COMMERCIAL STRATEGY : THE « MONTGOLFIER MATRIX », A SIMPLE AND EFFICIENT TOOL TO ANALYSE SALES VARIATIONS

Executive summary

Sales development happens generally through a combination of 2 basic strategies : the first one aims to develop the number of clients (conquest of new clients) and the second one aims to increase the number of products & services sold to the existing clients (equipment of existing clients). Those 2 strategies are not opposed, but can reinforce or compensate to each other and the way they interact is represented in the « Montgolfier Matrix », based on the mathematical relation existing between them. This relation and its representation where discovered by Guillaume de Montgolfier, founder of Montgolfier Consultants as he worked for a bank as a consultant. The Montgolfier Matrix helps understanding the actual strategy developed by points of sales and helps then fixing more accurate commercial objectives. The matrix is intended to re-align actual strategies implemented by Points of Sales with the global corporate strategy.

Explanations of the Montgolfier Matrix

A tool for multi points of sales companies

Commercial performance of companies selling their products or services through a high number of points of sales (retail stores, specialized distribution, banks, insurance companies, health care, logistics,…) is often complex to analyze : data are often numerous and complex to analyze or difficult to get. Choosing the best indicator and analysis ratio is therefore complicated.
Guillaume de Montgolfier works as a consultant in management, social responsibility and strategy. He developed for a bank in 2003 a simple tool to analyse the way points of sales develop their business and then to set more accurate and appropriate objectives aligned to the corporate strategy.

2 strategies, 1 formula

How do you develop your business ? Basically through 2 types of strategies :

- Increase the number of client
- Sell more to your existing clients

Those 2 strategies generally happen at the same time in the same Point of Sale and they reinforce to each other or the success of one compensates the difficulties of the

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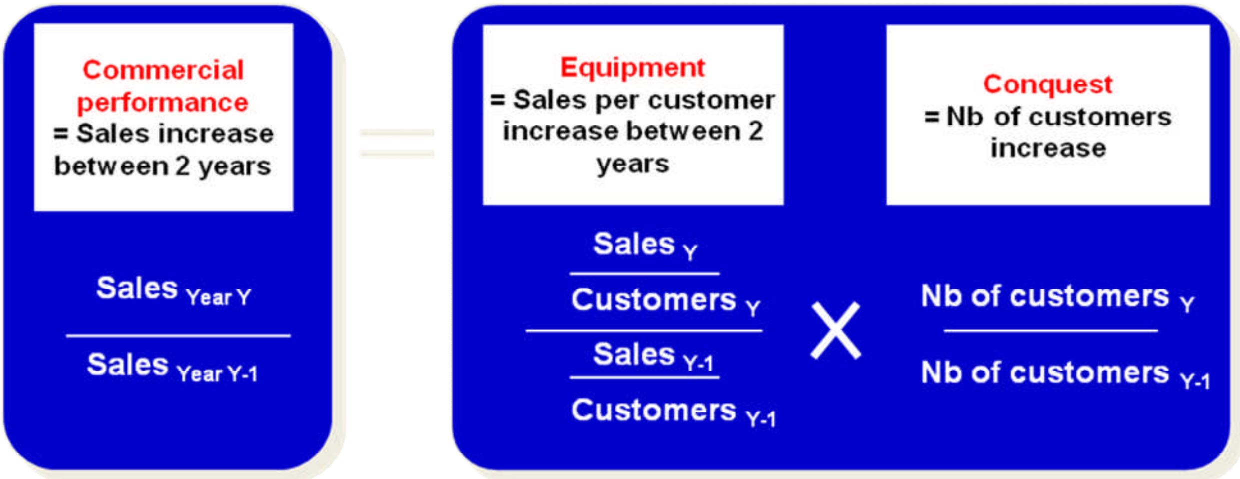
second one (as I put my energy to get new clients, I do not sell enough to my existing clients, but my business eventually increases).

What are the indicators measuring the effect of those 2 strategies ?

