BRIEF CASES

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# StepSmart Fitness

## Introduction

Ben Cooper opened his laptop and settled in for a weekend of work. It was Friday, September 7, 2012, ten weeks since he'd been unexpectedly promoted to district sales director for the New England region of StepSmart Fitness. On Monday, Cooper was to attend his first quarterly sales meeting with Caitlin Sheridan, the company's newly appointed regional vice president of sales for the Northeast, and provide a detailed update on his ailing district. Cooper recalled his last conversation with Sheridan from ten days earlier:

> Ben, I know you've had a lot thrown at you these last few months as a result of the reorganization, with no help or information from your predecessor. I'm in the same boat here at the regional level. There's been a lot of upheaval across the company since Mark Wallace became our CEO six months ago. Wallace hopes that we can improve our sales efforts in faltering districts and regions with high-performing talent like you in place; he is confident that sales revenue, morale, and productivity will soon improve.
>
> I was impressed by your success as a salesperson in New York, and enjoyed collaborating with you on the treadmill product last year. Despite your lack of managerial experience, I wanted you on my team because I felt you'd be able to quickly assess what's wrong with the New England district and suggest some fresh approaches for improving future performance.
>
> As you know, I have the authority to terminate employees and will do so based on your recommendation. You may put salespeople on probation, which requires you to work with them to set very specific targets and metrics. If those targets are not met within ninety days, the employee will be terminated. We also have the ability to adjust and reassign territories if that makes sense.
>
> At our quarterly sales meeting next week, I'd like you to tell me the following:

1. Which of your district's salespeople are underperforming? Should anyone be terminated or placed on probation?

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HBS Professors Robert J. Dolan and Benson P. Shapiro and writer Alisa Zalosh prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

2. Do you recommend we hire additional salespeople? Why or why not?
3. How might we increase salesperson productivity, if that's even possible?
4. How we can better evaluate salesperson performance, since you mentioned you felt some of our current metrics aren't working well?

Cooper reflected on his original impression of the district's sales team. How different his view of the team was now, after two and a half months of analysis! In its current state, Cooper felt the team could increase sales with a combination of some coaching and geographical adjustments. But would that be enough to meet and exceed Sheridan's heightened expectations? After spending time with each salesperson, Cooper knew a bit about their personal lives and understood, on a deeper level, the ramifications of termination were serious. Executing a turnaround of the New England district would be challenging but not impossible. With a pile of notes at his side, Cooper began to prepare a brief, one-page document that answered Sheridan's four questions and provided his recommendations for future sales-evaluation methods.

## Ben Cooper: Background

Ben Cooper, 30, grew up in a suburb of Washington D.C. An avid athlete, he earned spots on varsity teams in soccer and lacrosse in high school, and earned a partial lacrosse scholarship to a Division III college in New England, from which he graduated in 2003. Cooper was passionate about athletics but was also a dedicated student, majoring in economics.

After college, Cooper secured an entry-level sales associate position at the Washington, D.C., office of an international software company, where he supported a team of senior sales executives. To fulfill his desire to keep team athletics in his life, he volunteered to help coach and train his high school lacrosse team on weekends.

After three years of working successfully in software sales, Cooper returned to New England to attend business school. Upon graduating in 2008, he was offered a New York-based sales job for StepSmart Fitness, a manufacturer of exercise equipment for health clubs, private health facilities, and home use. The firm was headquartered in New York; Cooper's sales territory included the West Side of Manhattan as well as Westchester county and parts of eastern New Jersey. Active and prospective clients in Cooper's region numbered more than 500.

Cooper found that working for StepSmart aligned his professional goals with his personal interest in athletics. He was a top performer, exceeding sales targets by 25% his first year and 35% his second year. Said Cooper:

> I used many StepSmart cardio and strength machines over the course of my athletic career and can attest to the products' quality and effectiveness; selling StepSmart's products was a natural fit for me. However, I didn't want to be in a sales role forever; I hope to become a general manager someday, or perhaps start my own business. To follow either of those paths, I need a diverse skill set. So, in 2010, I sought and attained a promotion to product manager for the company's treadmill business.

