Evaluation Guide

Sales Quota Allocation Performance Blueprint

Information Management

Cognos® software

Introduction

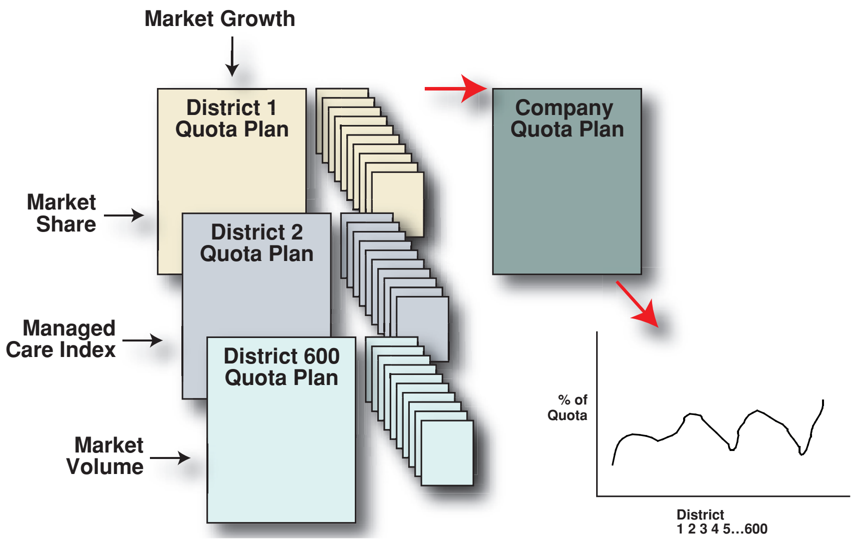
Pharmaceutical companies are widely recognized for having outstanding sales forces. Many pharmaceuticals have hundreds of sales people – and thousands, in the case of the largest companies – that bring the latest in prescription drugs to our doctors. These sales people often have hundreds of drugs that they must be able to understand and position in the market. And when the sales person from one company leaves an office, one from a competitor takes the next turn.

Complex is an understatement.

The management of such of sales force is no less complex. How does a pharmaceutical company manage its sales force to maximize revenue? How does it provide the right incentives to sales representatives? How does it ensure that the company is selling the highest value prescription drugs? How does it account for insurance plans? How does it assist the dozens or hundreds of sales managers with the management of the sales teams?

Most pharmaceutical companies have struggled with a manual process in which hundreds of sales managers assign quotas using a spreadsheet, then submit those spreadsheets up the line for consolidation. These distributed managers often assign quotas in very different ways – one may assign quota based on market volume, another may be influenced by market growth rates, and yet another may simply use a market share target. Worse, some managers may change quotas without leaving an audit trail – leaving a wake of confusion. The recipient of all these disparate spreadsheets has the thankless task of tracking which managers have submitted quotas and consolidating the data. Finally, the incentive analyst has to try to make sense of all of the different methods used to assign quotas across the company, so that he or she can attempt to optimize sales.

With the *IBM Cognos Sales Quota Allocation Performance Blueprint*, there is a better way. A much better way.



The *IBM Cognos Sales Quota Allocation Performance Blueprint* leverages IBM Cognos® 8 Planning and IBM Cognos 8 Business Intelligence to enable incentive compensation analysts and sales managers to determine the proper sales quota for each territory, addressing changing market conditions while meeting corporate revenue objectives.

The *Blueprint* provides three major pieces of functionality:

- A dashboard that allows the incentive analyst and sales management to visualize historical and projected sales quota attainment
- A forecasting and modeling capability through which the incentive analyst can determine the optimal weighting of key sales quota drivers, and through which sales management can customize quota plans based on local market conditions (with an audit trail, of course!)
- Workflow management that eliminates the use of distributed spreadsheets, removing the manual reconciliation function and greatly simplifying process management.

