Holger Dannenberg |
Dirk Zupancic

Excellence in Sales

Optimising Customer and Sales Management

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Holger Dannenberg is Managing Partner of the Executive Board of Mercuri International Deutschland GmbH.

Dr. Dirk Zupancic is Professor of Management at Heilbronn Business School, Germany, senior lecturer of business administration and head of the competence centre BtoB Marketing and Sales at the University of St. Gallen, Switzerland.

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Preface I

Successful companies focus on different aspects of their business. Some focus on the strength of their brand. Others focus on technological product innovations, develop into "*solution providers*" or commit themselves to commodity, high-volume businesses. Other companies open international markets.

Personal sales relationships with the customer play a decisive role in all of the strategies. The sales department does not merely assume the role of a mediator between suppliers and customers: it actively creates added value for customers. It adds value for customers through consultation, special offers and projects, and it coordinates the performance of the company. It negotiates fair prices. It also receives support from the numerous e-marketing, classical advertising, direct marketing, telephone marketing, trade fairs and events channels.In addition it draws on comprehensive research regarding the customer.

Sophisticated corporate strategies only function when the sales department utilises them in interacting with key customers. Any successful market implementation begins with the sales department.

At many companies the number of tasks assigned to the sales department is growing rapidly - from selling a broad range of products and numerous product innovations, to addressing customer groups in different ways. In addition sales is involved in coordinating competing distribution channels, working with international customers and utilising professional systems and processes in order to acquire, retain and develop customers. The level of work invested in efficiently preparing customer contacts and mobilising internal forces for customers is constantly increasing and gives rise to the concern that expensive "*customer facing time*" is decreasing. Companies therefore attempt to focus personal sales contact on those customers with the greatest potential and reduce their workload by utilising flanking operations and a qualified office sales support staff.

We nevertheless observe that the sales process is excessively complex and the tasks and resources in the sales department are not coordinated appropriately. This means that suppliers constantly miss out on important orders, do not launch new products fast enough or generally fail to achieve their growth targets.

Successful companies manage to effectively transfer their attack strategies to the sales organisation. In order to do so, the company must improve the quality of the thousands of individual customer contacts with the numerous sales personnel. The learning process to achieve qualified customer contact is demanding and extensive. Some companies and managers fail at this point and accept their sales department simply as it is, as it has always functioned; these companies are (as a result) increasingly controlled by their sales personnel. However, if the company succeeds in rapidly developing the important link between the customer and its knowledge of the behaviour of those involved then the provider gains core competencies or sustained competitive advantages. These sales strengths are something which competitors cannot simply copy.

In most sectors the sales force uses by far the largest portion of the marketing budget. Nevertheless some marketing experts believe that ‘proper’ marketing is concerned more with brand management and advertising rather than with personal customer contacts. This is precisely the reason why some marketing services departments are marginalised and only taken seriously to a limited degree by management. It is essential to integrate marketing and sales and not to promote partisan feuding. This is the only way for customer orientation to develop the necessary strength.

Holger Dannenberg and Dirk Zupancic have authored an impressive, international study on sales success factors. They compare the best suppliers with the mediocre to illustrate the key issues for effective and efficient sales. The authors therefore help to prove the high significance of sales in marketing, based on their experience in many projects involving customer management and sales.

I recommend to executives in management, marketing and sales that they not only read this book, rather they assimilate it and derive and launch solutions from it. Intuition in sales is correct, but only when that intuition is supported by professionalism, hard data and especially by focusing consistently on personal development and realisation. I wish readers much success in this process.

Prof. Dr. Christian Belz

Dr Belz is Professor for Marketing at the University of St. Gallen and Managing Director of the Institute of Marketing and Retailing. He is the author of several books on sales competence, the management of personal business relationships, performance selling and customer management.

Preface II

Sales Excellence is a Mindset

Programmes, instruments and measures for increasing sales excellence are also found in other companies – “a passion to perform” stands for the Deutsche Bank.

Programmes, instruments and measures are the conditions that the management must create – a passion to perform comes from people themselves.

Our growth strategy is the most important condition. A strategy based upon a balanced growth in the three dimensions: customer, employee and shareholder. This is because sustained growth in the highly competitive German banking market requires that our customers regard us as being the first port of call for financial services, consider our employees to be the linchpin in this intensively consultative business and that we generate yields and create long-term value for our shareholders.

We can establish the correct conditions and impart a declared belief in sales excellence. “A passion to perform” describes *how* we work.

We want to convey to our customers the feeling that they are not in such good hands anywhere else as with Deutsche Bank. We therefore make our customers’ requirements and benefits our top priority. And: we arrange things unbureaucratically. Customer orientation at the Deutsche Bank is not limited to keeping processes lean and offering the best products: customer satisfaction and retention actually depend strongly upon employee behaviour during customer contact. And that means eight million times per year in our branches and 17 million times a year in our call centres.

We establish additional conditions with instruments for sales control and measures for qualification and incentivisation. This is because we can only achieve that which we describe as *excellence in sales* through motivated and qualified employees who possess a high level of service orientation plus service and consulting competence. Therefore it is essential to anchor “a passion to perform” internally among the employees, to make it an experience which the customers perceive and to institutionalise it within Deutsche Bank.

Internal anchorage

“A passion to perform” – this is not a quality that falls out of the sky but rather a mindset. It is fed by three sources: motivation, inspiration and promotion. Motivation: in which we generate enthusiasm among our employees for their work and value every contribution. Inspiration: because in addition to encouraging high performance we also need to convey new perspectives as well as demanding and stimulating creative thinking. And last but not least promotion, i.e. valuing the employee as a person, recognising their strengths and encouraging individual advancement and development.

We therefore invest strongly in our employees. This includes, for instance, systematically deploying advanced training programmes; having a remuneration structure coupled to customer satisfaction; and providing career options for those who display a special talent for customer service. This is why we initiated an advanced training offensive in 2005 consisting of 50,000 training days. Additionally, we have established a talent promotion programme and introduced new career paths for bank consultants. Our career model permits a management career as well as a career with customers.

There is a qualification plan and a selection procedure for both career plans. We therefore challenge and stimulate employees who have already displayed above-average specialist skills and a high sales orientation.

A perceivable experience

“A passion to perform” does not end with sales or customer service: rather, it must be noticeable and visible to customers; through our customer charter, for example.

Deutsche Bank introduced its customer charter last year and set five clear basic principles regarding the quality of consultation, when enable us to be measured against our own claims. The customer charter is prominently displayed in every branch – and includes the manager’s photograph and signature. It is a signal to our customers that we want to do everything we can to meet their needs. And it also makes it clear that responsibility for implementation of the basic principles of customer satisfaction lies locally with the employees.

The satisfaction compass which we use to measure customer satisfaction at branch level provides a further instrument to make the passion to perform experienceable. Customers are randomly surveyed regarding their satisfaction at the bank statement printer and when using online banking. Should a customer indicate dissatisfaction, he or she is approached by a consultant who does everything possible to restore their satisfaction. The major advantage of the customer satisfaction compass is that, unlike surveys, we know precisely who is dissatisfied – and can approach that person directly. This allows complaints to be treated as opportunities.

Institutionalisation

Our customer charter gives our customers a clear performance promise. We must honour this – everywhere and at all times. This is why we monitor performance. For this reason we have developed a customer audit, as we call it, as well as the index with 19 influencing variables formed from the basic principles in the customer charter. Customer audit employees use this when visiting selected branches.

After reviewing the branch implementation of the customer charter, the customer audit employees work together with local colleagues to develop an improvement programme. This gives us the opportunity to learn from the best and to increase customer satisfaction - and consequently customer retention.

What inspires us for the future?

Excellence in sales is something we not only want to live today but also something that we want to safeguard and develop. Therefore he have to know what the banking business of tomorrow will look like, what trends will drive people and how we can respond to those trends.

We have created a platform that shows us today how the banking business of tomorrow may look: Q110 – The Deutsche Bank of the future in Berlin. As in a research laboratory, in Q110 trends are identified and possible solutions produced and implemented. This has an impact on the entire private customer business. Things that prove worthwhile in Q110, such as architecture without barriers and bank counters, product presentations in boxes and on shelves or the trend shop, are then gradually implemented at other branches.

Q110 also shows that investing in service quality is worthwhile: in Q110 approximately 60 percent more new customers were gained than in other branches.

"A passion to perform" is the central theme in every corporate division. It is the basic principle and orientation for all employees – and the foundation for *excellence in sales* at the Deutsche Bank.

Rainer Neske, Deutsche Bank

Spokesman of the Board of Managing Directors of Deutsche Bank Privat- und Geschäftskunden AG. Member of the Group Executive Committee. As Global Head of Private and Business Clients he is responsible for the worldwide private and business client segment.

Foreword

It is our pleasure to present this book to everyone who is interested in the subject of sales and customer management. Based upon a comprehensive international study of success factors, our own experiences and numerous projects carried out by the University of St. Gallen and Mercuri International, we have compiled the key issues for real excellence in sales and customer management. In doing so we were not interested in completeness. Our main priority was to offer managers and employees in sales a source of orientation. The main focal issues were thus selected subjectively and in accordance with our own convictions. We are certain that our readers will be able to use our book to identify and implement the correct approaches for themselves and their own company. We wish them every success.

A number of people have contributed to this book. We wish to extend our sincere gratitude to Gabler Verlag and especially Mrs. Barbara Roscher for the confidence displayed in us and their flexible and unfussy collaboration. We thank Mrs. Lea Schlegel from the University of St. Gallen for her administrative support and for coordinating the entire project. And we would like to express our thanks to Prof. Christian Belz of the University of St. Gallen and Rainer Neske of Deutsche Bank for their prefaces.

In addition we would like to thank the consultants and trainers from Mercuri International, everyone who took part in the survey *Excellence in Sales* as well as the many managers with whom we held critical and constructive discussions during projects and seminars. Their commitment laid the foundation for the new, excellent and practical insights we have been able to present.

We hope that you, the reader enjoys this book and finds many helpful ideas in it that are relevant to your own situation. We would be delighted to receive your feedback and would be pleased to discuss any of the issues raised here.

Holger Dannenberg & Dirk Zupancic

Profile of the authors

Dipl.-Kfm. Holger Dannenberg

Is the Managing Director of Mercuri International *Deutschland GmbH*, Global Partner, and responsible for *Mercuri* operations in Germany. He attended the University of Münster where he graduated with a degree in Business Economics specialising in Marketing and Statistics. Following different roles in marketing at Unilever he and a partner founded a successful company in the vehicle service sector. Holger Dannenberg is a renowned consultant, trainer and author of several books and articles on sales.

Contact: dannenberg_holger@mercuri-international.de

Prof. Dr. Dirk Zupancic

Is Professor of Management and Executive Education at Heilbronn Business School and senior lecturer in business administration, notably marketing at the University of St. Gallen. He graduated with a PhD thesis in International Key Account Management. His current research is focused on sales and customer management especially in business to business markets. In addition to his research interests Dirk Zupancic works as a consultant and coach. He has practical experience in customer management for a bank and from his work as a consultant with industrial and service companies.

Dirk Zupancic is author of several books, various articles and a number of research reports on B-to-B marketing, sales and customer management.

Contact: dirk.zupancic@unisg.ch or zupancic@hn-bs.de

Contents

1. Introduction: Excellence in sales and customer management

Mercuri International, as the leading European sales consultation and training company, carried out one of the major international studies into success factors for *excellence in sales* together with the Institute of Marketing and Retailing from the University of St. Gallen in Autumn 2006. On the basis of this study we identified how companies can achieve excellence in sales and customer management.

By excellence (or *excellence in sales*) we mean those cases where the individual aspects of a company or the average of all of its aspects are among the best ten percent of our study. We assume that success in sales cannot be measured by a single dimension, e.g. by sales volume. Rather, a multidimensional approach is needed. Success is therefore measured on the basis of an index incorporating the following aspects (Sujan et al. 1994):

- Higher market share
- Focused sales of products and services with a higher margin
- High sales volume
- Fast, successful introduction of new products
- Identification of important customers (key accounts)
- Realisation of sales volume with a higher margin
- Exceeding set targets

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Increasing the strategic significance of sales

For most companies, sales and customer management are becoming *the* strategic success factor - and often the largest cost factor. However this does not mean that those costs have to be cut. On the contrary. Sales costs amounted to as much as 30 % among the top performers in our *Excellence in Sales* study (in contrast to only 10 % among low performers). Thus investment in sales is beneficial when properly managed. In the same way that experienced financiers invest their money for the highest return, a successful company must its sales resources to where the highest yield can be achieved. In the following pages we will present the three most important drivers for the increasing significance of sales.

Driver 1: Sales is an expensive resource

The sales department generally costs a company between ten and twenty percent of its sales volume (cf. Table 1). This means that it can certainly be numbered among the most cost-intensive company functions.

The more expensive a resource, the greater the leverage when optimising the resource. Our findings here have been rather sobering. Few companies pay sufficient attention to sales optimisation. Few companies proceed systematically. Few companies operate based upon the targets specified by their corporate strategy and make long-term plans for sales deployment.

This book addresses sales optimisation. The first point to note is that companies should be aware of the cost of sales and their leverage – the power of sales, if you will. They should then proceed systematically in order to avoid making mistakes.

Table 1: Sales costs at different companies
(Source: Fischer 2000)

Company	Sector	Percentage share of employees in sales	Cost of sales in percent of sales volume
Siemens AG	Electrotechnology	34.0	14.6
BASF AG	Chemical	15.2	14.0
Nestle (Deutschland)	Foodstuffs	18.8	5.0
Jungheinrich AG	Mechanical engineering	47.3	16.0
3M Deutschland GmbH	Multitechnology	28.4	18.0
Gildemeister	Machine tool manufacture	31.2	10.0

Driver 2: Sales has the greatest performance improvement potential

An analysis conducted by *McKinsey* in 2000 compares the most productive employees in different company roles with the average. The findings are impressive. The differences in performance are greatest in sales:

- In other operational roles the difference between the average and the best is only 40 %.
- In general management positions the difference is 49 %.
- In sales the best differ from the average by 67 %.

This also means that sales offers the greatest opportunities even if the average can only be advanced towards the peak in small steps.

We illustrate starting points and a professional approach to this area by detailing management training along with initial and professional training programmes, in particular.

Driver 3: Sales creates real competitive advantage

An earlier study conducted by the University of St. Gallen with Mercuri International proved that the sales department itself creates added value and therefore competitive advantage (Belz/Bussmann 2002, p. 19). Based on this data it is essential to move from regarding sales as merely a distribution channel within the company to a strategic success factor. This entire book builds on that premise.

Definition of terms in sales

There are many definitions of core sales and customer management terms. In this book we use the most important terms as follows:

"Selling [or *sales*, authors' comment] is a market development tool employed by a company. Along with documentation, advertising, sales promotion, telephone marketing, trade fairs, direct marketing, internet, etc., it is used to provide effective support for information gathering, decision-making and service processes for targeted customers. Sales is an interpersonal process and incorporates one or more decision makers and influencers amongst the suppliers and customers." (Belz/Bussmann 2002, p. 21). In practice, sales is not explicitly limited to sales employees as other company personnel may also sell or be involved in sales.

Sales management refers to the control and form of the personal sales contact, the sales system (sales structures, processes and channels) and distribution in national and international markets.

"*Customer management* includes the management of a supplier's communicative interaction processes with potential or existing customers in order to generate and foster customer relationships throughout and beyond the entire customer life cycle." (Diller/Haas/Ivens 2005, p. 22).

In this book we are not concerned with explaining all facets of this topic. We have adopted a deliberately selective approach by examining in detail the aspects that promise the greatest success, based upon our experience at a number of companies and on the study *Excellence in Sales*.

The *Excellence in Sales* study

The study is based on telephone interviews carried out by the market research institute AMR Advanced Market Research GmbH (www.amr-research.com) on behalf of Mercuri International and the University of St. Gallen. The interviews lasted for 30-45 minutes each and were performed with the aid of a questionnaire.

Sales managers in 747 companies from 14 countries were surveyed. They were responsible for sales management, and managed at least ten employees. The questions referred to the sales environment, to the company's business model, to the concrete sales procedures – and to the organisation's sales successes.

The survey measured agreement with the statements on a scale from 1 (strongly disagree) to 7 (strongly agree) as well as the existence and usage of tools/procedures. In order to make the statements more succinct, the results charts are based upon an evaluation of the two most extreme agreement values, i.e. 6 and 7. Therefore if, for instance, the value 75 % is assigned to an item within the top 10, this means that 75 % of top performers have answered this item with 6 or 7.

Some open-ended questions on excellent performance within both the company surveyed and other companies completed the questionnaire.

The following countries were covered with at least 50 interviews per country (listed alphabetically): Belgium, Brazil, China, Czech Republic, Finland, France, Germany, India, Italy, Netherlands, Sweden, Switzerland, Spain and the United Kingdom. The surveyed companies operate in the business-to-business sector, broken down into: industry and engineering: 19 %, food and agriculture: 9 %, engineering: 9 %, chemicals and pharmaceuticals industry: 7 %, banks and insurance companies: 6 %, construction: 5 %, transportation and logistics: 5 %, IT and communications technology: 5

%, media, printing and publishing: 5 %, energy (electricity, oil, gas): 5 %, other services: 5 %, automotive: 4 %, textiles sector: 4 %, wholesale: 4 %, others: 10%

In order to identify the control factors governing sales success a distinction was made between the top performers and the average and less successful companies - the low performers. In order to identify higher and lower performers, the above criteria regarding the company's own sales performance were compared to their major competitors. The best 10 % (a total of 82 companies) were then categorised as top performers and the worst 10 % (a total of 74 companies) as low performers. We gathered our results by systematically comparing the two groups with the average.

In addition to the results from the survey, this book also draws on the experiences and results gained from numerous projects conducted by Mercuri International and the University of St. Gallen with renowned companies. Many other practical examples are also cited.

Notes for readers

This book is primarily aimed at managers and people working in sales and customer management. Of course, academics, consultants and students can also profit from the text. However our primary goal is to convey knowledge, suggestions and recommendations for practical use. Correspondingly, we have prepared each subject with as much practical orientation as possible. Each chapter begins with a short introduction to the subject. This is followed by the core questions answered in that chapter. After the detailed presentations of information each chapter concludes with a summary. Here we summarise the success factors that companies should take into consideration if they wish to achieve true excellence in sales and customer management.

This structure provides two different methods for readers to use this book:

On the one hand the *sequential study of the whole book* suggests itself. We have taken pains to write in such a way as to allow this, although this is a reference book. We primarily recommend this method to those who wish to test either their own or a company's sales. Our contents can be used as a form of benchmark and we have indicated how companies should organise themselves and operate optimally.

The s*elective reading of individual chapters* is also possible. In this case the book serves as a targeted inspiration for the readers' special interests or as a resource for additional knowledge regarding subjects on which they are currently working. The chapters are generally self-contained. Cross-references are highlighted to enable readers to jump to other chapters.

2. The top 10 success factors for sales excellence

Initially we were interested in which aspects of sales management most strikingly differentiated the high performers from the low performers. For this purpose we compared the differences in answers to questions between the high performers and low performers, as well as the average. The ten success factors we identified differentiate the company groups the most. In other words, the top performers utilise these aspects more frequently and more professionally. Using this approach we were able to identify a large number of clear success factors. The ten most important are shown in the illustration below. They will be covered and briefly explained (Dannenberg/Zupancic 2007) in the following sections. Further details will be provided in the course of this book.

Core questions in this chapter

- What are the top 10 success factors which most clearly differentiate the top performers from other companies?
- How can companies implement them?

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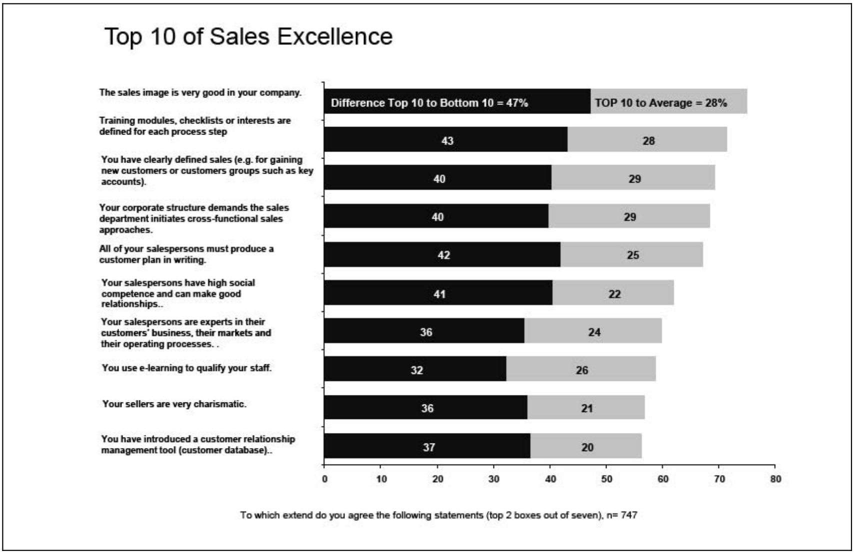

Figure 1: The major differences between the top 10 and low 10 (dark) as well as the average of surveyed companies (light).
(Source: Dannenberg/Zupancic 2007, p. 3)

1: Sales should have a good image within the company

The top 10 % differ most strongly from all of the other companies surveyed in this area. Apparently salespeople and sales are regarded and recognised as key functions at the very successful companies – while other companies still tend to have a poor image of salespeople. They are often regarded as merely a distribution mechanism or are still associated with the negative “door-to-door salesman image”.

The entire company can only focus successfully on customers and market cultivation if sales possesses an excellent image and if the profession of a salesperson is valued.

2: Sales processes should receive systematic support from the right areas

Successful companies do more than define processes. They also concentrate on optimising each individual process phase. This is the only way to truly benefit from the efficiency-increasing potential which process orientation delivers.

Every phase of a sales process places special demands on the sales employees' competences. The more precisely the salespeople are aware of those requirements and the better they can learn these via training modules, the greater the processes' success. In addition, professional sales organisations possess checklists containing objections and reactions, e.g. specifically for the new-customer process or specifically for the development process for existing customers. Experience shows that only a few salespeople master the process of transferring sales techniques to specific sales situations:often, there is a lack of clear guidelines for doing so.

3: Sales processes should be clearly defined

In today's sales environment intuition alone is no longer enough. Clear objectives are needed: a customer should be either retained, developed or a new customer should be gained. These activities comprise of different sales processes which run through different phases and steps, with (in some cases) a requirement for legal process (procurement, contract etc). Although process orientation has long been the normal standard in other corporate divisions, such as production, for example, sales teams often continue to work in a largely unstructured manner. This does not mean that they do not possess good personal sales skills. Rather the question is whether they use them optimally.

Sales processes are fundamentally different from other company processes. A sales process does not handle files, incidents or products but rather customers who are also being cultivated by the competition, as individuals, at each stage. This results in a decreasing probability of success at each phase of the sales process. At the end increasingly fewer customers remain than were originally approached as target customers. This is a type of production function for sales. If this is not taken into account then it is impossible to plan appropriate and targeted activities. Without planned activities it can be difficult to identify and counter problems in time.

4: Cross-functional sales approaches should be based on suitable structures

This success factor also relates to a company's overall sales orientation. As numerous other analyses also show, salespeople are increasingly undergoing a transformation from lone warriors to customer managers. "*Consultative selling*" and "*strategic partnerships*" are the current challenges facing salespeople. Salespeople should optimise customer processes and make customers more successful in supplying their goods and services. But the knowledge possessed by individual members of the sales team is normally inadequate to this task; instead they must integrate specialists from their own company into the customer development process. As a result tailored concepts for cooperating with customers nearly always include special IT connections, logistics concepts or product modifications.

These requirements are initially reflected in the task outline assigned to the salespeople. This is not always a given as the cross-functional cultivation of customers means that salespersons also lose their – often carefully guarded – monopoly on the customer relationship. They frequently feel a loss of power and influence. In addition they often lack the technical project management skills. Therefore most companies have to overcome major hurdles within the sales department in order to establish forward-looking forms of market development. However, even if the sales department is successfully developed in this direction, this is of little help if other structures within the company are not also adapted.

5: Customer planning should be systematic and documented

This factor reflects the changing market conditions and the higher demands placed upon sales personnel. Customers are becoming more complex and the buying processes more professional. Salespeople are finding it more difficult to influence decisions. More and more decisions made by committees have to take into account the interests of a large number of different participants. Furthermore, salespeople often no longer have direct contact with board members and decision makers. Some companies even intentionally disassociate those persons who have contacts with salespersons from those who make decisions. In addition, the market has now become almost completely transparent with competitive pressure increasing, year on year. Thus successful companies not only plan their general market development; they also plan at single customer level .

A decisive factor for sales success with an individual customer is to initially acquire the right information at the right time. An analysis must be made of how their buying processes function, the decision-making criteria (rational and emotional) of each influencer and decision maker, their attitude towards us and how they perceive our relationship to them. We then need to define how and when which decisions are to be influenced. Who can do this best and with what measures? Memory alone is not enough especially if the salesperson aims to incorporate different company departments.

Sales personnel generally do not plan, or are reluctant to do so, and extremely rarely in writing. They prefer to rely upon their spontaneous reactions during the contact to customers. They regard planning as restricting their personal freedom. Often they do not know what and how they should plan. Therefore when introducing a customer planning system it is essential to not only provide forms but also to focus on training sales personnel in how to develop customers with greater sophistication and diversity. This automatically gives rise to the need for planning.

6: Salespersons should have a high level of social competence

Despite the increasingly electronic (digital) nature of business relationships sales still takes place between people. Even today people prefer to buy from people whom they like. Salespeople often confuse social competence with ingratiation, exaggerated friendliness or sweeping concessions, such as discounts.

However, a salesperson demonstrates social competence by being able to identify and understand the social structures within the customer's company. What relationships exist between different departments and how do these affect the relationships with the salesperson? What are the worries and needs of the contacts within companies and how can the salesperson help them?

Salespeople with a high level of social competence are able to integrate themselves into customer organisations. They succeed in taking part in their customers' internal meetings and achieve a consultant status. In doing so they develop a behaviour that is the precise opposite of the stereotypical image of the salesperson mentioned above. Salespeople with a high level of social competence are not chameleons who say what customers would like to hear and avoid conflict. They have their own opinion and contradict customers. They position themselves as equal-dialogue partners and negotiate as equals. Particularly at a time when strategic partnerships are an omnipresent issue, salespersons need to be trustworthy and possess integrity. We find yes-men in rather undemanding sales situations in which the salesperson functions as more of a distribution mechanism. They prduce quotations, of course, but do not focus on increasing their customers' success.

The greater the role that technology plays in the relationships between customers and sales personnel, the less necessary sales personnel become. But those who remain require a much higher level of social competence than was previously necessary.

7: Salespeople should be experts in their customers' business

This success factor is the logical consequence of the most important buying and sales trends of recent years. Today, adequate increases in productivity can still only be achieved by intensively integrating suppliers – better expressed as partners. Without their expertise, the development process would take too long and companies would be unable to concentrate on their core competences. Whether as a component provider in the automotive industry, a "*category captain*" for the large retail chains, a development partner in industrial production or an outsourcing partner for services beyond core competences, suppliers are always needed who are not only competent around the product, but also familiar with the customer's business, its markets and its requirements.

It is not only customers that force this trend. Suppliers also have good reasons for offering more than simply 'a good product'. As soon as they concentrate on increasing the success of their customers they are easily able to offer performance bundles or individual configurations that beat competitive offers. This successfully “undermines” the already mentioned market transparency and makes direct competitive comparisons difficult or even impossible. The value creation chain is then also extended, creating new opportunities to increase sales revenue.

All of this is not only the responsibility of the salespeople but of the whole company. However salespeople are the critical interface to the customer in this case. They must retain the overview and concentrate all the company’s resources on the customer as efficiently as possible. They cannot do this as product specialists. They should know the key trends in their customers’ sales markets. What is expected of suppliers there? How will the markets change in the future? What will influence buying decisions in these markets? What is their customers’ positioning vis à vis that of their competitors? What can their customers do well – and what not?

Only when this is established are salespeople able to use their expertise and their company’s competences to increase their customers’ success and thus achieve those competitive advantage that is necessary to avoid slipping into a cutthroat price war.

8: Leverage e-learning’s sales potential

It is already clear that successful companies are making increasingly higher demands on their salespeople. It is not surprising therefore that new methods are being used to develop salespeople. The currently practised presence seminars, as they are called (where the trainee is actually present as opposed to distant) represent a relatively expensive form of sales training. Not only because of the costs of the trainer who can only work with a limited group of participants: other costs, not visible at first, are considerably higher. The participants lose several days of valuable sales time and incur expensive travel costs. However, lowering cost is not the only issue: because events of this type only take place infrequently little time remains for practice, which makes implementing the material that has been learnt difficult. In addition, the hectic everyday sales work following the seminar often destroys all the participants’ well-intentioned resolve and managers are frequently unable to motivate the participants to develop through repetition. In most cases the true impact is – compared to the expense – distressingly small.

In comparison with product training, e-learning cannot completely replace classical seminars when it comes to behavioural training. Electronic media cannot truly replace the role model function provided by the trainer or their personal charisma. However a clever combination of e-learning, presence seminars and implementation support can simplify sales training enormously.

A "*blended learning approach*" of this type achieves the pure knowledge transfer by using e-learning modules prepared using learning psychology techniques which teach the required knowledge base in 30-minute sequences. The application of the knowledge to specific market and customer situations is then discussed and practiced in role-plays at subsequent presence seminars. Accompanying, online-supported knowledge tests, supplementary information and case studies as well as individual coaching during direct customer contact support the implementation.

Today salespeople are required to learn increasing amounts in a constantly decreasing time period. Companies will find it hard to fulfil these demands without applying new learning forms and methods.

9: Sales personnel should be real personalities, with charisma

This point also relates to the personal attitude of sales personnel. In addition to social competence and specialised competence in the customer's business, individual charisma and strength of character are among the most important prerequisites for successful sales.

Despite the many and complex partnership systems incorporating other departments into customer development the structured analysis of value-added chains, etc., buying is not a purely rational, analytical process for customers. Numerous uncertainties and risks remain. Often, only a salesperson's charisma and strength of conviction are able to build the necessary trust and confidence - regardless of whether this takes place while establishing a customer relationship or at the conclusion of negotiations. Even customers who make decisions on a relatively rational basis also wish to feel that the sales personnel believe in what they say. In the final analysis it is ultimately the human factor that makes the difference.

But what is ‘sales charisma’ and how does it come into being? Firstly, it is the way in which one looks at others in conversation – notably eye contact. The way a salesperson looks (their eyes) can emphasise and reinforce interest, sadness or motivation. Ideally, salespeople successfully involve customers using eye contact, but without staring at them. However this by itself is not enough to develop charisma. The second factor is the voice. It should radiate strength and energy without having an unpleasant effect. It should make opinions meaningful for the listener. The timbre and speed of speech should also emphasise the spoken word and produce an accoustic build-up of tension.

However a further factor is significantly more important. Salespersons must develop a sense of mission. They must *believe* what they say - providing a message for their customers, using natural posture and body language. The body language signals, and the spoken word merge into one. This creates charisma.

Numerous studies show that these three factors (abbreviated as EVA: eyes, voice, attitude) are often more important for conveying a message than factual content.

10: Successful sales organisations are supported by a customer relationship management system

As customers and customer relationships become more sophisticated and complex, considerably more market and customer data needs to be recorded, evaluated and communicated than was previously the case. Sales intuition has to be combined with an analytical approach and the use of suitable tools.

Electronic systems are not vital, but are often helpful in processing data. The mistake that many companies still make is the belief in the ‘autopilot’ effect of CRM systems. The majority of companies complain that such instruments are not actively used and therefore not maintained. The reason for this is not normally the salespersons’ ignorance but rather the lack of connectivity to everyday sales work. However the acceptance of such instruments will improve if the sales personnel are clearly shown which information from a system can be used, where in the sales process and how. The majority of companies leave this to standardised "user training courses". These courses explain which data has to be entered onto which screens. In contrast "Usage training courses" which clearly demonstrate how salespersons can increase their personal working efficiency by correctly using the data are far more important.

Yet even the best CRM software programs cannot ensure that data is entered or recorded, and that the data is then used in the correct way in order to better structure customer relationships. This will only happen if sales personnel also learn how they can transform their working relationship with customers and develop a market's full potential when data is cleverly used.

The most important actions here are:

Status analyses: All the data the company holds can be condensed into any desired reports for a customer or for customer groups, essentially at the press of a button. It is no longer necessary to spend time and effort searching through different databases.

Potential analyses: Where is the unrealised potential? Which customers and/or target customers will be the most fruitful to work with? Where is the probability of success the highest? Data on performance potential (e.g. sales volume) is combined with additional customer information (e.g. sales structure, customer requirements criteria) for this purpose. This data can then be compared with records on other customers whose potential has already been successfully exhausted. The more alike the data, the higher the purchasing probability.