Cooper's sales experience helped him as a product manager. With feedback he'd gleaned from clients, relating to treadmill features and hoped-for improvements, Cooper influenced new treadmill designs. One of his product suggestions, an additive technology feature with a 35% contribution margin, was adopted in 30% of new treadmill purchases in 2011.

## StepSmart Fitness: Overview

StepSmart Fitness was a manufacturer of exercise equipment in the U.S. The company held roughly 18% share of the industry's dollar sales estimated to be $3.5 billion for 2011. StepSmart's U.S. sales for 2011 totaled $630 million. The company employed 540 people. To reach three distinct sets of customers, the company's sales force was organized into three groups:

1. Retail Products—63% of StepSmart U.S. sales: Supplied home gym equipment to big-box retailers, sporting-equipment retail chains, and online retailers for eventual resale to consumers with a home gym. (The company did not sell directly to home consumers through a StepSmart branded brick-and-mortar or online retail store.) The company held 27% market share in this segment.

2. Private and Institutional—7% of StepSmart U.S. sales: Supplied a full range of exercise equipment to private organizations, including private clubs, universities, training facilities for professional sports organizations, and residential property managers. The company only recently entered this market and, as a result, market share was just 10%.

3. Commercial Products—30% of StepSmart U.S. sales: Supplied a range of cardio and strength training equipment to fee-based health clubs. The company's market share in this segment was 17%.

## StepSmart's Commercial Product Line: Selling to Health and Fitness Clubs

Four distinct product lines were sold by the Commercial Sales organization; **Exhibit 1** provides sales and margin data for each product line.

1. **Cardio Products:** Treadmills, stationary bikes, and elliptical trainers fell into this category. Prices ranged from $1,200 to $5,000 for treadmills, from $600 to $2,000 for stationary bikes, and from $1,000 to $3,000 for elliptical trainers.

2. **Strength Products:** Strength-training products included "selectorized" and "plate-loaded" stations. Selectorized products came with built-in weights and adjustable resistance levels; they ranged in price from $1,500 to $3,500. In contrast, plate-loaded stations required users to "load" free weights onto specially designed bars to perform weight-bearing activity; they ranged in price from $500 to $1,800. Most health clubs owned a mix of machines from both product lines in order to create a strength training circuit, for a full-body workout.

3. **Technology:** Most health clubs provided members with some form of audio, visual and/or interactive entertainment to enhance their members' workouts. StepSmart's Technology line included: (1) Wireless Audio Consoles that integrated with the company's cardio products ($300 to $500) to provide streaming audio for shared TV screens and club radio stations; (2) personal viewing screens that attached to the individual cardio machine and enabled users to select from a wide range of television or cable programming ($700 to $1,200); and (3) audiovisual attachments providing cardio users with the ability to accept calls and display documents from their smartphones ($1,500 to $1,800). This technology enabled users to participate in work-related activities while exercising.

4. **Small Exercise Equipment:** Products in this line expanded health club offerings beyond machinery. Accessories included medicine balls, stability balls, hand weights, kettle bells, push-up bars, and ab rollers. Accessories ranged in price from $20 to $75.

## Commercial Sales Force: Roles and Responsibilities

StepSmart's commercial sales force—which served markets across the U.S.—consisted of 115 salespeople, 15 district sales directors, five regional vice presidents, and one senior vice president of National Sales. See **Exhibit 2** for an organizational chart of the Commercial Sales force.

**Regional Vice Presidents:** Regional VPs, including Ben Cooper's manager, Caitlin Sheridan, worked out of the company's NY headquarters and juggled several responsibilities. They supervised district sales directors, setting district revenue targets and offering guidance to directors on building and managing sales teams. They also periodically met with the largest accounts in the region. Additional VP responsibilities at the corporate level included: (1) developing selling and sales management strategies, (2) collaborating with marketing on pricing and promotions, and (3) advising product management on product design and functionality.