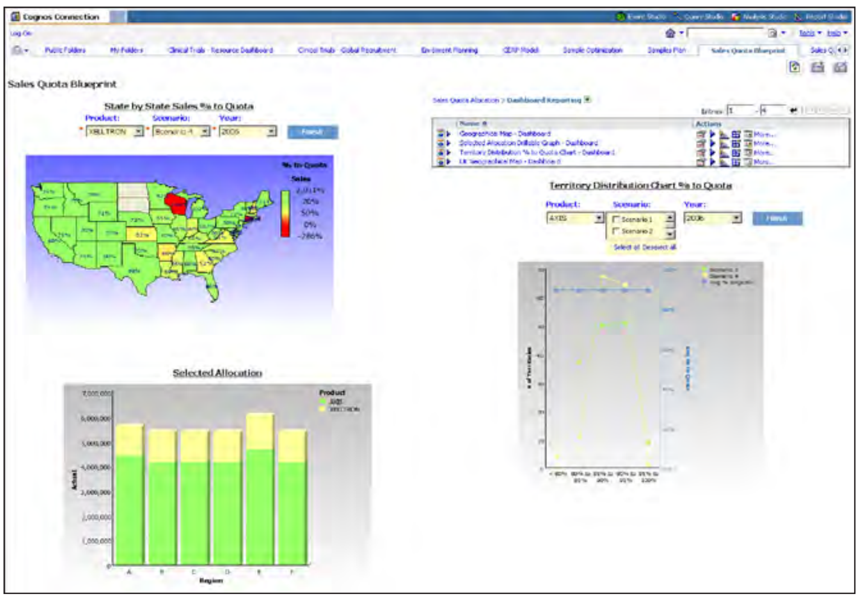
The use of the *IBM Cognos Sales Quota Allocation Performance Blueprint* significantly reduces the time, overhead, and cost associated with quota management; enables pharmaceutical companies to move ever closer to optimizing revenue through quota allocation; and ultimately drives increased revenue and profitability.

IBM Cognos Sales Quota Allocation Performance Blueprint in action

Analysis, dashboards and scorecards

The *IBM Cognos Sales Quota Allocation Performance Blueprint* provides a hierarchy of dashboards and reporting designed to guide the user through a clearer understanding of the allocation outcomes.

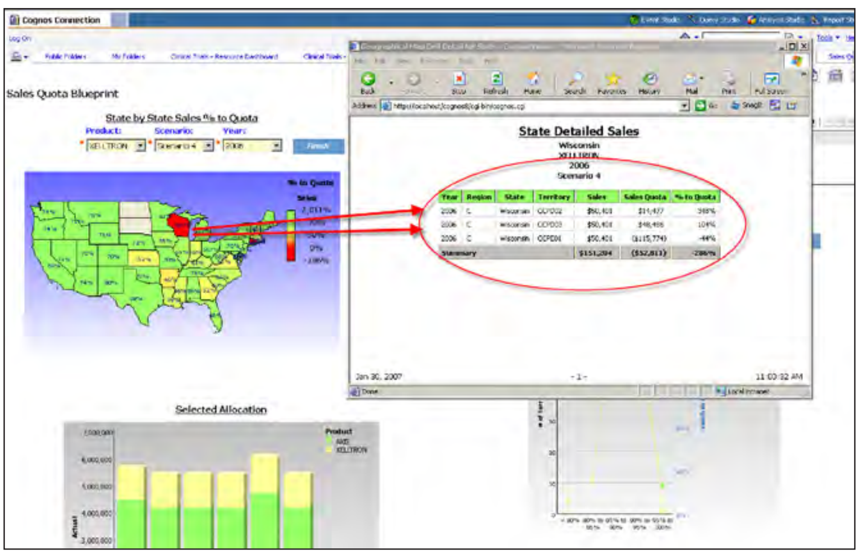
The first report, shown below, is a dashboard that serves as the starting point for the incentive analyst or regional manager. The sections of this dashboard (clockwise from top left) are: 1) State by State map showing Actual Sales to Quota; 2) Territory Distribution Chart % to Quota; 3) Regional Allocation by Product.