Process transparency: Where are we currently in the sales process? Which operations have been completed? What are the next steps? What are the current chances of success? How probable is target achievement? This provides a map of the sales production process, creating new-direction sales options to be pursued.

Customer information: A CRM system can be used to maintain a standardised view of customers, especially when a number of people/departments are involved in customer development. All the parties involved receive the same information at the same time.

Recommended courses of practical action

The top 10 success factors differentiate the top performers most clearly from other companies. They therefore have the greatest potential to optimise the company's sales and customer management.

Companies that wish to achieve sales excellence:

- … should initially evaluate their own activities in relation to the top 10 factors for success.
- … should do analysis to identify the areas of greatest importance for optimisation.
- … should improve in specific areas as part of a coordinated change process.
- … should not address more than five issues at the same time because the risk of diluting awareness and getting bogged down in 'doing' is too great.

3. Excellence in sales is an issue for the entire company

Excellence in sales and customer management are not matters that solely concern sales employees. There is hardly a department that does not contribute towards the success of sales. The times are long past in which selling products and services was exclusively the task of the sales department. Today, there are numerous levels of contact that can have a considerable effect on sales success, between companies and customers outside sales. Thus every department and every employee within a company is directly or indirectly responsible for achieving *excellence in sales* (Briody 2007, p.36).

This means that excellence in sales and customer management must begin with senior management (Winkelmann 2000, p. 99). Management creates the conditions that enable *excellence in sales* and selling. Management guides the strategies and working and communication structures for sales support - and leads by example.

Core questions in this chapter

- What role should issues relevant to sales play in the corporate strategy?
- What is the significance of the internal image of sales and how can it be positively influenced?
- What role does senior management play in sales?
- How can employees in other departments contribute towards sales success?

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Sales-oriented alignment of corporate strategy

Corporate strategies define how a company attains or would like to attain competitive advantage (Rumelt/Schendel/Teece 1994). This means that the company's own resources and competences as well as market potential must be taken into consideration:

"Those measures that are taken in order to acquire or retain specific customers, or to introduce new products and services to a market, or to invest in the relaunch of existing products and services depend on where a company's few resources can be employed most effectively and most efficiently. Market potential and competences… have to be coordinated." (Kuss/Tomczak 2002, p. 140.)

The more sales-oriented the corporate strategy and the better the incorporation of sales potential and challenges into these strategies, the sooner it is possible to achieve excellence in sales and customer management (Belz/Bussmann 2002, p. 93). It must be made clear that this is the responsibility of every individual employee. This is the only means of truly giving the sales resource strategic significance.

Although corporate strategies should be market-oriented that does not automatically include guidance on sales. The correct foundation for excellence is only achieved when the strategies reflect the sales tasks, current sales resources and competences.

Practical examples

Sales-relevant areas of corporate strategy

Hilti AG in Schaan, Liechtenstein offers products and services for the fastening systems sector worldwide. In its corporate strategy for the entire corporate group the company defines how those international customers of the greatest strategic importance, the global accounts, are to be managed. This approach means that the global account management and employees receive support "from the very top": it also clearly communicates the importance of these customers internally.

At *Procter & Gamble*, Cincinnati, USA, a leading global supplier of branded goods in the consumer goods sector, sales plays a major role above all at the interface to its trading partners. The name of this division makes the strategic significance of sales clear: Customer Business Development. Key account managers and sales employees are customer managers with the task of entrepreneurially developing business with customers. In Germany *Procter & Gamble* has originated many successful market strategies in recent years in this way.

Würth AG, Künzelsau, Germany, is a company that focuses on trading in screws and bolts. This is a strongly commodity product. What makes the company successful is its unique sales system. The company is essentially a sales company and is controlled accordingly.

Selling is not a personal masterpiece created by gifted individuals (although some salespersons are happy to think of it as such) or a black box that is not transparent to outsiders (Huckemann et al. 2000, p. 5). Rather, it is a kind of "production facility" which produces customer relationships, orders and market positions. In the same way as all other production facilities, its performance indicators, maintenance intervals and investment requirements should therefore be analysed and consciously taken into account in the corporate strategy.

If this does not happen the strategies may be market-oriented yet impossible to implement under certain circumstances. In this case excellence in sales and customer management remain nothing more than a dream.

The empirical results of the study *Excellence in Sales* support this interrelationship. The top performers mention sales issues in their corporate strategies far more frequently than the average or low performers among the companies surveyed.

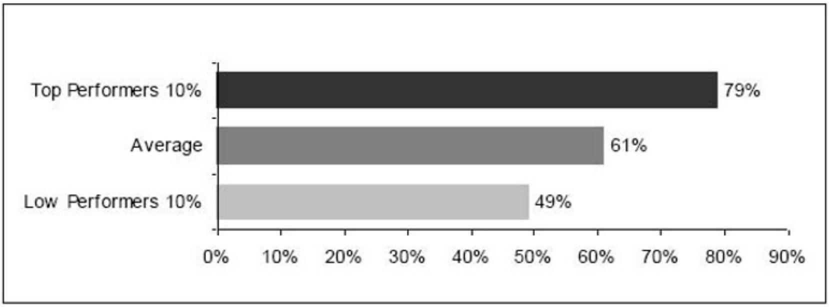

Figure 2: Integration of sales topics in the corporate strategy
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

But what are these sales topics exactly?

The following questions are critical for sales orientation in corporate strategy:

- What is the role of sales in the implementation of the strategy?
- What messages are to be transported and spread by sales?
- Is sales solely a distribution and communication instrument or a "product/service element" as well?
- If yes, which performance characteristics, which "*added values*", should the market experience via sales?
- What sales capacities are necessary for this and how can they be established? (for example, approaching new target groups requires considerably more capacity than supporting existing customers).

- What competences are required for this, and is it possible to train sales employees in these or do new salespersons have to be found?

The internal image of sales

The internal image of the sales department within the company provides an indication of how seriously a company is working on *excellence in sales*. Are other functions accepting of salespeople? Are sales personnel's opinions and advice actively sought? Are all of the employees just as familiar with sales challenges as they are with new products, for instance?

As has already been mentioned, the top 10 companies in the *Excellence in Sales* survey differ the most from all of the other companies surveyed in this regard. Clearly, it is essential that internal departments are prepared to accept sales - and therefore customers - as being of central importance (Muir 2007, p. 71). This is the only basis for successfully coordinating work processes and creating an atmosphere in which every employee feels as though they are a salesperson.

In contrast salespersons at some companies tend to have a poor image. They are regarded as merely a distribution function or are still associated with the negative "door-to-door salesman image" (Holzheu 1996, p. 144). By the same token colleagues from internal departments may envy salespeople, who seem to be high earners and enjoy a relatively high degree of freedom while apparently doing little (or easier) work.

This may not only be due to the colleagues' incorrect attitude. Sales itself is first and foremost responsible for its image. It has to integrate itself (correctly) into the company and avoind presenting an arrogant or know-all appearance. It cannot always place the blame on the products or prices and should demonstratively defend colleagues against customers when necessary (Belz 1999, p. 315).

However the image of sales is not an end in itself. The point is not to place one employee group above the others. If the sales department has a positive image then the act of selling will have a positive image. Other departments will then find it easier to identify with sales tasks. Our experience shows that contact with customers and a general customer orientation then become more a matter of course. They may even offer other departments new opportunities to distinguish themselves.

The entire company will only succeed in its customer relations and market development if salespersons and sales activities are held in high regard. This is an essential requirement for excellence in sales, particularly in view of the current widespread consultative or value selling strategies and the search for value added partnerships (Belz/Bussmann 2002, p.125).

If, on the other hand, internal navel-gazing predominates within companies, then the focus will be on the process or product and not the customer, with the result that sustained market successes become almost impossible.

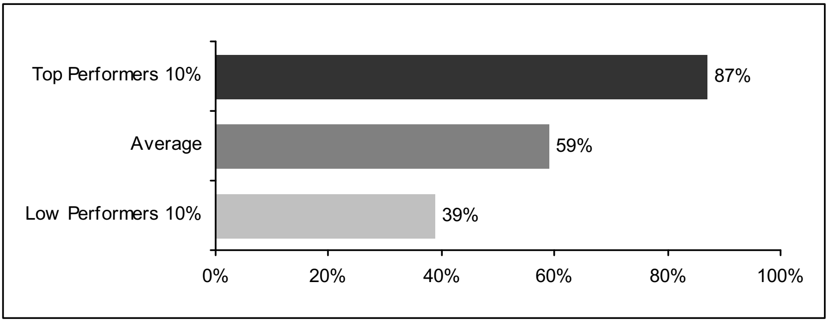

Figure 3: Image of sales in the respondent's own company
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

We recommend the following starting points to improve and systematically leverage the image of sales for optimum results:

- Every employee must understand and have knowledge of selling and the sales process.. People who are not confronted with sales earnings, with customer acquisitions and losses, will not normally orient their thinking towards customers. For this reason information on sales earnings should also be accessible to non-sales employees in the form of newsletters, reports or department information.

- The sales department should never succumb to the trap of arrogance and feel like the "star". An attitude like this will rapidly create a negative image. Although the sales department is important this does not mean that an individual salesperson is automatically the most important employee in the company. Mutual esteem and cooperation are the point.
- Sales itself should reach out to other departments to show them that they also play an important role in developing customers. Salespeople should also make contact with employees in production and explain to them what customers value in the products and quality, thanking them for the fact that they support their sales work with such outstanding products. This transforms salespersons into ambassadors who establish the necessary link "outside" sales and who therefore ensure that each employee recognises their own significance for the success of the company.

Sales is a senior management issue

Many companies still have boards of directors that are divided according to product responsibilities arising from an old technical or research-oriented tradition. Our survey shows that this is not ideal for excellence in sales and customer management. Successful companies typically have a senior management position with direct responsibility for sales.

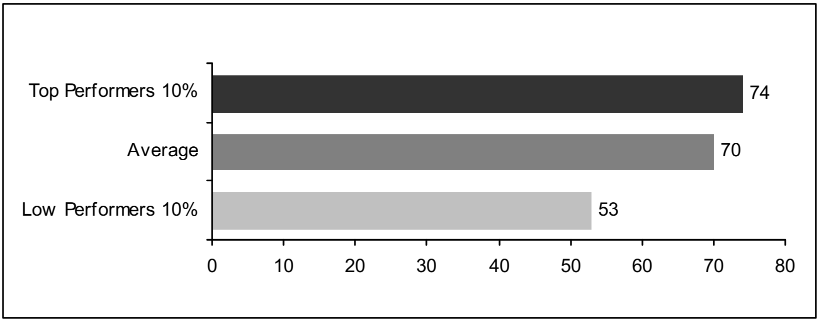

Figure 4: Sales responsibility at senior management level
(Source: Study on *Excellence in Sales*, n = 747, top box agreements

The financial success of corporate entities also confirms these findings, as was shown in a study by the *Focus Money* magazine: groups that have specified a person responsible for sales, at board level, have more financial success. The sales volume growth of the four DAX groups with a sales member on the board was above average in the years 2002-2005 (Bloed/Jakobs 2006, p. 10). Based on the automotive industry, the authors of the study summarised the position as follows (Bloed/Jakobs 2006, p. 11):

"For many years primarily BMW, Porsche and Audi have had a success story to tell. Is it a coincidence that these manufacturers have appointed a board member responsible for sales? Hardly."

In our experience, positioning the responsibility for sales as high as possible in the corporate hierarchy creates the following advantages:

- Sales receives a high priority for the entire company. This happens by itself through the signalling effect arising from the fact that it is a top-management responsibility.
- Sales strategies and the necessary resources are included in the long-term corporate strategy and not only in the sales division to meet the targets set from above.

- Specialised and professional competence for sales management and customer competence is established at the highest level in the company (assuming the right people have been selected).
- Conflicts, such as those between product divisions or channels aimed at the same customers, can be resolved, top-down.
- It is easier to achieve the coordination required for strategic customers over division boundaries or as part of cross-selling strategies, for instance.
- Sales innovations are actively sought and regarded as investments. Sales innovations that are produced bottom-up (i.e. from operational sales) are rather infrequent due to the risks for initiators and because of the difficult path through the company.

However, responsibility by itself is not enough. Managers must also identify themselves with the sales department as part of their function, as a role model, and also become personally involved. They should also integrate themselves into market development, support sales and repeatedly show their employees that the customers and market success are the only measure that counts, in the final analysis (Muir 2007, p. 71). The survey also confirms this.

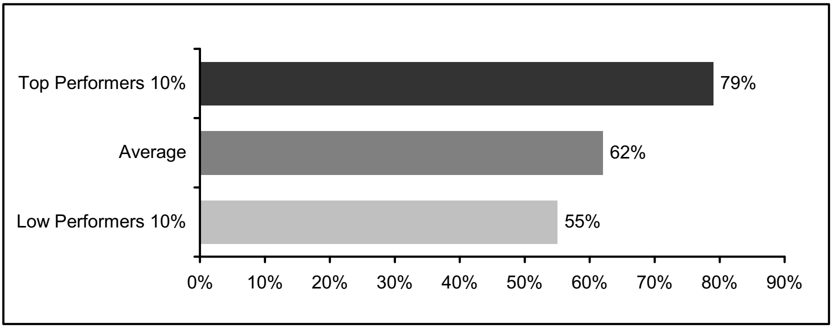

Figure 5: Personal commitment of top management in sales
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Nevertheless this must not lead to top management arbitrarily intervening in sales and customer relationships without giving consideration to the history and the current strategy for customer relationship management (Belz 1999, p. 316). A managing director may suddenly give a discount against a price that a member of the sales force had defended for years. In addition to discouraging the employee, the customer will (going forward) then always want to negotiate directly with the managing director.

Commitment to sales should consist of actively focussing on customers, their situation and the strategy for developing them. The objective for joint visits to the customer should not be to prove that the board member has more sales talent. They are used in order to sustain a customer connection to the roots of the business. This is why, for years, McDonalds' senior managers have been spending a week at a branch, for instance. This means that the top management understands what it is making decisions about. In markets with a different structure it is enough to have a salesperson accompanied once a week without no intervention. It is enough to simply listen, ask questions and – if the accompanying person is not incognito – limit input to representational tasks and general topics. If senior management cannot invest this time then the company is unlikely to be numbered amongst those that achieve real excellence in sales and customer management.

Each employee is (also) responsible for sales

Jan Carlzon, President and CEO of SAS (Scandinavian Airlines System) originated the term referred to as the "Moments of Truth":

"Last year each of our 12 million customers came into contact with approximately five SAS employees, and this contact lasted an average of 15 seconds each time. SAS is created in our customer's imagination 60 million times a year so to speak. These 60 million "moments of truth" are the moments that ultimately determine whether SAS will succeed or fail as a company. They are the moments in which we must prove to our customers that SAS is their best option."

We can not make the point more strongly that (nearly) every employee contributes to sales. If the company's fundamental sales orientation and the internal conditions are appropriately aligned then, ultimately, every employee feels like a salesperson, regardless of whether or not they work at the customer coalface (Holzheu 1996, p. 144, Lapide 2007, p. 21). Everyone should be aware that when working they are also contributing to the customer experience.

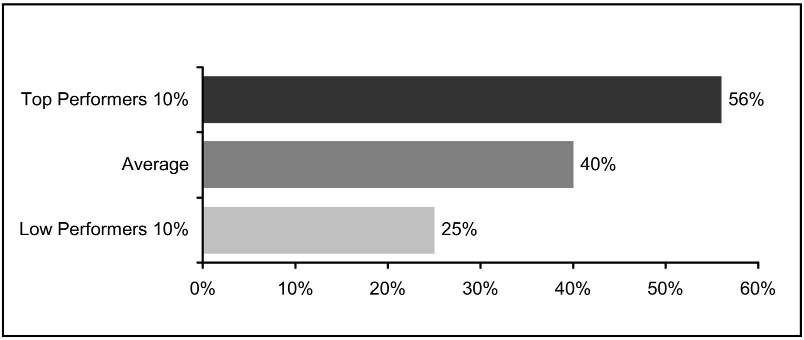

Figure 6: Sales-oriented company culture:
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Once again the top 10 companies differ clearly from the bottom 10, yet at 56 % they also score relatively low on achievement. A self-image of this nature does not come into existence by itself. Every department must firstly understand the contribution it makes to customer satisfaction. Production departments not only need internal quality measures: importantly, they also need feedback from customer surveys. What effect does information from the IT department have on customer satisfaction? How well does the accounts department support the customers' internal processes? To what extent do research and development departments take account of customers in their R&D? How well do they plan their work around customer needs? (Bruhn 1999, p. 55)? The best example of this is the frequently quoted answer given by an employee in a group of cleaners at NASA to the question, "What is your role?".

"I help to send people to the moon!"

Table 2: Sales tasks for non-sales departments
(Source: Mercuri International)

Department	"Sales" task
Gatekeeper, reception, telephone exchange	These functions are the company's visiting card and shape the famous first impression. Even if these are only brief moments, they have a considerable effect on the atmosphere and immediately show the priorities set by a company, as early as filling out the visitor registration form or when being forwarded to the relevant contact. Are they self-absorbed and inattentive? Is the priority on only the process and check? Or are respect and interest in people and their needs noticeable?
Stock, logistics, dispatching	Beyond the atmosphere, logistics is an area for which quality standards should also apply at different levels. Customers cannot distinguish between rational and emotional decision-making (Holzheu 1996, p. 145, Muir 2007, p. 71). Therefore employees have a responsibility to demonstrate these qualities to the customer. A notable example is the behaviour of many delivery drivers who are apparently unaware that their behaviour in road traffic has a direct effect on the image and sale of the products that are advertised on their vehicles.
Accounts department	In the same way as logistics, the exchange of financial data and payment transactions has now frequently become an official element in agreements. This means that, just as in logistics, people are no longer employees but rather a "product". Are employees in the customer accounts department also really regarded as being customers? Are their requests, expectations, emotions actively researched and explicitly catered for? And is priority given to the workflow in the own department?
Purchasing department	Are buyers aware that they have to sell their requirements to suppliers, and that this is more effective than counting on hard negotiation strategies alone? In many instances suppliers are in turn customers of a company and have a publicity effect. When the purchasing department in a company pumps suppliers for information, the customer then does not have any reason to assume that it can not do the same thing. The department is probably attempting to use every trick that it can in order to get the best price out of its customers instead of placing emphasis on long-term partnerships.

continued on next page

Department	"Sales" task
Production	Do all of the production employees know how high customer satisfaction is? How their work affects subsequent product quality? How customers perceive quality? Do production employees even have contact with the customer and know for what purpose and how their products are used?
All employees	How do they talk about their company, their job and products privately, at the pub, when shopping or on the bus? Do they talk with pride or simply roll their eyes expressively? The world is small and such a cool or facetious attitude not only reflects their state of mind and allows conclusions to be drawn about work performance: it can also damage the image of the company and its products.

Discussions with managers on this subject generally meet with strong expressions of commitment. But very few companies actively work on implementing these findings. There are a number of steps that can be taken to motivate company employees to become more sales-oriented. Here are a options:

- *Leadership through example:* Managers at all levels of the hierarchy and in every function should set an example, showing how important an sales is, and how it can be implemented – even by people not employed in sales.
- *Training courses and workshops:* Making sales orientation part of employee training courses is, in our experience, a good opportunity to encourage awareness. Different departments and employees can define the contribution they themselves can make, given the right professional instruction and mediation.
- *Goals and guidance*: A sales-oriented attitude should form part of employees' personal goals. This process must be consistently evaluated, rewarded and sanctioned by superiors.
- *Formal guidelines on how to act:* In our experience, it also makes sense for various reasons to formally describe a sales-oriented attitude. New employees are then able to orient themselves faster, there is a sound, goals-based foundation for people management and sales orientation guidlines for daily business.

The Hotel *Schindlerhof* quality manuals shown in the illustration below provide a good example of formal guidelines on how to act.

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- …should make sales and sales issues a part of their corporate strategy. They should be formally expressed in writing and must be actively implemented as part of the management of the company.
- …should establish and maintain a positive image of sales. Salespeople and sales-oriented employees are ambassadors who have to master the balancing act between company performance and market requirements. They can create added value for customers and help to differentiate their own company from the competition. This requires mutual esteem within the company and potential barriers should be eliminated.
- …should have a person responsible for sales in the senior management group or on the board of directors so that sales becomes a "top management topic".
- …should have a person in the senior management or on the board of directors who is personally committed to sales without having to prove that they are the best salesperson.
- …should make it clear to all employees that everyone, regardless of function, has a sales role.
- …should, in short, be a "s*ales driven company"*.

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Subject Conduct in the telephone exchange

Goals Guests are given a first impression which communicates friendliness, warmth, competence and the feeling of being the centre of attention

Method

- The telephone is not to **ring** more than **three times**. It takes priority over present guests.
- Depending on the department we answer the telephone with:
  "Schindlerhof", "Restaurant Schindlerhof" or "Creative Centre Schindlerhof"
  "You are speaking with ..." or simply only with the name
  "Welcome" (good morning, good evening, etc.)
- As the guest has already been given the first impression, it is important to pay attention to the following points:
  - **please smile into the telephone! The caller does not see it but hears it!**
  - callers introduce themselves with their name, we write this down and repeatedly use it during the conversion because guests like nothing more than to hear their own name.
  - if the name is not correctly understood the first time, then we ask: **"What is your name please?"**
- Attention is given to further points when accepting reservations:
  - the name of the guest is written down, if required have the guest spell it out
  - use "please, thank you, with pleasure"
  - listen attentively
  - make notes of the conversation
  - speak clearly and articulately
  - repeat the complete reservation to the guest to avoid mistakes
  - **in the event of refusals due to being booked out, always offer alternatives and an apology that it has not worked out**
  - make sure you write down the telephone number, exceptions for guests known in the hotel
  - ask for all necessary details to avoid calls back
  - say a cordial goodbye
- Calls that are not taken in the required department remain connected

Figure 7: Conduct in the telephone exchange of the Schindlerhof
(Source: Kobjoll 2004)

4. The interrelationship of marketing and sales strategies

In the previous chapter we explained how factors relevant to sales should be built into the corporate strategy. The goals for other strategies, e.g. functional, product-relevant or regional, are then derived from the corporate strategy. In practice, we encounter numerous approaches to the interplay of various strategies within the company that are neither logically conceived nor can they be practically implemented with any success. Therefore in the following chapter we want to offer guidance as to how marketing and sales strategies relate to each other and should be developed. While the marketing department should set the goals for the sales strategy, on the other hand these goals require such a highly detailed knowledge of the market that they cannot realistically be developed and disseminated via a top-down process.

We argue for parallel marketing and sales strategies. Our experience shows that this is the only way to achieve market success.

Core questions in this chapter

- Which issues belong in a marketing strategy?
- Which aspects of the marketing strategy are relevant to the sales strategy?
- Which information is required from sales for the marketing strategy?
- How can cooperation between marketing and sales be best managed in order to optimally coordinate the strategies?

H. Dannenberg, D. Zupancic, *Excellence in Sales*,
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Marketing strategy as an orientation for sales

Distinctions can be made between the following three areas when marketing is viewed from a planning perspective:

	Market-oriented company planning	Market-oriented business segment planning	Marketing mix planning
Planning unit	Entire company (marketing mix)	Single business segment	Single product(s), brands, customer group
Market	Free choice of markets	Choice of segments / target groups	To take for granted
Targets, success criteria	Profit, shareholder value, company growth	Cash flow and sales volume trend in business segments	Profit contribution of single products and customer groups, market share
Competition	By utilising all of the resources and capabilities within a company	By advantages over competitors in performance or costs	Through better perceived satisfaction of customer requirements via the marketing mix
Planning horizon	Long term	Medium term	Short to medium term

Figure 8: Three areas of marketing planning
(Source: Kuss/Tomczak, 2001, p. 18)

Market-oriented company planning is normally aligned with the corporate strategy. This primarily determines which market or markets are to be developed and with what company services and resources.

In a narrow sense, marketing planning deals with the planning details for each business segment, and at a level below this, per customer group, customer, product, etc. When marketing strategies are comprehensively implemented, markets and customers are segmented, positioning determined and targets specified for individual products or product groups. The sales targets are then derived from this. It is important to ensure that these actions are not taken without precise knowledge of the market and the company's own sales resources. Therefore sales must be involved in developing marketing strategies at an early stage in order to avoid a strategy unrelated to the market and based on an unrealistic estimation of the company's own resources (Belz 1999, p. 127).

We will use a comparison with a military aircraft operation to illustrate what we regard as the sensible approach to the sales strategy.

> In the same way that a radar station or an AWACS aircraft guides interceptors and bombers into a target area, the marketing strategy should also guide the sales team into different target areas or, expressed better, market segments. It would be pointless for both pilots and salespeople to simply fly around the area and attempt to find a worthwhile target. Onboard radar – as opposed to the base station – does not have a long enough range to provide an overview of the entire market and its potential. It would be impossible to systematically identify valid target areas without considerable waste.
>
> But once headquarters has positively guided it into the target area, the aircraft onboard radar or sales team can capture targets with precision. Pilots (salespeople) can then decide on the targets and their priority far better themselves.

Theodor Levit also accurately summarised the interrelationship between marketing and sales:

"Sales attempts to get the customer to buy what the company happens to have, whereas marketing's job is to get the company to have what the customer wants to buy."

We understand the term marketing strategy, based on *Kuss und Tomczak* (2002, p. 110), to include the core task profile and the positioning strategy. Both are explained below. We pay particular attention to market segmentation as a part of the positioning strategy, as it is of special significance for sales.

Core task profile: competences as the foundation

The core task profile originates from the works of *Tomczak and Reinecke* (1994 and 1999). The point is to hit targets as defined in the corporate strategy on the basis of the company's own inherent strengths and competences.

"Companies are able to achieve their growth and profit targets by acquiring new customers and/or by increasing the willingness to pay, buying frequency and intensity as well as cross-selling to current customers. They can also attempt to launch new products and services and/or to extend and to optimise the lifecycle of existing products and services." (Kuss/Tomczak 2002, p. 120)

The table below provides an overview.

Table 3: Overview of core marketing tasks
(Source: Tomczak/Reinecke/Mühlmeier 2002)

Description	**Growth and/or profit source**	**Core task**	**Approaches**
Customer acquisition	Future customers	Develop customer potentials	- Win over non-users - Capture customers from competitors
Customer retention	Current customers	Utilise customer potential	- Keep customers - Penetrate customer base
Products/ Services innovation	New products / services	Develop product / service potential	- Develop and introduce real new market aspects - Develop and introduce imitations
Products/ Services maintenance	Existing products/ services	Exhaust product / service potential	- Retain products / services - Expand products / services

It is important to recognise that all of the core tasks require different competences. This is often the reason why many companies find it difficult, for instance, to acquire new customers after they have identified this as a growth option. They often simply do not possess the necessary sales competences. However these companies may possess strong customer retention abilities. Very few successful sales employees who are outstanding at developing regular customers are also good at customer acquisition, and vice versa. We shall return to this interrelationship later (cf. Chapter 11). However, this example clearly shows that even if specifying core task profiles is a marketing task, marketing must either incorporate sales or have very good knowledge of its operations, otherwise impractical ideas will arise. In this case the need for cooperation between the marketing and sales strategies is also clear.

Positioning strategy: the fine art of marketing

The description of positioning as "the fine art of marketing" stems from *Kroeber-Riel und Esch* (2000, p. 47). Others describe it as the "core decision in marketing" (Tomczak/Rudolph/Roosdorp 1996). This indicates that it is not a trivial task.

Positioning focuses on the design and control of the position of a market performance in each relevant market. Positioning is therefore the orientation for the development of the marketing mix, including sales tasks (Becker 1996).

A positioning strategy can be defined by the following four constituents: strategy variation, substance, field and style.

The elements are described in general below. For further details we recommend *Marketingplanung* by Kuss and Tomczak (2002, p. 164 ff.):

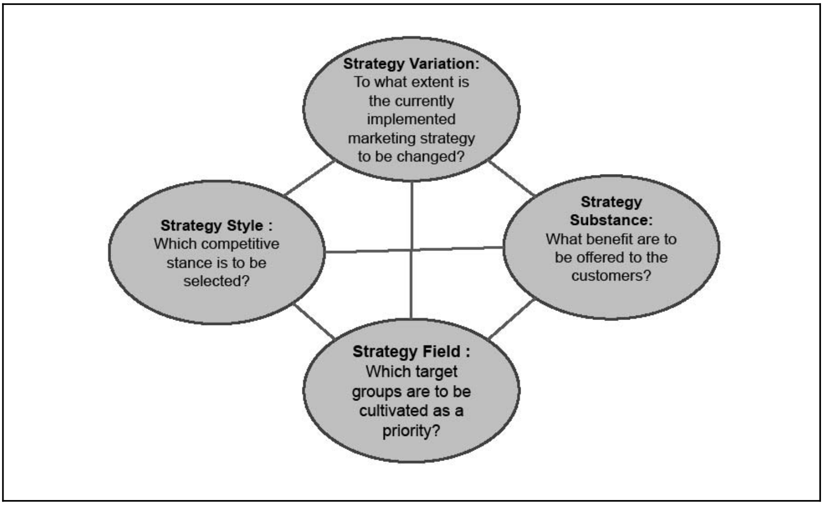

Figure 9: Elements of a positioning strategy
(Source: Kuss/Tomczak 2002, p. 165)

Strategy variation: The positioning strategy is not generally developed on a purely theoretical basis but when a strategy already exists. The principle then is to review it critically and decide whether it has to be changed. Maintaining the existing positioning represents the easiest variant, as only the marketing instruments for the new planning periods have to be planned and budgeted. However, as soon as even small changes are made the entire set-up has to be reconsidered. This illustration below depicts this via the connecting lines between the elements. The most radical change would consist of repositioning along with a corresponding all-new structure yet which is, at least partially based on existing resources and competences. The core tasks and positioning should therefore be viewed and designed closely, together. A large number of industrial suppliers are currently about to or are already undergoing the transformation from a producing (manufacturing or production) company to becoming a solution (or services) provider or general contractor, for example. This is relatively easy to implement in conceptual terms. Nonetheless, many companies reach their limits with regard to sales (Simao 2007, p. 67). They cannot motivate their employees either with regard to their competences or their attitude towards the active selling of services. Given these interrelationships, a repositioning of this nature creates colossal change processes among people, processes and structures.

Strategy style: How a company presents itself to the market and in competition is not only an internal decision. Particularly high profile and provocative styles arouse corresponding reactions from competitors and customers. It is therefore best to thoroughly consider the decision before proceeding and ensure a certain uniformity. Important decisions have to be made on (for example) whether an offensive and provocative or a defensive style is selected, whether established rules are followed or broken, etc. This plays a central role especially in those business models that are based on strong personal selling. Therefore a company will not be able to transform a sales team consisting of classical "*hard sellers*", as is still the case today in many sectors, into account managers with long-term ambitions, without difficulty.

Strategy substance: The benefits case on which the company should build its competitive strategy originates from Porter's fundamental considerations (Porter 1995, p. 62ff.). The illustration below provides a visual representation.

Firstly a company must make the fundamental decision as to whether it will compete using a price-quantity strategy or a preference strategy. In the first case the company should aim for the lowest costs in every segment if it aims to succeed. Anything else would mean this strategy cannot succeed in the medium to long term. This produces conditions for sales that strongly limit the cost-intensive personal sales in particular. The cost advantages of direct banks and budget airlines are thus based upon the almost complete abandonment of classical sales channels.

The preference strategy, on the other hand, is based upon performance benefits that can be achieved in numerous ways: quality, service, logistics, customer-oriented solutions, and even sales itself can be used to contribute towards being better than competitors, thus contributing to the development of a preference for the company among customers. Those companies which pursue a preference strategy have the greatest room to manoeuvre to establish the best quality sales in the sector. Because of the need to explain them, high-quality solutions and their benefits can frequently only be sold via personal selling.

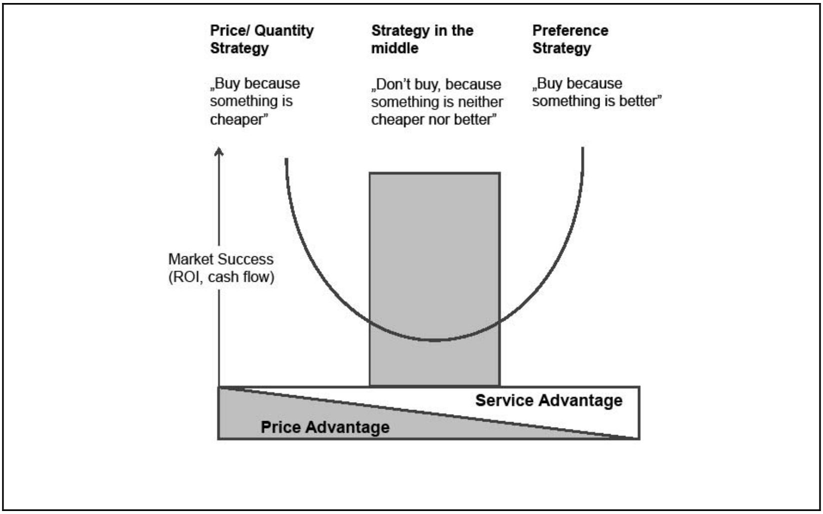

Figure 10: Price/Quantity and Preference strategies
(Source: Kuss/Tomczak 2002, p. 181, Müller-Stewens/Lechner 2001, p. 204)

In this case companies should stress the benefits during negotiations to distinguish themselves from the competition.