**District Sales Directors:** The primary responsibility of StepSmart's 15 district sales directors was to monitor and guide the sales activities of their district sales team. On average, each sales director managed eight salespeople. Directors monitored individual contributions against (1) the collective regional and territory sales goals and (2) corporate-driven product quotas. In 2011 corporate encouraged the sale of cardio and technology products over strength and small exercise equipment. Directors evaluated employee performance and determined employee salary and bonus compensation annually. Additionally, directors recruited and hired new employees for the district. The director's compensation included a salary (averaging $145,000 in 2012) as well as an escalating commission incentive if the district booked revenue in excess of stated revenue targets.

**Salespeople**—Individual contributors on the sales team were responsible for:

1. Collaborating with Marketing to (a) identify prospective new clients, and (b) customize sales presentations.
2. Establishing contacts within target health clubs.
3. Educating decision makers via in-person meetings (preferred) or phone conversations, and performing meeting follow-up via phone calls and emails.
4. Executing sales transactions.
5. Providing ongoing service to existing clients.

A 2010 survey conducted by StepSmart Human Resources indicated salespeople appreciated the freedom and flexibility of the sales role, and enjoyed interactions between colleagues and clients alike. Salespeople ranged in age from early twenties to mid-sixties, and most held college degrees.

## Commercial Sales Force: Strategy

In 2011 the U.S. health club industry was highly fragmented, with no established national market leader. Instead, smaller regional health clubs populated the industry. Nationally the average regional health club chain had ten outlets clustered closely together within a designated geographic area. The number of outlets varied widely, however, with some having just one or two outlets and others more than thirty. The range of services and machines provided by clubs also varied, depending on the interests of the regional population. While home consumers could expect a treadmill to last between seven and twelve years, increased usage required health clubs to replace or update machinery at a significantly faster pace.

As a result of the industry's fragmentation, salespeople interacted daily with target customers—in some cases, club chain owners; in others, the athletic directors of individual clubs—in their specific region. Salespeople could not rely on just one or two large accounts to drive revenue; rather, they had to establish numerous relationships with health clubs of all sizes and varieties at the local level, in order to succeed. Company guidelines recommended face-to-face or telephone meetings with a minimum of five clients, or potential clients, per day.

To assist salespeople and district sales directors with account management and sales tracking, salespeople were expected to log each and every call, email, or meeting activity. In 2008, StepSmart invested heavily in a leading customer relationship management (CRM) tool that enabled salespeople to easily report sales activities and updates remotely from their smartphones and laptops. Face-to-face meetings provided the best return on time, followed by telephone conversations, and, last, email correspondence. As a result, StepSmart encouraged its salespeople to schedule in-person meetings either at regional health club offices or industry events. The company reimbursed salespeople for all travel expenses.

Compensation for salespeople was a combination of salary and commission, and as a result varied widely, from roughly $55,000 for new salespeople to more than $190,000 for the highest performing members of the team. District directors set revenue targets for each salesperson; most directors relied on previous years' territory revenues to generate future goals. Additional bonus opportunities existed for employees who exceeded average territory performance in (1) the number of active accounts and/or (2) the number of "calls" (client visits) per year.

## Reorganization

In May 2011, Mark Wallace, StepSmart's new CEO, made sweeping changes to its sales organization. With a background in market research and analytics, Wallace seldom made decisions without studying the numbers. In his judgment, StepSmart's sales force relied too heavily on past performance, habit, and instinct; and many longstanding sales employees had grown complacent. Wallace had terminated the previous regional VP for the Northeast region and director for the New England district for these reason, as well as the fact that a year of district sales performance once again fell short of expectations.