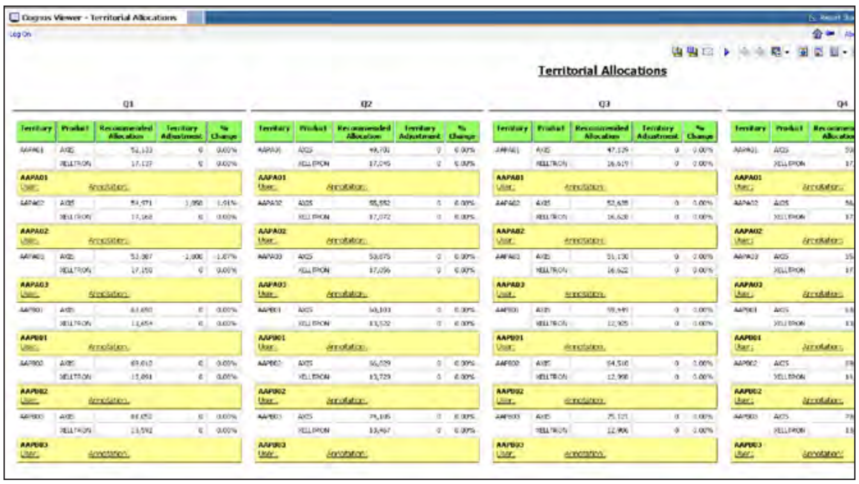
Collectively, the information on this dashboard shows the user exactly which regions are performing well and which are underperforming. Additionally, it allows the user to see just how well the company quota allocation is working, by product (using the Territory Distribution Chart % to Quota). Ideally this chart will be a bell curve – most districts should be at or near quota, and there should be some districts at both the overperforming and underperforming ends of the chart. This chart also allows the user to evaluate how quota may have been different based on how quota allocations were determined.

For instance, the user can evaluate whether a quota allocation based on market share is more or less effective that a quota allocation based on market volume or other drivers by choosing a scenario in the pick-list. This capability enables the regional manager or incentive analyst to make a more education decision regarding the future method of sales quota allocation.

The State by State Sales % to Quota also allows more detailed investigation. By clicking on a state, the user is able to drill down to view specific information regarding sales for that state, including the sales and quota attainment performance of districts within the state.



The dashboard is the key starting point for reporting and analysis. However, other reports are also available. For instance, one additional report shows data for each territory within a region. This report allows the regional manager to see how quota is allocated by product across the entire region… and to provide comments when adjustments are made to the quota allocation of a specific district. With this functionality, there is always an audit trail that shows when and why changes were made.



Sales Quota Allocation: Forecasting and planning

Performance management systems allow management to articulate goals and provide a measurement process so that performance against the goals can be tracked and feedback provided. At a corporate level, managers focus on the overall sales forecast. At the regional level, managers make decisions to optimize distribution among the territories to meet regional sales quota. Collaboration must occur on a forward-looking basis so that decisions are aligned with corporate expectations, and so that variances can be evaluated.

Regional managers need clear targets and goals, and an understanding of how they are defined. Managers must be able to forecast sales, and have continuous feedback on their performance against corporate targets and sales forecasts. The *IBM Cognos Sales Quota Allocation Performance Blueprint* can meet these needs.