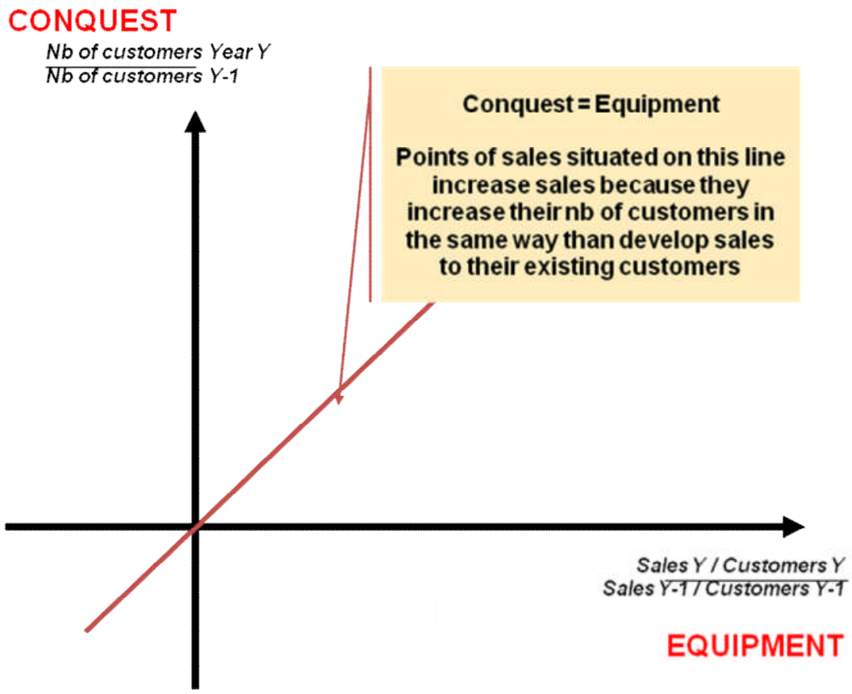
- The « **conquest** » strategy (increasing the number of clients), is measured by the following ratio : « Nb of clients Year Y / Number of clients Year Y-1 »
- The « **equipment** » strategy (selling more to my existing clients), is measured by the following ratio :
  « Sales-per-client Year Y / Sales-per-client Year Y-1 »

How do you explain the mutual influence of those 2 strategies on each other? A simple math formula explains :

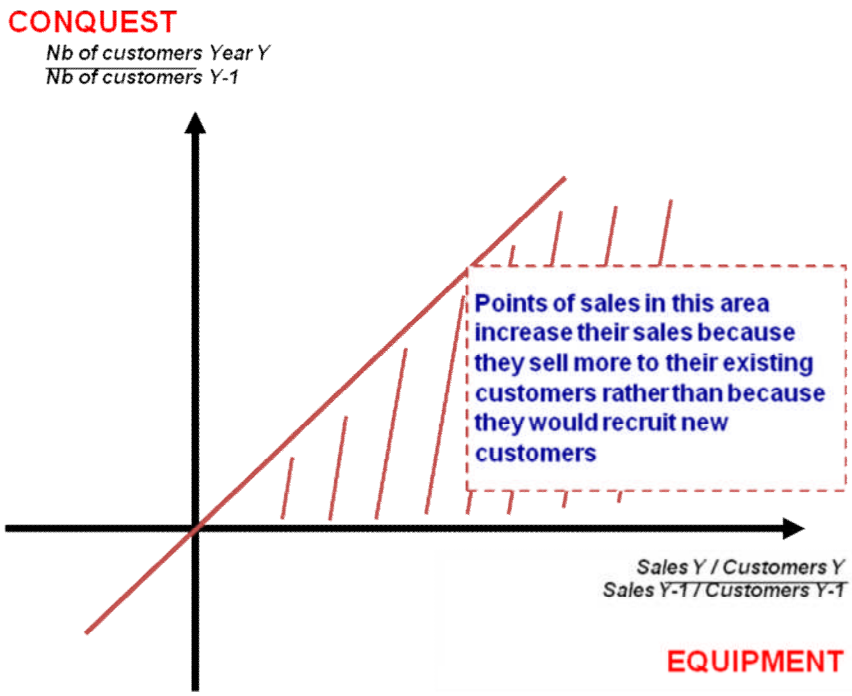


The "Montgolfier matrix" allows to get a visual presentation of these 2 strategies