In mid-June, Cooper received a phone call and follow-up email from Caitlin Sheridan. The email described the challenges and opportunities facing the New England district and offered Cooper the chance to lead the district through a turnaround:

*Dear Ben,*

*It was a pleasure to speak with you on the phone earlier this week. I'm glad you are considering the opportunity to work as the sales director for the New England district; the challenges are significant—but not insurmountable—for a motivated leader with a strong quantitative background. I enclose the following two supplements—brought to my attention by our CEO, Mike Wallace—to illustrate the size and scope of the district's revenue decline, as well as the financial opportunity:*

*Commercial Sales History*

StepSmart U.S. Commercial Sales History

| | U.S. | Region | District |
|---|---|---|---|
| 2009 | $ 149,628,483 | $ 58,886,424 | $ 8,369,119 |
| 2010 | $ 164,292,075 | $ 66,188,341 | $ 8,954,958 |
| 2011 | $ 184,500,000 | $ 73,800,000 | $ 9,483,300 |

*If you compare the New England district's year-over-year growth to company and regional sales growth, you'll notice it falls well short of expectations.*

*District Buying Power Potential*

| Sales Rep | Territory | Buying Power | Actual % of 2011 Sales |
|---|---|---|---|
| Ellis | Boston suburbs | 1.27 | 1.08% |
| Barrow | CT | 1.8 | 1.08% |
| Hammond | City of Boston | 0.8 | 0.82% |
| Foster | NH | 0.97 | 0.77% |
| Gibbons | Eastern MA and RI | 0.63 | 0.72% |
| Concetta | VT and Western MA | 1.08 | 0.46% |
| Avery | ME | 0.94 | 0.36% |
| TOTAL | | 7.49 | 5.29% |

*Wallace—with the help of our market research department—analyzed new demographic, economic, and purchasing data to generate a proprietary Buying Power Index (BPI) for each territory. We believe these BPIs reflect the true commercial purchasing power of different regions and districts across the U.S. The BPI indicates the New England district's purchasing power is 7.49%, meaning it should be able to generate 7.49% of our company's U.S. sales. However, the district generated just 5.29% of sales in 2011—only 71% of the BPI target. I believe that the district's underperformance was the direct result of poor management and a lack of strategic direction. With proper guidance and monitoring, I believe the New England district has a good chance achieving close to 100% attainment of the BPI goal.*

*If, by the end of 2013, you achieve revenues that equal or exceed the district's BPI, I can offer you a bonus in the amount of 2% of your district's sales. If, however, revenues fall short of that goal, it is my understanding that the New England district will merge with our New York district, and more than 50% of New England team will be terminated.*

*Best regards,*
*Caitlin Sheridan*

Cooper considered Sheridan's proposal. Said Cooper:

> It was a high-risk opportunity. Failure could mean unemployment at a time when jobs were scarce and the average worker's unemployment lasted 37 weeks. But the opportunity was enormous: 2% of 2011 district revenue was close to $200,000. With a bonus of that size I could pay off my student loan debt and fund the down payment on an apartment. Plus, I needed management experience if I was ever to achieve my long-term professional goals. I accepted Sheridan's offer three days after receiving her email.

Cooper relocated to Boston in early July. Unfortunately, due to the hostile nature of his predecessor's departure from the company, Cooper had little guidance beyond quantitative information to evaluate the performance of the seven individuals on his sales team. During his first two weeks, and before meeting his new direct reports, Cooper evaluated the data he had in his possession, which included sales, compensation, and gross margin details for the district, as well as specific attributes of each territory's size and potential. (See **Exhibits 1, 3, 4, 5,** and **6.**) A few weeks after starting his job, Cooper received an email from an HR colleague; attached to the email was an undated document, written by the former New England district director, with brief notes about each sales person's character and effectiveness. Cooper suspected these incomplete notes were the basis for a 2009 or 2010 annual performance write-up.

Cooper spent the remainder of the summer touring the territory with each salesperson for two days. He wanted to better understand the territory and the personal characteristics of the people behind the data he had studied. By the end of the summer, Cooper felt he had a handle on some of the key problems within the district. He compiled a list describing his thoughts on each salesperson, along with the brief notes his predecessor left behind.

