

Case Study: Industrial Distribution Company's Margin Management Training Series

In 2018 the Industrial Distribution Company (IDC) Learning and Development Team began creating a Margin Management training series to highlight strategies, sales best practices, and pricing tools available to the Industrial Distribution Company Sales Team. Margin percent is a performance measure for all branches, and sales employees strive to increase sales margin, branch margin average, and overall company margin. Along with increasing the margin percent goal in January 2023, senior leadership requested a refresh of the Margin Management training. The project has two goals: to refresh the margin training series and provide margin management training supporting margin growth and pricing strategies by keeping margin management in the minds of the sales team. This case study will evaluate strategies and standards used to assess participants and analyze strategies for data collection, focusing on the timing and reporting of results.

All inside sales, outside sales, area account representatives, and market specialists are assigned the Margin Management training series, which consists of a pre-and post-test and nineteen training modules with an optional margin certification assessment after satisfactory series completion. Margin Management supports sales metrics and helps measure sales team performance. The pre-and post-tests consist of 25 questions and are pulled from topics making up the 19-module training series. Each module in the series addresses a margin strategy. Supporting module assessment provides a knowledge check of concepts included in the training module and usually a scenario opportunity to apply the concept. In reporting results, it is possible to correlate the training module to sales goals outlined in [Table 1](#) and [Table 2](#) and determine opportunities for support.

Table 1: Required Goals for Inside Sales

Goal	Description	Category	Type
Margin Dollars Average Per Month	Average margin dollars per month at least X dollars	Performance	Contribution
Margin Percent	Margin % of X	Performance	Contribution
Small Order Margin Percent	Small order margin of X % if less than X% in FY21	Performance	Contribution
Box 2 Sales Growth	Selling new/more products to existing customers	Performance	Sales
Freight Recovery	Freight billed to the customer as a percentage of freight incurred	Performance	Operations

Table 2: Required Goals for Outside and Area Sales

Goal	Description	Category	Type
Top 125 Margin Dollar Growth	Margin dollar growth of Top 125 customers over base margin dollars (Box 1 and 2 customers)	Performance	Contribution
Sales Growth of Focus Accounts	Sales growth of \$X for established focus accounts	Performance	Sales
Margin Growth of New Customers	Margin growth (trailing twelve months) of new customers (Box 3) to maximize growth bonus incentive	Performance	Sales
Sales growth of Won Opportunities	Annual sales growth of won opportunities	Performance	Sales

The final evaluation of the series is currently optional and will become required once the redesign of the training series is complete. The Margin Certification is a 50-question assessment requiring users to apply margin best practices to choose the best response for various sales opportunity scenarios. There is a scenario related to each learning module topic of the series and scenarios that require applying multiple knowledge concepts. Review [Table 3](#) for examples.

Table 3 Margin Certification Scenario Examples

Topic	Scenario 1 Buying Signals	Scenario 2 Qualifying information	Scenario 3 Qualifying Questions
Scenario	<p>While meeting with a customer, you notice they are very attentive, even nodding and agreeing with your solution suggestion. They ask you about the value-add solutions you mentioned and it looks like you will be able to make them a IDCcustomer. After discussing price, the customer asks if you can do any better? You want this account. What is the best response?</p>	<p>A customer calls looking for Expanded PVC. They just need a few sheets. What's your project? I make customer birdhouses and sale through various online outlets and specialty stores. I want to see if Expanded PVC would be a good for producing something lighter in weight but still durable enough. Is this order worth exploring further?</p>	<p>The current sales initiative at your branch is to maximize margin by improving sheet yields. You have a customer on the phone that buys .220" 48"x96" clear polycarbonate every 60 days or so. They have requested 21 full sheets. and will be cutting the sheet down to size to get 310 pieces 7.0" x 35". To maximize and improve sheet yield, what do you need to know?</p>
Options	<p>Lower your margin by a few percentage points, offering a discount. Offer a shipping discount, but keep the material price the same. Move to close and review your solution. All customers want a better price. Explain we can offer a cheaper price if they agree to buy with us exclusively.</p>	<p>Yes? No?</p>	<p>Do they need 21 full sheets or only 310 pieces? When do they need the order? At what margin percent do they usually purchase? Do we have 310 sheets in stock?</p>
Feedback	<p>The customer has shown interest in our solution. Customers do not ask for a discount on a product they do not intend to buy. Sell the solution, highlight the value-add opportunities, and help the customer see that it is worth the price before asking which value-add solution they wish to sacrifice or offer a discount.</p>	<p>Absolutely. This customer does some pretty cool work with plastic. They make custom birdhouses, very detailed and imaginative beyond what you'd normally see at a big box store. He primarily buys expanded PVC for the birdhouses themselves and then polycarbonate for the windows and viewing points of the houses. He's buying the PVC in pallet quantities, about 3-4 pallets per month, 3/8 and 5/8 thick. He orders about 40-50 sheets every 1-2 months in a 1/16" thickness for the polycarbonate. We can also add router bits because they primarily route the PVC.</p>	<p>We need to know if the customer wants 310 pieces or 21 full sheets. If they really need 310 pieces, this is the opportunity for us to determine which sheet size will yield the best overall yield to get them the desired quantity. This is an example of how we maximize margins by improving sheet yields.</p>