For the sake of completeness it should be mentioned that strategy experts warn against the "*stuck in the middle"* position. Very few companies are able to successfully pursue this strategy, e.g. as part of an *outpacing-strategy* (Gilbert/Strebel 1987). In this case customers are generally convinced by the price, e.g. at *Aldi*, or the quality, e.g. at *dm* *drogeriemarkt,* although the companies named often have clear and proven advantages in the other regard.

Strategy field: This refers to the decision regarding which market segments to develop. We regard this subject as being so significant with regard to sales and customer management that we will deal with it separately in the next chapter.

Market segmentation as the foundation of marketing strategy

In the majority of markets, undifferentiated marketing for all the possible target groups is no longer advisable. Today's competitive environment generally forces companies to concentrate on specific market segments in a differentiated and targeted fashion. The following statement from P. Kotler (2002, p. 278) serves as an example:

> *"A company is unable to satisfy all the customers in a large and diverse market [...]. The customers are too numerous and too different with regard to their purchasing requirements. A company must identify those market segments which it can successfully develop."*

The goals of market segmentation:

- The customers within specific market segments receive better satisfaction from services for their special requirements than from a general approach.
- Distribution, sales, sales promotion and segment-specific advertising become more efficient when they focus on specific segments.
- Reduce competitive pressure by lowering the number of competitors in the market.
- More precisely specified targets for sales and marketing allow the segments to be better analysed.

The criteria for segmenting markets and customers are described in every marketing text (Kotler et. al 2007, p. 479, Meffert, p. 183ff). The following criteria lend themselves to consumer goods markets (Kuss/Tomczak 2002, p. 65):

- *Demographic and geographic criteria* (e.g. age, gender, marital status and family size, residential region, city or rural population)
- *Economic and social status* (e.g. income, job, social level, education)
- *Purchasing behaviour* (e.g. purchasing frequency, retail outlet selection, brand loyalty, type of purchasing decision process)
- *Product usage* (e.g. purpose of the product, type of considered product features, importance of the observed product features)
- *Personality and lifestyle* (e.g. enthusiasm for innovation, consumption orientation, pursuit of security)

The following have been identified as segmentation criteria for companies in business-to-business markets (Kuss/Tomczak 2002, p. 66):

- External customer characteristics (e.g. sector, company size, region)
- Characteristics of goods and services for the customer (e.g. applied technologies, current suppliers, skills, know-how)
- Characteristics of the customer's purchasing decision process (e.g. purchasing organisation, power structures, purchasing principles, decision-making criteria)
- Situational criteria (e.g. urgency of the requirement, order size)
- Personal characteristics of the parties involved in the purchasing decision process (e.g. willingness to take a risk / pursuit of security, commercial versus technical orientation, cognitive style)

Easily determined criteria should be combined to create homogenous, economically viable market segments which are easy to address and whose requirements correspond to the company's competences. Successful market segmentation enables the company answer as many as possible of the following questions positively:

- Are the selected segmentation criteria truly relevant to the purchasing behaviour with regard to our products and services?
- Are the requirements within the identified segments as homogenous as possible and as heterogeneous to each other as possible?
- Are the identified segments profitable and can they by developed economically?
- Are the segments reachable and accessible via marketing tools and techniques?
- Do the market segment requirements correspond to the company's goals and competences?
- Are the market segments stable over the medium to long term?

Today many experts preach a no-go approach to customised individual solutions and strategies. In our opinion, this harbours considerable dangers as from the customer's viewpoint the more exactly their needs are met, the better.

From the company's standpoint however, it is much more efficient and effective to cultivate as many customers as possible with the same products and services at attractive prices.

The rule here is: the more general, the better. The market should only be developed in a structured and targeted fashion if (as mentioned above) companies differentiate themselves and thus prevail against the competition. Therefore market segmentation is always a balance between the customer's desire for individual solutions and the step-by-step realisation by suppliers, in which they remain as general as possible and only become as customised as currently necessary (Belz 1999, p. 125).

Analyses of current and future customer requirements, the company's own competences in products and services as well as competitor positions (Kuss/Tomczak 2004, p. 78) form the basis for this type of market segmentation. Sales should be involved although we regard this as marketing's task. A market research institute cannot deliver specific information on competitor operations, prices and conditions and customer decision-making processes. This information is also only rarely found in generally available databases. Therefore sales should be deliberately used as a market research instrument and information broker from the information collection stage onward.

For sales, the market segmentations and the product sales volumes provided here serve as the initial scenario for formulating the sales strategy. Sales has the task of realising the planned earnings in target market segments. As part of the sales strategy, clear responsibilities are assigned to sales employees. The breadth of those responsibilities ranges from defining targets for specific customer groups with corresponding capacity allocations to forming segment-specific sales teams.

Specific models for successful market segmentation are derived from our *Excellence in Sales* study. They are shown in the illustration below (cf. Figure 11).

The majority of those companies surveyed currently segment their markets (87 %). The preferred criteria for market segmentation are regions (69 %), customer requirements (56 %), products (53 %) and sectors (41 %). However, comparing high performers to low performers reveals that the best concentrate more strongly on customer requirements: 67 % compared to 40 % amongst low performers. The remaining criteria show smaller percentage differences Customer requirements are the central aspect of professional segmentation. In practice, we frequently encounter companies that segment their markets by sectors. However customers in different sectors do not automatically have different requirements. This must be analysed in each case.

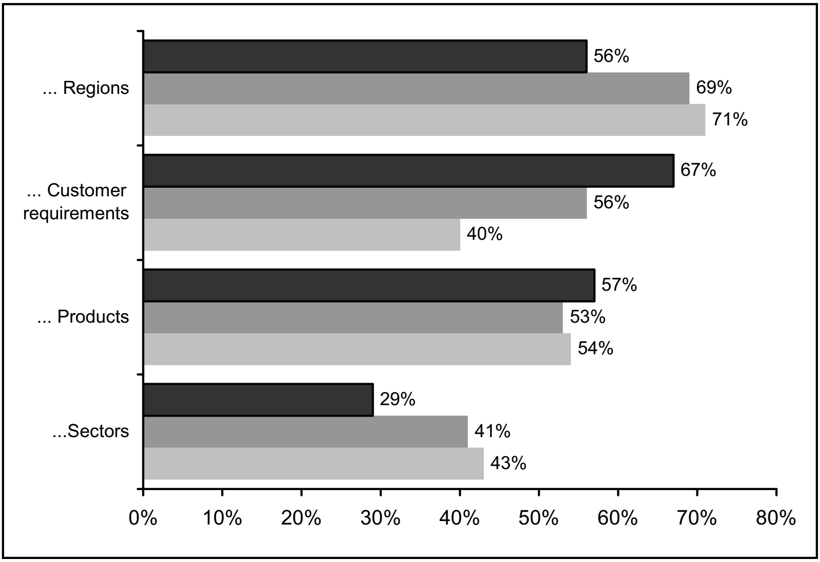

Figure 11: Successful market segmentation
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

In the practical example below taken from the construction supply industry, one can clearly identify how many different fields of work or business models in the different vertical levels of the market (cf. Figure 12) there are.

Each requirements segment has different requirements for suppliers which do not always consist of different products. They are often only delivery rhythms or conditions. As part of the sales strategy a decision must then be made as to which segments are to be developed and with what intensity.

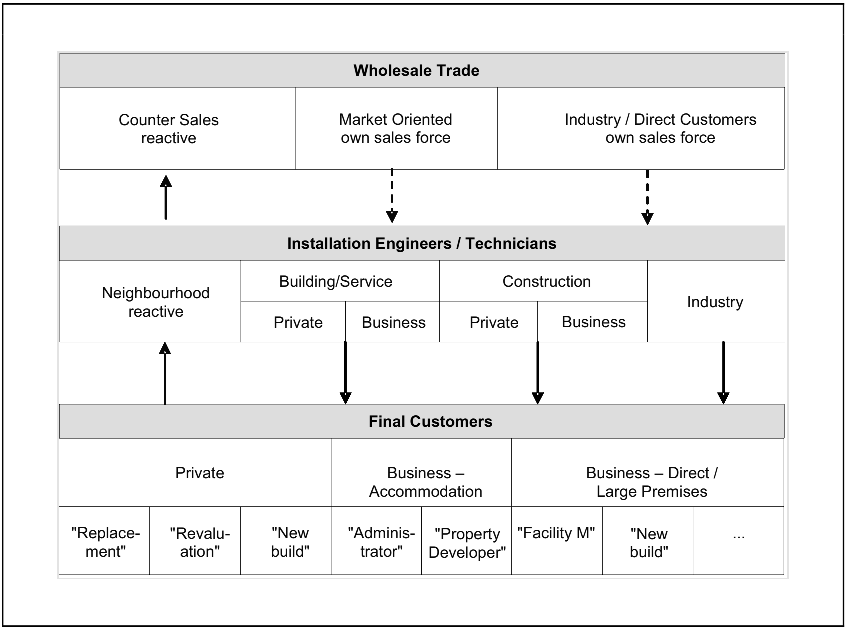

Figure 12: Practical example of a requirements-oriented market segmentation in multi-stage sales
(Source: Mercuri International)

As such the *SAP* software company in Walldorf segments the market according to customer requirements for corporate software, offering different products and services for each market segment. The market segments are developed via different sales employees and marketing measures. The following is an overview of the segments and solutions:

Practical example: Market segmentation at SAP AG

- *Financial Service & Service Provider*: SAP Banking, SAP Insurance, SAP Service Provider.
- *Discrete Manufacturing:* SAP Aerospace & Defense, SAP Automotive, SAP Engineering & Construction, SAP High Tech.
- *Process Industries:* SAP Chemicals, SAP Mill Products, SAP Oil & Gas, SAP Pharmaceuticals.
- *Public Services:* SAP Healthcare, SAP Higher Education & Research, SAP Public Sector.
- *Fast Moving Consumer Goods:* SAP Consumer Products, SAP Retail.
- *Utilities & Communication:* SAP Media, SAP Telecommunications, SAP Utilities.

Marketing and sales cooperation in strategy development

Studies show that marketing and sales are among the most important internal interfaces (Zupancic 2007). The significance of marketing and sales cooperation is unsurprising as personal selling has always played a major role for marketing, above all in business-to-business (Elfroth/Neckermann/Zupancic 2006, p. 33). Some companies merge both departments into a single organisational unit to ensure the closest possible cooperation. However, marketing in companies is frequently reduced to communications and therefore does not conform to the modern understanding of marketing as a management philosophy for the entire company (Kuss/Tomczak 2002, p. 2). Sales is normally significantly more dominant in such companies and is normally associated with a focus on operational topics and a lack of a strategic perspective.

Thus, in practice the level of cooperation between marketing and sales is highly heterogeneous (variable) and it is therefore difficult to provide general recommendations. However in our experience, forms of cooperation rich in conflict tend to predominate over harmonious forms. One reason may lie in the different approaches to job responsibilities, as identified in an earlier study (cf. Figure 13). Sales and marketing managers were asked for their opinion on the responsibility of the sales department with regard to specific topics. It became clear that sales and marketing are generally focused on different issues. This makes conflicts inevitable.

Other typical challenges for sales and marketing cooperation (Dannenberg 2001, p.37f.) are:

- *Old vs. young:* The average age often speaks volumes. Two generations frequently populate the two departments. Their ideals and language are different.
- *Experience vs. dynamics:* The average period of employment in sales is more than 10 years, in marketing two or three years. Marketing positions are often only a career stepping-stone, whereas sales personnel often have significantly fewer career options.
- *Communications and personal appearance vs. ideas and analysis*: The respective working groups differ considerably.
- *Practice vs. education:* Most salespeople have came to sales via an indirect route and have practical vocational training. Almost without exception product managers possess a university education and almost no practical experience in other professions.
- *Sales volume responsibility vs. budget sovereignty:* Some have to take the risks in the field while others decide upon the choice of weapon.
- *Outside vs. inside:* The distance between locations also causes disassociation. Many employees barely know each other.

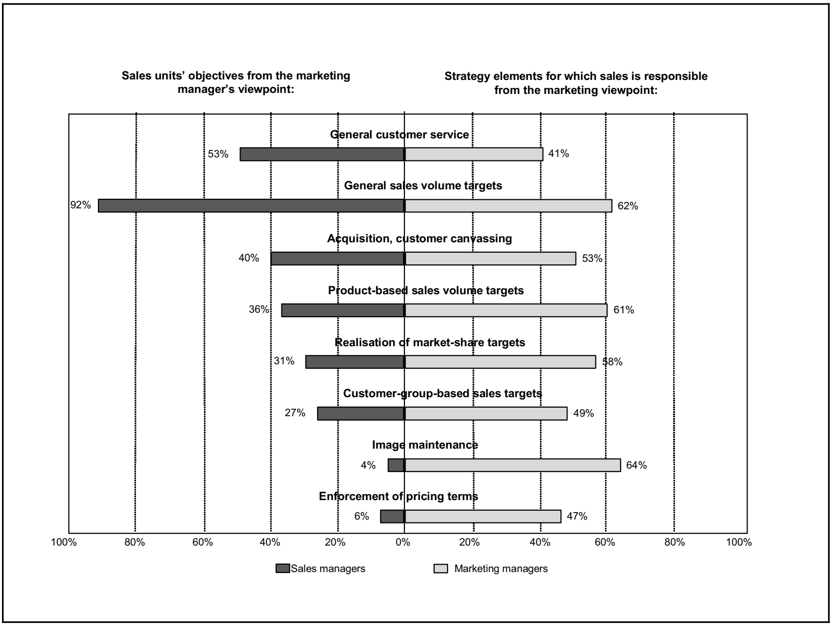

Figure 13: Goals and responsibilities from the marketing and sales viewpoints (Source: Dannenberg 2001, p. 37)

The list can probably be extended. Of course, such discrepancies are not only the order of the day between sales and marketing: there are fundamental challenges facing companies when coordinating interfaces between many functions.

Various barriers-in-general hinder cooperation between different functions. *Griffin* and *Hauser* (1996, p. 195-198) identified typical barriers to successful internal communication and cooperation.

These are explained below. In each case we add our recommendations and their corresponding relevance for marketing and sales cooperation in general, and for the implementation of marketing and sales strategies specifically.

Distance between locations: Physical proximity makes cooperation easier. In recent years it has been claimed that new communication technologies will be able to bridge the distance between locations. However in our experience these barriers can only be offset to a certain extent through the utilisation of information and communication media. We recommend that marketing and sales employees work as closely together as is physically possible, wherever feasible. This is not only a major advantage for the development of joint and coordinated strategies, but also for the running of the business.

Thinking in different wayss: Employees from different functional areas within a company also frequently differ in that they think in different ways. This includes, for instance, differences of approach (e.g. customers, financial data, products), vocabulary (e.g. specialist terms), personalities (e.g. analytical or relationship-oriented), time horizons (short term or long term), and level of education (e.g. academic, trade).

These different positions not only make effective communication difficult but also hinder the readiness to open up to the other group. Although the differences between marketing and sales are normally less pronounced than, for instance, those between sales and research & development, they do have an effect. We recommend openly discussing this problem. This can be done during workshops, for instance. Regular teamwork with shared goals is also helpful: it enables both sides to better understand and value their different ways of thinking. A supposed disadvantage may then prove to be an advantage.

Organisation: Interfaces exist because of the division of labour. Company structure defines the interfaces between departments as part of the organisational structure. Organisational barriers also arise through different priorities regarding the fulfilment of tasks and responsibilities, i.e. as part of the structuring of operations. We recommend harmonising marketing and sales goals. The old adage “only what is measured will be made” also applies here. The desired effect will only be achieved when these measured variables are jointly pursued. Furthermore, we recommend a process orientation in which marketing and sales tasks are clearly described. This allows, for instance, strategy development to be mapped as a process that incorporates both marketing and sales viewpoints.

Time availability: This arises in a highly dynamic environment. Employees and managers have more tasks and therefore less time for each. As someone with practical experience says: "In every meeting there is too much on the agenda and insufficient time for individual items. This means that the wrong priorities are set and the crucial depth is missing in discussions" (Zupancic 2007). The fact that individual employees have to handle more tasks cannot be ignored. We recommend clear prioritisation. If the interrelationship between marketing and sales strategies is left to chance or has a low priority then it will come as no surprise that the detailed delivery has not been coordinated. This issue is a priority.

Human perspectives: Typical statements from a survey (Zupancic 2007) confirm the significance of human perspectives: "It's only human. An interface cannot function if the relevant persons cannot speak to one another." "Inter-personal issues cannot be solved organisationally." "If the chemistry between people is not good, the interface does not function." We also summarise mutual prejudice under this point, as listed in the illustration below.

Communication is also the key here. We recommend an informal approach to institutionalisation. Joint breaks and events often work wonders, alongside formal workshops and meetings.

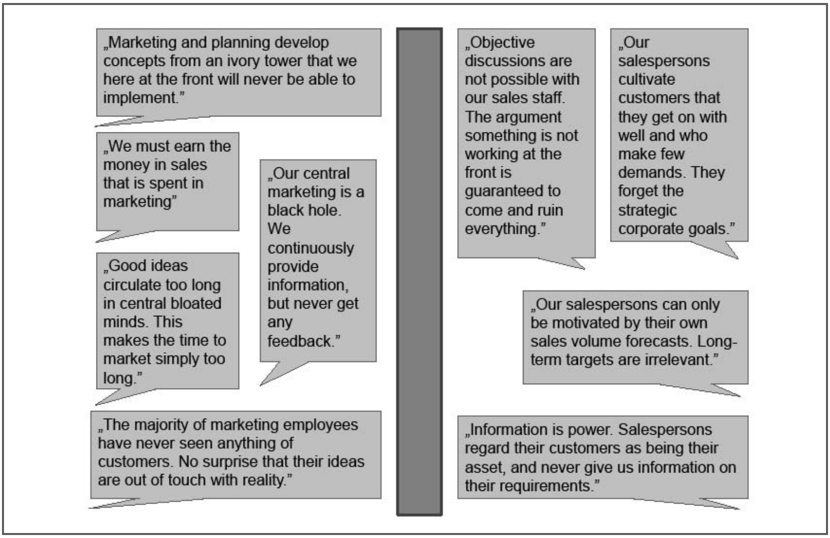

Figure 14: Prejudices between sales and marketing
(Source: Klumpp 2001, p. 1)

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- …should develop an explicit sales strategy and an explicit marketing strategy.
- … should describe the positioning strategy and the core task profile in their marketing strategy. The contents of the sales strategy are described in the next chapter.
- … should incorporate information from sales in the formulation of the marketing strategy.

- … should produce the marketing strategy together with, or with the support of, sales.
- … should turn the interface between marketing and sales into a ‘collaborative crossroad’ – helped by location proximity, open communication, clearly defined processes, joint workshops, events, etc.

5. Development of successful sales strategies

Even detailed corporate or marketing strategies often fail to provide information on how the sales department is to achieve the market positions envisaged in the strategy. The company trusts that sales knows its targets and will know what it has to do. Today many sales teams still tend to work intuitively rather than strategically (Holzheu 1996, p. 141). Working practices from the past simply continue with little or no precise planning or direction..

However, the better the path to the customer – and therefore to sales revenues - is defined, and coordinated with the marketing strategy, the more quickly excellence in sales and customer management can be achieved (Belz/Bussmann 2002, p. 93, p. 251). However, many salespeople still believe that strategies are something for theorists and that plans are never useful. Some comments from our projects support this point:

"Much too much bureaucracy – we should spend our time with the actual selling."

"I spend more time at my desk and filling out forms than I do with the customer."

"Paper is patient. Reality is different, and in sales the only point is to have the "right knack" for dealing with customers."

We could easily continue the list. These statements remind us of the story of the man who was overexerting himself in the forest by chopping down trees with a blunt axe. In response to the remark that he would make his work much easier if he were to sharpen the axe, he only replied: "No time, I have to chop down trees."

We argue for professional sales and customer management, and therefore clearly for a certain amount of strategic, organised planning. We can also support our recommendation through the study findings and experiences gained from working with different

H. Dannenberg, D. Zupancic, *Excellence in Sales*,
DOI 10.1007/978-3-8349-8782-2_5, © Gabler | GWV Fachverlage GmbH, Wiesbaden 2009

companies. The findings from these studies may be summarised as: intuition is important, but it should be supplemented by sound planning. Our formula for success is:

Sales Success = Strategic Planning + Intuition and Creativity

Core questions in this chapter

- What belongs in a sales strategy? (what should it consist of?)
- How are the various elements of a sales strategy connected to each other?
- How does one develop a sales strategy?

Contents of a sales strategy

The following provides an initial overview of the elements of a professional sales strategy. The point here is to explain the whole. We will cover the most important elements and explore the detail in subsequent chapters.

We define sales strategy as follows:

A sales strategy specifies the targets that are to be achieved and with which customer groups and customers (within the market segments). It identifies which resources are required and in which quantity and quality; specifies goals and objectives; and defines the required organisational conditions

The company's marketing targets are the starting point for any sales strategy. As a first step the target customers are specified, as are the working and sales processes needed to achieve the targets. How these sales processes are to be carried out must then be decided. How is the sales department to be organised and controlled? Which supporting measures are necessary and which skills and capabilities are demanded of managers and salespeople?

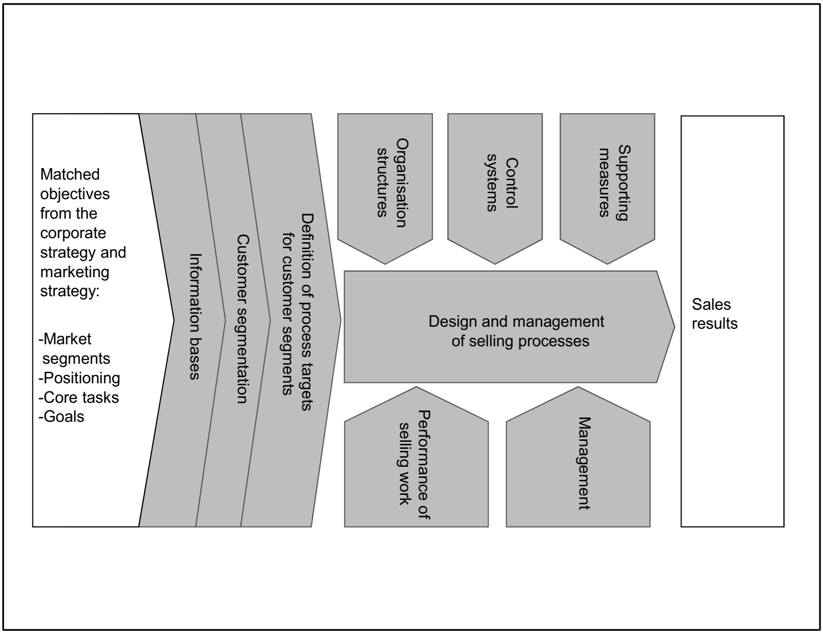

Figure 15: Elements of a sales strategy
(Source: Mercuri International)

The *Excellence in Sales* survey also clearly shows that a precisely defined sales strategy is one of the contributors to sales success. Nearly all the top performers (85 %) have a clearly defined sales strategy whereas around only half of the low performers (54 %) strategically plan their path to the achievement of their goals.

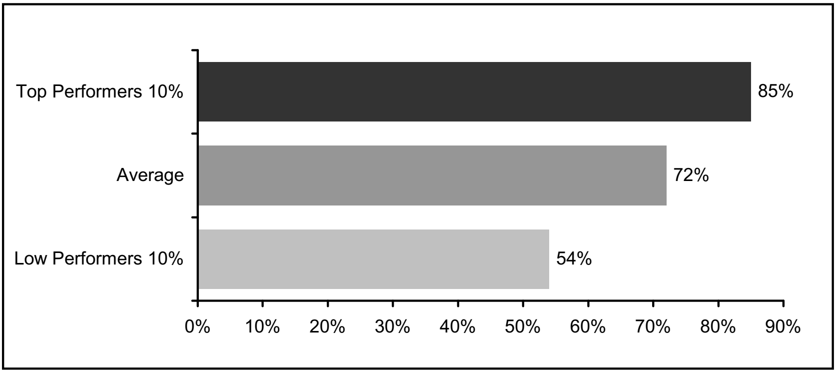

Figure 16: Definition of the sales strategy
(Source: Study on Excellence in Sales, n = 747, top box agreements)

Individual elements of the sales strategy, shaded grey in Figure 15, are described in more detail below. The objectives from the corporate and marketing strategies should be addressed from a sales perspective, although the sales information, competences and resources, as described above, must have already been planned and be in place. The word "objectives" should be stressed. We even recommend directly coordinating objectives with sales.

Information bases: Much of the information required for the sales strategy that has already been gathered during the course of developing the corporate and marketing strategies should be made available to sales, with attention to additional, sales-relevant aspects. Customer, competitor and own company dimensions should be included.

Customer segmentation: A market segment comprises of numerous customers with similar needs. Nonetheless, customers within a market segment do differ, and often have different levels of importance for a supplier. It is therefore recommended that one cultivates those customers with the same expenditure and approach. They possess different sales potential and buying likelihoods. It is generally advisable to also segment the customers within a market segment according to their significance, and then to break down the sales volume planned for the market segment into individual customer segments or even customers (Meffert 2005, p. 214).

Definition of process targets for customer segments: While marketing strategy defines the targets for the entire company and individual market segments, sales strategy should be set at the customer segment level. The target categories are the same as were already mentioned for marketing. Financial targets are relevant as they are included in the overall company targets.

In addition, the sales team must plan whether and to what extent existing or new customers are to be used to achieve the growth and profit targets. The references to the core tasks for the marketing strategy need to be taken into account here. The level of detail for the sales strategy should exceed that of the marketing strategy. Whilst the targets for the four core tasks, for instance, are defined at the marketing strategy level, the sales strategy should further distinguish whether the position is to be maintained or expanded in the customer retention core task. This is the only way to create a planned and customer potential-oriented procedure which efficiently deploys the available sales resource. It is a given that these targets then have to be planned in close coordination with the marketing targets.

Design and management of Sales processes: After specifying the sales process targets, the next task should be to define the specific activities involved. At the very least a check must be carried out to determine which activities are necessary in order to achieve the sales process targets.

These include:

- Process sequence.
- The arrangement of the individual work steps.
- Assumptions on the productivity of the processes. And above all
- Capacity planning.

As with every other work process it is essential to ensure that sufficient resources exist to implement the planned sales processes (Müller-Stewens 2004, p. 61).

Organisation and communication structures: The next step in formulating a strategy is to decide on competences and responsibilities.

- How is the sales work organised?
- Who assumes which tasks in the process?
- Who is responsible for which market segments?
- To what extent is team work appropriate?
- What expertise is needed from other company departments?
- Which communication structures and information are required so that the work processes in sales run smoothly?
- Who informs whom using which media?

Steering systems: Up to this point we have concerned ourselves with planning. Assumptions have been made on which way customers react, targets have been formulated and activity plans produced. All of these assumptions naturally contain a high level of insecurity and require a complex interplay from all of the parties involved. Therefore the actual execution of the process should be observed very closely in order to identify any deviations from the planned procedure and target achievement. This is the only way that corrections can be made promptly or the overall strategy revised, if necessary (Kuss/Tomczak 2004, p. 278).

Steering systems therefore have two functions. Firstly, they describe when and how the information concerning the workflow in the sales process is acquired and analysed in order to accurately measure the sales work procedure. Secondly, they specify the tools and techniques that will ensure sales employees actually implement the planned procedure.

Supporting measures: What supporting measures, such as attending trade fairs, events, brochures, PR or mailing campaigns, are required to support sales processes, for Sales? How are these scheduled? How well have the contents been coordinated in order to support sales? Where a classical marketing department exists this is one of the most important operational interfaces between marketing and sales.

Managers: we regard sales managers as playing an active leadership role. They should manage and not simply monitor the achievement of the sales figures. This makes demands on the breadth of their control, on their role as coach and on their management style.

Sales performance: The demands on salespeople have increased in recent years and continue to do so. Successful sales work requires the development of specific competences. Furthermore, sales should be able to adapt its behaviour to different situations, whenever possible.

These are all important elements of a sales strategy without which excellence in sales and customer management is impossible. We will explain this in greater detail in later chapters.

Development of a sales strategy

Sales managers are responsible for producing a sales strategy. The interface to marketing has already been explained. Other functions should also be involved if this is appropriate for coordinating different strategic programmes within a company (Briody 2007, p. 36). For instance, this often results in an interface to the research and development department as new products and services have a considerable effect on the sales strategy and the strategy must address this at an early stage. Other interfaces arise from companies' increasing endeavours to offer different services from a single source. The more a company positions itself as a solution provider, the more extensive the sales-relevant interfaces will become. Solutions generally require cooperation with logistics, IT, services and production. The example of a Procter & Gamble customer team in the illustration below highlights this. Cooperation is essential if these functions, represented by employees from the corresponding department, are to work together successfully.

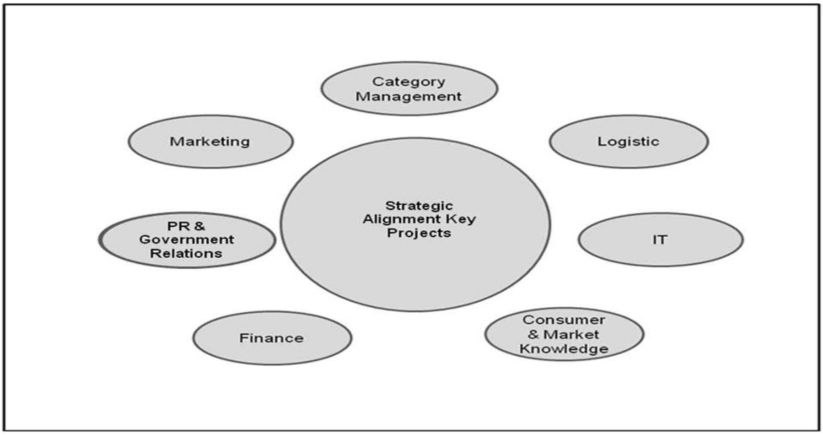

Figure 17: Cross-functional customer teams
(Source: Ney 2002, p. 8)

For sales itself the customer requirements, the pattern of decisions as well as competitors are the central reference points for the strategy (cf. following chapter). Local sales personnel generally have the most detailed knowledge regarding the sales potential of particular customers and their working and decision-making structures. Frequently though, they are unable to adequately structure and use this knowledge to develop good strategies. Prior to working on the strategy, therefore, the experience of the relevant salespeople should be systematically recorded and evaluated. Our experience shows that this is best done in small project groups led by a manager or even an external consultant. The following are typical questions which act as the basis for formulating a sales strategy:

- In which phases do the decision-making processes of the individual customers and customer segments take place?
- Which customer functions are involved in which phases?

- Which decision-making criteria are given priority in the individual phases?
- How do individual customers and customer segments perceive the company itself?
- Why do customers in individual segments purchase from us and not from the competition, and vice versa?
- What are the trends in the individual customer segments? Where is potential growing, where is it stagnating, where is it shrinking?
- How are our competitors' sales teams organised and who has which tasks in customer service?
- How differently (e.g. with regard to salespersons, activity structures, offers, arguments) are individual customers and customer segments developed?
- We will cover this in greater detail in the next chapter, "Sales Strategy Information Bases".

The responsible managers or consultants then evaluate this information base. In those cases where the finished strategy envisages procedures different from those in the past, i.e. more or different work is demanded from salespeople, then the salespeople should be able to see that their experiences and know-how have been incorporated into the strategy. This is the only way to create adequate acceptance of and motivation to implement the sales strategy and also avoid strategies that are removed from reality.

Implementation of the sales strategy

The production and implementation of the sales strategy must be regarded in context in order to achieve excellence in sales and customer management. The illustration below shows potential earnings that may be achieved by the combination of successful or failed implementation, on the one hand, and appropriate or inappropriate approaches, on the other hand.