### *New England District Salespeople: Thoughts on character and personal demeanor*

1. **Walter Avery** (ME): Avery, aged 25, joined StepSmart 1.5 years ago after a three-year career in beverage sales after college. Personable and easygoing, he puts in long days, often emailing me updates after 9 p.m. I wonder if this is because he spends so much time driving. The time I spent with Avery in the Portland area demonstrated his strong rapport with established clients. One client told me that they had purchased StepSmart equipment because they appreciated Avery's non-aggressive sales approach.

   *Note from file: Follows procedures but rarely generates new or innovative ideas. Seems uninterested in growing business in the less-populated northern regions.*

2. **Lucia Concetta** (VT and Western MA): A former sales employee for a StepSmart competitor, Concetta, 36, knows our products and communicates easily with clients. I spent most of my days with Concetta entertaining new prospects. The clients enjoyed our meetings, many conducted over meals. Concetta told me her priority is to turn her region's five largest prospects, each with four clubs, into clients within 12 months. A private conversation with one of her smaller clients indicated dissatisfaction with follow-up despite good personal rapport. Apparently, she had offered on-site training for a new technology product four months ago but, to date, not scheduled a time.

   *Note from file: Awarded $3,000 bonus for earning a perfect score on the 2008 sales training exam.*

3. **Daniel Ellis** (Boston suburbs): Ellis, aged 64, has worked in the industry for 30 years; the last fifteen have been at StepSmart fitness and, nationally, he is one of the company's most seasoned

and well-liked sales employees. "So you're the new kid," he said to me when I introduced myself. He then offered to help me "learn the ropes." Ellis is a former competitive runner who, over the last five years, has undergone two knee replacements. His long-term sales performance is impressive and his clients love him. He has a strong book of recurring customers in metropolitan Boston; I found him to be both knowledgeable about our products and technologically savvy.

*Note from file: Ellis suffers from joint pain on a regular basis, but has emphatically refused to give up any of his clients to reduce his workload. Continued physical setbacks could affect his ability to travel to client sites and perform brief equipment demonstrations. Ellis told me he is not interested in pursuing a managerial role with the company.*

4. **Grant Foster** (NH): Foster is 32 and has been with the company for six years. From 2007 to 2010, he was an above-average performer, in terms of revenue, on the sales team. His 2011 sales, however, had declined. He's confident, good looking, and was well dressed on the day I met him. Caitlin Sheridan hinted that Foster was struggling financially, the result of some risky investments. The day we spent together included six client meetings, and Foster was thoroughly professional at each. Late in the day, I asked Foster directly about the noticeable drop in his sales performance over the last twelve months. He seemed surprised by my question. At first I thought he was going to deny his culpability, but then he became visibly upset. He told me, straightforwardly, that he was having marital problems as the result of some "bad choices" he'd made over a year ago. Though he and his wife were separated, Foster hoped that weekly meetings with a therapist would lead to reconciliation. Foster admitted that his personal life was a distraction and that his career had suffered as a result. He then asked for a few more months of leniency and understanding.

   *Note from file: Female client complained of "inappropriate behavior" during dinner meeting in 2009 and closed the account.*

5. **Matt Gibbons** (Eastern MA and RI): Gibbons is in his late 40s and has worked for StepSmart for ten years. He and his wife grew up in affluent suburbs of Boston; they now reside in Newport, Rhode Island. Gibbons told me he likes his job's flexibility, especially in the summer as it enables him to spend more time boating and golfing instead of sitting in traffic, like many of his friends who commute from their jobs west of Boston. The two days I spent with Gibbons began at 9:30 a.m. and ended just before 5 p.m. First thing in the morning he spent an hour emailing clients, but I also saw him paying bills online and uploading a photo to his social networking page. Each day included a fairly expensive, long lunch with an existing client.

   At one point we drove right by a giant "Grand Opening" banner for a new health club. The club was located on the other side of a small highway from our existing client, but I didn't see the new club listed on our prospect list, or on our daily itinerary. Gibbons explained, "Pursuing them is not worth it to me. My clients really resent that guy opening a new club in this location, and I don't want to jeopardize our existing business. Plus, I've heard that the founder is a fierce negotiator and never satisfied with the products or services he purchases. Trust me, it's too much trouble."

