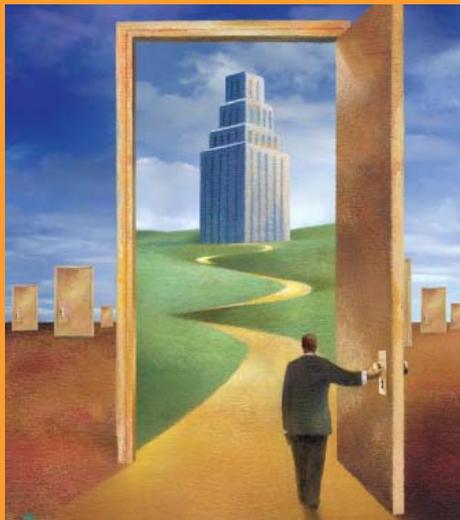


BCG

OPPORTUNITIES
for ACTION

CONSUMER



■ *Door-to-door selling is generally considered too costly and difficult to manage in today's environment, but in the right circumstances, this \$20 billion channel offers a significant opportunity*

■ *For products and services that generate high lifetime consumer value or that benefit from a consultation or demonstration, door-to-door sales can be a powerful means of acquiring customers and increasing revenues*

■ *Whether to recruit an in-house sales force or to contract with vendors depends on the products or services being sold and the company's capabilities and constraints*

■ *BCG's experience suggests that companies are best served by maintaining a small in-house force and outsourcing the bulk of the work*

Door-to-Door Sales

The Forgotten Channel

The days are long gone when it was common to find a stranger on your doorstep pushing aluminum siding, brushes, or encyclopedias. Yet even today, Mary Kay's 1.7 million "beauty consultants" still drive up in their pink cars to demonstrate and sell cosmetics to women in their homes. And in some 70 countries around the world, millions of Kirby vacuum cleaners are being sold in households that have just received a "free" cleaning.

Although many businesses got their start selling products door-to-door, the approach is largely perceived to be too costly and difficult to manage in today's competitive environment. As a result, this \$20 billion channel is shrinking in some categories: many businesses traditionally associated with door-to-door sales have abandoned them. However, in such industries as retail energy and telecommunications, there has been a resurgence of door-to-door selling. The Boston Consulting Group's recent experience revamping the door-to-door approach for a company in the energy sector has convinced us that, given the right circumstances, there is a significant opportunity in the door-to-door channel for consumer products and services.

The Door-to-Door Opportunity

The products and services best suited to door-to-door sales generate high lifetime customer value or benefit from some sort of consultation or demonstration. Many of the offerings associated with high lifetime value have strong margins and produce a stream of revenues over time to help cover the cost of the sales force. Such offerings might include travel, food-delivery, and lawn services; pest control products; magazine subscriptions; home alarm and security services; and cable TV and Internet services. In the case of products and services that lend themselves to consultation or demonstration—either to explain how the offering differs from that of competitors or to provide instruction—the one-on-one interaction afforded by door-to-door sales gives this approach an advantage over the store environment. Offerings in this category might include beauty care products, cleaning supplies and equipment, cutlery, retail energy and insurance products, and personal investment services.

In door-to-door selling, it's often the sales talk more than the product itself that makes the sale, because the representative can create a link between the product and the customer's needs and convince the customer that the product is the best on the market. Given the right incentives, a good salesperson can adjust the sales pitch to move a sale away from one product and toward another with higher profit margins. For example, reps in a company we worked with rapidly switched the balance of their sales from 90 percent for no-contract plans to 95 percent for term plans—without any reduction in overall sales. All it took was a few minor adjustments to the incentive structure, and the reps started talking up the security of the term plan instead of the flexibility of the no-contract plan.

Winning at Door-to-Door Sales

Two factors drive sales in the door-to-door channel: the number of feet on the street and the number of sales per rep per day. (See the exhibit below.) Small changes to either part of the equation can have a significant impact. For instance, if a given sales force is achieving three sales per rep per day, adding 50 salespeople will increase customer acquisitions by approximately 50,000 per year. And if a 100-person sales force is achieving three sales per rep per day, increasing sales per rep per day to five will result in roughly 70,000 more acquisitions per year. We helped a client increase its door-

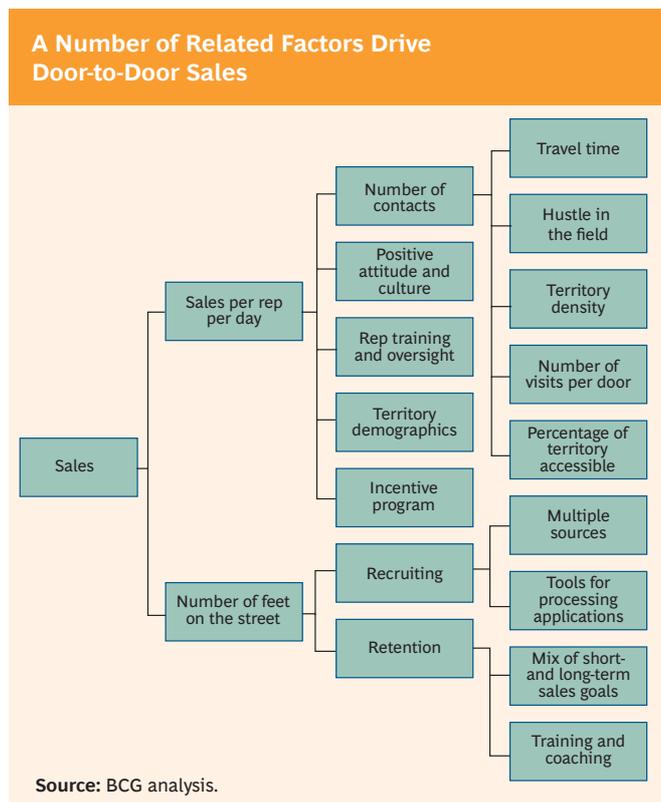
to-door sales by nearly 200 percent by pulling both of these levers.