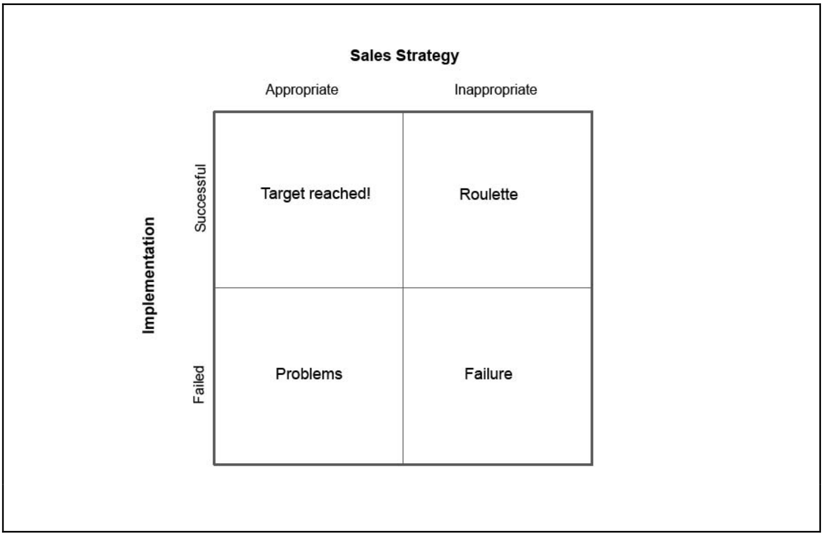

Figure 18: Correlation of implementation and sales strategy
(Source: Own illustration on the basis of Bonoma 1985, p. 12)

The two boxes “Target reached!” and “Failure” are less profitable, as the associated procedure clearly results in success or failure within the company. In the case of an appropriate and successfully implemented sales strategy the company has done everything to reach its target. If, on the other hand, the strategy is inappropriate and the implementation weak, then failure is likely (Bonoma 1984, p. 71). In contrast, the other two boxes “Roulette” and “Problems” provide interesting insights. The significance of the implementation to the strategy becomes clear here. The probability of a failed implementation is normally greater than that of an inappropriate concept because “whilst lack of implementation skills cause problems in practically every case, it is quite possible that good implementation skills are able to compensate for the insufficiencies of an inappropriate conception” (Hilker 1993, p. 12). The “Problems” box highlights this.

Fundamentally appropriate and practical conceptions that failed due to implementation problems are frequently revised and then confronted with the same inadequate implementation structure (Bonoma 1985, p. 13). In practice the causes for the failure of strategies are frequently sought in the strategies themselves and not in the implementation procedure. This frequently fails to deliver an improvement in the implementation but rather creates renewed failures because of the same implementation problems (Hilker 1993, p. 11). “Roulette” is defined by an inappropriate concept but a successful implementation. It is almost impossible to predict the resulting consequences in this case:

“Like the engine on a plane in a nose-dive, the ability to implement a poor strategy may just drive the firm into the ground more quickly. But good implementation may mitigate the effects of inappropriate strategy, too.” (Bonoma 1985, p. 13 f.).

Achieving excellence in sales and customer management, a strategy not only requires the production of the strategy itself, but also its systematic implementation. It is essential that the strategy is communicated directly and indirectly to everyone concerned, and also discussed. All the employees concerned should understand what they have to do and the reasons why as well as in which areas guidelines have to be followed and where situations provide leeway for individual decision-making.

It is surprising how rarely clear, well-formulated strategies are found in practice (Dannenberg 2001, p. 5). Sales team procedures often tend to be determined by market pressure or based on historic structures rather than by a strategy. Procedures in sales have often failed to follow the dynamic behaviour of trends in individual markets. If a strategy exists but has been neither formulated in writing nor communicated then it will be difficult to implement. Sales personnel often have too much leeway in decision-making for managers to be able to ensure the implementation of the strategy by exercising control over the sales activities. Sales employees will only truly focus their activities in line with the strategy once they have understood and accepted it. Written documentation normally produces more precise statements on what is required, but in the final analysis it is crucial that a strategy is explained and justified. Sales employees will only adopt a strategy and implement it when they understand why they need to develop specific activities and when their worries and concerns are addressed.

This is also reflected in the survey results of the global *Excellence in Sales* study. Successful companies document their sales strategy far more frequently and discuss it with the employees concerned.

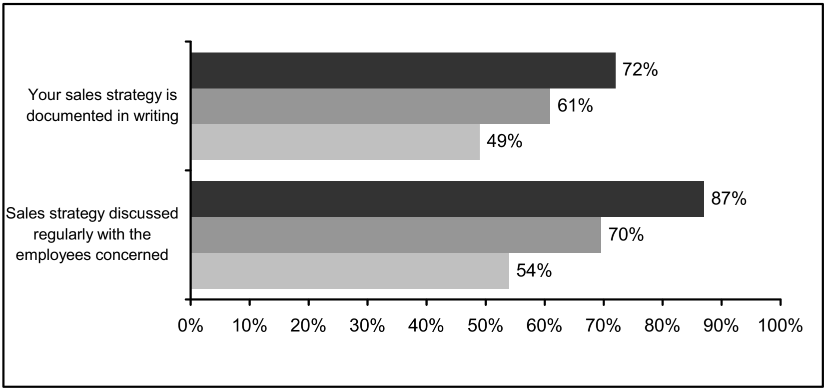

Figure 19: Formulation and discussion of the sales strategy
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

This is also confirmed by earlier studies. These also identified serious deficits in the understanding and extent of implementation of market development strategies (Dannenberg 2001, p. 6).

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- …should formulate a sales strategy that describes the sales processes and activities to achieve the financial and positioning targets formulated in the corporate and marketing strategies along with the fundamental organisation and structure of sales.
- …should explicitly incorporate employee knowledge into the development of the strategy.
- …should carefully plan and realise the implementation by documenting the sales strategy in writing, communicating it and discussing it with the people concerned.

6. Sales strategy information base

Every professional strategy is based on good analysis. The same applies to the sales strategy. The available instruments and tools are similar to those used in the corporate and marketing strategies. The corporate strategy specifies the customers and competitors as part of the definition of the relevant market. The marketing strategy should already be based upon an analysis of market segments. In the text that follows, therefore, we do not want to repeat information from standard textbooks on analysis for corporate and marketing strategies. A number of established sources already exist for this purpose. We will only explain those instruments and content we regard as being particularly relevant to the sales strategy.

Core questions in this chapter

- Which areas are relevant to the sales strategy analysis?
- What information is important and how is it obtained?
- Which analysis instruments are particularly relevant when developing a sales strategy?
- How can the information be managed and made usable within the company?

Analyse customers, competitors and the company

Based on Backhaus and Voeth (2007, p. 17), the goal of marketing and sales strategies can be expressed as achieving comparative competitive advantage, abbreviated as CCAs, (cf. Figure 15).

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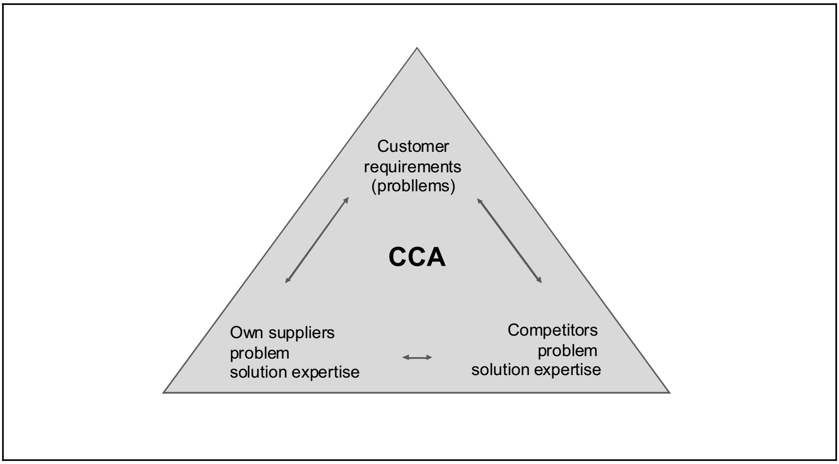

Figure 20: Comparative competitive advantages
(Source: Backhaus/Voeth 2007, p. 17)

CCAs are produced during the efforts to solve customers' problems and meet their needs. This occurs in rivalry with competitors who have similar ambitions. CCAs arise subjectively from the customer's standpoint. The customer decides on which offer they prefer. CCAs should therefore meet the following requirements.

- CCAs must be meaningful: they should be based on topics that customers subjectively feel to be important.
- CCAs must be perceived: customers must subjectively feel that performance benefits in these areas are an advantage. Technical truths and subjective perceptions differ in many instances.
- CCAs must be lasting: The advantages must remain constant for at least a certain amount of time, i.e. they must not be easy to imitate. This durability

should be accompanied by the company being able to learn faster than its competitors.

Information on the customer, competitor and company must be collected and analysed so that the sales strategy can contribute to success in striving for CCAs. This is also made clear in the following quotation by the Chinese philosopher *Sun Tzu*:

"It is said that if you know your enemies and know yourself, you will not be imperilled in a hundred battles.

If you do not know your enemies but you know yourself, you will win one and lose one.

If you know neither your enemies nor yourself, you will be imperilled in every single battle."

The relevant information is described below.

Customer analysis

The first stage focuses on collecting and evaluating the information regarding the relevant customers or customer segments. In principle, sales must understand how the customer is positioned and acts in its own market environment, the macro-environment. This is the only way it can contribute towards making the customer successful or more successful. This requires the following information:

- Economic trends (e.g. forecasts on trends in the sector in which the customers operate)
- Technical trends (e.g. innovations relevant to the customer's business)
- Political and legal trends (e.g. legislative changes)
- Infrastructural trends (e.g. new roads, train tracks, IT networks)
- Social-cultural trends (e.g. societal trends)
- A second stage focuses on the customer's direct environment within its sector: the micro-environment. Important categories here are:

- The customer's customers
- Suppliers (sometimes own competitors)
- Market partners
- Competitors

A third stage focuses on analysing the customers themselves. This is the most important stage for operational sales. In the context of a sales strategy, however, the two previously stated stages are requirements necessary for professionally developing a strategy. This is because only knowledge of the macro- and micro-environments allows medium to long term trends to be anticipated and incorporated in the strategy.

In contrast, the third stage addresses the current state of business relations and includes the following criteria:

- Requirements/problems
- Business potential
- Decision-making persons and structures (e.g. buying centre)
- Corporate strategy, structure and culture

Competitor analysis

It is crucial to have knowledge of competitors in order to identify or establish CCAs. This means the relevant competitors must be identified. They are derived from the definition of the relevant market and can be determined on the basis of various criteria (Meffert 2005, p. 185; Kuss/ Tomczak 2005, p. 78):

- Producers of services and products that equate to the company's own services and products in terms of material, processing, form, technical design and quality.
- Producers of services and products that are characterised by high cross-price elasticity (comment: The cross-price elasticity of the demand indicates how

the change in the product's price affects the demand for a different product. It is therefore an indicator of the connection between products and services and is derived from the customer's purchasing behaviour and price sensitivity).

- Providers of services that incorporate the other providers in a market into their sales planning.
- Providers of services that satisfy the same need or fulfil the same function.
- Producers of services and products that customers subjectively regard as being interchangeable.
- Providers of services that provide the same benefits for customers in a specific usage and consumption situation.
- Producers of services and products identified as substitutable given purchasing and usage behaviours.
- Producers of services and products that are in demand from the same customer types.

This list is based on various academic studies that attempt to delineate the relevant competitive environment in different ways. The different approaches make it clear that this is not a trivial undertaking. Nevertheless, we strongly recommend that companies address this issue. The competitors need to be defined from a customer standpoint and regularly checked for changes such as, for instance, new products and new competitors entering the market or extending their area of operation.

The analysis is performed once the competitors have been systematically defined. In practice we frequently identify significant points that would enable best performance at this point (competitors' products and prices, for example). This information is often relatively unstructured but it should be possible to evaluate the competitors' overall market position. Information includes:

- Corporate information on competitors (organisation, management, employees, cost structure, production, research & development, sales & marketing, service and procurement)

- Product range, products and technology
- Services
- Prices and pricing strategies
- Market position
- Distribution channels
- Communications
- Goals, strategies, behaviour
- Typical behaviour in competition
- etc.

Much of this information can be collected through hard work and meticulousness or with the assistance of an external service provider. However, the competitors' behaviour, in particular, is highly dynamic. The simulation provides a good example of how this type of information can be collected and utilised.

Practical example: Simulation of the competitors' behaviour

One of the leading international manufacturers of consumer goods regularly carries out simulations of competitors in order to develop a feeling for or concrete scenarios for competitor behaviour when launching its own new products. The manufacturer's individual teams are given as much information about a specific competitor as possible. The team members then intensively role-play the assigned competitor. Competitor information similar to that in the list above serves as a briefing. The teams are briefed on the new product or products. Their task is to then react as authentically as possible in their role as a competitor.

This enables the development of fairly realistic competitive scenarios. These are then incorporated into the company's own marketing and sales strategies prior to the actual market launch in order to react proactively.

Analysis of the company situation

We recommend a classical SWOT analysis for analysing the company situation (Kuss/Tomczak 2005, p. 41). SWOT stands for:

Strength: Internal company factors that prove to be an advantage. They indicate the strategies highly likely to be successful.

Weaknesses: Internal company factors that prove to be disadvantageous. They show where the company must make improvements.

Opportunities: External company factors that could be used positively. They should be expressed in such a way as to indicate suitable measures for their use.

Threats: External company factors that could have a negative impact. They should be expressed in such a way as to indicate suitable countermeasures.

The instrument is typically applied to the entire company, but it can also be utilised with a specific (narrower) focus. In this case we recommend an emphasis on sales and customer management. Typical categories for *strengths and weaknesses* are:

- Relationship quality / customer satisfaction
- Competence of the sales team
- Knowledge of the market segments and customers
- Control over distribution channels
- Access to (top) decision makers
- Strength of the business relationship / dependency of key clients
- etc.
- Typical categories for *opportunities and threats* are:
- Quality of the competitors' relationship
- The competition's level of customer retention

- Customers' willingness to change
- Unrealised market potential
- Competitors' cost structures
- Competence of the competitors' sales personnel
- Changes in customer supply management / purchasing behaviour
- New technologies
- New distribution channels
- New suppliers
- etc.

The list can easily be extended. However, the purpose here is simply to illustrate the parameters and possibilities. When using this method strengths and weaknesses should be drawn from the company itself, so that they can be addressed directly. Opportunities and threats, however, are affected by the wider environment and the company can and should consider how to react to these.

Information sources and management

Where does the information come from that is needed for the analysis? We recommend the most comprehensive and creative possible use of all existing sources. We assume here that much of the information is already available within the company. However, it may only available in a decentralised fashion, in documents and in employees' memories and therefore not explicitly available for the sales strategy. The much-quoted statement applies here:

"If our company only knew what it already knows ..."

The following sources are recommended for the analysis:

Internal information sources

- Information systems (accounts department, ERP, data warehouse, etc.)
- Information from the company's own employees (salespeople, call centre, service, management, etc.)
- Information collected on the customer (files, archives, etc.)

External statistics

- Market research data (studies, the company's own surveys, etc.)
- Information from associations
- Federal/Government Statistical Office

Publications

- Specialist publications
- Regional and national press
- Internet

Events

- Trade fairs
- Conferences
- Customer workshops

The next issue is how to efficiently and effectively manage the information. Experience has shown that not all the relevant knowledge can truly be stored in databases or records. Companies should initially be aware that a percentage of the knowledge is always found in the heads of managers and employees. *Hansen, Nohira and Tierney* distinguish between two knowledge-management strategies based on a study among management consultants (1999): The "*codification strategy*" is based on standardised knowledge objects that are widely valid and that can be stored in information systems in a structured way. This includes master data, organisational charts, facts, prices, etc. The "*personalisation strategy*" focuses on strategic knowledge or expertise that can only be passed from person to person, for instance. This includes customer and competitor behaviours from previous negotiations, assessments, sector knowledge, etc. The authors recommend employing both strategies in parallel, but with a single clear focus. We recommend the following steps for the codification strategy:

- Manual storage of documents in files: Press releases, customer company brochures, articles, personal information on individuals within customers' companies should be stored manually. Private, personal information is only allowed to be stored in this way (Müller/Zupancic 2003).
- Systematic storage of files on the corporate network (e.g. Microsoft Office files) makes sense where the customer database or marketing information system is not adequately developed.
- Electronic storage in the information system MIS (Marketing Information System), CRM (Customer Relationship Management system) and other databases.

Sales teams, regular workshops and meetings, internal coaching or mentor models can also be used to gather additional information from employees for the sales strategy.

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- …should invest adequate time and care in systematic analysis. It is the basis of a solid sales strategy.
- … should be aware that not all analyses that are carried out for corporate and marketing strategies sufficiently take into account sales requirements. They must be supplemented accordingly.
- … should analyse customers, competitors and the company itself.
- … should systematically make the knowledge available that was generated by the analysis. This is assisted by integrating the different types of information that have generated.

7. Customer segmentation

A sales team can only work efficiently and achieve its targets if it knows every customer's potential and the extent to which that potential can be translated into sales revenue. If this is not the case then valuable sales resources are wasted on the *"trial and error method"*. A company's customers should therefore be further subdivided within the specific market segments. Suitable criteria should be determined and combined for the evaluation.

Core questions in this chapter

- What are the goals of customer segmentation?
- Which criteria are suitable for evaluating different customers?
- How can these criteria be combined to pragmatically evaluate customers?

Goals of customer segmentation

Customer segmentation means the division of market segments into customer groups and segments and their development in accordance with their value for the company. This fundamental idea is central to the classical ABC analysis. The illustration below shows an example

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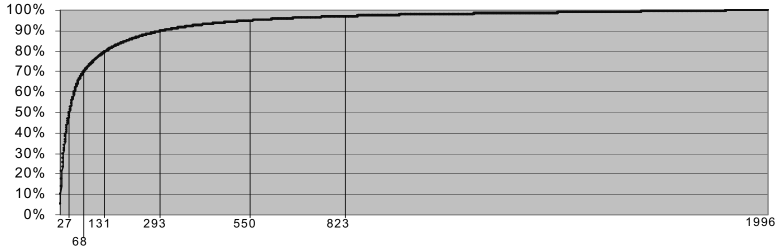

Car quota	50%	70%	80%	90%	95%	97%
Customers in %	1,35 %	3,41 %	6,56 %	14,68%	27,56%	41,23%
Customers absolute	27	68	131	293	550	823

Figure 21: Classical ABC analysis based on the example of a leasing company

The leasing company leases 80 % of its products to 6.65 % of its customers. This is a typical example, which clearly demonstrates that a company generally secures a major part of its sales volume from only a few customers. This means that different customers have a different significance for the company – and the company should therefore develop them accordingly. However, today sales volume is insufficient as the sole indicator. Further criteria must be considered.

The goal of professional customer segmentation consists of segmenting customers so that (Belz 1995, p. 9; Belz 1996, p. 94)

- … the subdivision of market segments into customer segments and the evaluation of these customer segments according to their value for the company is possible,
- … concrete market segment targets can be broken down into individual customer segments,
- … the correct and important customers are developed (e.g. key accounts, potential customers, development customers),
- … customers are developed correctly (e.g. important customers = major effort, unimportant customers = minor effort).

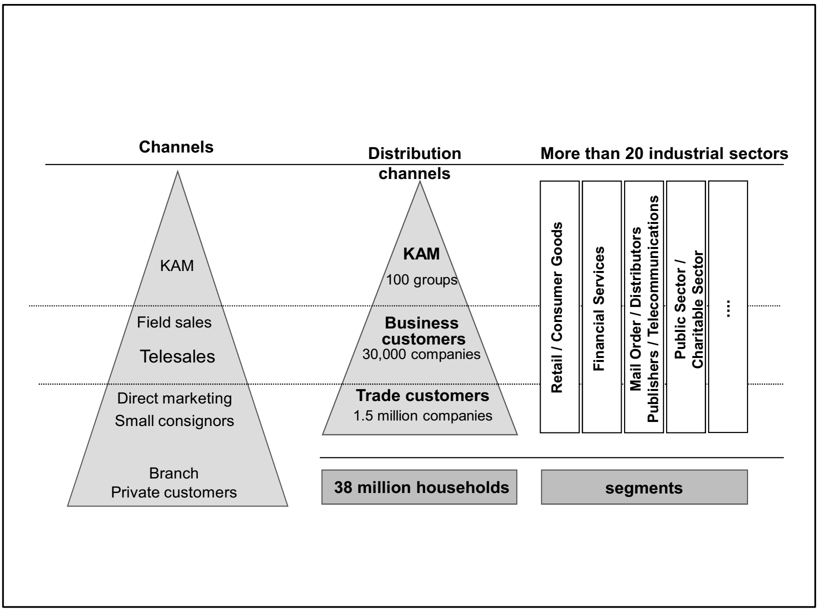

Figure 22: Customer segments and channels of the *Deutsche Post*
(Source: On the basis of Demuth 2005, p. 9 and 13.)

The goal of customer segmentation can be demonstrated using the Deutsche Post (cf. Figure 22) as a practical example. The business-to-business segment is divided into key clients (key accounts), business customers, and small and medium sized business. Additional distinctions are made within the private customer segment. The left hand side shows the different channels used to develop each segment. Although the customers are only roughly segmented in this example, the fundamental principle is clearly illustrated.

As many decisions depend on segmentation, it is important to select the correct criteria and to combine them correctly. These issues are covered below.

Customer data as the basis for segmentation

In addition to the current data from the customer relationship, such as contributions to sales volume or profit, additional information must also be recorded. Information is needed on current and future potential, and on product suitability. The essential information consists of (Belz 1996, p. 106):

Development of the supplier share: This value provides an indication of future exploitation of sales potential if a company is not the sole supplier for a specific product category.

Margins: How good are the profit margins, how attractive are the conditions?

Customer potential: In many instances it will not be possible to discover the customer's precise purchasing volume. Few companies are prepared to display such openness toward their suppliers. Therefore, indicators often have to be employed. These can vary strongly depending on the sector. The dental branch utilises the number of dentist's chairs, for example, and manufacturing companies the number of workers for tradesmen or the number of machines.

Production method, technical orientation: How well does the production method suit the functionality of the supplier's products? (Generally, not all features are equally well suited to the customer's requirements).

Customer's sales markets: A customer's sales markets can also impact its potential. Are markets growing or shrinking?

Role in the sector: Does the customer have a technological- or image-based key function in its sector (the 'alpha leader' principle or 'de facto standard')?

Know-how potential: To what extent is it possible to develop and gather new technical knowledge via this customer?

Customer's market development strategy: What are the requirements of the customer's markets? To what extent can a customer better serve/exploit its markets by using products from a supplier? What new markets does the customer plan to develop?

Procurement process: How do the customer's purchase decision and procurement processes function? To what extent does this process suit the supplier's market development? What influence do associations etc. have? What are the rational and emotional decision-making criteria? How well do they match the product advantages of a supplier?

Order rhythms and order size: How well do the customer's order patterns suit the logistical structure of a supplier? How economical is the supply?

Payment history: How punctually does the customer pay? How high is the risk of default?

Competitors: Which competitors are competing for the customer? Experience shows that some competitors are easier to eliminate than others in certain customer situations.

Attitude toward the supplier: How does the customer regard the supplier? Does a supplier assessment exist, and if yes, how is the supplier classified? What is the personal relationship? Is the supplier regarded as being more a partner or an external contractor?

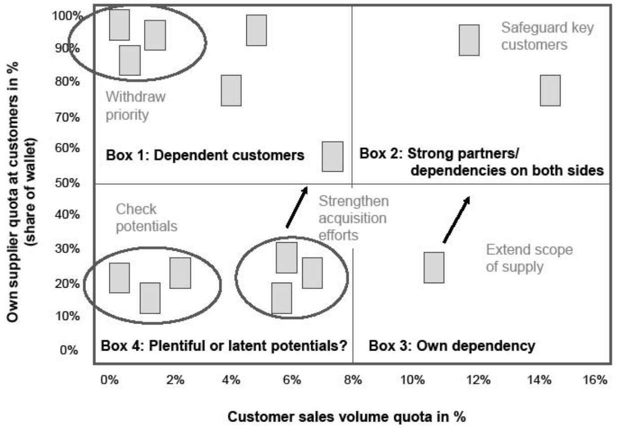

Figure 23: Example of a power portfolio
(Source: Winkelmann 2005, p. 309)

If only two criteria are combined then they can be clearly displayed using portfolio views (for different examples cf. Winkelmann 2005, p. 306ff.). For instance, comparing the sales volume with the customer and the company's own share, the *"share of wallet"*, produces the *"power portfolio"* (cf. Figure 23).

Generic strategies can be derived from the four boxes. Depending upon the position of individual customers this provides an ideal basis for development as can also be seen on the chart. A major advantage of this technique is the simplicity of the illustration and the way in which conclusions are shown. At the same time, it is also important to be aware that a large number of other criteria also play a role and should also be taken into account where appropriate.

These data are then evaluated and combined to measure customer equity value (Belz 2004, p. 10ff; Rust, Zeithaml/Lemon 1999, p. 4).

> *Practical example: Customer segmentation at Haushahn GmbH & Co.*
>
> The elevator manufacturer segments its customers based on an in-depth analysis. The criteria used include:
>
> *Attractiveness*: sales volume (including trends), potential (including trends), price sensitivity, competitor situation, image/opinion leader.
>
> *Opportunities*: relationship quality, product fit, organisational fit, know-how usability.
>
> *Other*: products (norm, clean design etc.), logistics (Kanban, JIT, consignment warehouse etc.), processes (EDI, e-commerce).
>
> Approximately 200 customers pre-selected according to their market position are evaluated against these criteria and then listed in accordance with their value for Haushahn. The higher a company's ranking, the more important it is for Haushahn.

"Scoring models" are highly suitable for the detailed evaluation of the selected criteria. Not every criterion has the same significance. Weightings, e.g. from 1 to 3, can be allocated to differentiate them. Customers are now assessed, for instance, from 1 to 5. A customer that fully fulfils a criterion is awarded a 5, a customer that fulfils a criterion least is given a 1 (appropriate levels are defined ranging from 1 to 5). Multiplying the assessments by their weighting and adding the figures for the individual criteria produces a scored total that allows customers to be ranked. The most important customers can now be developed with higher priority and others given less emphasis.

Today, customer segmentation is a matter of course for the majority of companies. 75 % of the companies in our study said they segment their customers according to their value. However, there are differences between the highest and lowest performers with regard to the criteria that are used. Both groups (76 % and 73 %) use sales volume and margin. However, top performers frequently use additional criteria such as the customer's supply management strategy, the strategic fit or the reputation of the customer in the market. This was also verified in earlier studies (Zupancic/Bussmann 2004, p. 17).

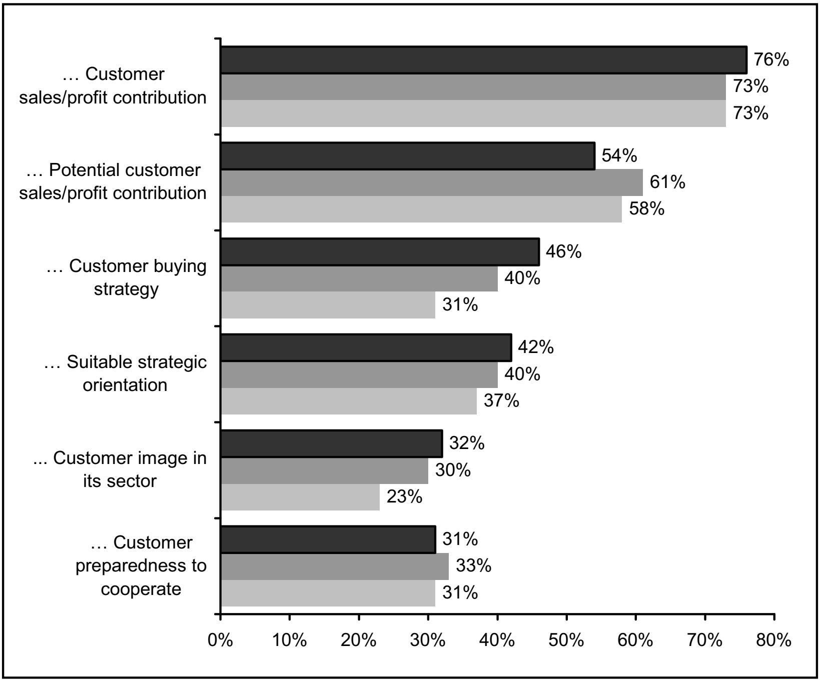

Figure 24: Criteria for calculation of customer value
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Recommended courses of practical action

Companies that want to achieve excellence in sales and customer management…

- …should segment their customers according to their value order to best target their sales resources.
- … should incorporate not only the current sales volume or profit contributions, but also future potentials.
- …should also assess the potential, as only achievable potential is meaningful.

8. Definition of sales process goals for customer segments

After defining the customer segments and prior to designing the sales processes it is important to develop the link between both elements. For this purpose we recommend defining sales process targets.

Sales process targets describe which sales revenues are to be achieved with which sales processes. They are based upon defined customer segments.

In the following chapter we draw a distinction between those sales processes that are applied to existing customers and those that are used to acquire new customers . Sales process targets also therefore address the question of which contribution existing customers should make and how many new customers will contribute to meeting targets.

This decision also determines which sales resources are to be invested in what work. Such a decision is necessary because many Sales processes require a large amount of time (sometimes months). Because of the time limitations it is generally only possible to make limited corrections once the initial sales results become available.

Core questions in this chapter

- What are sales process targets?
- What is the relationship between marketing targets and sales process targets?
- What information is important for formulating the targets?
- What are the various sales process targets?
- How are sales process targets formulated?

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Relationship between marketing targets and sales process targets

In Chapter 4 we recommended defining profit and growth targets. They should be supplemented by non-monetary measurement variables for the purpose of a "*balanced scorecard*". As a rule, all of the target values can be broken down into customer segments and sales processes. However, experience indicates that the practical implementation of such a procedure rapidly reaches it limits. This type of control must not be allowed to become a 'statistical end in itself': rather, statistics should be used to increase the professionalism of sales and customer management. We thus stipulate the following:

Sales process targets should be as specific as possible and based on concrete customer segments and sales processes. Pragmatism has priority over completeness.

In concrete terms, we recommend that the sales or marketing targets and, if possible, the growth targets be broken down into clear customers and processes. A selective approach should be used for non-monetary targets. We only recommend the use of non-monetary variables for quantifying concrete strategic initiatives for agreed individual segments or sales processes.

In the following section we will concentrate on explaining the monetary sales process targets using turnover as an example. Other target values can be handled in a very similar way in the majority of cases.

Basis for the formulation of targets

Firstly, an analysis should be made of how sales earnings were achieved in the past. This is primarily a matter of answering the following questions.

With which customers and customer segments ...
...have we achieved which successes...
... and with what sales processes?

Many companies face major challenges in this area. Although sales volume figures for products and customers are available and the number of new customers acquired in a year can often be determined, the distribution of a product's sales between existing and new customers is often no longer known. Determining the repurchasing quota in general and for specific products or product groups, in particular, is even more difficult.

The repurchasing quota describes the percentage of customers who purchased in the previous year and purchased again in the current year.

With respect to the sales volume, it describes the proportion of the quantity or the sales volume from the previous year that was achieved in the current period with the customers from the previous year. Losses may have to be taken into account, for existing customers. The repurchasing quota value is frequently below 100 %. This means that many companies lose some customers or a least a percentage of the sales volume every year. The reason for this is not necessarily poor sales performance or customer service. Nearly every market displays a tendency towards concentration so that existing customers are taken over by competitors or close down their business. There are customer groups or submarkets that show an overall decline and technological progress also results in volume losses in the market if, for instance, specific products and services are no longer required. In fact new customers must actually be acquired in order to simply maintain the market status quo. The new customers required to realise growth strategies are then added to these. Repurchasing rates of over 100 % can only be achieved in strongly growing markets or with new products.

Specifying concrete sales process targets

The sales process targets divide the overall target sales volume into individual sales processes and customer segments by incorporating a company's product-specific repurchasing rates. There are five fundamental objectives that are then repeated in the processes (Huckemann et al. 2000, p.11):

- Retaining existing sales volume with existing products.

- Expanding existing sales volumes with products already launched by displacing competitors (greater share of wallet).
- Expanding existing sales volumes with products already launched by increasing customer success (support customers so that they sell more thus increasing the demand for the supplier's products).
- Expanding existing sales volume via new products or products that the customer does not yet use (cross selling).
- Sales volume through acquiring new customers.

Table 4 shows an example of how the planned overall sales volume is divided over individual Sales processes. Firstly the existing customers are analysed. What can be realistically achieved with them without resorting to additional measures? This value can be determined with the assistance of the repurchasing quota. However displacing a competitor to increase the share of wallet may also expand the company's position with some of the existing customers. Or customers exist with whom mutual growth can be achieved or whose growth can be supported. Additional sales volumes could be achieved by selling products to existing customers, which they had not previously purchased (c*ross selling*).