   *Note from file: Gibbons invests in local business opportunities and is part owner of a restaurant where he entertains many of our clients. Unethical?*

6. **Sophia Barrow** (CT): A solid performer, Barrow, 44, has been working the same Connecticut territory for five years. She does a lot of driving and asked if I minded grabbing lunch on the

road, as that frees her ability to meet and speak with clients in the early afternoon, a convenient time for clients to speak. Her phone was constantly buzzing during our two days together. I noticed during two client meetings that, as part of her sales pitch, she was citing data from a 2008 study instead of the 2011 survey that demonstrated customer preference for StepSmart's cardio line.

*Notes from file: Resists sales coaching, cites lack of time. Resists attempts to amend sales approach or target list.*

7. **Sam Hammond** (City of Boston): Hammond, 38, has worked for StepSmart for eight years. Nothing stands out about him, really. He was professional with the clients we met, many of whom managed very large urban health clubs within walking distance of each other in the city or accessible by public transportation just outside the city. Hammond's amiable and gets his job done within the confines of the 9 to 5 workday. On the personal side, he's a bit distant; Hammond did not strike me as exceedingly motivated or knowledgeable about the growth potential for his territory. I wonder if he wanted this job and resents me for taking it.

   *Notes from file: None.*

## Preparing for the meeting

Cooper reviewed the sales data in front of him and then turned to his notes, which summarized personal characteristics and qualitative aspects of each individual on his sales team. The notes combined Cooper's own thoughts after spending two days in the field with each salesperson with those left by his predecessor. For most, thought Cooper, some form of professional guidance was in order. And, for a few, probation would make the most sense. But termination? Foster was the most likely candidate for termination, but he was also a former high performer who, unfortunately, was in the midst of some personal struggles. He'd dedicated six years of his career to StepSmart; Cooper struggled with the ethics of firing Foster at a time when help and support was what he needed most.

Garnering the support and enthusiasm of each and every salesperson was critical to meeting Sheridan's aggressive revenue goal by the end of 2013. Would termination and probation rally the team's collective ambition, Cooper wondered? Or would they instead result in district-wide resentment, fear, and anguish?

Cooper turned to the blank presentation on his laptop and created four slides, each with a title at the top and three bullets below:

Slide 1: Recommendations for Probation and Termination

Slide 2: Hiring: Costs and Benefits

Slide 3: Suggestions for Increasing Productivity

Slide 4: Improving Salesperson Evaluation Methods

By the end of the weekend, he hoped, this presentation would communicate his thoughts in a clear and concise manner. He was hopeful that his opinions, along with Sheridan's insights, would end the district's struggles and put it on a path to financial growth by 2014.

**Exhibit 1** StepSmart U.S. Sales—Commercial Sales Division

| Product Line | U.S. 2011 Sales | GM Percent | U.S. 2011 Gross Margin | U.S. 2012 Forecasted Sales | U.S. 1st Half 2012 Forecasted Sales | U.S.1st Half 2012 Actual Sales | New England District 2011 Sales |
|---|---|---|---|---|---|---|---|
| **Product** | | | | | | | |
| Cardio | $ 84,870,000 | 41% | $ 34,796,700 | $ 96,751,800 | $ 43,538,310 | $ 43,449,600 | $ 3,009,051 |
| Strength | $ 46,125,000 | 31% | $ 14,298,750 | $ 50,737,500 | $ 24,354,000 | $ 22,450,000 | $ 2,581,354 |
| Technology | $ 35,055,000 | 38% | $ 13,320,900 | $ 40,313,250 | $ 20,156,625 | $ 21,984,300 | $ 2,211,506 |
| Small Exercise Equipment | $ 18,450,000 | 32% | $ 5,904,000 | $ 19,557,000 | $ 7,822,800 | $ 9,905,269 | $ 1,681,389 |
| Total | $ 184,500,000 | 37% | $ 68,320,350 | $ 207,359,550 | $ 95,871,735 | $ 97,789,169 | $ 9,483,300 |