Sales per Rep per Day. The number of contacts a rep makes during a day will obviously affect his or her sales. To maximize the time spent with prospects, companies should reduce the amount of time that reps spend traveling to and from the field and from one house to another. We recommend providing them with dense territories close to their homes or to the sales office. Reps should be encouraged to work their areas relentlessly and revisit each address several times until they find someone home. Some neighborhoods limit solicitation, so it is important to obtain all necessary permits beforehand.

Selling door-to-door is a difficult job even for a “born salesperson.” The ego can take a tremendous beating. A company can encourage its sales teams to increase the number of their daily contacts, but it won't have much success unless reps have confidence in their ability to close those extra sales. Companies can help counter feelings of rejection by sharing the stories of successful salespeople and by arranging for new salespeople to shadow seasoned professionals as they confront challenging situations.

Frequent training sessions are important in order to keep reps informed about new sales techniques and product changes. And since many door-to-door salespeople are young and may lack maturity, constant oversight of their activities in the field is necessary to ensure consistent quality. Finding the right balance of incentives is also important. If the incentives are too generous, reps won't be as motivated to put in a full day's hard work; if too low, going the “extra mile” might not seem worth the trouble. Companies should monitor their compensation programs constantly to make sure they are effective. Small adjustments can make a world of difference. We've found that variable programs that accelerate with the number of sales per rep per day, are often the most successful.

The Number of Feet on the Street. The ability to increase the size of the sales force determines the scalability of the sales organization. This is where many companies fall short. Like other sales organizations, a door-to-door business must build a recruiting and retention machine to increase the number of its full-time equivalents (FTEs). This is particularly challenging in door-to-door sales because turnover is remarkably high—as much as 70 to 100 percent per month at one company we worked with.



To recruit enough salespeople, the organization has to target more people than it needs. It can do this only if it has dedicated recruiting resources, including a call center, multiple venues and sources for recruiting, and predictive aptitude testing or other methods for sorting through a large number of applications.

To retain salespeople, many door-to-door organizations give their reps hourly sales goals, teach them to think of each day as a new day, and pay them on a weekly or even daily basis so that they are less easily discouraged. To improve retention, organizations should also create long-term sales goals. Finally, it is important to give reps a grace period for performance when they are first hired, maintain a culture that encourages reps to see a future with the company, and continue to provide coaching for improved performance.

Business Models

There are several business models for door-to-door sales, ranging from a completely in-house to a fully outsourced model. Although many companies believe they should keep their door-to-door organizations completely in-house, our experience suggests that a hybrid model—in which the company maintains a small in-house force and outsources the bulk of the work—is best. A small sales force within the organization is valuable for direct information on how the company's products or services are received by customers in the field. But managing a large door-to-door sales force in-house is much more challenging than managing other kinds of sales organizations. A manager needs to understand what motivates the individuals on the sales team and be able to act as coach, hard-driving taskmaster, or psychologist, depending on the situation.

An external door-to-door organization avoids some of those problems, but choosing a vendor requires care because there are many small vendors out there, and their quality varies. Companies should perform due diligence by checking the vendor's history, the industries it has worked in, the size of the sales forces it has managed, and any local connections and knowledge it might have. Most vendors need day-to-day management, especially during the ramp-up phase. A company may also have to accommodate its vendor's capital constraints with, for example, large up-front fees or weekly payments.

A company that hires a sales force vendor must be prepared to define what counts as a sale. If a customer returns a product or cancels a service, should the vendor be paid? Such stipulations require sophisticated

systems that allow the vendor to check on the status of each customer and avoid conflicts over who owes what to whom.

In general, vendors are less sophisticated than the company that hires them. It may be worth the hiring company's time to analyze the vendor's recruiting and data processes, for instance, and make suggestions as necessary. Above all, the company should hire more than one vendor; employing a champion-challenger model keeps all the vendors on their toes. Be careful when allocating vendor territories, however—an improper distribution can lead to quibbling and give an unfair advantage to one vendor over another.

Best Practices

For companies that have customers with high lifetime value and products that benefit from personal selling, we've identified five best practices for succeeding with door-to-door sales:

- ◇ In deciding whether to recruit an in-house sales force or to contract with vendors, consider your organization's capabilities and constraints, as well as the products or services you are selling
- ◇ Make sure that you have dedicated recruiting processes and that they cover all bases in reaching likely candidates
- ◇ Establish ongoing training that includes a confidence-building component, as well as information on new products; consider a mentoring program that matches seasoned reps with new hires
- ◇ Constantly adjust the incentive system to increase sales per rep per day, and encourage the sales force to sell the highest-margin products and services
- ◇ Develop a retention program that identifies short- and long-term goals and offers appropriate rewards for the most successful performers

When the circumstances are right, door-to-door sales can be a powerful means of acquiring customers and increasing revenues. But door-to-door sales forces are often more difficult to manage than other sales channels, and they usually require a skill set that most companies lack today. If your customers contribute high value over their lifetime, however, and if your

products or services benefit from some sort of one-on-one consultation or demonstration, door-to-door sales may be an opportunity you can't afford to ignore.

Dylan Bolden
Tom Lutz

Dylan Bolden is a principal and Tom Lutz a senior partner and managing director in the Dallas office of The Boston Consulting Group.

You may contact the authors by e-mail at:
bolden.dylan@bcg.com
lutz.tom@bcg.com

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