The possible difference between the actual and target sales volume can only be eliminated by acquiring new customers. It is impossible to strategically achieve the targets without differentiated division of the overall target.

Table 4: Deriving sales process targets as part of a sales strategy

Example of derivation of Sales process targets	
Target (e.g. for a product group)	110
With existing customers (previous year's sales volume multiplied by the "repurchasing rate")	70
Through "expanding" existing customers by marginalising competitors	15
Through "expanding" existing customers by increasing customer success	5
With products that are new to customers (*cross selling*)	5
New customers	15

In practice we repeatedly observe two typical errors in sales volume planning: either no targets are specified for new and existing customers, or individual customer targets are formulated and added up. The latter case frequently results in unrealistically high total targets. Even if the sales management deducts a safety margin, this has nothing to do with systematic planning. The intuitively deducted safety margin is generally too low and the required new-customer sales volume underestimated. The problem here is that individual-customer targets are planned using different rules than for the overall targets. The point is to formulate a personal target that is both optimistic and challenging, but whose achievement is not certain. Sometimes the target will be achieved, sometimes it will not. This also makes the total of these targets a very unreliable value that is unsuitable for use as the basis for distributing the resources of the sales team.

In those instances in which individual-customer planning is possible, each customer target should be multiplied by a probability factor (e.g. 30 % or 80 %) in order to obtain realistic planning values. The estimated potential for existing and potential customers as well as their achievability form the basis for these probabilities. Thus every company should also include additional potential figures and data on the probability of realising potential, in its customer data. This probability depends on the competitor(s) with which the customer works; and the extent to which customer decision-making criteria suit the product characteristics. Although every good salesperson has some knowledge of this data, they systematically evaluate very few companies. The clarity of customer potential, the company's own positioning with the customer and the formulation of differentiated sales targets forms the core of every sales strategy.

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- … should know how they achieved their sales earnings in the past, and which roles new and existing customers played in this.
- … should have a clear picture of their market and the potential for sales amongst existing and potential customers.
- … should break down their overall sales volume to individual sales processes in order to assure a systematic approach to achieving their targets.
- … should make selective use of additional, non-monetary targets.

9. Designing sales processes

The definition of detailed targets for the retention, expansion or acquisition of new customers is a basic requirement for systematic sales work. These targets must then be used to drive concrete activities that combine to create different sales processes. Because sales personnel can only perform and sales managers can only manage concrete activities.

Most sales personnel have great difficulty designing sales processes,
and this is the Achilles' heel
of each and every sales team.

There is a high risk of not orienting the sales work processes using differentiated targets. Work is generally performed exactly as it was in the past. Working practices are generally changed reactively, i.e. because customers demand it or the market forces the change. Changes are then made predominantly intuitively. This contradicts our view of sales as a discipline that should be professionally planned and managed.

Normally, the majority of the work processes within a company are planned. The input and output are measured and the individual work steps are examined for optimisation potential. There are indicators and benchmarks. However this process is more the exception than the rule in sales. In order to find a remedy, we recommend defined processes in sales, as follows:

Sales processes are structured and controlled sequences of activities from sales and other necessary departments within a company with the aim of achieving defined targets.

H. Dannenberg, D. Zupancic, *Excellence in Sales*,
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Core questions in this chapter

- What role does process orientation play in sales?
- Which sales processes can be differentiated?
- How can these processes be structured?

Process orientation in sales

Sales work can also be portrayed as a type of production process. There is an input and an output. The input consists of customers or prospective customers and the output consists of orders. The difference to other production processes in the company lies in the fact that the processed "components" are not objects but rather customers and the "machines" that process or cultivate them are salespeople or sales teams. The fact that the "components" or customers are not the sole property of a company but rather can be repeatedly addressed and developed by competitors in the course of the production process and are subject to a wide range of environmental influences makes this more difficult. As a result their form and structure changes continuously. Sometimes individual "components" or customers suddenly disappear from the production process because they have decided to remain with a competitor. These factors make sales processes considerably more complex and dynamic than other work processes.

Due to this complexity many companies tend to regard sales and the sales processes as a black box (cf. Figure 25) (Huckemann et al. 2000, p.5). The input and output are known however the processes themselves remain obscure. They are regarded as a masterpiece created by gifted individuals, namely the salespeople. As a consequence the sales processes are not planned and are barely controlled. This creates a comfortable situation for salespeople because it makes them difficult to replace and therefore reinforces their position in the company.

Our practical experience and the results of our study paint a different picture: Obtaining the best possible transparency for sales processes is crucial for a sales team's success. This is the only way to control their activities in the face of all of the unpredictable variables. Sales can only fully exploit its performance potential when sales utilisation is analysed and planned as efficiently as possible.

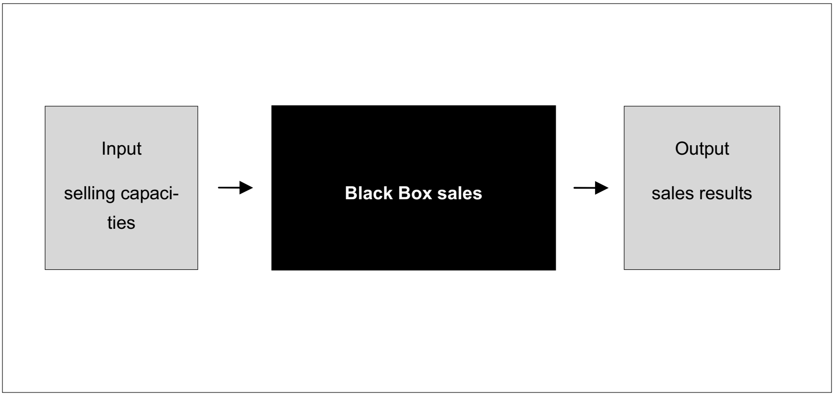

Figure 25: Sales as a black box

A black box is completely unacceptable for a company. The company can only estimate how realistic the target achievement is, if the necessary work processes are transparent.

Important questions in this context are (Huckemann et al. 2000, p.18f):

- Are the available resources and capacities adequate?
- To what extent do the focal points need to be changed in comparison to earlier periods?
- Do the sales tasks have to be (re)distributed between office sales support, the sales force and other departments in the company?
- Which work steps can be automated?

- What additional skills must be developed?

The paths to success will only be identified and can only be multiplied when there is transparency regarding procedures. The need to defining sales as a task for the entire company, grouping resources on a customer basis also requires transparent procedures. This is the only way of realising cross-functional teamwork.

However, in the course of our work as consultants we have repeatedly found that sales teams frequently aim at a target, but seek the path to the target via the “trial and error method”. The teams frequently continue with past procedures out of habit. Only a few salespeople question whether and how they have to change their existing working methods to achieve their targets. Here it once again becomes clear that the top 10 companies work in a considerably more structured manner. Nearly all the companies have analysed and structured their sales processes and therefore follow a pre-defined path to success. This is much less frequent among the less successful companies.

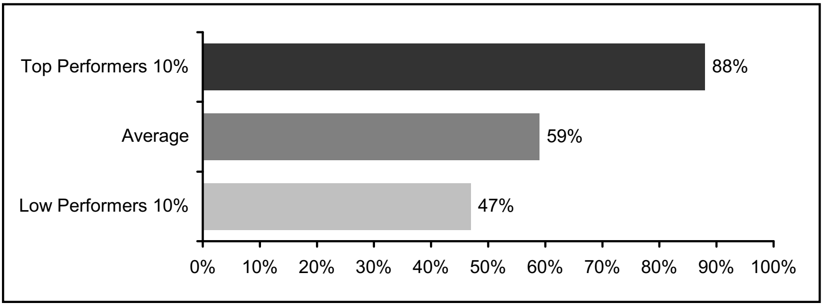

Figure 26: Defined sales processes as a success factor
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

However, the point is not only to divide sales work into different sales processes. These processes must be structured in order to work systematically. Companies should develop a common understanding of the individual activities that belong to a process. In this regard, the top performers once again differ considerably from other companies.

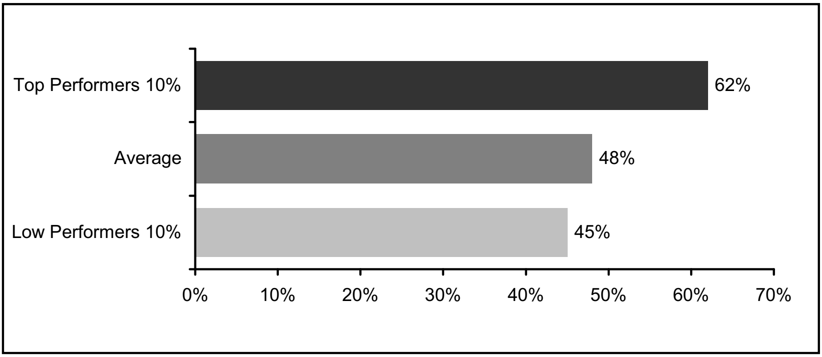

Figure 27: Written description of individual work steps of Sales processes
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Types of sales processes

As a result of our practical work with different companies over many years we have identified five distinct sales processes (Huckemann et al. 2000, p. 15f) as illustrated in Figure 28.

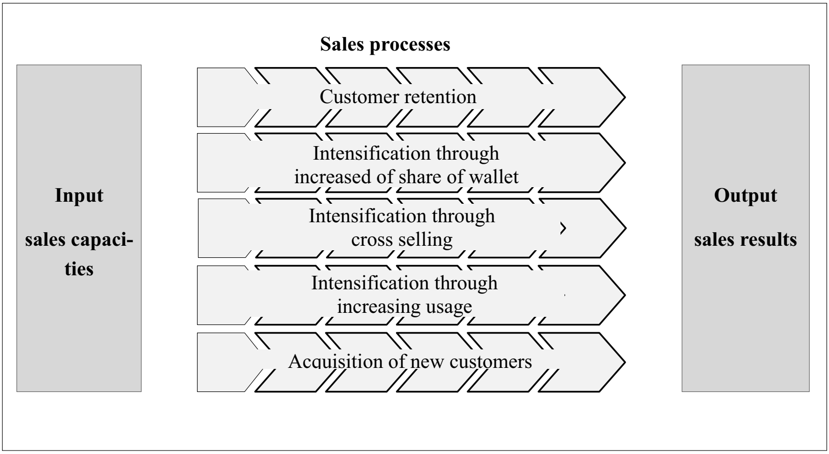

Figure 28: Types of sales processes
(Source: Mercuri International)

Customer retention: All the activities and measures that have the purpose of maintaining the existing business with existing customers at the same level. The systematic combination of measures that bind customers to the company safeguards the existing business. This issue revolves around "how developed customer potential can be utilized" (Kuss/ Tomczak 2002, p. 130.).

Practical example:

Customer retention measures at Bosch:

The illustration below uses *Bosch* as an example. Different measures are combined at different levels.

The measures at the employee level (especially) are centred on the sales process. Other measures also make contributions that have to be coordinated accordingly.

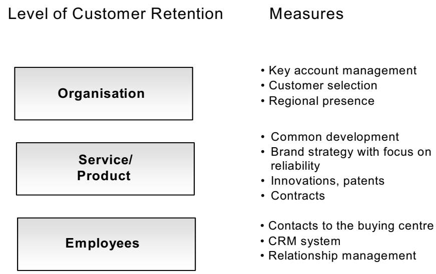

Figure 29: Customer retention measures at *Bosch*

Intensification through increased share of wallet: All the activities and measures designed to expand existing business with existing customers. In theory, this process remains possible as long as the company's own share of wallet is less than 100 %. Whether this is advisable or not depends on the situation with the customer. Some customers want to have several suppliers or long-term contracts with competitors as a matter of principle. Furthermore, this is a form of purely cutthroat competition with consequences that are very difficult to estimate. Other suppliers could attempt to retain their position by using dumping offers. Or the customers could considerably worsen their general position through a reduction in share of wallet (cross selling discounts). On the other hand, this process is relatively simple because it is unnecessary to establish any new personal relationships and the product quality is known and accepted.

Practical example:

Preferred supplier strategy for an industrial products manufacturer

A medium-sized fastening technologies manufacturer would like to increase its share of wallet with its key accounts. It therefore pursues a "preferred supplier strategy". The target for all the key accounts is to achieve the maximum share of wallet assigned to the customer with a minimum of at least 50 %. For this purpose special service agreements are prepared with corresponding long-term commitment clauses and attractive conditions. Sales is specially trained in the arguments (sales case) and given appropriate incentives.

Intensification through cross selling: All activities and measures designed to expand existing business with existing customers by offering and selling additional products and services from the company's own portfolio to those customers.

The advantage here also lies in the potential to leverage existing business relationships and experience. If the customer uses a similar product from another supplier, the same fundamental principle applies as for increasing the share of wallet. The only difference here is that no experience has been gained with the specific product. In this instance the argument of delivery reliability resulting from multiple suppliers can be advantageous. If the customer has not yet used a similar product then the existing business relationship still represents an important strategic advantage. Even if new contacts have to be established within the customer's company it remains possible to obtain recommendations or references from within the company itself.

Practical example:

One-stop financing strategies at MLP

The personal finance business normally requires a highly level of trust. Good personal business relationships are the best prerequisites for success. Within the bounds of and based on one-stop financing concepts, financial service providers such as the German company, MLP, offer customers services for as many of their requirements as possible. MLP focuses on the customer's life phases as is shown in Figure 30.

There are different financial services requirements for life, living, hedging, retirement provision, health and consumption depending on the customer's age and the associated phase of life. The principle is to offer these to the customer based on very different aspects such as wealth, risk, loan, pension and health insurance management. Credible arguments are also necessary in addition to the appropriate specialist competencies which MLP safeguards via training courses. The arguments are professionally developed and made available to the sales employees and consultants. In addition, MLP attempts to establish a high level of expertise among specialised consultants for specific customer segments**.**

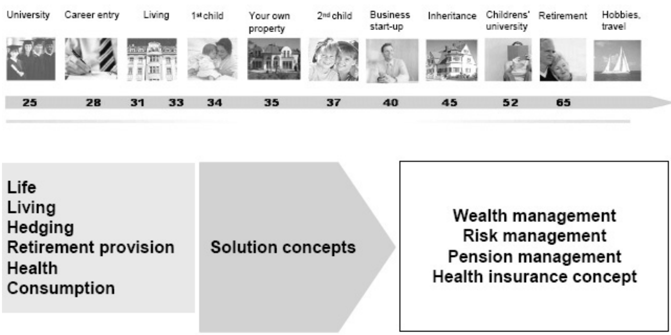

Figure 30: Cross selling at MLP

Intensification through increased usage: All the activities and measures are designed to expand business with existing customers, which increases the customer's replacement demand. This becomes necessary if the customer exhausts their own resources earlier, meaning that they have to be replaced earlier and more frequently. Even if a 100 % share of wallet has been reached and a customer buys all of the products, opportunities will still arise to expand the business. The customer can for example be shown ways of using the product more intensively. This can consist of new fields of application for the product (e.g. increasing digitalisation repeatedly allows new possible uses for chips) or increasing the customer's product sales.

> *Practical example:*
>
> *Efficient Consumer Response (ECR) strategies of consumer goods manufacturers*
>
> The increasing power of retail markets in contrast to the consumer goods manufacturers has caused the manufacturers to become increasingly defensive for some years now. Retail markets primarily exercise pressure on prices. ECR describes a manufacturers' initiative for cooperating with dealers aimed at cost reduction and better satisfying consumer needs. In practice, this approach is always sold as a win-win strategy. In fact, however, we still consider this to be an attempt by manufacturers again to improve their own position and sell more products. In the context of professional *"category management"* tconsumer needs are analysed and strategies developed to sell more products, such as measures in product presentation, sales support, product range and marketing.
>
> Comment: Naturally the ECR concept is considerably more complex than described here. In practice, it also includes IT and logistics, for example, in addition to sales and marketing.

New customer acquisition: All the activities and measures designed to generate new business with new customers. This is the most demanding growth process. There is no existing customer relationship to build upon. The relationship and the persuasion process have to be carried out in parallel. Salespeople generally find this extremely difficult and avoid it in many cases. Nearly every sales team has more *"farmers"* than "*hunters"*, i.e. more sales employees whose strength is customer retention (more on this in

Chapter 11: "Sales structures for customer acquisition and retention"). This makes it more important to properly structure, support and coach this process.

> *Practical example:*
>
> *Hunting initiative in the energy industry*
>
> The energy sector in Germany has undergone great change as a result of liberalisation. Today the market is relatively competitive. Companies compete for customers. Previously the energy companies did not have any sales employees – at least not in the actual sense of the word. However, some companies quickly realised that many of the existing account managers were completely unsuited for customer-oriented business. The ultimate challenge was (and is) the acquisition of new customers. In order to address this challenge some energy suppliers deliberately recruited their salespeople from other sectors. The demanding new customer acquisition competences were considered more important than, for instance, branch competence.

With respect to the core marketing core tasks described in Chapter 4, these processes deal with customer acquisition and retention activities. Of course, sales processes can also be identified for the two core tasks of product/service innovation and maintenance. This means the success of the market launch of new products/services (products/services innovation) depends strongly on the sales department's commitment. The continuing sale of existing products/services or easily enhanced products (product/service maintenance) also depends on support from sales. However, we will not explicitly examine these in greater detail here as both of these core tasks are generally controlled by the product development department.

In the following sections we will explain how the different sales processes can be structured and the individual work steps and process sequences can be developed. We will distinguish between the customer retention process and customer expansion processes. The latter can be described by means of a standardised basic procedure.

Structure of customer retention processes

In practice companies often attempt to ensure customer retention by controlling the salespersons' visit frequency for the individual customer groups or by means of invitations, events or gifts. We are firmly convinced and our results confirm that this is neither systematic nor professional. For instance, customer visits with no real reason tend do be an annoyance rather than a customer retention measure (Tomczak/Dittrich/Reinecke 2002, p. 119). Naturally, the salesperson's gut instinct is also important but it is not a reliable yardstick regarding the quality of a customer relationship. Even customer satisfaction surveys rarely produce reliably measured variables because they are often carried out using poor methods (Elfroth/Neckermann/Zupancic 2005, p. 43f.). In addition, the majority of companies will regularly and painfully learn that even satisfied customers switch to a competitor without warning when they obtain a small additional advantage.

In order to professionally manage customer retention the factors that contribute to it must be defined. Some examples of these are:

Number of contact persons within the customer's company: The more personal contacts, the more multilayered the information and relationships. This can compensate for professional or emotional problems with individual people to a certain extent.

Number of the customer's contact persons within the company: In principle the same applies here. The customer relationship spans several levels and is therefore less susceptible to interpersonal differences among individuals.

Contacts at management level: When contacts exist not only at the operational but also at the strategic level then the company can defuse conflict situations more easily and introduce corrective measures. The management of both companies is not burdened by daily business activities and their negotiations are thus considerably less influenced by emotions. However, it is important not to simply ignore the company's own sales personnel and to limit contact to the customer's general management level. Concessions suddenly awarded by the management yet refused by sales personnel and successful negotiations, i.e. achieving new conditions, would have serious consequences on the operational employees' motivation. When the general management level intervenes directly in the operational business this creates the risk that all operational issues may have to be dealt with at management level in the future.

Product range: The greater the variety of products a customer buys, the more stable the relationship. Downturns in product figures are far easier to compensate for without endangering the overall position with the customer if the customer purchases a number of different products. This is also the best means of countering the trend towards supplier reduction encountered in nearly all industries. Additionally, the qualitative weaknesses of individual products can be compensated for more easily and do not automatically reflect on the entire company.

Utilisation of services and supplementary services: The more frequently a customer makes use of such offers, the greater the customer's networking, dependence and the stronger the bond to the company. Offers of this nature may only need to cover their own costs as they noticeably reduce a supplier's replaceability.

Complaint quotas: Complaints represent a good yardstick for the customer's mood. Complaints should generally be regarded positively. On the one hand, the customer shows commitment as compared to many unsatisfied customers who do not make contact. On the other hand, every professionally processed complaint (and of course the solution to the basic problem) is also a means of reinforcing customer retention.

Service standards: Service standards, such as the maximum time to answer an enquiry, should ensure that a customer relationship is not impaired at an early stage. One can also assume that the more exactly service standards are adhered to, the better the customer relationship.

Meeting subjects: In addition to directly business-related subjects, are personal professional perspectives or challenges also discussed during meetings? Is anything known about internal successes and defeats? Are private issues also discussed? Children's problems or successes at school? Building a house? Relationships of this nature are not as fragile as purely business relationships.

Integration in customer meetings: Whoever, as a supplier, sits in on the customer's internal meetings, committees or project groups is not only accepted, but also very difficult to replace. They acquire a great deal of background information which enables them to better continue positioning themselves correctly. They can then anticipate the needs and requirements and thus attain an unmatchable advantage over the competition.

Table 5: Model for evaluating the customer-retention situation
(Source: Mercuri International)

Control lever	1	2	3	Measures
Number of customer contacts				
Number of colleagues with customer contact				
Contacts at general management level				
Utilization of the product range				
Utilisation of services				
Customer satisfaction/complaint quotas				
Fulfilment of service standards				
Meeting subjects				
Integration in customer meetings				

The major advantage of these controlling factors is that the supplier company can actively influence them all. The customer retention process automatically creates a potential need for negotiation whenever the maximum possible development is not reached.

Additional control factors may be relevant. However these either cannot be or are very difficult to influence. They can be determined by analysing the common features of the company's most loyal customers. *If these factors are not found among other customers, then they are likely important for customer retention*. Possible questions include:

- Do these customers place specific requirements on a supplier?
- Do they have particular problems?
- Are there special conditions?
- Actions should be defined for every influenceable controlling factor, either as a means of retaining the status achieved or of developing specific factors. These then combine to form the customer retention process (cf. Figure 31).

The available resources and activities should be scheduled to achieve the maximum possible success. Several combinations of measures are normally possible.

The customer retention process describes the retention measures that can be carried out in performing normal day-to-day business, and those aspects which have to be scheduled separately. The previously mentioned quantitative repurchasing quota which describes how many customers were retained from the previous period is an ideal target for the customer retention process. On the other hand, the qualitative repurchasing quota also indicates the percentage share of the business volume in the previous period that can also be realised with this customer in the current period. Other targets are also possible. They all contribute to the overall earnings.

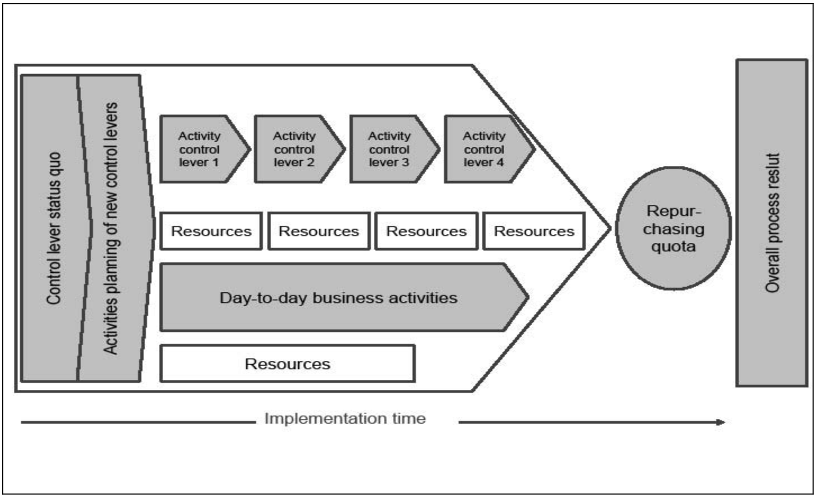

Figure 31: Customer retention process
(Source: Mercuri International)

Customer expansion processes

We use the term expansion processes to describe all processes which improve the existing volume or earnings with customers or with which we want to acquire new customers. In short, they are growth processes. The four processes of (1) intensification through increasing share of wallet, (2) intensification through *cross selling*, (3) intensification through increasing usage and (4) acquiring new customers, have already been explained. It is interesting that all of these processes have the same basic structure and the same essential work steps (Huckemann et al. 2000, p. 45) as illustrated in Figure 32.

The process can be broken down into different phases which vary in number according to sector and services. However, the phases may generally be classified as indicated in the illustration below. Some customers leave during each phase. Companies must therefore endeavour to professionalise each phase and at the same time to manage overall forecast earnings. This is described in detail below.

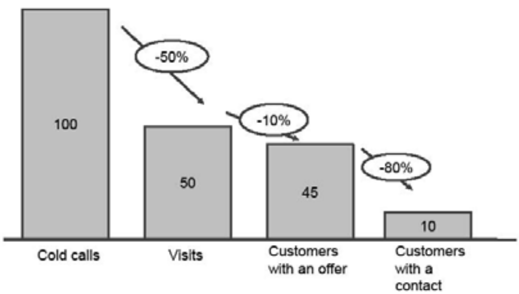

Figure 32: Sales process phases and customer losses for an IT service provider

Selecting target customers

A single specific expansion process is either generally unsuitable for every customer or the probability of success is so low that the expense and possible results are not worthwhile. It is therefore often appropriate to once again define target customers for specific processes within the customer segments. Both the potential and the “hit probability”, i.e. the chance of transforming this potential into real business, are relevant here. The illustration below shows the interrelationship.

Naturally sales work in the context of the customer expansion process should focus on high-potential customers identified as having a very good probability of realising their potential. Customers that possess neither are, of course, not developed, and the other two fields are only developed selectively.

A scoring model for assessing specific indicators is useful for this assessment. Below we show some initial examples for assessing potential target customers. We then provide an overview of which criteria are particularly suitable for which processes.

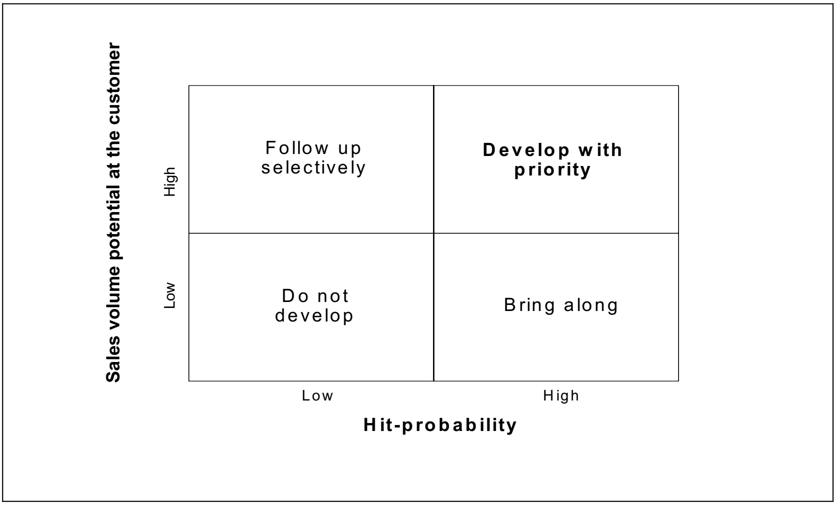

Figure 33: Sales volume potential and hit-probability

Customer potential for each product, product group or service: The potential is estimated and assessed through comparisons with similar customers or targeted analyses of customer requirements.

This is the critical factor at this stage, although the highest potential is of course of no benefit if it cannot be achieved. Therefore further factors for hit-probability should also be taken into account which reflect the probability of achieving the potential. Possible criteria for making an estimation are:

Customer requirements / decision-making criteria: What does the customer particularly value and to what extent can a company's current range of products and services fulfil these requirements. How do those products and services stack up, competitively?

Current suppliers: Normally a company does not have advantages over every other supplier. Which suppliers is it easier or more difficult to position oneself against?

Suitability of references: How well relevant are the available references or experiences to the customer? Is there customer-specific application know-how?

Sector / Business model: Does a competency exist for the company's sector or business model that can be credibly presented as a strength?

Method of product usage / production process: Whether the advantages of a product or service are really understood often depends on the conditions within the customer's company. These conditions are strongly determined by the production process or the method of product usage. They may consist of logistics requirements, storage capacities or employee know-how, for example.

Current degree of establishment / customer retention: How good are the customer relationship and the company's image with the customer? Are the decision makers known or does a relationship first have to be established with them?

The more positive answers a company is able to provide to these questions for specific customers, the higher the hit probability.

Table 6: Point scoring model for selecting target customers
(Source: Mercuri International)

Selection criteria (examples)	**Weighting**	**Degree of fulfilment** **Points**			**Result**
		1	**2**	**3**	
Customer potential for each product (group)					
Customer requirements / decision-making criteria					
Current suppliers / problem solution					
Suitability of references					
Sector / Business model					
Method of product usage / production process					
Current degree of establishment / customer retention					
Total (at least X points)					

We will summarise the suitability of specific criteria for individual processes below in order to give some orientation to users.

Table 7: Suitability of specific criteria for selecting target customers
(Source: Mercuri International)

	Increased share of wallet	Cross selling	Increased usage	Acquisition of new customers
Customer requirements / decision-making criteria	X	X	X	X
Current suppliers / problem solution	X			X
Suitability (relevance) of references				X
Sector / Business model		X		X
Method of product usage / production process	X		X	X
Current degree of establishment / customer retention	X	X	X	

As expected, the selection of targets as potential new customers is the most demanding task. The number of possible criteria reflects this. This practical classification system should enable effective evaluation.

Making contact

This should not represent a major problem for existing customers but may be one for new customers. Once the correct contacts have been identified the company must make contact with them and gain their attention. The main hurdle here consists of information overload.

Information overload is understood as the amount of information not considered from the total amount of information offered. It is assumed today that 98% of offered information is ignored (Kroeber-Riel/Esch 2000, p. 12).

This phenomenon concerns the daily flood of emails, letters, advertising material, etc. Various suppliers, for instance, repeatedly use new 'letterbox tricks' in order to attract our attention. There are official looking envelopes, apparent notifications of wins or seemingly handwritten letters with a personal appearance etc. This is not any different for companies. A discerning secretary, assistant or employee must be persuaded to present a letter to their superior in the first place, who must then actually read it and, in the best case, react to it or at least make a reminder for an appointment for subsequent contact. It is easier to refer to mutually known acquaintances. This highlights the significance of network marketing. It is better to have met (by coincidence) at an event, a congress, at an association or a club. Many of these events or institutions would not exist if they did not present a networking platform for attendees. The success rate in this first work step is therefore also the first important parameter in the growth process when acquiring new customers.

First meeting

After successful contact, the next priority is to learn as much as possible about the customer's company in order to find a start-point for services or products (Ivens 2002, p. 33). The company can now see whether the basic research was correct, what is the probability of purchase, and whether the correct contact persons have been identified. Of course this does not always function properly in practice and many first meetings are not followed up. Interest cannot be awakened or benefits cannot be made tangible. Not only rational, but also emotional decisions play a role, and these in turn depend on creating a congenial atmosphere amongst 'like-minded peers'.(Holzheu 1996, p. 146; Volk 1996, p. 149). This first meeting forms the second important success parameter. It dictates whether a subsequent meeting takes place, at which a customer requirement or an offer is seriously discussed.

Subsequent meetings

Only when a potential customer has a sincere interest in an offer will they continue to deal with a supplier, hold detailed discussions and request offers. The request for an offer itself should not automatically be regarded as an indication of real interest. Especially if the offer of a personal presentation is declined and if there are no questions about the content. Some customers are simply too polite to refuse directly or want a comparison with the competition which they can then use to put their regular suppliers under pressure (whom they essentially wish to retain).

Depending upon the Sales process, it is entirely possible that a large number of subsequent meetings will take place before the persuasion process is completed. The fact that a potential customer is convinced by a product does generally mean that that customer will also purchase it. We therefore recommend obtaining an additional parameter after completing this persuasion phase as a means of examining the degree of success. Additional rounds of negotiations frequently take place after this stage and it may be of interest to check the number of instances in which concrete negotiations have actually occurred.

Negotiations

Firstly, negotiation should not be confused with the fundamental persuasion process used to combine the offer and the demand. The fundamental price case and the explanation of a pricing term do not represent negotiations. Negotiation can only begin once a customer has accepted that a product together with all of its performance characteristics (which also include the price) are fundamentally suitable. The purpose of the negotiation process is to agree on the business conditions. At this stage a potential customer will attempt to play out its buyer power in order to beat down the purchase price. In many negotiation processes the conditions take priority. However, a customer will also want to ensure that its special technical application conditions such as storage capacities or requirements cycles are taken into consideration. Delivery terms, warranties or logistics aspects are therefore further topics for negotiation.

Just as in sales techniques, there are numerous methods of handling this phase (which, by the way, is no longer comparable with the traditional closure method). Starting with the creation of "*win-win* situations" according to the Harvard concept (Fisher/Ury/Patto 2004, p. 21) to professional haggling, right up to the subtle handling of power positions and the use of police psychological skills in hostage negations (Schranner 2005, p.13). The necessity of especially emphasising this phase is displayed by the fact that the majority of negotiations do not fail because of facts but rather because of emotions (Lewicky/ Barry/Saunders 2007, p.122). One side feels outmanoeuvred, has the impression that it has to make one-sided concessions and does not want to lose face. In this case, one success parameter describes the number of instances in which this phase could be completed successfully.