**Exhibit 2** StepSmart Commercial Sales Force—Organizational Chart

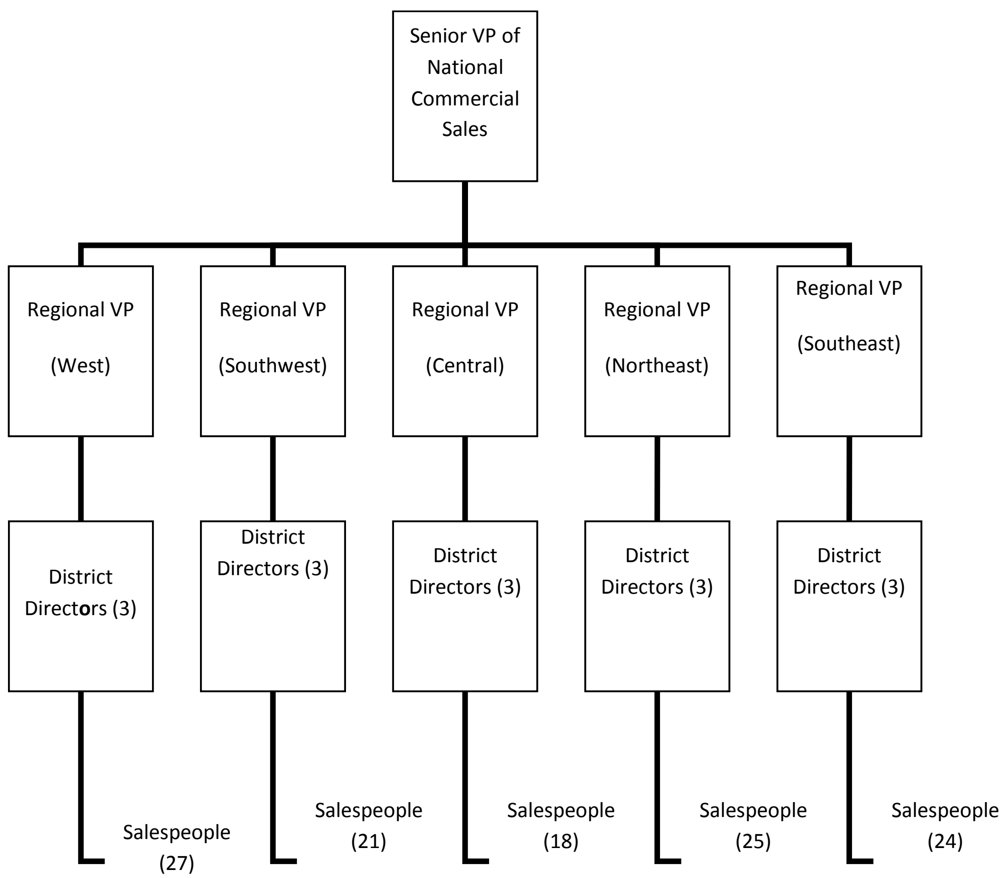

**Exhibit 3** Commercial Sales by Individual—New England District 2011

| Product | Ellis | Barrow | Hammond | Foster | Gibbons | Concetta | Avery | Total |
|---|---|---|---|---|---|---|---|---|
| Cardio | $ 716,937 | $ 409,679 | $ 531,065 | $ 469,423 | $ 398,299 | $ 324,329 | $ 159,319 | $ 3,009,051 |
| Strength | $ 418,214 | $ 580,378 | $ 379,332 | $ 412,524 | $ 411,575 | $ 213,374 | $ 165,958 | $ 2,581,354 |
| Technology | $ 617,363 | $ 204,839 | $ 348,985 | $ 398,299 | $ 318,639 | $ 170,699 | $ 152,681 | $ 2,211,506 |
| Small Exercise Equipment | $ 238,979 | $ 512,098 | $ 257,946 | $ 142,250 | $ 199,149 | $ 145,094 | $ 185,873 | $ 1,681,389 |
| Total | $ 1,991,493 | $ 1,706,994 | $1,517,328 | $1,422,495 | $1,327,662 | $ 853,497 | $ 663,831 | $ 9,483,300 |

