applying it to their own product, company, and individual style.

Presentation training can be doubly effective when it simulates reality. It should include the real ideas a wholesaler will deliver—on branding, unique selling propositions, product, etc.

HANDLING WIND SHEAR

Wind shear is an unexpected change in wind speed within a short distance. It can be disastrous for a flight. Many wholesalers are subject to "wind shear" such as a change in territory, a change in product availability, or a change in a competitor's approach that is out of his or her control.

One benefit of simulation is the ability to test the limits of a plan by playing with variables such as territory size, number of advisors, product mix, etc. This gives a sales manager and a wholesaler an idea of the outer limits, a floor and a ceiling, for sales in a given year, and a better understanding of which variables have the most impact on success.

THE ONGOING SALES DOGFIGHT

Sales managers fight hard to get data. But they often struggle to turn it into information. The problem is, more data doesn't always translate into clear, actionable intelligence. A solid, ongoing sales management process includes the ability to test annual plans to figure out if they make sense. A simulation process can pull it all together.

What works for wholesalers and sales managers can work for the industry as a whole. The distribution business can take cues from other industries like aerospace to improve training. We believe training is a process, not an event, and the entire training model should be integrated with simulation. This will reduce risk, improve a sales manager's control, increase wholesaler confidence, and ratchet up the level of business sophistication that supports the wholesaler planning cycle—an extensive process for many companies. After all, like aircraft, it's expensive to put wholesalers in the field. Simulation reduces the chance of wholesalers having to do their own "flight testing," and lowers the risk of the dreaded "crash and burn."

Contributed by C. Perry Moore, CEO, Advanced Sales Corporation. He can be reached at 630-990-1010 or at perry.moore@advsales.com.