In reporting results, each question correlates to sales goals outlined in [Table 1](#) and [Table 2](#). The standard for mastery is 80% on each training module, 80% on the pre- and post-series assessment, and 85% on the Margin Certification. Training standards and score standards will not change with the series redesign.

The redesign process begins with interviewing sixteen leading sales representatives. Each has at least ten years in the industry, with some having twenty to thirty with the company. The interview technique is an informal conversation to seek margin success stories. These become training examples and assessment question content. Questions to guide the interview will focus on margin strategies for building the sales relationship, asking the right questions to identify value-add opportunities (routing, cut-to-size, saw-cut, guillotine-cut, blanket orders), identifying pricing opportunities (freight, packaging, rushing the order), personal margin strategy, advice for new hires and new to the industry, and strategies for freight recovery. Most of the time, these conversations involve the interviewee sharing their knowledge and stimulating other questions. Listening is a significant aspect of successful sales and is essential for training design.

Observation is another tool used in the redesign process. Observing the sales team in action helps the learning team understand the branches' business and sales environment. It is unrealistic to expect the sales team to refer to a sales checklist as each call differs. Training must help them develop the listening and attention skills to identify the customer's needs. It should prepare them for similar scenarios, not the same sales process with each. For example, it is vital on a sales call to listen to identify qualifying information. A qualifying question is not just a question one throws out there. It is a question with a purpose. A qualifying question helps the salesperson determine their prospect's fit for one criterion. That might be a need, budget,

authority to purchase, sense of urgency, or another factor. An excellent qualifying question is typically open-ended and helps tailor future questions toward the customer's need.

Finally, as part of the redesign planning, assessment data from 2020-2023 will provide instructional gaps and growth opportunities. Utilizing reporting tools within a Learning Management System (LMS) facilitates the refinement of current training series through assessment item analysis. One can pinpoint deficiencies in the training by examining the outcomes of both pre-tests and post-tests. Analyzing the answers provided in each module's assessment aids in identifying potential improvements in how information is delivered or the format of the assessments. Typically, assessments include a question related to quality feedback to measure the user's experience. Tracking the questions most frequently missed, and the options that were incorrectly chosen helps highlight areas that might benefit from enhanced training. The insights gained lead to adjustments in the training materials, including modifications to the phrasing, questions, or expectations regarding sales.

There is no additional cost for this project as all analysis, design, development, implementation, and evaluation occur within the Industrial Distribution Company learning team. The primary cost is time. Quarterly margin project updates occur between the Learning Architect and the company president, who is the champion of the Margin Management project. The estimated goal for the completion of the redesign is June 2023. The Margin Management series supports smaller Margin Minute highlight announcements that occur approximately every six weeks. Reporting on Margin Management content guides the Margin Minute and any changes to the Margin Management training. Reporting takes place quarterly and is pulled from LMS reporting data. The Learning Architect delivers this report to the company president. It includes pre- and post-test participation, average scoring, score distribution, growth distribution portrayed

in quadrant distribution format, and item analysis of most missed pre- and post-test assessment questions. As more participants complete the certification assessment, it is included in the quarterly report and includes an item analysis.

This project's analysis, design, and implementation process aligns with the company culture, goals, and development of the Industrial Distribution Company learning program. It is agile and scalable to both the organization and changing market conditions. Relying on the experiences and knowledge of subject matter experts is a driver of chosen strategies for development and revision. This series is a key driver of sales and pricing strategy. Understanding the basics of margin management is essential to growing and maintaining a healthy business.