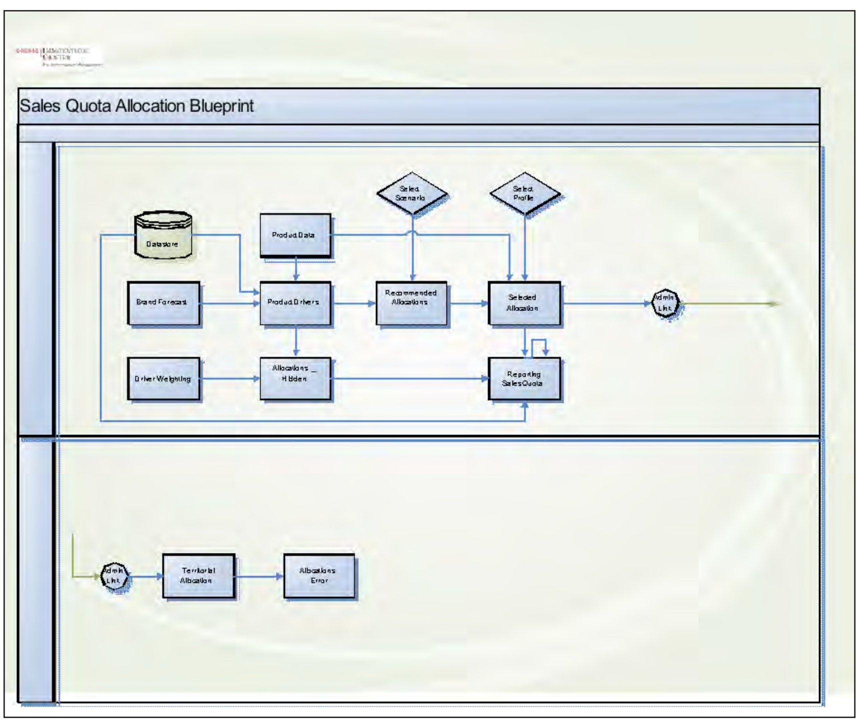
The *Blueprint* incorporates a driver-based algorithm to distribute the company-wide brand sales forecast to territories. While the following drivers are used in the Blueprint, the number and types of drivers can be modified to meet specific conditions:

- Market Volume
- Product Market Share
- Managed Care Index
- Market Growth %

The intended flow of this model assumes that the incentive analyst will prepare the initial allocation to all territories based on the drivers indicated above. The data necessary to determine this allocation resides only in the incentive analyst's Web view; therefore, this view is quite different from that of the regional manager's. The task of the analyst is to evaluate the various scenario outcomes in order to determine the *best allocation* of the sales quota to the territories. This recommended allocation will be pushed to the regions using the *Blueprint*'s workflow functionality.

Process walkthrough

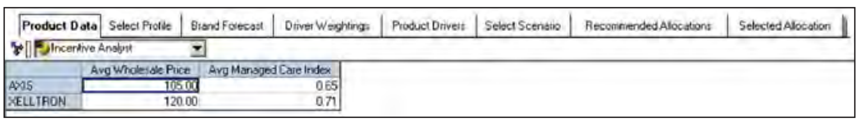
What follows is a walkthrough of the model, using the likely process that the incentive manager and regional manager would follow.



The incentive analyst begins by looking at historical performance. There are several portions of the *Blueprint* that have been pre-populated with historical data, so that the incentive analyst can evaluate what has and has not worked historically and make the appropriate recommendations for future quota allocation.

Product Data

The **Product Data** tab provides the incentive manager with the Average Wholesale Price and the national Average Managed Care Index for each product. Note that the *Blueprint* incorporates both the National Average Managed Care Index for each product, as well as the Territory Managed Care Index for each product – allowing for variances in the index across territories.



Data from this tab is used in other portions of the *Blueprint*. The pricing data is also used in the **Selected Allocation** tab to provide historical sales (in dollars) for each territory in addition to the calculated sales quantities. The Average Managed Care Index data is linked to the **Product Drivers** tab and is used to calculate the differential between the national average and the Territory Managed Care Index for each Product.

Select Profile

The **Select Profile** tab is used by the incentive analyst next, to select a monthly profile for the quarterly forecast. The profiles available in the *Blueprint* include *flat, 4,4,5, Seasonality*, and *Other*. These profiles may, of course, be modified or expanded based on your business model. The profile selected will be linked to the **Selected Allocation** tab for each month. The quarterly forecast amount will also be linked to the quarterly totals. This will result in the breakback (data population) of the quarterly total over the months for that quarter based on the profile selected.

