Training Sweetens Hershey's Core Strategy

In the midst of management reorganization, some labor unrest, and a potential sale of the company, Hershey Foods went ahead and invested not only funds, but also two days of its salespeople's time to attend training.

By Linda Strange and Paul Hennessey

The prognosis was uncertain: Workers in the largest factory were on strike. The management team had just been reorganized. The potential sale of the company was being explored seriously, although not publicly announced. First-quarter numbers were weaker than expected.

One immediate question: Would the planned sales training be delivered, or cancelled?

In many organizations, the answer to that question would be a quick and decisive, "No." Management would likely want to wait until the dust settled. But at Hershey Foods, the answer was, "Yes, it's too important to postpone."

What made the difference? It was a conscious effort to connect the content and delivery of training to a specific, mission-critical business initiative called "Blue Chip."

First, some background on how candy is sold. Hershey Foods, like most CPG (consumer packaged goods) companies, distributes its products through a variety of distribution networks. Its customer sales executives call on customers in a number of trade channels, each of which buys products and markets to end-consumers in different ways. These channels, which represent more than 2 million retail outlets across North America and around the world, include large grocery chains such as Safeway and Albertson's, large drugstore chains (for example, Rite Aid and Walgreen's), convenience stores such as Circle K and 7-11, wholesalers, small retail outlets, and brokers who sell products (chocolate syrup and the like) to grocery stores.

A hallmark of marketing in the CPG industry is "trade funding," money accrued by a retailer, which is invested back into joint promotional programs. For example, Hershey's might share the costs of a drug chain's advertising flyer or provide assistance in creating special end-of-aisle displays to support a special Valentine's Day promotion or help fund a "three Hershey/Reese's bars for 99 cents" promotion. In the CPG industry, trade funding is standard operating procedure and retailers expect it as part of their relationship with companies such as Hershey Foods. Hershey's, like many other CPG companies, considers trade funding to be an accepted cost of doing business—a sales and marketing expense that all industry players incur in order to maintain relationships with their retail channels and to drive top-line sales.

Introducing Blue Chip

In early 2002, based on the results of extensive analysis, including a customer satisfaction survey conducted by Cannondale Associates, Hershey's decided to make important changes in the way trade funding was allocated. The new strategy had a name: Blue Chip.

The Blue Chip strategy is based on two simple ideas: Simplify the trade funding process and pay for performance:

Simplify the process. In the past, Hershey's retailers felt that promotion strategies were too complex. They and Hershey found it hard to decide how to allocate trade funds for mutual benefit. The Blue Chip strategy would simplify that process by focusing on a single annual customer plan developed jointly by Hershey and its customers, rather than a "promotion by promotion" approach to allocating trade funding. These dollars would be provided based on an agreed-upon annual promotion plan and the customer's ability to comply with its promotional commitment.

Pay for performance. In addition, the sharing of trade funds wouldn't be as automatic as in the past, but instead would be allocated on an annual pay for performance basis. The goal would be to reward customers that were the most successful at growing the candy category with Hershey.

Even though the Blue Chip concept is relatively simple, its execution entailed risks. Customer service executives would have to work with customers under new rules of engagement that would be more demanding than before. And the consequences of failure could be severe, including possible loss of market share as well as lower customer satisfaction.

The Blue Chip strategy was launched at an all-company Sales Summit in May, 2002, Hershey's first national sales meeting. Now, a year later, the results of Blue Chip are coming in. With many customers, sales volumes are increasing and the new pay for performance approach is becoming an accepted way of doing business.

New strategy, new skills

The foundational introduction of Blue Chip at the Sales Summit wasn't an executive speech or just a set of PowerPoint slides. It was a two-day experiential learning initiative called Situational Sales Negotiation, provided by an outside supplier, BayGroup International. The program had a clear goal: to help Hershey sales professionals develop the skills, plans, and confidence necessary to implement the new Blue Chip strategy with their North American customers.

What turn of events led to a situation in which a training program acted as the centerpiece of a newly launched, high-visibility marketing strategy? Why would executives devote more than half of a critical meeting that included their entire salesforce to such a time investment in training?

Simply, the training was seen as a key enabler of a go-to-market strategy, as well as a tool for improving skills. The process of connecting training to strategic corporate goals involved a shift away from a focus on skill improvement alone towards a focus on achievement of corporate goals as articulated at the executive level.

Executive Perspective

What were line executives' perspective on the launch of Blue Chip, the negotiation skill training that supported it, and the results so far?

Bernie Banas, vice president, sales, national grocery and mass customers, is one of the key executives responsible for making sure the new go-to-market strategy works. He's also responsible for the sales teams that call on some of Hershey Foods's largest customers, including Kmart, Target, Safeway, and Kroger.

According to Banas, the sales negotiation initiative that helped launch the Blue Chip strategy was much more than training. The stakes were high: "We were going through a transition that led to a cultural change. It was critical to both Hershey and our customers that we execute the transition flawlessly. Negotiating this new program was really the heart of the matter. Blue Chip gave our people a vehicle for succeeding; the BayGroup training gave them the fuel to make that vehicle go."