Result

Mission accomplished. Hopefully a large number of target customers will have made a purchase or signed a contract. In addition to the number of purchasing customers, the average volume (regardless of whether expressed in profit contribution, number of items or sales volume) is the final important success parameter in a growth process which not only has an effect on business with an individual customer but also on the result of the overall process.

The typical customer expansion process therefore consists of the following elements:

Work steps: These describe single activities or phases that have to be completed in order to achieve the target.

Success factors: These connect the individual work steps and show the probability of achieving the next work step. In one work step, for instance, (say) five customers are developed, in the next work step (say) only two customers still remain. This can be described as a ratio of 5:2, and also expressed as a percentage figure with 40 % probability for the transition to the next work step. In general it is not unusual to find only one buying customer remaining at the end from the original ten target customers that have been targeted.

Resources: Completion of a work step requires a specific time resource for each customer. This not only includes the meeting time. In many instances a contact is combined with a personal visit and travel time must also be considered.

Completion time: Describes the time needed to complete the overall process, from identification of a target customer to the conclusion of a sale. The significance of this factor should not be underestimated. Many Sales processes run for over a year. Consequently activities for the next period must be performed within a planning period although no earnings can yet be realised. The objective is then not only process result, but also a specific process status.

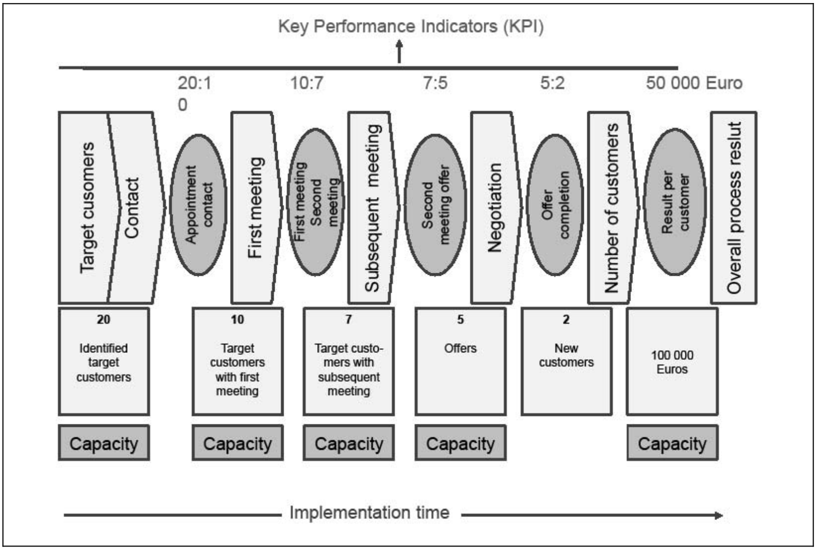

Figure 34: Structure of a customer expansion process
(Source: Mercuri International)

Development of the sales process

In our experience many direct sales companies have organised their sales processes into structures. Regardless of whether they work by using mailing campaigns or call centres or with a personal sales team, they know precisely how many customers have to be contacted in order to obtain a reaction, how many reactions then lead to an order and how high these are on average. One explanation for this is that these companies mostly work with very high volume structures, i.e. a large number of customer contacts, with the individual work processes separated from each other relatively strictly (or with only one process). This is not generally the case for industrial sales staff. They normally perform all the processes in multiple roles and with less frequency, and their work results are not traditionally assigned to single processes, but only to them personally and to specific customers. Many companies are frequently uninformed about sales processes because they have concentrated on earnings rather than processes.

The accounts department can often calculate the process earnings for new customers, for customer retention and sometimes for cross selling. The same applies for increases in share of wallet, for the increase in number of users initiated by sales or for plain customer growth. However it is impossible to derive the associated process purely from the figures: additional information from salespeople is also needed.

The process sequence and individual work steps can be relatively easily defined by the persons involved. These processes are performed every day, but generally in an unstructured fashion rather than deliberately and systematically. This is another advantage of sales process analyses. The majority of salespersons can act with considerable certainty, speed and target orientation, given a defined sequence.

However, one aspect should not be forgotten here, namely the customer's purchasing process. It is the decisive reference parameter, and every step in the sales process should be focused on a step in the customer's buying process. This is where the sales employees' knowledge will no longer be as thorough and it is worth establishing how the customer's decision-making process functions. Who is involved in which phase and which sales factors play a role and when? This is very important for organising the step-by-step content of steps in a sales process.

Sales employees generally also have a very good feel for success parameters, even though they may not have given this any conscious thought. They can estimate the probability for a successful transition from one sales step to the next with relative accuracy.

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- …should analyse the phases in their customers' purchasing process to establish who is involved in each case, and what the decision-making criteria are.
- …should use this as a basis to define and describe the suitable work steps for their sales process.
- ... should produce an initial estimate for success rates for the transition from one work step to the next (or at least for important milestones).
- …should produce an estimate of the sales resource required for the completion of individual work steps.

10. Management of sales processes

A defined sales process with a detailed description of work steps and individual success rates forms the basis for managing sales work. Assigning success rates and the time requirement for each work step makes the demand on capacity transparent. On this basis an analysis can be carried out of the relative impact of different methods (e.g. different assignments of tasks within the sales team), and the effect of improvements in single steps on the overall earnings generated by a sales process, and on sales resources. Even established processes can be optimised by means of regular checks. As the saying goes:

Whoever ceases to improve has ceased to be good.

This applies more strongly to sales than to most other areas, as it is a field in which players in the market continuously advance.

Core questions in this chapter

- Whar areas should be considered in the resource and capacity planning for sales processes?
- What role does benchmarking play in the context of process optimisation?
- How can and should sales processes be systematically optimised?

Resources and capacity planning

The success rates and resource requirements for each work step can generally be derived from previous figures. The overall capacity required for a sales process can be

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calculated when both variables are known. Of course, this depends on the selected sales and contact channels – and channels differ with respect to effectiveness and costs. Figure 35 provides an overview for guidance.

The data are based upon experiences at an American supplier of high-tech products and were collected by Oxford Associates. We recommend that companies collect or at least estimate this data.

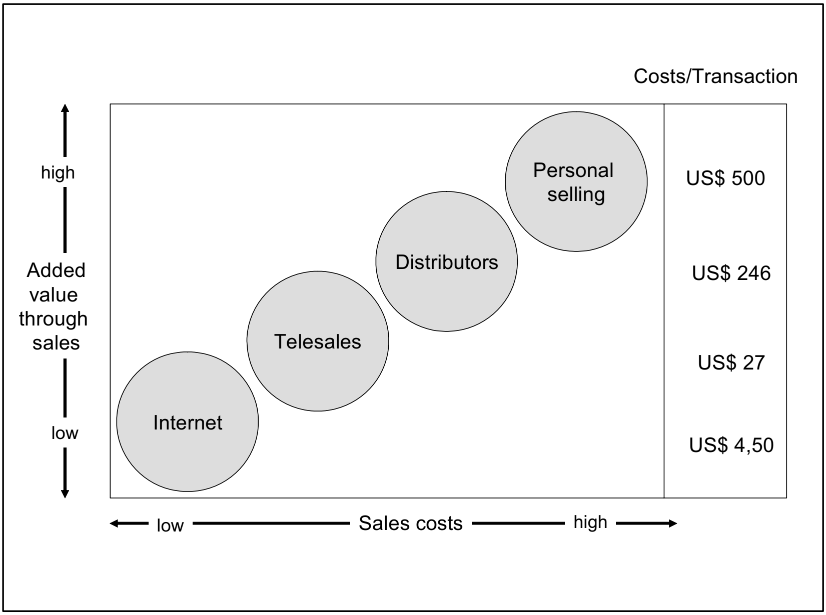

Figure 35: Sales costs and effectiveness in different channels

The desired earnings are the starting point for process planning. In sales expansion processes the number of customers that have to be acquired is determined initially by using the average earnings per customer, for instance. The individual success rates can then be used to calculate the number of target customers in each work step. The results are often sobering, particularly for the new customer acquisition processes. Often the number of target customers required for realising ambitious new-customer targets is higher than the number of customers actually present in the market. The proposed method therefore frequently results in a target correction that in turn produces more realistic target values.

The overall resources required can be calculated when the number of customers per work step is multiplied by the capacity requirement needed. This also frequently produces unrealisable target volumes that can then be adjusted in line with the company's capability and resource.

A positive aspect of this approach is that problems are clarified and Sales process work can be defined on this basis. Crucial question here are:

- Which success rates can be specifically improved?
- Which activities can other sales functions take over, such as the office sales support staff or can they even be carried out by external providers?
- Are the targets for sales alone at all realistic?
- How do the procedures of individual sales employees differ in the steps?
- How can the members of the sales team learn from each other?

This basically concerns performance comparisons and improvement gains. In recent years the management concept of "*benchmarking*" has established itself for this procedure. We will first describe some of the essential features below before addressing the optimisation of sales processes.

Benchmarking as an optimisation concept

Benchmarking goes back to the 1980s. It has the goal of a structured analysis, comparison and optimisation of business processes and practices in different areas of the company itself and other companies. The purpose is to identify best practice in order to learn from it and, if possible, to surpass it.

> *Practical example:*
>
> *Benchmarking at Xerox and the concept background*
>
> Benchmarking is closely associated with the *Xerox* Corporation as well as with Robert Camp. At the end of the 1970s *Xerox* was engaged in hard competition with Canon, who offered a copier at a considerably lower price. The *Xerox* market share therefore declined considerably and future prospects were negative. A new programme was launched with three components in order to sustain the company's position over the competition. In addition to a quality improvement process and integration of employees, benchmarking, as it was called, was initiated. The concept was unknown at that time and quickly became popular – as well as making *Xerox* once again successful. (Camp 1994, p. 13). It initially focused on the production area as part of competition-based benchmarking. A few years later benchmarking was applied to all of the *Xerox* business divisions and was also enhanced in the context of non sector-specific benchmarking: it now incorporated elements from logistics, distribution and sales (Zdrowomyslaw 2002, p. 138ff).

The typically idealised structure of the benchmarking process is as follows (Camp 1994, p. 21ff.):

Planning: The questions of "What?", "Who?" and "How?" are specified in the planning phase. The precise topics examined and optimised in the benchmarking process must be defined. Those with whom comparisons would like to be made and how calculations are to be done should also be defined. Rivals or direct competitors should be considered first. However, benchmarking can and should extend beyond these to comparisons with leading companies (including those from other sectors) or with company functions. The sector itself is not fundamentally important as long as excellence based upon comparable processes can be achieved. The final planning step concerns the required information. How is this information obtained or how should it be established? The required data is sometimes publicly available (for sales, for instance, in academic studies, case studies, etc.), and must sometimes be collected. Cooperative projects involving different companies that amalgamate into a benchmarking consortium enjoy great popularity. It is important that the benchmarking process not only results in quantifiable variables and targets, but also that the best practices and methods are determined in detail.

Information collection and analysis: The analysis includes the acquisition of internal and external data for comparison. Important questions are: Which internal functions have what strengths and weaknesses? Do benchmarking partners possibly have better practices than the company itself? How can these practices be adapted to the company's own conditions?

Integration: In the integration phase the analysis results are used to derive targets in order to bring about subsequent changes. This step primarily includes all the planning concerning new practices and processes as well as incorporating new findings into the formal planning process. When doing this, it is important to ensure buy-in to (and confirmation of) benchmarking results from specialist departments and the management.

Action: The results and principles must now be applied. Periodic progress measurement should also be introduced to monitor the implementation. Setting milestones is not only important psychologically; it also normally results in continuous improvement or adaptation of the benchmarking process itself. Continuous reporting is recommended for this purpose.

Maturity: this term refers to the point at which best practice has been fed into all the business processes. Excellence has therefore been achieved. Indicators for this are that the process is available for other companies and used as a reference. Maturity is also reached when benchmarking becomes a continuous, important and self-initiating element of the management process.

The illustration below summarises the process which typically has 10 steps.

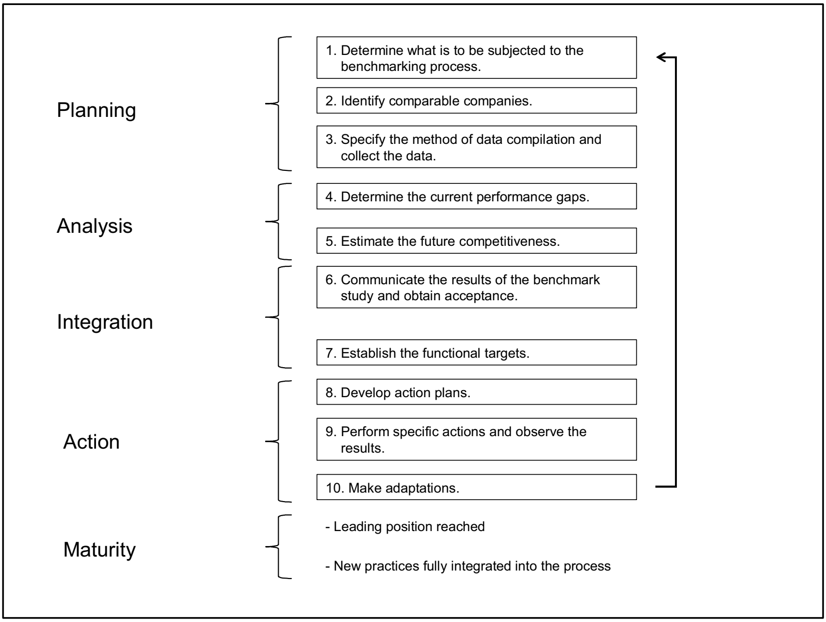

Figure 36: Benchmarking process
(Source: Camp 2004, p. 21)

Optimisation of sales processes

Sales is one of the highest cost areas in most companies (Belz/ Müllner/Zupancic 1996, p.141). Sales teams must therefore expect to be tested on their effectiveness and efficiency. The process structures described here are required for this, as it is the only way to logically link input and output. The efficiency of the sales process must be improved if sales productivity is to be increased.

Numerous starting points exist for the optimisation of sales processes once the structure described above is in place. In this way the performance of weaker employees can be optimised with pinpoint precision. The times in which merely better results could be demanded with the "how" left in the dark are over. When an employee achieves poor sales earnings, the cause of this must be precisely determined so that relevant improvement measures can be defined.

Optimisation by benchmarking

Companies should not only compare the process results of individual sales employees with one another, but also their success rates in the sales processes. Considerable differences generally exist. "Good" sales employees are not usually better some but not all areas.. However, even average employees sometimes have above average values in some success ratings, although these are then balanced out by below average success rates in other areas. Sales performance is partly influenced by the individual personality of the salesperson. However, analysis makes the remainder transparent and this performance can then be assessed alongside that of the other sales team members.

The problem with merely comparing process results is that good salespeople are often unable to explain *why* they are good – and an analysis of success rates allows greater transparency. The concrete work steps that contribute to the difference rates must now be identified. Questions regarding activities, behaviour and procedures will then reveal what truly makes the difference in the individual work steps. Areas not affected by the personality of the salesperson but rather by behaviour may then be identified. This procedure has the advantage that the potential for optimisation can be tested in practice. That optimisation can then be directly realised in sales activities without any great changes to the infrastructure.

External comparisons can be used in sales in a way that is similar to the procedures described above for internal benchmarking. It is important to realise that detailed topics in external benchmarking can only be usefully compared when the business models of the compared companies are similar. Sales methods in a short-term product business will differ from those in a long-term project business. Simple products are marketed differently to complex installations, systems etc.

Typical optimisation potential in sales processes

The points below describe the optimisation areas that we have repeatedly identified through experience.

Optimisation through better target customer selection: In our view this is the most important factor and also has the biggest impact on the other success factors. The more suitable a target customer is for the company, the better the success rates will be and therefore also the end result.

This is where, in our opinion, the majority of errors also occur. There is often no systematic target customer selection. Customers are selected more or less randomly or in the best case according to a salesperson's gut instinct. Enquiries from potential customers are frequently forwarded to sales force employees without checking and the sales employees then carry out first customer visits without further analysis. The situation is more serious when this procedure is the only source of new customers, and the market is therefore neither systematically examined nor evaluated.

Practical example:

Precise assessment of needs as a critical point in target customer selection – Metall AG

Metall AG is a medium-sized company that provides industrial services. The company's core competences consist of high-precision lathing, milling and grinding. After experiencing growth stagnation in its traditional regional markets, the company wanted to exploit opportunities for growth through the targeted acquisition of new customers. A decision was made to work with a professional call centre to relieve the sales team from unnecessarily time-consuming activities. The call centre employees had the task of performing an initial demand analysis and making appointments where potential existed. Despite a detailed briefing this first qualification did not succeed in a way that enabled the ensuing visits to succeed. Approximately 85% of the arranged meetings were broken off after a short time because sales quickly identified that the service and the needs did not match.

Target group selection, particularly for products and services that need explanation and especially for new contacts is demanding and frequently cannot be delegated. This is not to say that such initiatives such as that of Metall AG should be abandoned. However we wish to draw attention to the fact that this is by no means a trivial task.

Optimisation through better appointment quotas: Making appointments is a challenging task, at least with new customers. If this task is not outsourced to specialists a relevant training course on making appointments can help to improve success rates and therefore process efficiency. A convincing reason must be given for why a customer should invest their time. The fact that a salesperson would simply like to present a product range is seldom sufficient.

Nevertheless negotiations should not be carried out when making an appointment. The motto is:

Awaken interest instead of giving information during the first contact by telephone.

If this is not enforced the risk arises that a visit will then no longer be necessary.

The objections with which a salesperson are confronted when making an appointment are frequently stereotypes:

- "No requirement."
- "We are in good hands."
- "No time, but first send some documents."
- etc.

The sales staff can and should be trained to reacting to this using negotiation training courses. This can prevent salespersons from not knowing what to say.

Optimisation through better demand-creation: Further efficiency losses in the sales process arise when meetings actually take place with customers but remain without a result, demand analyses are not completed successfully or subsequent meetings cannot be arranged.

Provided that a customer has a demand and is aware of this, then this demand analysis is not a major problem. Salespeople must listen attentively, ask the right questions and, if possible, try to steer demand towards their specific product advantages. It is more difficult if the customer does not have any specific demand (or is not aware of such). Salespeople must awaken a demand in such a situation. They require a special questionnaire for this which enables the systematic analysis of possible dissatisfaction or optimisation (success) potential.

Optimisation through personal offer presentations: Offers are often not truly sold. Instead they are simply sent to customers and followed up again after some time if the customer does not reply.

Of course the question of expenditure and yield (return on investment) always arises. Personally presenting an offer nevertheless has convincing advantages despite the increased expenditure. It can prevent the price list from becoming the decisive factor for the customer. The advantages and benefits of the product or service for the customer can be identified individually in a personal presentation, and made more tangible than when expressed only in writing. Real and concealed objections can be addressed in detail. Ultimately, sales remains an interaction between people who make decisions based not only on rational criteria.

Optimisation through better negotiation: Many salespeople are unprepared when customers are fundamentally satisfied with the offer, but do not want to pay the prices demanded. They reiterate the advantages of their offer although this is not the issue. They snub their contact persons by completely rejecting negotiation or make one-sided accommodations. Negotiation is a complex activity. However room for negotiation must be included beforehand if the company knows for certain that negotiations will take place. The actual offer and possible objections from the customer should be broken down into individual elements and evaluated beforehand so that the company can prepare for the possibility of discussing new alternatives regarding the product or service, price and conditions (Fisher/Ury/ Patton 2004, p. 91; Schranner 2005, p. 86).

Recommended courses of practical action

Companies that want to achieve success in sales and customer management

- … should calculate the required demand for sales capacity and target customers.
- …should check whether the required sales resources are available.
- …should check whether sufficient target customers are available or can reached in the market.
- … should increase sales productivity by performing internal benchmarking, checking their sales processes for optimisation potential and taking relevant measures.
- … should specifically prepare their sales teams for sales meetings and negotiations.

11. Sales organisations

The sales organisation is a topic that has been covered previously, and in depth (Belz 1996, p. 216). We will concentrate on what we consider to be the most important control point for optimisation.

We regard the "sales organisation" as fundamentally focussing sales teams on products and services, regions, sectors, customer and/or specific actions. This includes the type of sales channel/s or combinations thereof.

The fundamental question for sales organisation is the degree of specialisation. How specialised should the sales effort be? And what should sales specialise in? The rule of thumb is, the more specific the business, the greater the need to focus. In other words: the more standardised the business, the less appropriate this is. For example, specialisation is less appropriate for an office materials supplier than for a specialist software supplier (Belz 1996, p. 217).

However, as with many organisational issues one issue must be made clear from the outset:

A "best" structure for sales does not exist,
or only in very rare, exceptional cases.

Every possible option has specific advantages and disadvantages. Combinations that provide a formally better solution may also result in a high level of complexity. Matrix structures are a typical example. The resources and efficiency with which the sales processes are implemented are vital to the effectiveness and efficiency of a sales team.

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Core questions in this chapter

- What are the characteristics of sales specialisation by region, sector, product characteristics or customers? In which situations are each of them to be recommended?
- When and how should sales be split into customer acquisition and retention?
- Which sales channels allow a sales process to be implemented most efficiently? How can channels be combined or managed?

Orienting sales structures by region

According to our experience this is (still) the most widespread organisational structure in sales. It enables the creation of sales centres with detailed regional knowledge and personal networks. The priority, however, is travel efficiency. With this as a motivation, route-planning models can be produced that optimise travel time based on defined visiting frequencies for specific customers. These models assume that customers are relatively similar, i.e. they place similar requirements upon sales. If this is truly the case then this is the most efficient form of organisation. Use of time is optimised (although the quality of customer development less so).

In our experience such relatively homogenous customer structures are declining. The majority of regions contain customers of different sizes, from different sectors and with differing requirement structures. These customers place different requirements upon suppliers, that normally require a specialist. At the same time, products and services provided are constantly becoming more sophisticated. Salespeople are no longer able to master every aspect of their product (Kotler et al. 2007, p. 955): nevertheless, they are under increasing pressure to market a growing number of different products in order to reduce costs.

Many companies therefore no longer work with purely regionally-oriented sales teams (Kotler et al. 2007, p. 942). Mixed forms are frequently used which only address specific customer groups with a regional focus and other customer groups with a central focus.

Application recommendation: We recommend this form when customer requirements are rather less sophisticated and largely similar in nature. An additional consideration arises when local relationships are important for a specific business. A company must be able to make available or utilise sufficient resources for the regions: personal and continuous on-site support then becomes possible. Ideally this personal contact should also result in competitive advantage.

Orienting sales structures by products and services

Sophisticated products as well as products and services that require explanation demand specialist sales competences. In such cases, differentiated sales teams for different product or service areas make sense. In practice we frequently encounter this type of organisation in sales when the supplier company's business unit organisation is based on service or product genres. Salespeople can then develop true expertise, if they are not already experts. This normally results in a high level of motivation and identification with their work. Companies that follow this strategy regularly employ salespeople who have a strong technical background: however, this is often accompanied by deficiencies in specialist sales competency.

Conflicts often arise when different sales employees within a company visit the same customer. This is always problematic when the products and services are interrelated or are negotiated and purchased by the same employees at the customer's company. In any case duplications of this nature generate high costs that must be critically examined. We attempted to analyse the effects on success or failure in our *Excellence in Sales* study (cf. Figure 37). Significantly, the top performers focus more frequently on specialisation than the average and low performers.

Application recommendation: We recommend a product- or service-oriented differentiation within the sales organisation when real specialists can add value for the customer. It becomes difficult when the same customer buys different products and services from a company which are then supported by different sales employees.

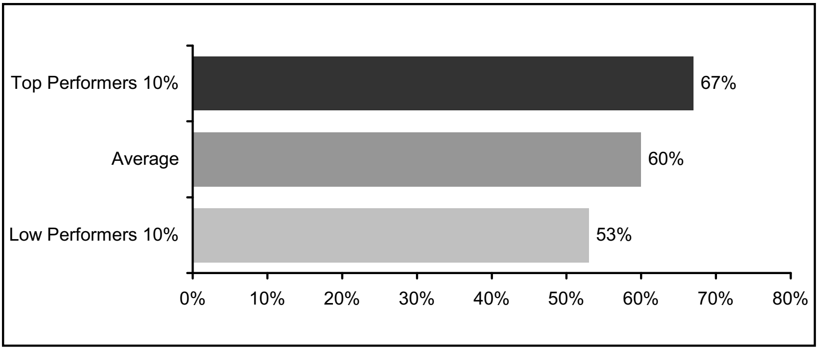


Figure 37: Percentage of companies with specialist sales teams
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Orienting sales structures by sector

Whenever customers in different sectors have different requirements, sales teams specialising in those sectors makes sense. Employees can specialise in the sector and thus become true partners for their customers. In addition to expertise, personal networks often play a role. Supplier companies then find it advantageous to become part of the "corporate whole" rather than remaining a supplier.

In practice we frequently encounter companies that regard structuring by sectors as "plausible" and assume that their customers possess comparable requirements. While this is often the case, their requirements will also differ from those in other sectors. Recognising this avoids unnecessary complexity that then hinders effectiveness through artificial differentiation.

In the *Excellence in Sales* survey 56 % of the companies surveyed use different sales teams for specialised industrial segments. Nearly 70 % of the top performers follow this approach, whilst only around half of the low performers do so - highlighting that specialisation is worthwhile.

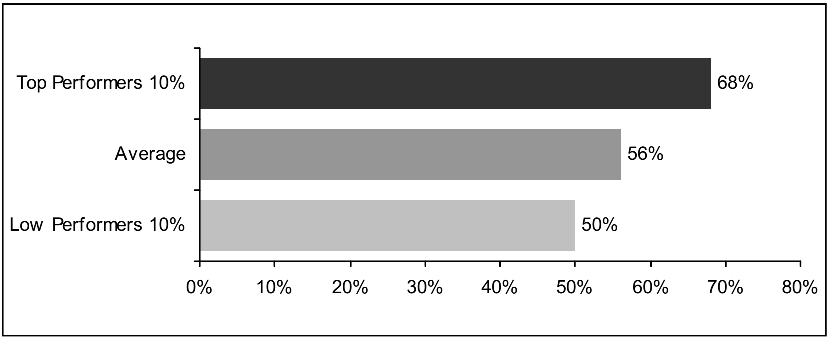


Figure 38: Percentage of companies with specialist sales teams
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Practical example: Sector teams at Degussa/Goldschmidt

Goldschmidt GmbH, as a significant part of the Degussa Consumer Solutions Corporate Division, is part of a company group with a total of approximately 44,000 employees and sales volume of 11.8 billion euro. The Degussa Group is a leading global company in the specialty chemicals sector. Goldschmidt develops its markets with five sector teams that concentrate on the *soft foam, refrigeration units, automotive, esters* and *construction* segments. The tasks of these teams are:

Develop a detailed understanding of the sectors and markets worldwide

- Forecast sector trends and growth fields
- Analyse competitor operations and price trends
- Manage and supply the sales force with current product and market literature
- Continuously develop and expand the product programme
- Deliver training programmes for the sales force organisation
- Control laboratory development programmes
- Analyse and control sales trends for new products

The Goldschmidt example shows that opting for sector segmentation gives rise to numerous accompanying tasks.

Application recommendation: We recommend the sector solution whenever customers with homogeneous requirements operate within one sector and clear differences exist from other sectors. Additionally, if networks play a role they should be actively used for sales.

Orienting sales structures by customer segment

Higher efficiency can frequently be achieved using a differentiated market development method in which specific employees are responsible for specific customer groups. This is the most widespread form of sales structure among the companies surveyed: 65 % of the surveyed companies in the *Excellence in Sales* study use this method (71 % of the top performers, 59 % of the low performers).

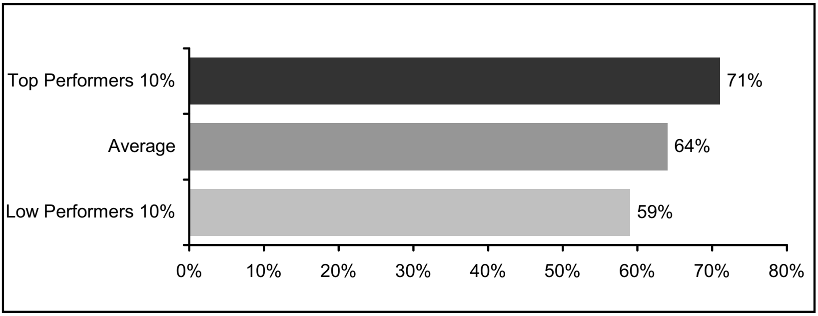


Figure 39: Percentage of companies with specialist sales teams
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

This procedure is a logical consequence of customer segmentation. Figure 40 shows the fundamental approach.

After segmenting customers according to their value for the company (Chapter 7), sales structures are then oriented specifically by the determined customer segments. A professional strategy for developing key accounts (Belz/Müllner/Zupancic 2003; Kotler et al. 2005, p. 955) is only worthwhile if customers recognise and reward this and if it provides real competitive advantage. However, not every company is capable of establishing an institutionalised key account management system as an addition to sales. Equally it is not always appropriate to serve the less valuable, smaller customers solely via the web. Nevertheless every company should attempt to develop their customers according to their value. The rule here is: the more valuable the customer, the more elaborate the method of development (Tomczak/Dittrich 1997, p. 58).

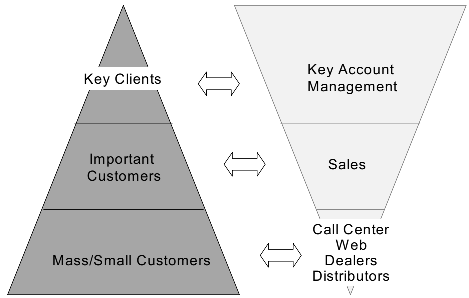
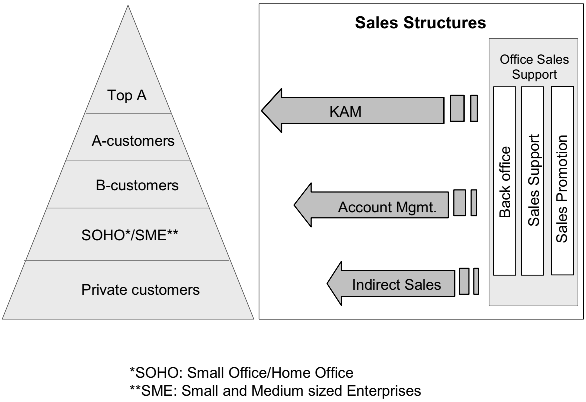


Figure 40: Customer segments and sales structures
(Source: Richard/Kramer 1999)

Practical example: Customer focus at a multimedia service provider

A medium-sized provider of multimedia services (telephony, video conferences, PV networks, data lines, etc.) segments its customers into five segments using various criteria. The four business customer segments are developed by a dedicated sales team in which key account managers, who are responsible for the top, A-customers, only deal with 2-3 customers. Those responsible for A customers support 10-15 customers. B-customers and small and medium sized companies are supported by account managers who supervise 50-100 customers.



The company can therefore devote itself to the important customer segments, at an optimum level. Services are, of course, available for private customers, but dedicated support would be possible only to a limited extent within the existing resources. Consequently, these customers are not supported by the company itself but rather by a third party. In practice this is a combination of independent, franchised shops along with the specialised trade and commissioned telesales providers.

Application recommendation: Normally the company's key clients, at the very least, should be handled separately (provided that business from the key accounts is large enough). Clearly tiered support by key account plus two to three or additional customers must, at the same time, be clearly thought through.

Sales structures for customer acquisition and retention

According to the *Excellence in Sales* survey, 57 % of companies use different employees for different challenges such as for example customer acquisition, customer retention or new product launches. However no major differences between the high and low performers were identified.

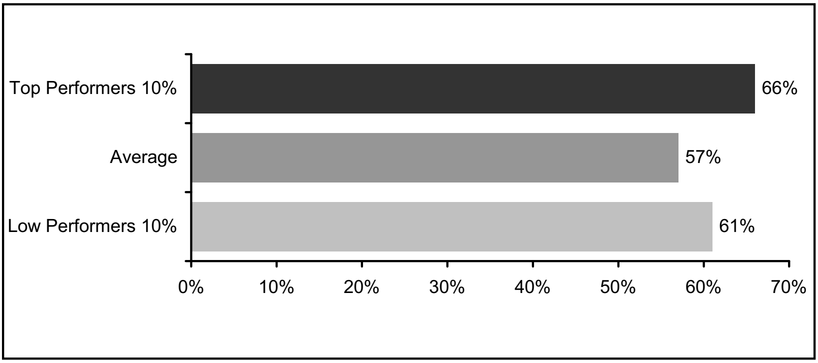


Figure 41: Percentage of companies with specialist sales teams
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

The fact that the differences are minimal is presumably due to finite resources. Small and medium-sized companies are generally satisfied when they adequately cover their relevant markets. In some cases they do not possess the resources for specialisation into customer acquisition and retention.