Brand Forecast

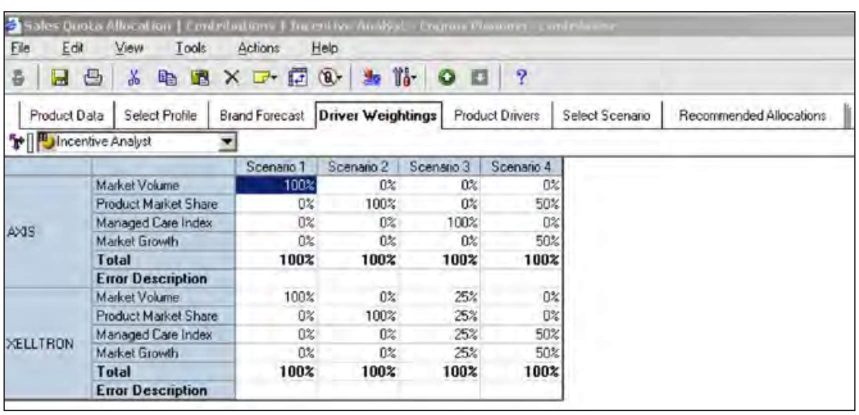
This input tab contains the total companies' quarterly forecast for the current year for each brand.

	Q1	Q2	Q3	Q4	Current Year
AXIS	7,422,944	7,342,988	6,978,271	7,536,489	**29,280,692**
XELLTRON	2,517,519	2,504,241	2,442,501	2,535,739	**10,000,000**

Driver Weightings

The incentive analyst used the Driver Weightings tab to input the weight given to each driver by brand for the scenarios. Weight distributions can be created for four scenarios, allowing the incentive analyst to evaluate which weighting of key drivers is most effective. The tab will display a warning message if the total driver weightings do not equal 100%. This tab will drive the results of the selected scenario and provide information for the Reporting Sales Quota tab on how well each of the scenarios would have predicted historical sales.

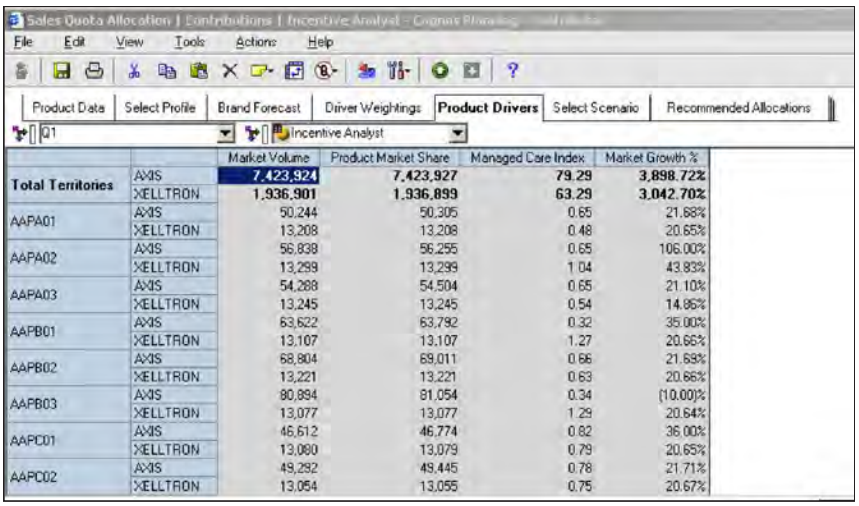
This is the key premise of the IBM Cognos Sales Quota Allocation Performance Blueprint: *By understanding which weighting of drivers would have predicted historical sales most accurately, the incentive analyst can allocate future quota more effectively.*