Banas says that the implementation was as critical as its content. "Given everything else going on at the time, if this had been positioned as sales training, we probably wouldn't have taken the time to run it. It was clear from the start that this was the vehicle for implementing our new strategy, a process and not just an event, and much too strategic to cancel. It was also clear that the skills were going to be applied immediately to specific account situations and supported by coaching from our managers," he says.

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To accomplish that, a broader, market-based approach to implementing training was needed. It involved eight steps for the sales training and development team at Hershey's:

Step 1: Conduct marketing due diligence. Understand the industry changes driving the corporate investment in Blue Chip and the impact of those changes on the salesforce.

Step 2: Understand internal customers and their initiatives. Gain insight into the objectives of senior executives and the investments they're making to meet them.

Step 3: Identify the initiative-enabling skills gap. Create an hypothesis on the key behavioral skills needed to implement key strategic initiatives successfully.

Step 4: Find and enroll internal sponsors. Partner with line managers who have the most at stake, and work with them to validate the hypothesis from the previous step.

Step 5: Identify external partners who can deliver tailored, strategically focused training to close key skill gaps.

Step 6: Jointly propose a plan to connect skill training to strategic initiative success. Work with an internal sponsor or sponsors to co-develop and co-deliver proposals to management for strategic investment in training.

Step 7: Promote strategically. Communicate through a variety of vehicles (email, speech, conference kickoff, internal announcements, training invitations) the strategic as well as skill development goal of the training.

Step 8: Tailor the delivery. Implement training that meets the specific needs of different segments of the target population and that enables skill application to the simulated workplace challenges of each business segment.

The key was approaching the situation not just as a training challenge, but also as a sales challenge—a process of understanding internal customer needs and filling them with the right product supported by the right promotion.

Selling the training

The process focused first not on skill gaps, but on strategic business needs driven by ongoing trends and pressures in the consumer packaged goods market, including

- shift to a more data-driven sales process rather than a relationship-oriented one—a result of increasingly sophisticated statistical tracking of consumer in-store purchase behavior
- move to a pay for performance approach to working with channels and customers
- emergence of increasingly sophisticated, demanding buyers (usually called "category managers") who are well trained in purchasing and negotiating techniques
- marked consolidation of retailers, resulting in fewer, larger buyers who have relatively more market power
- increased emphasis on identifying all sources of value and negotiating leverage, including the identification of alternative negotiables (items of value that can be offered in trade during the sales process to help achieve sales goals)
- growing need for CPG companies to obtain higher levels of performance from their channels of distribution.)

Those market changes are significant for all CPG companies. Hershey's has put a premium on the ability of its sales professionals to work effectively within the natural tension that arises when they must balance Hershey's self-interests with the need to build and maintain collaborative relationships with customers. With the analysis of industry trends in hand, it was possible to gain a clearer understanding of mission-critical skill gaps. Discussion with internal customers made it clear that in order to put together a promotion plan under the Blue Chip strategy, customer service executives would have to negotiate about the level of trade funding and pricing and other negotiables, such as shelf space and shelf location for Hershey's products, adoption

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of new products by retailers, commitment to place promotional racks prominently, promotion and display of seasonal products, and "category captaincy"—willingness to name Hershey as the most prominent candy partner. In addition, internal customers, including members of the sales leadership team, saw that new and higher-level negotiation skills were needed to sell customers on the Blue Chip strategy. Sales professionals would need to

- position the benefits of the new Blue Chip approach to customers
- negotiate a new and different pay for performance approach to receiving trade funding
- motivate customers to engage in a new annual (rather than "promotion by promotion") planning
- gain compliance to annual promotion plans after they've been negotiated.

That analysis made it possible to build consensus among Hershey's leadership team that negotiation training would be the best possible platform for launching the Blue Chip initiative.

The rollout

People reading the business news in the newspapers as the Sales Summit convened in May, 2002, would've been surprised to find Hershey Foods investing two days of its salespeople's time to attend training as the company grappled with a confluence of challenging labor, organization structure, and financial performance issues.

What was it about the rollout of Situational Sales Negotiation training that allowed it to go forward in spite of the obstacles? To ensure its success, the implementation included

- a heavy emphasis on knowledge of the Blue Chip strategy and experiential discovery learning about the negotiation skills critical to its success
- extensive briefing and preparation of external instructors on Hershey Foods—the company, the industry, and the Blue Chip strategy
- a kickoff of training by senior execu-

Partnering Criteria

In spite of the high possible risk in strategic initiatives, your time and money can be leveraged by partnering with the right outside consultant supplier. When training supports strategic initiatives similar to Blue Chip, that puts new requirements on the suppliers.