Although we are unable to directly conclude that specialised structures are successful for customer retention and acquisition, there are reasons to suggest that this is the case. Customer retention and acquisition are, as was mentioned in Chapter 4, core marketing tasks (Tomczak/Reinecke 1996, p. 5). They have different philosophies and characteristics and require special competences (cf. Figure 42).

Core task	Philo-sophy	Characteristics	Organisation/ Management (examples)
Customer acquisition	**Win the customer**	**Needs** Hunter mentality, segmentation, rip down barriers	Narrow hierarchy (Vorwerk), internal competition (AWD), performance oriented commissions (HUK Coburg)
Customer retention	**Care for the customer**	**Customers** Farmer mentality, customer penetration, build up barriers, relationship management	Internal cooperation (IBM), qualitative performance targets (BMW), customer information systems (Ritz Carlton)

Figure 42: Customer acquisition and retention as core tasks (Source: Tomczak 2001, p. 10).

In our consulting projects we repeatedly encounter sales teams with strong customer retention abilities. At the same time, however, they have difficulty generating new customers. The reason: these companies lack *"hunters"*. In the reverse case, real *"hunters"* often have difficulties with customer retention. Both areas must therefore be very consciously analysed and the corresponding resources must be established.

A performance improvement is frequently possible when separate sales teams are formed to handle these two core tasks. Employees responsible for new customer acquisition can no longer flee into customer development activities. They develop a positive routine, approaching new customers in a way that calls on their entire personality. They are not easily discouraged by rejections. They know from experience that for every success there are many failures. New customer acquisition specialists can be employed without taking into consideration the areas of responsibility or regions covered by sale staff for existing customers.

However, working with specialised new customer acquisition sales teams also creates potential risks. Changing the contact person during the handover to existing customer advisers always represents a break and therefore a risk. New-customer salespeople may make a number of promises that the existing-customer sales persons will not be able to fulfil. If the new-customer salespersons' lack of experience means that they are unfamiliar with how the customers use their products because they only work on customer acquisition they may then sell suboptimum solutions. If salespeople are simultaneously part of the product (e.g. because they themselves provide part of the service), then transfer to other salespeople will be difficult. The service rendered by existing-customer advisers is not entirely the same as that which has been sold.

We summarise the advantages and disadvantages of separate customer acquisition and retention activities as follows:

Advantages

- No escape from acquisition into development activities.
- More experience and better learning in acquisition and retention.
- Realistic expectations through greater experience acquired during the acquisition.
- Easier allocation of target customers or regions (independent of target customers).

Disadvantages

- Lack of relevant continuity in the customer relationship.
- Lack of content continuity due to different contact person.
- Danger of the acquisition sales staff making excessive promises.

- Insufficient practical/user-related competency among the new customer acquisition salespersons.

A decision must therefore be made in each case as to whether separating sales teams is appropriate. A large number of companies handle this successfully: *Dell,* for instance. The computer manufacturer is well known for its innovative *"Built to Order System"* with which it revolutionised the PC industry. This successful business model also includes a clear growth-oriented sales strategy. *Dell* works in the medium-sized and small business customer segment with two specialised sales lines, the *"hunters" and* the *"farmers"*. While the first are responsible for customer acquisition, the farmers take over the customers and develop them in the longer term. The illustration below shows an overview of the strategy.

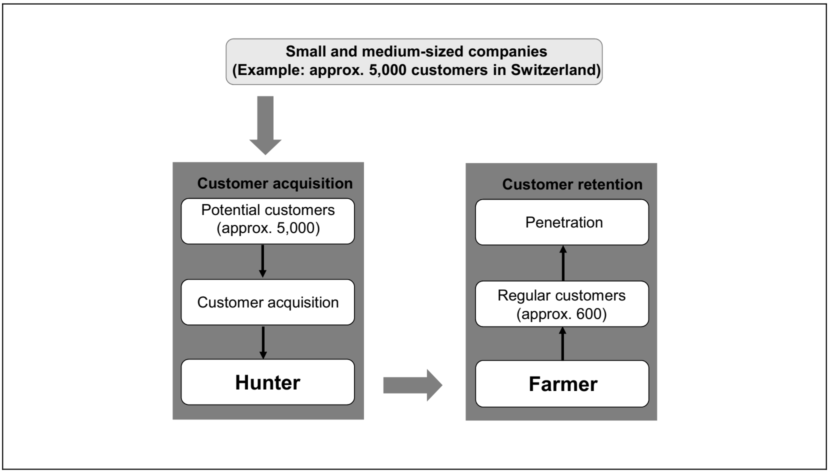


Figure 43: The *Dell* hunter-farmer model
(Source: Karg 2001, p. 168)

Application recommendation: Introduction of the model in a pure form should only be considered when companies have the required resources at their disposal. We recommend this wherever long-term investment and user cycles exist or where no compound effects exist between purchases. We do not recommend this strategy for sophisticated sales situations in which salespeople require detailed knowledge of customers for acquisition.

It is important to realise that even companies that are not considering establishing different teams for acquisition and retention should take into account the different competences required. This may result in the reassignment of core activities for individual salespeople and (perhaps) teams. Companies should at least provide training measures which ensure that the employees responsible for acquisition and retention also possess the required competences.

Sales structures with cross-functional team sales

Increasing market transparency and greatly improved communications have also increased the complexity of the sales process. While it once focused on presenting a product, today the process more frequently focuses on a selling a solution, “*value added selling”* or even on value added partnerships (Belz/Bussmann 2002, p. 213). These include customised product modification for customers, coordination of logistics and IT, and sometimes even taking over entire aspects of the customer’s work. Salespeople alone no longer possess all the knowledge required. Other departments must be integrated into customer development activities. The point is often less to close an order but more to successfully complete a joint project between the customer and supplier.

Successful companies in our survey have implemented this trend considerably more intensively than the low performers.

For sales personnel, this trend means that they first have to let go of their monopoly on the customer relationship. They suddenly have to share their most important capital, the relationship with their customers, with others. They are no longer the appropriate (chosen) contact person for every issue and are forced to trust others. Naturally, they continue to bear responsibility for customers, but at the same time they do not have any direct authority to issue instructions to other departments or employees involved. This brings a degree of uncertainty to all concerned and they will attempt to continue working as they have done in the past. It is therefore crucial that companies do not leave this development to the free play of forces but rather actively redefine the role of everyone involved.

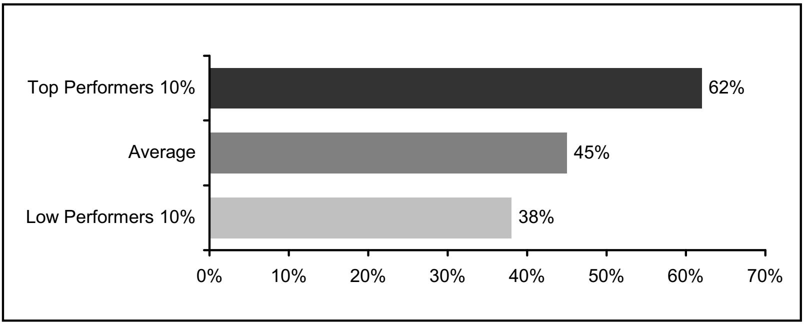


Figure 44: Importance of team sales with other company functions
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Sales personnel do not normally have any training and experience in this form of teamwork, and must be trained and supported if it is to function properly. They must learn to step back and activate others. They must indirectly manage and motivate employees in other departments and must at times compensate for their maladroit behaviour towards customers.

On the other hand, employees from other departments such as logistics, production or research and development must become used to focusing on customers and their requirements and not (solely) on their own tasks. They must learn to work together with salespeople or to be led by them even when they are not directly authorised to issue instructions. This new form of customer development does not depend solely on the goodwill of the persons involved. Companies should initiate and encourage this form of cooperation – which includes new work processes, new decision-making criteria, changed success models and a customer success calculation that incorporates the participation of other departments. Not every company has successfully accomplished this transformation, illustrated by the fact that the top performers differ significantly from the less successful in this respect.

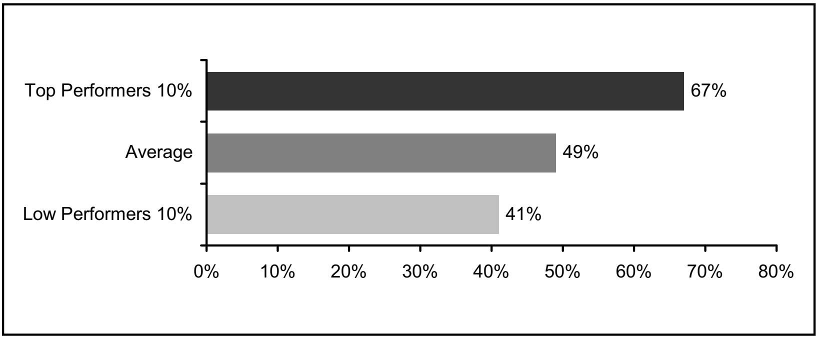


Figure 45: Percentage of company-defined processes for cooperation between sales and other company functions (Source: Study on *Excellence in Sales*, n = 747 top box agreements)

Products and services with greater quality and complexity can be produced or cost savings made via skilful job sharing and by using different employees or departments when developing customers. But this all presupposes that these advantages are not then negated by faulty communication and coordination among those involved. New interfaces arise that not only have to be defined, but also incorporated into daily working habits. This demands a degree of rethinking among many sales employees. In the past they were used to having sole responsibility for a customer, or simply undertaking order account processing tasks. Now they are expected to document information in a disciplined way so that colleagues who perform the subsequent work steps have are equipped to continue the sales process smoothly with no lost time.

Application recommendation: We recommend the use of cross-functional sales teams when this method of intensive cooperation is capable of generating added value for customers. In general, companies should always consider their use with care given the potential for conflict. Teams are always necessary for key account management, as they overcome the disadvantages of purely product or region-specific structures.

Use of different sales channels

The range of in-house or external sales channels in existence is enormous - from dealers to agents, sales cooperatives, leasing agencies, call centres, office-based sales activities, right up to the internet. There is a clear trend towards the parallel use of different channels (Source: Schögel 2001, p. 9). This inevitably results in higher costs. Companies today can no longer afford to extend their channels intuitively and spontaneously. Rather they must use the best available sales channels.

Almost no other sales channel has been the subject of so much heated discussion in recent years as the internet. Since the e-commerce bubble burst, this medium has developed into an indispensable element of modern sales work. This is also true for call centres which have enjoyed a boom in recent years - and which are, in many cases, an outsourced sales channel. Thanks to intensive promotion by Deutsche Post the mailing industry has, for example, achieved record sales volumes and distribution trades have been able to retain their position, despite doubts.

Diverse sales channels must be used to achieve *Excellence in Sales* (Belz/Bussmann 2002, p.175). The choice of the correct sales channel or correct combination of sales channels can only be made on a highly individual, case-by-case basis. Below we provide a brief description of the different approaches.

Use of a single sales channel

The starting point for consideration should always be the sales process that mirrors the process of customer persuasion. Which of the available sales channels can best perform the process with the best input-output ratio (cf. Figure 46)? Personal sales actually has the highest effectiveness and perception dimensions (e.g. voice, gestures, facial expression, use of visualisation aids and demonstrations) and will therefore be the most effective. On the other hand it is also the most expensive channel. Wages and travel times are high and the contact frequency low.

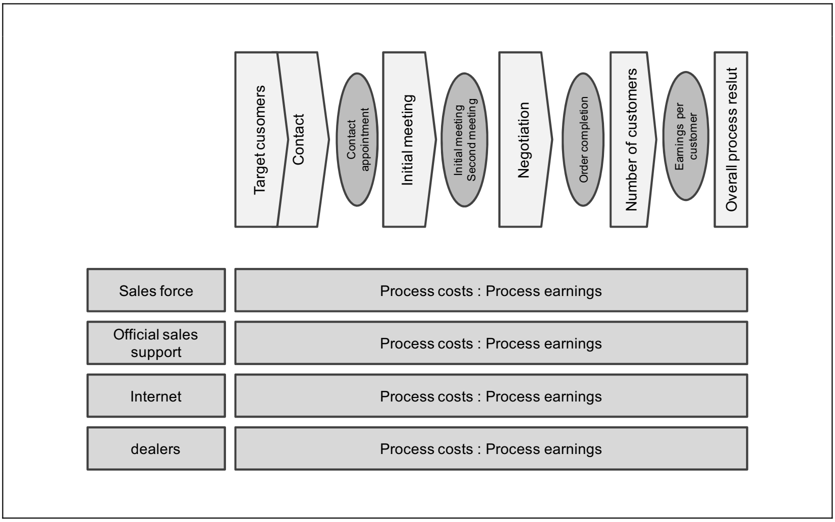


Figure 46: Calculation of process costs and earnings
(Source: Mercuri International)

If the same process were to be carried out over the telephone by office staff or a call centre, the contact frequency would be considerably higher although in return the efficiency would also be significantly lower. If the process were run with online support on the Internet it would require fixed costs for creating the technology infrastructure. However the costs per customer would be very low. One further advantage lies in this medium's lack of time dependency. Efficiency depends strongly on the sector, competitor behaviour, products and the maturity level of each customer target group. The

Internet has already become one of the most important sales methods in many sectors. Commenting on this Klaus-Peter Müller, Chairman of the Board of Managing Directors of *Commerzbank AG*, said:

"Sales work will undergo dramatic change in the future through the dramatic increase in Internet commerce. The majority of companies have not adequately oriented themselves or prepared themselves for this."

The final decision will be made by balancing process costs with forecast process earnings. However companies that concentrate exclusively on one sales channel are becoming increasingly rare.

Practical examples:

Focussing on one channel in different companies

Various companies have been using their sales force as the sole sales channel for a number of years. These companies include, for instance, *Vorwerk* (vacuum cleaners), one-stop financial service providers such as *AWD* or *MLP*, and *Just AG* (Swiss supplier of nature-oriented cleaning and beauty products) etc. These companies regard their direct channel to the customer as not so much a variant as the only one that fits its business model. *Just* and *Vorwerk* charge significantly higher prices than competitors who operate via retail markets. Both can only justify these prices through personal contact. MLP and AWD consciously appoint sales employees or financial consultants who are dedicated to the appropriate clientele. Identification and proximity become the success factors.

Other companies such as, for instance, *German Wings, Ryan Air, Easy Jet* (i.e. the so-called no-frills airlines) or direct banks rely entirely on the internet as their sales channel. In these cases this channel is also closely coupled with the company strategy, offering inexpensive booking options that, in addition to many other cost reduction models, combine to support a consistent strategy.

These examples show that a single channel can be very successful. Critical to success in our view, though, is that this channel is truly consistently geared to the company's strategy and business model.

Use of several, parallel sales channels

The majority of companies use different sales channels for their sales process. This normally allows more target groups to be reached than with only one channel. The profit/cost ratio also improves significantly. However, other problems normally arise as a result of this parallel use of sales channels. There is no guarantee that target groups actually adhere to "their" sales channel and that one sales channel does not cannibalise the other. Whilst this is easy to control in some sectors, in others it is almost impossible.

The illustration below highlights the example of *L'Oreal*. The company has been working with independent sales channels for specific market segments for some years. The reason for its success, in our view, is because the market segments can be clearly differentiated.

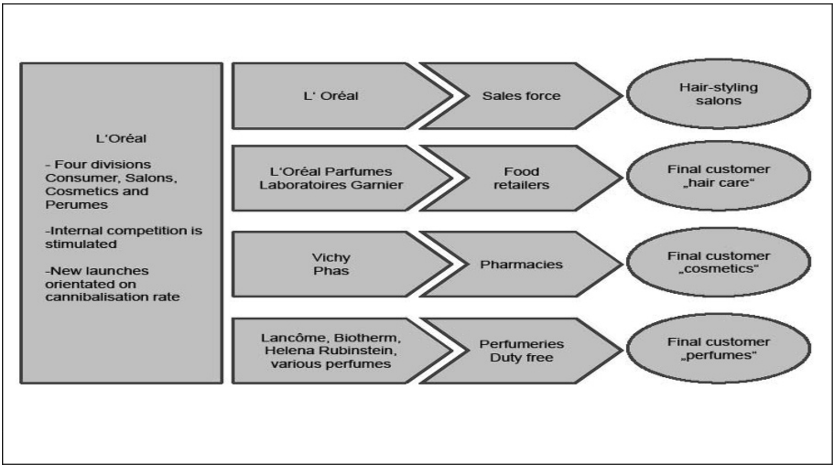


Figure 47: Sales channels at *L'Oreal*
(Source: Schögel 2001, p. 34)

Today the majority of companies work with multi-channel systems.

Practical examples:

Multi-channel systems at different companies

IBM works in both retail markets and partner companies in the bricks and mortar sales channels segment. There are official key account management and sales force teams for specific customer segments. The Internet is also used as an additional channel for selected customer relationships.

Allianz uses the *Dresdner Bank* branch network in the bricks and mortar segment, and also maintains its own sales force as well as providing offers via the Internet.

Hilti AG has always relied on a strong sales force. It has now extended this to include call centres and internet services.

We recommend the following when using multiple sales channels:

- Clear objectives for the channel mix for market and customer segmentation. The company must clearly specify the customers and segments to be addressed. The choice as to which customers are to be developed and by what channels must be taken into account during this selection.
- Each channel should be critically analysed for efficiency, for specific customers and segments. Single-channel systems for specific customers are preferable, where possible, as the cost of coordination is lower.
- Each channel and, as required, each employee responsible should be supervised and, where necessary, given incentives designed to support the business objectives.
- Multi-channel system targets should be harmonised and adjusted to match each other.

Use of a multi-channel system in different phases of the sales process

A further procedure, and one which is frequently practiced by the top performers in our study, is to allocate the work steps of a process to different sales channels or functions.

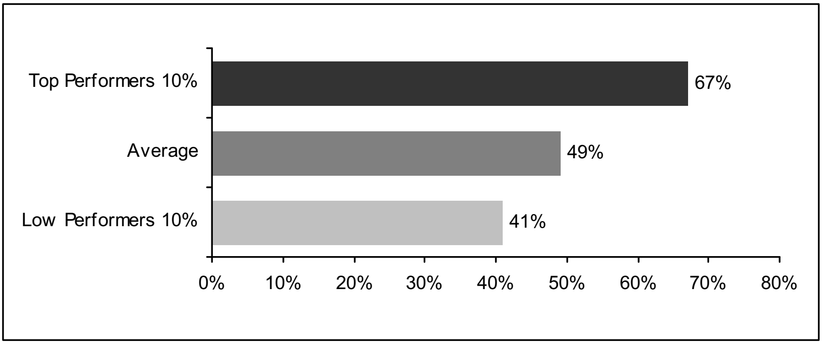


Figure 48: Importance of team sales within sales
(Source: Study on *Excellence in Sales,* n = 747, top box agreements)

For example: the office sales support or a call centre make appointments; the sales force then carries out the first visit. Or the customer service engineer identifies a need and then arranges an appointment for the sales force.

Allocations of this nature are the norm throughout the process. After the sales force has identified a need an application engineer takes over and creates the necessary specifications. Or the sales force convinces a customer but the offer is then produced by a sub-contracted dealer.

This variant (model) also has disadvantages. Communication interfaces arise between the individual sales channels and may result in significant losses in efficiency.

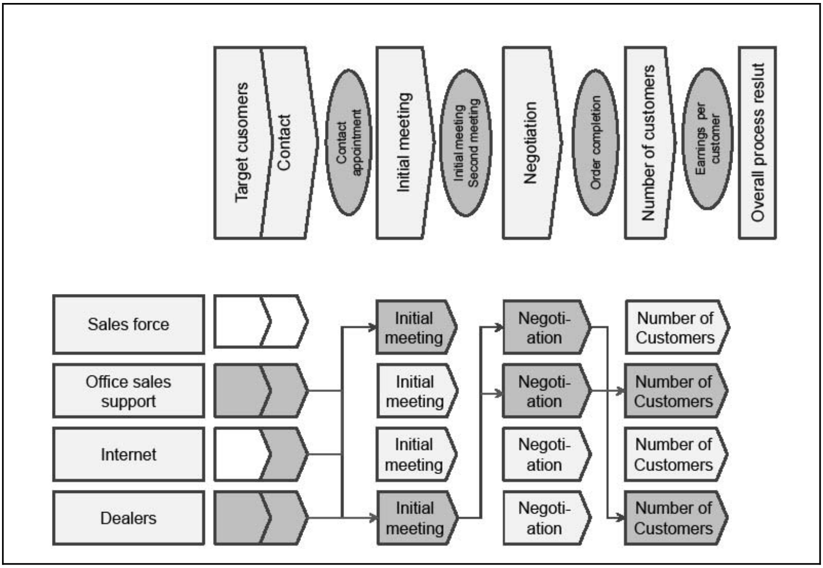


Figure 49: Several sales channels/functions for a Sales process
(Source: Mercuri International)

This type of procedure therefore places high coordination demands on all the parties involved. Notably, successful companies establish clear processes and communication structures nearly twice as often as less successful companies.

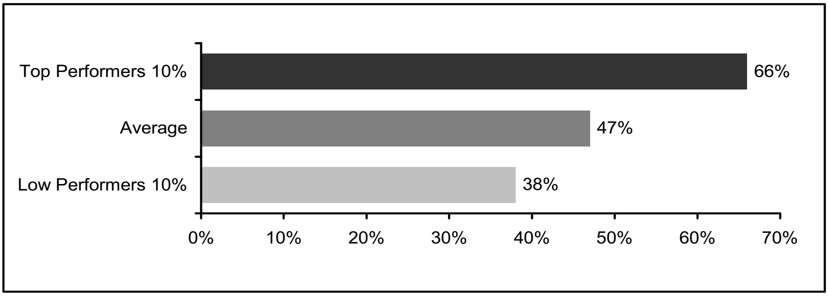


Figure 50: Percentage of companies with defined work steps for team sales within sales (Source: Study on *Excellence in Sales*, n= 747, top box agreements)

Recommended courses of practical action

Companies that strive for excellence in sales and customer management:

- …should examine whether competitive or efficiency benefits can be achieved through specialising sales according to criteria such as sector, product/service, customer or sales task.
- … should critically analyse the role that customer acquisition and retention plays in their company. In parallel to this they should analyse their employees' skills in these areas. Using this as a basis, separate sales teams, focus by main task, teams or perhaps training measures may be the correct path.
- … should examine the efficiency advantages provided by the diversity of available sales channels. Channels can be used in parallel as well as combined within a sales process.
- … should concentrate all the company resources on customers and also integrate non-sales departments into the customer development process.

12. Steering systems

The next step towards excellence in sales and customer management is designing the steering systems. Compared to many other employees within the company, sales employees generally have a high degree of decision-making leeway when carrying out their work. Companies generally expect sales employees to spend the majority of their time visiting customers. This is automatically associated with a certain lack of awareness regarding where the employees really are, exactly what they doing, and how long they take to do it. As a result, companies need steering methods. Professional steering approaches ensure that sales employees are focused on the targets and conform to the company strategy.

Sales steering systems cover all the instruments and measures that allow target-oriented management and training, to enable all the sales employees and sales-oriented employees to work in a target-oriented manner.

We distinguish between the behavioural and management functions of steering systems. Firstly we will cover the fundamentals of steering and motivating employees in general, and of sales in particular. The management aspects of a sales steering system include the instruments and procedures for target monitoring, systems and the development of sales employees.

Core questions in this chapter

- Which fundamental aspects of motivation are relevant for steering sales employees?
- Which instruments and procedures can be used to ensure that sales employees actually implement the targets and procedures planned in the sales strategy?

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- How should salespeople and management obtain the best, most up-to-date overview of the activities and earnings achieved?
- How should professional sales reporting be structured?
- What needs to be considered when introducing a CRM system?
- How should human resource (HR) development be professionally implemented for sales employees?

Control of employee behaviour in sales

Findings on motivation as the starting point

People are motivated to work in a particular company when they receive specific incentives to do so. *March/Simon* developed these findings into what is known as the "*incentive-contribution theory"* (1958). They examined why people join an organisation, why they make specific contributions to it - and why they leave it. The behaviour of people is to a great extent dependant on the incentives offered - and the way in which they subjectively perceive those incentives.

More detailed studies refer to other aspects that can also have an effect on behaviour (Scholz 2000, p. 123f.). These include, for example ambition levels, the motivation and reaction time to an incentive. Incentives cause extrinsic and/or intrinsic motivation in employees. Extrinsic motivation such as that from salaries for example provides a direct or tangible satisfaction that falls outside actual activities. Intrinsic motivation, e.g. pleasure in work itself or in achieving set goals is directly related to the corresponding activity. Both forms of motivation are linked to each other and are virtually impossible to separate (Frey/Osterloh 2000, p. 25). Thus, for instance, strong external incentives have been empirically proven to displace the intrinsic motivation. This is referred to as the *"substitution effect"*.

As a rule, individual employees react differently to incentives and their behaviour or attitude changes over the course of time. A minimum incentive is required for an employee to even be prepared to make a contribution at all or over the long-term. It is also important to attach greater value to intrinsic motivation approaches than to extrinsic motivations. This conclusion can be further substantiated by incorporating an understanding of the different concepts of man: "concepts of man are simplified and standardised models of human behaviours that people believe they can localise during the course of time" (Scholz 2000, p. 117). The classic concepts of man in business administration originate from McGregor who assumed two different concepts of man in his X and Y theories (McGregor 1960) that are still regarded as pioneering to this day. The principles of both theories can be expressed as follows. Theory X: Man has an aversion to work and will avoid it. He must be managed and controlled and declines responsibility. Theory Y: Man is fundamentally willing to work and finds pleasure and self-realisation in it. He is happy to assume responsibility, is creative and draws at least a large part of his satisfaction from his job. *McGregor*, as with many modern studies on motivation and management, recommends regarding people in organisations according to Theory Y. He assumes that people behave according to how they are treated. Theory Y therefore places greater emphasis on intrinsic motivation, as is explained below in the analysis of variable and fixed remuneration portions.

Reward systems in sales

Sales generally utilises relatively high-reward portions based on calculation methods that assume sales employees strive for 100% remuneration. However, they are paid a fixed amount, e.g. only 70%, and are then provided with the opportunity to attain 100 %. The reasoning behind such systems is the aforementioned high degree of freedom enjoyed by sales employees. In theory, variable remuneration systems can pursue two objectives. They firstly have the purpose of offering employees incentives to apply as much energy as possibly to achieving the targets, i.e. increasing motivation. Secondly, they ensure that the correct activities are carried out. This prioritises control.

In practice many sales managers do not always assume that the provision of financial incentives directly and automatically establishes additional motivation in terms of willingness to perform. This is apparently based upon a rather negative concept of man (Theory X). Sprenger summed it up:

"I do not believe that you want to supply the agreed performance in your job. However, if you keep to your agreement, you will receive your full salary. If not, you will only harm yourself." (Sprenger 1992, p. 10).

The fact that this procedure is not a very suitable motivator is not only revealed by academic research. Practical studies also prove that no significantly higher willingness to perform or motivation exists in comparison to other company departments despite the marked incentive and motivation culture.

"In fact, some of the same alarming phenomena occur as in other departments: inner resignation, 'burn out', indifference and the lack of willingness to assume responsibility." (Bastian 2000, p. 299).

If variable remuneration has a positive effect on motivation, then it is indirectly. Performance becomes tangible through commissions or bonuses. We are convinced that this experience of performance is the reason for the motivation and not the financial incentive itself.

The *Excellence in Sales* study also confirms this appraisal. Apparently it is not the largest possible incentive that is important. Top performers actually use variable remuneration in sales, but the variable portion is no higher among them than among the others. The variable income among all of the surveyed companies averaged 30 %.

As opposed to the motivation function, the control function of variable remuneration systems remains sadly underestimated. Even when faced with the current challenges already mentioned, the important thing in sales work is to establish the correct focus by developing a new concentration on customer retention and consultation selling.

At this point, we wish to state that the situation of utilising variable remuneration has established itself at numerous companies, yet cannot be described as the best solution and should be thoroughly reconsidered for this reason alone. With this in mind our recommendations regarding professional sales steering (including variable remuneration systems) are as follows:

Requirements of professional sales control systems

There is a clear distinction between the material and immaterial aspects of behaviour-oriented steering systems. The material elements include the basic salary, variable remuneration and additional benefits such as insurance policies or company car (Hilb 2000, p. 99). The immaterial elements include elements from corporate strategy, structure and culture that may have an incentive effect on employees. Table 8 provides an overview.

Immaterial elements are generally more suitable for encouraging intrinsic motivation. Companies should therefore develop a coherent system of strategy, structure and culture and find the correct employee for this purpose. We also recommend investing energies in these rather than the material factors, as intrinsic motivation has a stronger and longer-term effect.

Table 8: Immaterial approaches for behaviour control
(Source: Wunderer 2000, p. 439)

Immaterial reward systems		
Culture	**Strategy**	**Structure**
• Positive image of the company • Participation on the individual and entrepreneurial levels (e.g. by codetermination) • Identity and motivation potentials of the company • Trust and appreciation cultures • Motivating management and cooperation cultures	• Participation in formation of strategies and objectives (MbO) • Empowerment (e.g. by delegation of competencies) • Participative career planning • Human resource development (e.g. skill enhancement) • Internal advancement • More employment of women and young managers	• Work structuring • Work contents • Arrangement of working conditions (job enrichment, job enlargement, project tasks, delegation of responsibility) • Autonomous workgroups (e.g. quality circle) • Information and communication structures (regular, prompt and extensive information)

This requirement was successfully fulfilled in a practical Mercuri International project (cf. Figure 51). A "Star Programme" that assessed the performance of sales employees specifically addressed different motivation levels. The possible motivations for salespeople were identified by working together with the customer: performance experience, recognition / need for recognition, profit / pursuit of wealth, need for contact, personal advancement, pursuit of security and meaningful work. Incentives were developed that were in line with these possible motives and designed to address them all. This approach is a good starting point for other companies, even if their measures and motivations may seem different.

	Addressable salesperson motivations / Proposed measures / Incentive instruments	Performance experience	Recognition, need for recognition	Profit / Pursuit of wealth	Need for contact	Personal advancement	Pursuit of security	Meaningful work
Targets	Communication of individual assessment criteria	x						
	Communication of requirements for allocation of stars	x						
Communication, target achievement	Letter of commendation	x	x					
	Integration of star rating in address	x	x					
	Personal congratulations from sales manager	x	x					
	Stars at entrance door	x	x					
	Stars certificate	x	x					
	Stars as part of name for digests	x	x					
	Lapel pin with stars	x	x					
	Racing lists	x	x					
	Nameplates with stars at seminars	x	x					
Material awards	Fixed reward per star category			x			x	
	Fixed reward per added star			x			x	
	Higher benefits			x			x	
	Higher commission rates			x				
	Fixed bonuses		(x)	x				
	Travel		(x)	x	x	(x)		
	Bonus redemption according to star category		(x)	x				
	"Extra payment" bonuses		(x)	x				
General communication	Monthly star magazine		(x)		x	(x)		(x)
	Regular salesperson group meetings in the sales area		(x)		x	(x)		(x)
	Salesperson meetings according to sales manager areas		(x)		x	(x)		(x)
	3/4/5 Stars Club		(x)		x			
Participation	Focus groups	(x)	x		x	x		x
	Expert consulting	(x)	x		x	x		x
	Promotion to reference salesperson	(x)	x		x			x

Figure 51: Incentive systems and addressable motivations
(Source: Mercuri International)

Looking at material incentives and in particular the variable areas of reward, the options below also apply. Sales reward systems are subject to diverse demands (Bastian 2000, p. 301):

- *Correct portrayal of targets:* Targets for individual sales employees as well as, for instance, for sales teams and departments must be measurable if they are to serve as the basis for calculation.
- *Activity-based fairness*: Sales employees or teams must have an influence on the measurement principles on which the incentives are based. They must also be able to directly influence the agreed targets.
- *Interpersonal fairness*: Those affected must subjectively regard the remuneration as fair. Different expectations and estimations by individual personalities in sales (may) make this difficult.
- *Avoidance of control*: The reward system should be less focused on control and more on reward - more in line with the concept of man in the *McGregor* Theory Y (Deci/ Ryan 1985).
- *Avoidance of the destruction of "psychological contracts":* The material reward system must not be counterproductive to the company or departmental culture when tacit agreements already exist between the parties involved.
- *Transparency and simplicity:* The allocation of incentives must be transparent for everyone involved, in order to meet the requirements listed above. The system must also be simple.
- *Economy:* Complex systems will require more time-consuming management and are therefore more expensive.