		Scenario 1	Scenario 2	Scenario 3	Scenario 4
AXIS	Market Volume	100%	0%	0%	0%
	Product Market Share	0%	100%	0%	50%
	Managed Care Index	0%	0%	100%	0%
	Market Growth	0%	0%	0%	50%
	Total	**100%**	**100%**	**100%**	**100%**
	Error Description				
XELLTRON	Market Volume	100%	0%	25%	0%
	Product Market Share	0%	100%	25%	0%
	Managed Care Index	0%	0%	25%	50%
	Market Growth	0%	0%	25%	50%
	Total	**100%**	**100%**	**100%**	**100%**
	Error Description				

Product Drivers

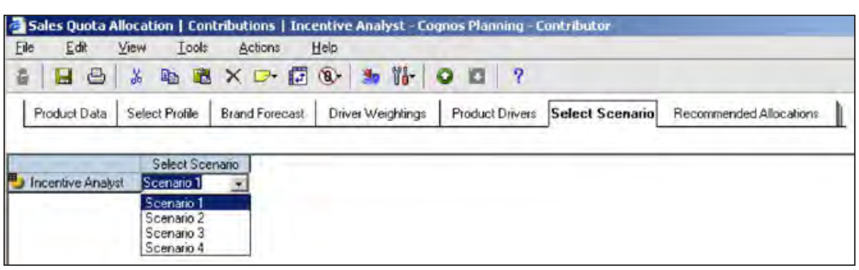
The **Product Drivers** tab contains the driver data and calculations used to determine allocated territorial quantities. Typically the incentive manager will not make changes to this information since it is historical data used for modeling purposes. It is assumed that the driver data will be imported from a data warehouse. The drivers list can be modified and/or expanded to accommodate most needs (the calculations may have to be also modified slightly). In most cases, the calculations are a result of the territory data as a percent of the total company data. Each territory's prior year sales are the base amount allocated for the current forecast year. Any difference between the total company prior-year actual and current-year forecast will be allocated among the territories based on the driver algorithm.



		Market Volume	Product Market Share	Managed Care Index	Market Growth %
Total Territories	AXIS	**7,423,924**	**7,423,927**	**79.29**	**3,898.72%**
	XELLTRON	**1,936,901**	**1,936,899**	**63.29**	**3,042.70%**
AAPA01	AXIS	50,244	50,305	0.65	21.68%
	XELLTRON	13,208	13,208	0.48	20.65%
AAPA02	AXIS	56,838	56,255	0.65	106.00%
	XELLTRON	13,299	13,299	1.04	43.83%
AAPA03	AXIS	54,288	54,504	0.65	21.10%
	XELLTRON	13,245	13,245	0.54	14.86%
AAPB01	AXIS	63,622	63,792	0.32	35.00%
	XELLTRON	13,107	13,107	1.27	20.66%
AAPB02	AXIS	68,804	69,011	0.66	21.69%
	XELLTRON	13,221	13,221	0.63	20.66%
AAPB03	AXIS	80,894	81,054	0.34	(10.00)%
	XELLTRON	13,077	13,077	1.29	20.64%
AAPC01	AXIS	46,612	46,774	0.82	36.00%
	XELLTRON	13,080	13,079	0.79	20.65%
AAPC02	AXIS	49,292	49,445	0.78	21.71%
	XELLTRON	13,054	13,055	0.75	20.67%