What should a company look for when evaluating an external supplier to help implement mission-critical training that enables strategic corporate initiatives? Here are the criteria used by the sales training and development team at Hershey Foods, phrased as questions for the supplier:

- How have you demonstrated client focus in your work with our company and others like it?
- How will you ensure that your program fundamentally meets our strategic as well as skill development needs?
- What will you do to ensure that your team fully understands our business and its culture, value system, and needs?
- In what ways do you tailor and customize your approach? Is that a way of doing business for you? How will we collaborate in that area?
- How will you integrate your offering with our already successful curriculum?
- Will you do what it takes as a partner to share both our pain and our success and not just the latter?
- Do *you* have the knowledge and skills, and do *we* have the chemistry to sell *our* program (not *your* program) to the senior leadership team?
- What is the experience of your development and delivery team in our industry?
- Are you fairly and competitively priced for the value you provide?

tives, who connected it to the success of the new go-to-market strategy

- an explicit connection of training objectives to corporate challenges at the outset of training, during the workshops, and at the close of the events
- delivery of highly relevant and applied training, which includes skill practice exercises tailored to the specific needs of the customer service executives selling to different types of customers
- training for managers on how to coach their people through the inevitable tough, tension-filled negotiations inherent in the new strategy
- follow-up training and coaching of sales teams about important negotiations
- tracking of initiative results and best practices, with reports to management.

The results of Blue Chip are encouraging. Annual pay for performance promotion plans are being negotiated successfully with major customers. All parties are benefiting from increased simplicity of the program. Key channel relationships are stronger and more profitable. New skills help Hershey's achieve critical strategic objectives.

Training lessons learned

The Blue Chip strategy and the negotiation skill training that supports it have been launched successfully. What are some of the key lessons from the initiative for training professionals? Here are a few of the most significant.

Focus on enabling strategic as well as tactical success. In the current economy, training must enable and link directly to bottom-line initiatives sponsored by executives, not just build skills.

Think like a marketing manager. It's critical to understand your company's market, business processes, strategies, language, and industry trends. It's also important to think of your internal constituency as customers and to promote training to them based on their needs, described in the words they use to articulate them.

Think like a sales professional. Excellent salespeople know that a benefit isn't a benefit until you find a buyer who sees it as one. Find an internal sponsor—usually the executive with the most to gain or lose based on the achievement of specific strategic goals—with whom you can partner to connect skill development with strategic initiatives. Be clear not only on the benefits of skill improvement, but also on the strategic consequences of *not* building key enabling skills.

Sell *with* your internal sponsors, not *to* them. Provide options rather than single recommendations. Co-develop the business case for behavior change, then co-author and co-present that case.

Be clear on partnering criteria. If you're using an external partner to help implement strategic skill improvement, make sure your selection criteria include the ability to link training to strategic goals, and tailor the training to meet the specific needs of your target audience.

Implement a process, not an event. Strategic initiatives are processes; the skill development that supports them should be, too. Plan for the initial training, follow-up training, and ongoing reinforcement back on the job.

Short-term success helps fund long-term projects. A rule of thumb at Hershey Foods is that there should be at least one program in each year's training budget that deals with a key strategic initiative that is "close to ROI." In today's business environment, visible short-term victories lead to credibility and future funding for long-term training and development projects.

The Blue Chip launch illustrates how times have changed for sales training professionals at Hershey Foods and many other organizations in the CPG industry. Given the lack of time, the increased sense of executive-level urgency about achieving corporate objectives, and the challenging economy, it's truer

Executive Perspective

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Reflecting on the planning that led up to the Sales Summit, Banas believes the keys to success were getting the sales leadership on board and connecting the training to the success of Blue Chip with their teams. He says, "It was important to go the extra mile to make sure the new negotiation skills were introduced in a way that they could be used immediately to enable the new strategy, whether a salesperson was selling to customers on a national or local scale."

Overall, Banas is excited by the results of both the Blue Chip launch and the training that supported it, saying, "I view this training process as a three-legged stool: One represented the education; two, the application; and three, the reinforcement. Each needs to occur in harmony and, more important, balance. The instruction delivered the education and application and gave our managers the tools to ensure reinforcement."

Banas knows that training alone won't create lasting success, even though the negotiation skills workshop gave his team the skills to meet the challenges of negotiating the Blue Chip process with customers. "Our people are working smarter while using these skills," he notes. "Now that the initiative is launched, it's up to our executives and managers to reinforce the concepts from the training to make sure they really stick.

About Hershey Foods

If you've ever visited a candy store or gone "trick or treating," you know about Hershey chocolates.

You might not know that Hershey Foods Corporation is the leading North American manufacturer of quality chocolate and nonchocolate confectionery and chocolate-related grocery products. It exports its products to more than 90 countries. In addition to the famous Hershey Bar, the company markets such other well-known brands as Almond Joy, Mounds, Cadbury, Kit Kat, Reese's, and Jolly Rancher. Hershey's also markets a variety of products such as chocolate syrup and baking pieces through grocery stores. Hershey Foods employs more than 14,000 people, and generated more than US$4.5 billion in sales in 2002. To know more **www.hersheys.com.**

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Linda Strange *is director, sales staffing, training, and development, Hershey Foods Corporation.* **Paul Hennessey** *is executive vice president, BayGroup International; paul@baygroup.com.*

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