Points of sales are plotted on the Montgolfier matrix as shown below



Location on the matrix helps understand very quickly the strategy adopted by the points of sales to develop their business. Example with the following graph :



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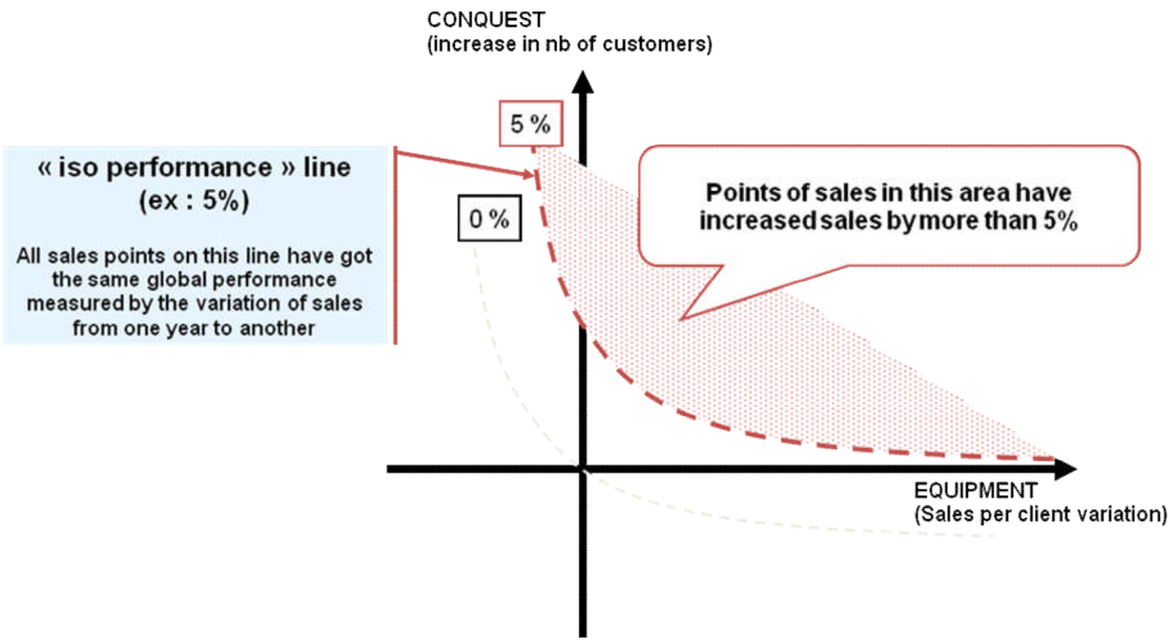
As conquest and equipment strategies are linked to each other through multiplication link, 2 points of sales can achieve the same result (i.e. increase sales by 5% for example) through 2 different ways (on point point of sale by getting new clients and the other one by selling the same average number of products per client).

Representation of these 2 points of sales on the graph leads to draw « **iso-performance** » lines : all points of sales on this line achieve the same global result (% of sales increase), but explain that through various ways, depending where they are located on the line



Example with a real life situation

The Montgolfier Matrix was used in 2004 to show the strategies adopted by the 110 retail agencies of a Bank in France.