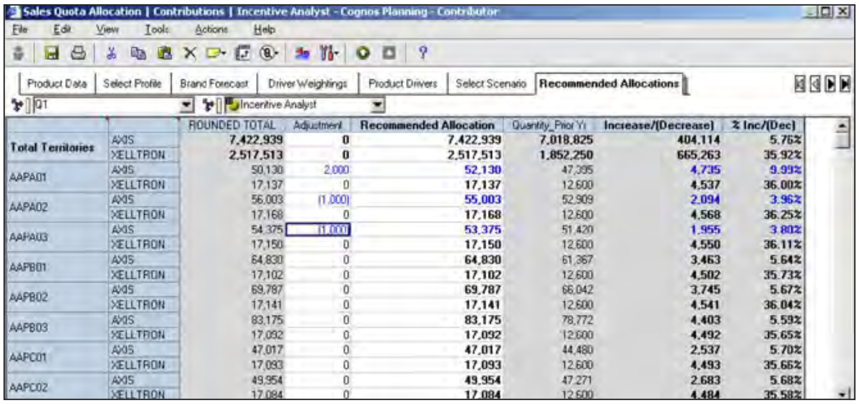
Select Scenario

The incentive analyst uses the **Select Scenario** tab to make the initial scenario selection, based upon an analysis of the historical accuracy of the four scenarios that were compared. The selected scenario will be linked to the **Recommended Allocations** tab. Selecting a different scenario will result in different amounts to the rounded total in the **Recommended Allocations** tab.



Recommended Allocations

The **Recommended Allocations** and **Selected Allocations** tabs are the culmination of the incentive analyst's work. The **Recommended Allocations** tab contains the recommended allocation amounts by quarter for each territory. This tab also contains the prior-year allocation and the change from prior year expressed as an absolute and percentage difference.

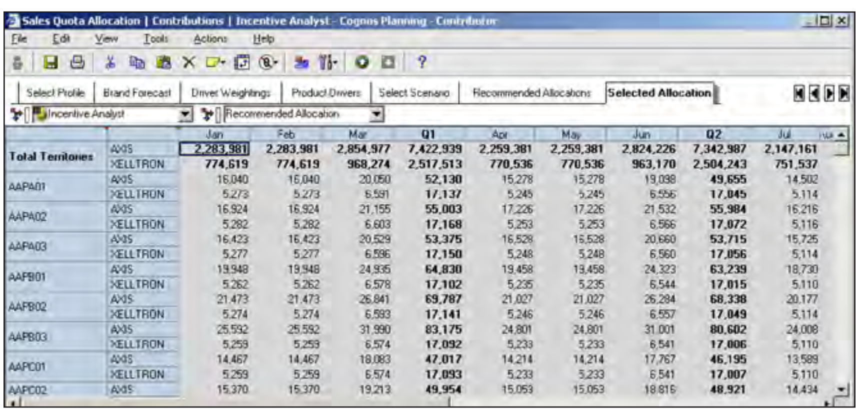


		ROUNDED TOTAL	Adjustment	Recommended Allocation	Quantity_Prior Yr	Increase/(Decrease)	% Inc/(Dec)
Total Territories	AXIS	7,422,939	0	7,422,939	7,018,825	404,114	5.76%
	XELLTRON	2,517,513	0	2,517,513	1,852,250	665,263	35.92%
AAPA01	AXIS	50,130	2,000	52,130	47,395	4,735	9.99%
	XELLTRON	17,137	0	17,137	12,600	4,537	36.00%
AAPA02	AXIS	56,003	(1,000)	55,003	52,909	2,094	3.96%
	XELLTRON	17,168	0	17,168	12,600	4,568	36.25%
AAPA03	AXIS	54,375	(1,000)	53,375	51,420	1,955	3.80%
	XELLTRON	17,150	0	17,150	12,600	4,550	36.11%
AAPB01	AXIS	64,830	0	64,830	61,367	3,463	5.64%
	XELLTRON	17,102	0	17,102	12,600	4,502	35.73%
AAPB02	AXIS	69,787	0	69,787	66,042	3,745	5.67%
	XELLTRON	17,141	0	17,141	12,600	4,541	36.04%
AAPB03	AXIS	83,175	0	83,175	78,772	4,403	5.59%
	XELLTRON	17,092	0	17,092	12,600	4,492	35.65%
AAPC01	AXIS	47,017	0	47,017	44,480	2,537	5.70%
	XELLTRON	17,093	0	17,093	12,600	4,493	35.66%
AAPC02	AXIS	49,954	0	49,954	47,271	2,683	5.68%
	XELLTRON	17,084	0	17,084	12,600	4,484	35.58%

The **Recommended Allocations** tab also contains a field that allows the incentive analyst to adjust the calculated total if needed.