**Exhibit 4** Individual Sales Performance—New England District 2011

| Salesperson | 2012 Sales | % of District | 2013 District H1 Sales | % of District | 2012 Active Accounts[a] | 2012 Calls per year |
|---|---|---|---|---|---|---|
| Ellis | $ 1,991,493 | 21% | $ 896,172 | 20% | 215 | 830 |
| Barrow | $ 1,706,994 | 18% | $ 819,357 | 18% | 275 | 1,370 |
| Hammond | $ 1,517,328 | 16% | $ 728,317 | 16% | 230 | 1,400 |
| Foster | $ 1,422,495 | 15% | $ 568,998 | 13% | 230 | 902 |
| Gibbons | $ 1,327,662 | 14% | $ 597,448 | 13% | 140 | 955 |
| Concetta | $ 853,497 | 9% | $ 460,888 | 10% | 210 | 820 |
| Avery | $ 663,831 | 7% | $ 385,022 | 9% | 304 | 1,158 |
| TOTAL | $ 9,483,300 | | $ 4,456,203 | | 1,604 | 7,435 |

[a] Active accounts placed orders within the past year

**Exhibit 5** Individual Compensation and Expenses—New England District 2011

| Salesperson | Salary | Commissions | Total Compensation | Expenses | Total Compensation and Expenses |
|---|---|---|---|---|---|
| Ellis | $ 93,753 | $ 76,707 | $ 170,460 | $ 14,800 | $ 185,260 |
| Barrow | $ 57,630 | $ 55,370 | $ 113,000 | $ 23,900 | $ 168,586 |
| Hammond | $ 54,808 | $ 50,592 | $ 105,400 | $ 17,918 | $ 135,290 |
| Foster | $ 48,807 | $ 46,893 | $ 95,700 | $ 27,753 | $ 123,453 |
| Gibbons | $ 48,600 | $ 32,400 | $ 81,000 | $ 10,500 | $ 91,500 |
| Concetta | $ 32,960 | $ 31,040 | $ 64,000 | $ 31,700 | $ 95,700 |
| Avery | $ 30,274 | $ 27,946 | $ 58,220 | $ 29,400 | $ 87,620 |
| Total | $ 366,832 | $ 320,948 | $ 687,780 | $ 155,971 | $ 887,409 |

**Exhibit 6** Description of Assigned Territories for the New England District

| Salesperson | State | Area Covered | # of Potential Accts | Commercial Buying Power Index | Estimated Regional Population (000) | Land Area |
|---|---|---|---|---|---|---|
| | | Boston suburbs: | | | | |
| Ellis | MA | Northern/Western/Southwestern | 421 | 1.27 | 3,720 | 1,700 |
| Barrow | CT | Entire state | 515 | 1.80 | 2,995 | 5,543 |
| Hammond | MA | City of Boston & South Shore | 250 | 0.8 | 4,703 | 200 |
| Foster | NH | Entire state | 475 | 0.97 | 1,320 | 9,350 |
| Gibbons | MA/RI | Eastern MA/Rhode Island | 450 | 0.63 | 1,662 | 2,817 |
| Concetta | MA/VT | Western Part MA, Entire State of VT | 600 | 1.08 | 1,217 | 12,212 |
| Avery | ME | Entire state | 560 | 0.94 | 599 | 35,385 |
| Total | | | 3,271 | 7.49 | 16,216 | 67,207 |
| | | | | | | |
| Average per sales person | | | 467 | 1.07 | 2,317 | 9,601 |

**Exhibit 7** Crude Map of Territory Boundaries