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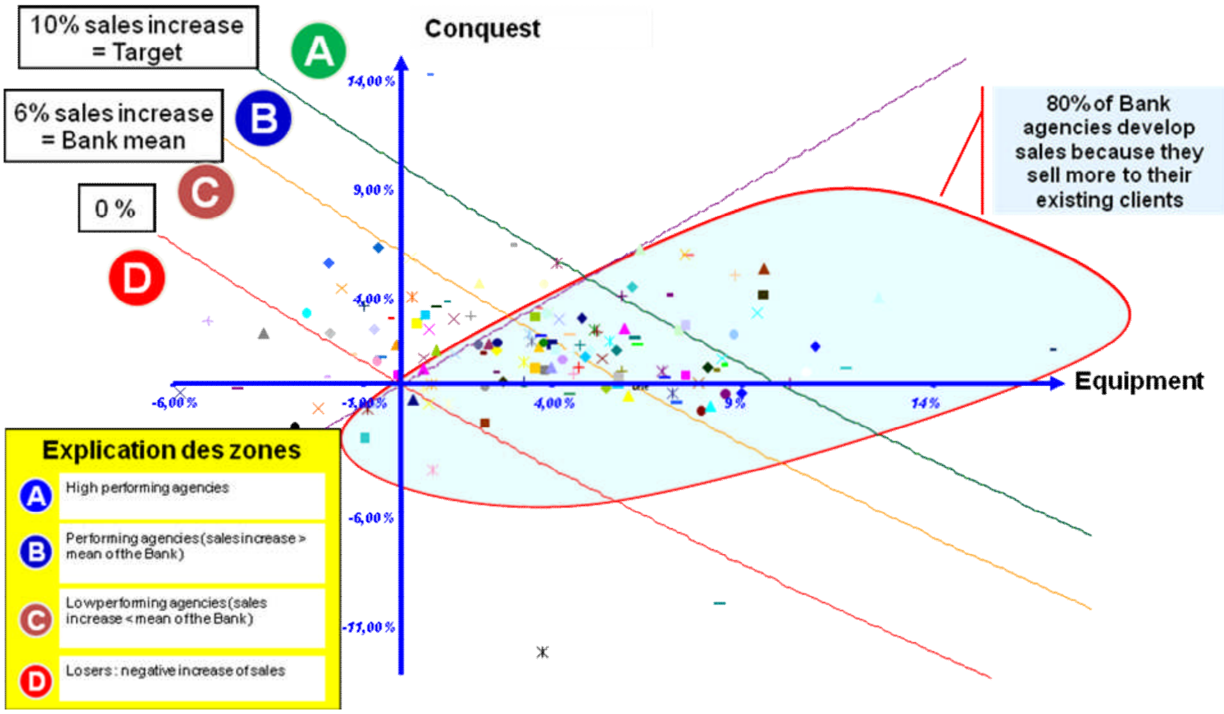
Results where presented to the Marketing and Commercial VP of the bank on the following graph. It clearly shows that 80% of the bank agencies develop their business through an equipment strategy rather than investing their energy to recruit new clients.



The problem for the Bank was that their existing customers where older and older, and the executive committee had clearly announced 3 years ago that they would like to transform their customer profile and put in place a real conquest strategy.

Having seen these results, senior executives of the Bank declared they were not really surprised of the results, because, as they said, they had "feelings" about the situation. But, they said, they were blind and could have known severe difficuties in the following years if they would have not had an alert about the situation.

They pointed 2 reasons for that blindness : 1/ the good results of their sales increase for 3 years (average +6% per year) did not help them see there was a gap between the official strategy and the real operations of their agencies, 2/ they had no tool to measure the reality of this phenomenon.

Actions were then taken to put emphasis on the conquest strategy and specific objectives have been given to sales people.

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Conclusion

The Montgolfier matrix is an excellent tool to monitor the operational strategies adopted by points of sales in terms of sales development and align operational strategies with the global sales strategy of the company. Increasing the number of customers and developing sales per client have always been levers to develop business. But they lack a presentation of the link and the way they interact on each other. The Montgolfier matrix is one tool that can help better view and understand these mutual influences, and should be integrated in every sales management dashboard.