Selected Allocation

The **Selected Allocation** tab contains the incentive analyst's recommended monthly territory allocation *after adjustments*. The monthly profile that is used is linked in from the **Select Profile** tab. Using the Blueprint's workflow functionality, the output from this tab populates the **Territorial Allocations** tab for the regional managers.



		Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	Jul
Total Territories	AXIS	2,283,981	2,283,981	2,854,977	7,422,939	2,259,381	2,259,381	2,824,226	7,342,987	2,147,161
	XELLTRON	774,619	774,619	968,274	2,517,513	770,536	770,536	963,170	2,504,243	751,537
AAPA01	AXIS	16,040	16,040	20,050	52,130	15,278	15,278	19,098	49,655	14,502
	XELLTRON	5,273	5,273	6,591	17,137	5,245	5,245	6,556	17,045	5,114
AAPA02	AXIS	16,924	16,924	21,155	55,003	17,226	17,226	21,532	55,984	16,216
	XELLTRON	5,282	5,282	6,603	17,168	5,253	5,253	6,566	17,072	5,116
AAPA03	AXIS	16,423	16,423	20,529	53,375	16,528	16,528	20,660	53,715	15,725
	XELLTRON	5,277	5,277	6,596	17,150	5,248	5,248	6,560	17,056	5,114
AAPB01	AXIS	19,948	19,948	24,935	64,830	19,458	19,458	24,323	63,239	18,730
	XELLTRON	5,262	5,262	6,578	17,102	5,235	5,235	6,544	17,015	5,110
AAPB02	AXIS	21,473	21,473	26,841	69,787	21,027	21,027	26,284	68,338	20,177
	XELLTRON	5,274	5,274	6,593	17,141	5,246	5,246	6,557	17,049	5,114
AAPB03	AXIS	25,592	25,592	31,990	83,175	24,801	24,801	31,001	80,602	24,008
	XELLTRON	5,259	5,259	6,574	17,092	5,233	5,233	6,541	17,006	5,110
AAPC01	AXIS	14,467	14,467	18,083	47,017	14,214	14,214	17,767	46,195	13,589
	XELLTRON	5,259	5,259	6,574	17,093	5,233	5,233	6,541	17,007	5,110
AAPC02	AXIS	15,370	15,370	19,213	49,954	15,053	15,053	18,816	48,921	14,434

The link to the regions can be run on demand. It is assumed that an email or other communication will occur notifying the regional managers that the forecast is available.

This completes the Incentive Analyst View. A representative view for the Regional Managers follows:

Territorial Allocation

The Territorial Allocation tab is used by the regional manager to *review and potentially adjust quota allocation* with his region. It represents the recommended allocation from the incentive analyst and shows territory allocations within the manager's specific region. The regional manager could have other information available that might generate further adjustments within his region, so the tab allows for the manager to adjust the quota allocation. However, the total of the adjustments must remain equal to the original regional allocation.

Conclusion

The *IBM Cognos Sales Quota Allocation Performance Blueprint* allows incentive analysts and regional managers to set future sales quota based on the most historically accurate weightings of business drivers. This *Blueprint* is yet another example of how IBM delivers market-leading expertise in the pharmaceutical industry, in addition to other pharmaceutical *Blueprints* including:

- *IBM Cognos Clinical Trials Performance Blueprint*
- *IBM Cognos Clinical Trial Enrollment Forecasting Performance Blueprint*
- *IBM Cognos Sample Optimization Performance Blueprint.*

As a result of these *Blueprints*, other IBM Cognos solutions, and industry expertise, *24 of the top 30 pharmaceutical firms* and a broad range of companies across life sciences and health care choose IBM Cognos performance management software.

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

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IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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