From a practical perspective the list can be expanded to include the following points:

- *Number of targets:* The number of targets should remain manageable. A salesperson will not be able to pursue 10 objectives at the same time. In our experience there should not be more than 3-5 targets, depending on what % of reward is variable.
- *Selection of target values:* Because it is generally neither possible nor necessary to incorporate all the objectives into a variable remuneration system, those targets should be selected which are particularly difficult for sales personnel to achieve.
- *Variable amount per target value*: In order to exert control the variable amount per target should amount to at least 5 % of the salesperson's annual income. Smaller amounts will exert insufficient control – and will not therefore be effective.
- *Remuneration zones:* Reward for normal (average) performance will have very little impact on control. Instead, it tends to lead to a relatively small incentive or award effect for special performances. Variable systems should therefore set the baseline at the normal level or basic amount. Everything else is covered by fixed income.
- *Prompt feedback*: If the success or failure cannot be promptly calculated or experienced then it will not exert any direct control. The point therefore is to provide information on the relevant level of target achievement and the corresponding achievement of incentives, as soon as possible.

A single solution that caters for every area is unrealistic. The correct number of targets and activity-based fairness of the assessment basis as well as the inclusion of individual differences contradict the principles of simplicity and economy. Every reward system in sales is a compromise. Thus this is not a matter of finding an ideal system but rather an optimised one.

A case for rethinking and a guidance framework

The findings outlined above create a clear argument for a fundamental rethinking with respect to sales reward systems. We recognise the requirement for managers and companies to steer sales employees who work completely independently; and we also take into account numerous experiences and academic research.

The challenges of professional sales steering systems cannot be solved by relying on sales-volume-related variable salaries across the board, simply because that has always been the norm in sales.

Below we summarise four approaches that we believe can be applied in this field.

Here the options available to companies to address intrinsic motivation are relevant.

When a company has less room for “intrinsic manoeuvre” then it is forced to rely more heavily on extrinsic factors when it wishes to exercise active control. By “employee identification potential with the company” we mean the above-mentioned positive factors. On the other hand, the complexity of performance also plays a major role. We believe that companies that expect diverse competences from their sales employees in the case of a solution provider cannot simply measure and control this performance on the basis of sales volume alone.

This gives rise to the following four company situations in sales. Specific recommendations for the best approach can be derived depending on the situation which most closely corresponds to that of the company:

Simple targets with high variable portion: This is recommended for companies that offer only simple services, i.e. few products that require explanation. For simple sales activity a few, simple targets can control the success of that activity. If there are no other alternatives the company is forced to rely on this classical sales incentive system (when there are no, or few actual immaterial incentives). This is the case, for instance, when the company does not have a particularly pleasant culture, the strategy is not clear, the colleagues and team are not likeable and the work is not particularly stimulating, etc.

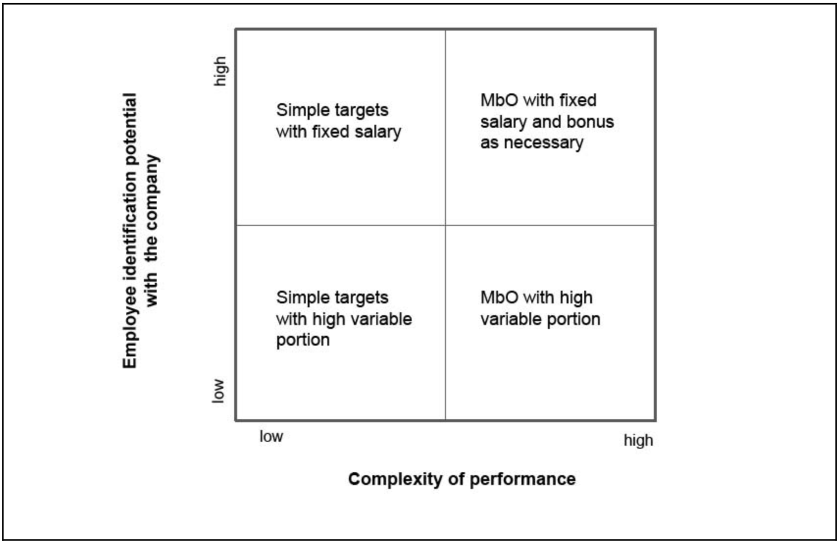

Figure 52: Situational approach for the establishment of incentive systems for sales

Simple targets with fixed salary: If the company is an attractive employer then it can achieve a high level of control by means of intrinsic motivation due to the high level of identification. In this case the actual targets can also be kept very simple.

MbO with high variable portion: If the conditions within a company mean that it has little scope for intrinsic motivation then the company should rely on external incentives. However, if the performances are complex then the targets must also be complex. In this case, only Management by Objectives (MbO) functions, i.e. management in the form of agreements regarding objectives. The balanced scorecard offers an orientation option and has proved its value in numerous practical projects (Bühner/Akitürk 2000). Individual performances as well as team performances in demanding and complex areas of work cannot always be recorded quantitatively but rather only qualitatively in some instances. Many activities are difficult to measure directly and must be 'made measurable'. Subjective influences should not always be excluded here. However, the principle applies:

Whatever cannot be measured will not be done. This also applies to a good objectives agreement system even if the variable reward portions are not coupled to every objective.

MbO with fixed salary and bonus as necessary: If, however, the company offers a large number of opportunities for identification and therefore intrinsic motivation we recommend clearly focusing on this instead. We also recommend the use of MbO in this case, but more as an element within a mature management culture. Occasional, "one-off" bonuses should be used whenever targets are achieved or exceeded. These bonuses should always be perceived as a reward so that they do not become habitual. Changes to the reward scheme depending on the achievement or non-achievement of agreed targets should be considered in the long term. They will then have little influence on the extrinsic motivation and allow the intrinsic motivation more opportunity for development.

The issue of whether, in addition to this, employee variable remuneration is coupled to company success and is rewarded by stock options, for instance, is a variant requiring examination independently of team performance. It is oriented more towards the goals and the philosophy of the entire company (Dilk 2000). Based on Theory Y, variable elements should always be perceived as a recognition and a reward which expresses the company's high regard for performance. The symbolic effect of particular measures (and the signals they send) must not be underestimated (Becker 2000).

Management systems for controlling sales

Information is key to the management (and the measurement) of sales employee performance. In principle, it can be classified as *targets/results* and *activities*, in which targets/results are taken as the outcome that is (to be) achieved in the market. This may consist of financial data such as sales volumes, orders or profit contributions. Activities are the actions that have to be completed to achieve a target: from analysing customer potential to concrete customer contact.

Targets as a control instrument

We believe that controlling individual salespersons/teams or customers using blanket sales volume targets for is no longer adequate in the majority of today's markets (cf. also Chapter 8). Today a product range must be actively marketed. The customers and products used to generate the sales volume should be monitored to avoid the danger that only those products are sold that the customer demands. New and innovative products, on the other hand, often have to be actively marketed. Sometimes initial resistance is encountered among customers. This therefore requires sales investment before products have become established. This is the only way to occupy important market positions at an early stage and achieve good profit margins.

In the context of sales strategy/planning, therefore, the first control steps towards differentiated market development should use detailed objectives such as customer segmentation and differentiated sales processes. However, this will only function when those objectives can be broken down by individual sales employees or teams, as targets.

Almost all the companies surveyed in our study (94 %) have formulated concrete targets for their sales employees. However the targets are often higher, more demanding and more differentiated among the top performers. Customer satisfaction targets, targets for individual product sales volumes or profit contributions are found more frequently among them than among the average and low performers.

Successful companies therefore appear to control their market development with greater attention to detail. This allows them to identify and correct errors earlier and thus increase the probability of achieving their planned market positions.

In addition to new product-related control, the profit margin for any product can also be used as a control mechanism. However, product profit margins have long been the domain of Finance and therefore have not been used to control sales. The top performers use them almost twice as frequently as the low performers, but only in every other case.

Customer profit margins appear to be the same. While the top performers rely more strongly on them for control, only every third company generally uses customer profit margins as a target value. We regard this as a factor with significant potential.

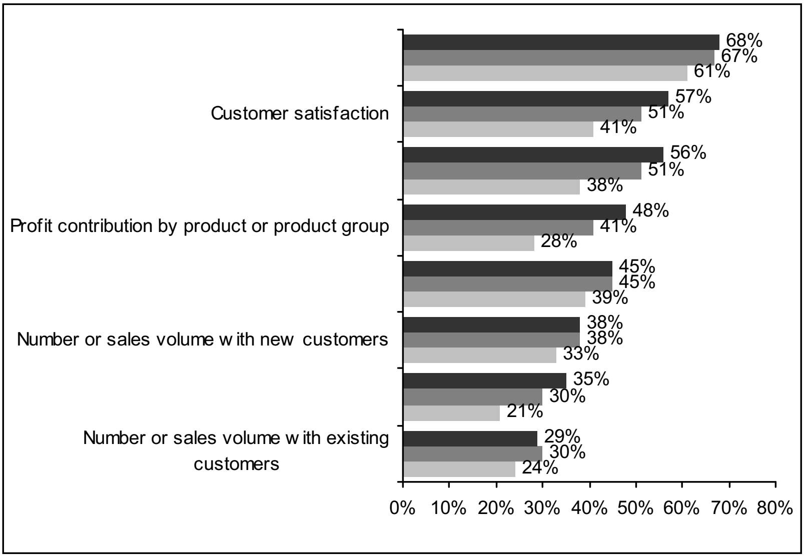

Figure 53: Objectives for sales
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Control via activity

Targets specify the results to be achieved. The more they differ, the greater their influence on the procedure. In general, objectives nonetheless allow a relatively high degree of freedom in procedure and in the development of actual sales activity.

For effective sales control, other activity must therefore also be considered. Sales activity can be devided into three categories.

- *Direction*: The target orientation of the activity. Which products, customer groups and contact persons take priority in sales activity?
- *Quantity*: The frequency of activity, e.g. number of customer visits, number of quotations or number of demonstrations/presentations.
- *Quality:* The quality of the activities. How well are the customer visits, quotations and demonstrations arranged in terms of content? How good are the sales personnel's communication skills, their empathy, their charisma - and their sales pitch?

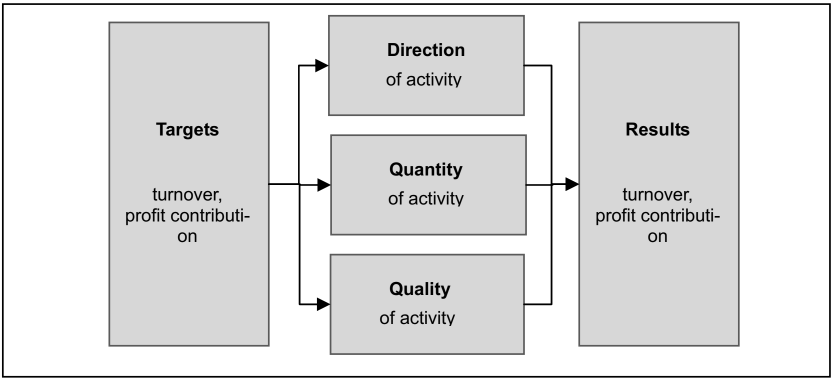

Figure 54: Structure of sales activity
(Source: Mercuri International)

The correct activity must therefore be carried out with the right quantity and quality to achieve the desired results/targets. These cause-effect relationships are important for the entire sales planning and control process. We view structured sales management as being vital to sales success.

Results cannot be managed -
only activity

Requirements of reporting systems

Reporting systems should therefore not only present levels of target achievement or results. It is at least as important to learn *how* the results were achieved and via which activities.

A sporting analogy

To win a football match the coach plans different moves (work processes) with his team before a match. The wings to run the attacks and other player tasks are specified. The players train both with and without the ball. Simply specifying the final score would be insufficient. The tactics must be planned and practised. Even experienced players and a team thoroughly used to playing together would not be able to exploit their full achievement potential without specifying a tactics geared to their opponent (ie its team profile and league ranking).

In the same way, successful companies have also used sales processes to define clear targets for their important market moves and the quantity, quality and direction of activity required. A target system has therefore been created that not only defines a final score, but also important sub-targets and activity volumes.

If we continue with our football example: During the match the coach watches from the side of the pitch and checks whether his players are doing what has been agreed. If not, he will call and use signs to prompt them to complete the appropriate activities and moves. This means that during the match he exercises influence to keep his team on the right course. If he notices that goals are not being scored despite the correct behaviour, a new strategy may have to be defined at half-time.A football coach would never think of remaining in the changing room (office) during the match and only be provided with the score (sales earnings). He would not be able to manage the game effectively.

As sales management primarily consists of activity management, the sales personnel as well as managers need reporting systems in order to obtain the necessary transparency. Unfortunately, unlike football coaches, managers cannot stand at the edge of the pitch and determine activity completion and efficiency through direct observation.

A correctly developed sales information system has a similar structure. Specific results, partial results and activity volumes are shown. The important information is documented and recorded, making it possible to identify those "moves" and activities that are actually being performed in the market and the effect they exercise (input-output relationships).

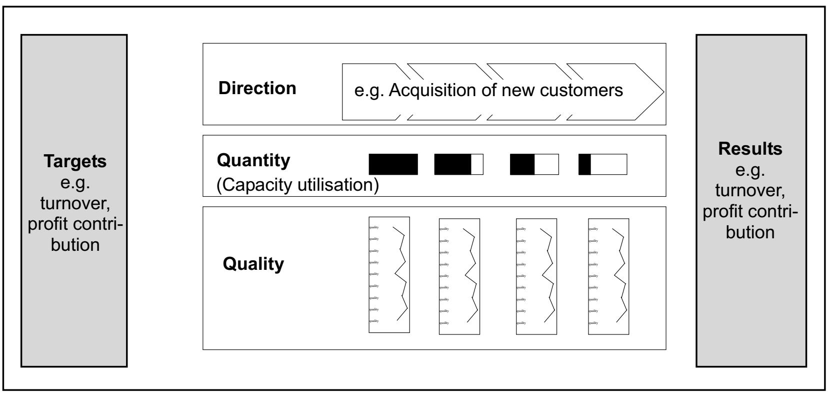

Figure 55: Targets, activity and results
(Source: Mercuri International)

At this point it is also helpful to consider sales processes, which set the direction for products or customer segments (e.g. cross selling, or new customers). The parameters for activity (e.g. number of contacts per process step, success rates) required for target achievement have already been determined when designing the sales processes, along with the specification of individual work steps and success rates. The qualitative design of the sales activity is then defined by the content of each work step.

Typical activity-based elements in a reporting system are:

Direction of work steps/activities, evaluation by

- Customer groups / segments
- Contact partners
- Products/services
- Sales processes (new customers, cross selling)

Quantity of individual work steps / activities

- Number of customer contacts
- Number of demonstrations/attempts
- Number of quotations, open and completed orders
- Links to hit rates, success indexes / KPIs

The quality of the sales activity is the only area that a reporting system cannot measure. Information on the current stability of a customer relationship as well as customer satisfaction analyses is helpful and success rates allow conclusions regarding work quality. However, these values are in turn influenced by other factors and not by the sales personnel alone – and the information on what exactly was done incorrectly is lacking. Ultimately the true state of qualitative activity can only be clarified through personal attendance (cf. Chapter 13 The manager as coach).

Successful companies also differ significantly from the less successful in their reporting activities. They record a large amount of activity data in short time intervals in the context of sales activities/control. This means not only yearly, but also monthly or quarterly. In addition, they also record more activities than the other companies.

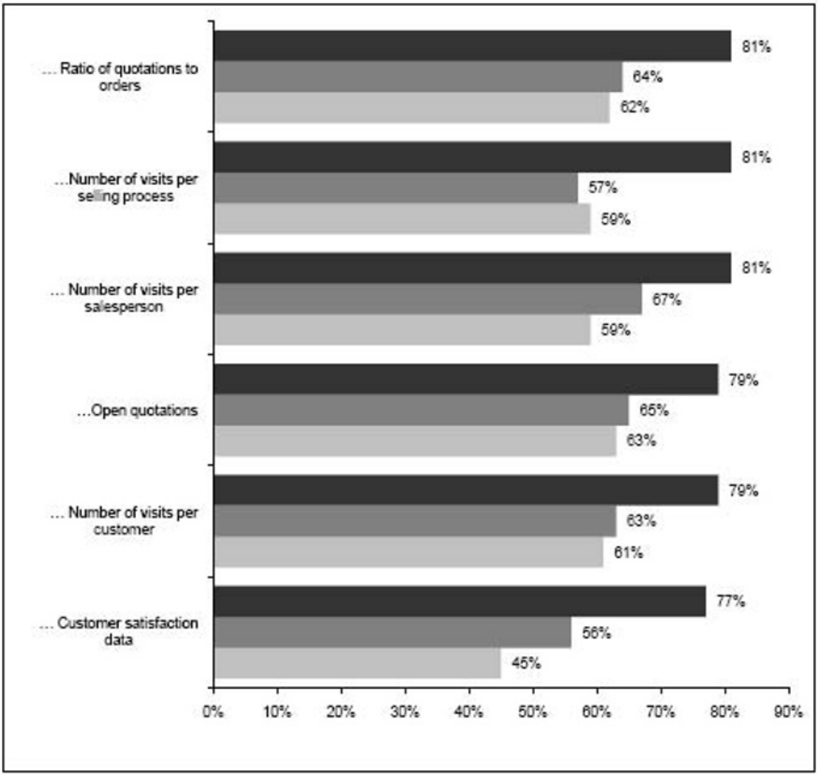

Figure 56: Percentage of companies with monthly or quarterly indices for sales activity (Source: Study on *Excellence in Sales,* n = 747, top box agreements)

Reporting is one of the key requirements for excellence in sales and customer management. Only a clear view of sales work done during the course of the year allows steps to cultivate markets to be actioned in the short term. Reporting also serves as a form of early warning system. Target achievement is greatly endangered if planned activities are not performed, even if no deviations can be identified in the current results (due to the time delay). Countermeasures can therefore be rapidly initiated.

Customer Relationship Management (CRM)

Customer relationship management systems were originally praised as a panacea.. They were intended to take sales work to an entirely new level. However, disenchantment has now set in. Many systems, especially in the business-to-business segment, have degenerated into (just) better customer databases – or are neither used or maintained. Sales teams complain about having to input excessive amounts of data for reasons they do not understand. :

"If you give a fool a faster tool, all you get is a faster fool."

If the potential benefits are not recognised and realised then the approach will fall short. The CRM system, i.e. the IT solution, is only the tool. The contents and processes are the decisive factors, and the strategies and activities derived from them should be better than earlier ways of working. CRM is therefore certainly not to be limited to the introduction of new software. Rather it should be understood as a strategic concept.

To assume that good sales work is possible without intelligently managing customer-based data is an illusion. All the points that we have already listed with regard to reporting can also be covered by a CRM system. However, a good system can do far more when correctly designed and deployed.

- Sales processes can be illustrated and open quotations evaluated as to their chances of success as part of ongoing opportunity management. Concrete activities for each individual salesperson can be set, automatically.

- Decision-making processes and those people involved with customers and prospective customers can be “stored” and automatically assigned to different phases of a sales process. This makes influencing customer processes easier.
- Customer potential can be structured and evaluated from different points of view. This allows target customers to be defined according to their potential and purchasing probability.
- All the employees involved in the actual development of customers are provided with a communications platform that delivers a standardised customer view; agreed procedures; and detailed guidance on the company research on customer X Y or Z.

The *Excellence in Sales* study also confirms this. Top performers use their CRM system three times more frequently for designing their sales activities than the lower-ranked performers. Therefore it is not the existence of a system that matters for success but rather the way in which it is used.

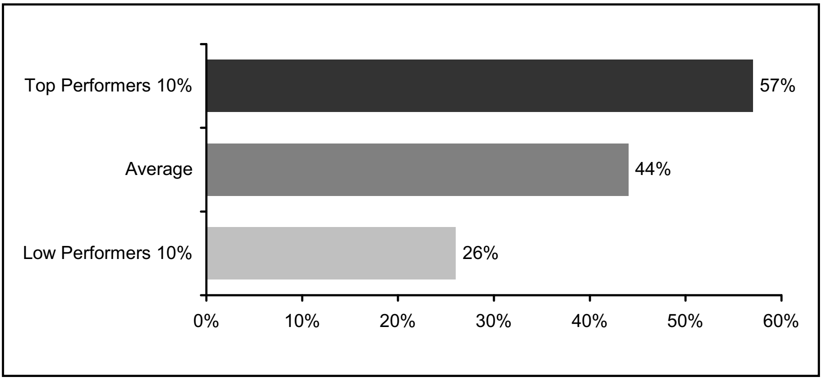

Figure 57: Satisfaction with CRM system,
(Source: *Excellence in Sales* study, n = 747, top box agreements)

But why do many companies find it so difficult to utilise a CRM system in the right way, to increase sales efficiency?

Often, important factors are not considered prior to purchasing a CRM program: A CRM program does not in itself have any value for a company. Many companies make the mistake of hoping for an "automatic control effect". However, the CRM program only becomes of value when a framework also exists which defines how data is processed or used, and how this will affect the daily sales work. Every CRM project begins long before the phase in which a program is selected. The CRM system must first be developed and tested in practice. This can be done without a software program. IT only becomes an issue after proof has been delivered that it is possible to successfully work with specific data analyses.

Inadequate consideration of customer persuasion processes: Often customer data is recorded but not the sales processes or information required for "*opportunity management*". No input-output relations are recorded and no process sequences illustrated.

No clustering or characterisation of customers to assess their potential: Enormous opportunities remain unused if customer data is not used to cluster customers and therefore provide more rapid transparency and potential availability.

Push instead of pull during the introduction: Sales is first confronted with the program and not with the CRM systems mentioned above. Sales receives "user training" but no "application/usage training". This almost inevitably results in a data graveyard of no direct benefit to market development.

Professional vocational and advanced training systems

The influence of vocational and advanced training systems is often underestimated. When sales employees are confronted with situations in which they feel insecure or incompetent they will attempt to avoid those situations. In order to ensure that employees really implement planned procedures they must possess the knowledge and ability do so. The *Excellence in Sales* research also reflects this. Whilst the successful companies devote an average of ten days training for sales employees, other companies only provide seven days.

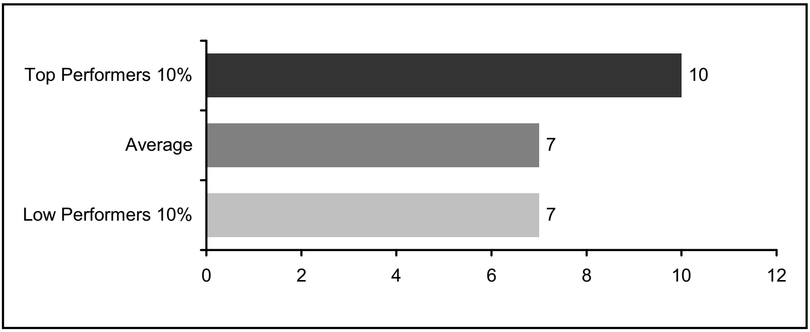

Figure 58: Number of training days per sales employee
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

The procedures for qualifying sales employees are covered in the following. The key questions are:

- How can the knowledge and competency required for a specific job (or sales role) be defined?
- Following this, how can the employee's level of knowledge and competency be measured?
- What procedures can be used to transfer knowledge and ensure its application in daily sales work?

Range and selection of development areas

In our experience, the range and selection of qualification subjects is not always best approached even within major companies with their own human resource departments.

The dominant seminar catalogues actually provide extensive advanced training materials, but rarely tackle the unique requirements of individual employees. Individual development are often only ascertained via open needs surveys which are carried out among managers and sales employees and essentially resemble a collection of requests. The seminar contents are only rarely based on a clearly defined competence/requirements profile. A detailed example of a requirements profile is given in Table 9. It can be used as a basis to precisely pick the necessary subjects.

Development subjects are even more rarely coordinated with those work processes in which proficiency is vital. Therefore it is no surprise that the top performers stand out due to the fact that their advanced training facilities for sales are centred on their sales processes.

If a company is centred on processes then the training should conform to that process orientation. Human resource development is not intended to offer advanced training for the sake of advanced training, but rather as a means of training employees to complete their work processes.

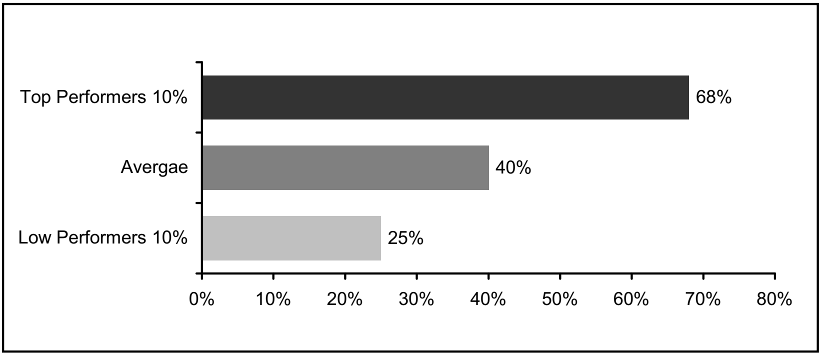

Figure 59: Percentage of companies that provide a training module for each work step in a sales process
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

Table 9: Qualification profile for sales personnel
(Source: Mercuri International)

Assessment criteria	Very good				Very bad
	5	4	3	2	1
Sector knowledge upon • Strengths/ weaknesses of competitors • Past events • Estimates for future	All, also minor differences All, including details Always right	All important All Important Right to a great extent	Mostly Mostly Mostly	Only a little, incomplete Only a little, incomplete Only a little, incomplete	Nearly not known Not consciously experienced Does not make any estimates
Customer knowledge on • Potentials • Sales/ processing situations • Decision makers/ dates • Requirements criteria	All customers and non-customers Everything, including details	All important customer and non-customers All important All important All important	Only potential of own customers The most important ones Mostly Mostly	The majority of own customers Only some, incomplete Only some, incomplete Only some, incomplete	Only rarely known Hardly known Hardly known Hardly known
Product knowledge on • Performance characteristics • Design details • Application / use	All Makes proposals for improvement All possibilities	Nearly all All important ones Clearly superior to customers	All USPs The majority Same as customer level	The majority Only some, incomplete Not always same as customer level	Only a few Hardly known Significantly under customer level
	5	4	3	2	1
Working systematics, area management • Information, analysis • Planning • Flexibility	Perfect / little effort Very good written Optimises continuously	Very good / with effort Good written Changes when required	Good, much effort Good, mostly written Changes when absolutely necessary	Not regularly Existent, in head Resistant to change	Very rarely Hardly existent No preparedness to change
Work quantity • Personal customer contacts • Phone / written correspondence • Demonstrations/ presentations	Very intensive, also private Perfectly matched Uses every reasonable opportunity	Intensive, rarely private Used targeted Used mostly	Mostly good intensity Sometimes limited Sometimes limited	Not always adequate Used relatively little Would have to follow more intensively	Not adequate Hardly used Used only in exceptional cases
Work orientation • Implementation customer-specific • Implementation product-specific • Contact person at customer • Time distributed to customer contact	Fulfils / exceeds targets Fulfils / exceeds targets Deliberate selection by customer situation Perfectly matched	Nearly always reaches targets Nearly always correct Nearly always correct	Fulfils most targets Fulfils most targets Correct for standard Correct for standard	Adheres to existing focuses Only attempted rarely Mostly no deliberate selection Also mistakes for standard	No focuses Reacts only Dependent upon chance No deliberate consideration

	5	4	3	2	1
Knowledge of human nature	Absolutely reliable estimation	Good type recognition	Assimilation of main characteristics	Occasional estimation errors	Barely conscious assimilation of characteristics
Contact capability	In all situations and with all persons, very high initiative	In all situations, with most persons, good initiative?	Not always certain, does not necessarily always seek contact, sufficient initiative	Frequently uncertain, dependent upon situation and persons, sometimes avoids new contacts	Awkward, avoids unknown persons
Communication skills Verbal Written	Fascinates listeners, listens Perfect written expression	Good presentation, nearly always listens and is dialogue-oriented Convincing presentation, structure	Good presentation, does not always listen, occasionally dominates or is silent Can express himself / herself	Average presentation, too much talking time, listens too little, weak dialogue structure Is not always succinct / concise	Has considerable difficulties to express himself / herself and accept customer reactions Clumsy expression
Demands analyses, empathy	Systematically seeks existing needs situations and purposefully establishes demand	Systematically seeks demand, also utilises small indications	Proceeds correctly but too systematically, does not always identify demand	Asks few questions, frequently has difficulty in finding an appropriate demand	Presents products directly without a conscious demands analysis
Argumentation skills	Very high persuasiveness and utilisation of all aids, combines benefits and customer requirements	Strong persuasiveness and utilisation of important aids, presents benefits	Employs persuasiveness, uses aids, does not always present benefits	Is not always persuasive, aids only rarely, presents characteristics, not benefits	No argumentation supports, only presents characteristics, no relation to customer requirements
Treatment of objections	Uses objections as selling aids	Can defuse objections without polarisation	Replies to objections confidently	Can not answer every objection, insists on being right	Is speechless when faced by objections or contradicts the customer
Conduct in negotiations	Does not fight for positions, seeks balancing of interests, knows techniques	Challenges majority of positions, knows key techniques	Tries to enforce positions, not flexible, little tactic	Challenges no positions, makes concessions, can be outwitted	Does not negotiate
Conclusion technique	Always seeks a result, establishes further steps, persevering	Mostly seeks results / subsequent steps, mostly persevering	Frequently seeks results, not always persevering	Rarely seeks results, but mostly addresses further steps	Leaves the initiative for completion up to the customer
	5	4	3	2	1
Communication behaviour internally	Seeks and gives information, also against resistance	Seeks and gives information, on own initiative	Seeks self, and gives information upon request	Seeks and gives information irregularly	Does not seek and give information despite request
Team behaviour	Very strongly promotes work results, can facilitate	Makes valuable contributions, challenges, can integrate well	Mostly makes contributions, but needs instruction	Makes contributions with high personal profile	Introverted, is lone warrior, cannot integrate

Profile example

In addition to the proficiency in individual work steps (tasks), this also includes general process competence - especially in more sophisticated sales techniques such as consultative selling. How are the individual work steps linked to each other? What does the efficiency of a work step depend on and how can it be influenced? It is difficult to establish this competency in traditional seminars. We believe that case studies can be used to act out certain sales situations. However, these are rarely available in HR departments.

Recording the competency requirement

Recording concrete competency requirements is a crucial and complex step along the route towards excellence in sales and customer management.

The requirements analysis is often only done indirectly and tends to resemble a collection of requests, as previously mentioned. Employees can select seminars as an incentive. But those seminars that interest employees are not always the important or the right ones.

Decision on the requirements on the basis of a concrete evaluation system produces considerably better results. Unfortunately evaluation systems are often formulated only very generally and permit few conclusions regarding detailed individual qualification subjects/areas. It is easier when an extensive competency profile (cf. Table 9) is used as an evaluation system and the results are then used to produce a current estimate that in turn forms the basis for selection of competence.areas.

There are a number of different procedural alternatives for making the competency estimate based on a detailed profile. An initial estimate can be made via a discussion. The employee and the manager specify the competency requirement based on the competency profile. A further option is to use a special, structured method of competence analysis, in which the competency profile is translated into certain statements (e.g. “I am well prepared for all objections raised by a new customer”). Employees indicate their extent of agreement for every statement. In order to obtain a 180° view: the supervisor also uses this to produce an assessment of the employee. In certain situations it may also be appropriate to demand a competency assessment from team members which the supervisor then uses to specify the qualification requirement, together with the employee.

In the activity reporting section we mentioned that the success rates for sales processes also provide indicators for the competency requirement within specified limits. Success rates for individual employees can then be determined at different levels of detail and compared with a set value. This analysis of success rates produces first indications of the respective individual competency requirement for a sales employee, as a description or even as a step-by-step work-training module.

However, a large number of sales processes are team processes and success rates are not always determined by personal performance. As a rule, results from an analysis of process parameters should therefore be validated by the manager.

Knowledge transfer and implementation

Every learning process begins with the willingness to learn. This is a delicate issue in the majority of sales teams.

Many salespersons, especially the experienced ones, still believe that they do not need additional competences. But that is the same as a player in the national football team thining that he does not need any more training because he can already play football.

One might object that the two are not directly comparable. Muscles must be continuously trained, but once knowledge has been learnt it remains. Although this is fundamentally correct, the point for sales personnel is not knowledge by itself but above all the application of knowledge. Athletes not only train muscles but also technique, namely how the muscles are used, how situations are assessed and the correct behaviour.

We therefore recommend confronting employees with their current “state of play”.. A sales process analysis with an assessment of the success rates along with the comparison to a benchmark quickly de-emotionalises the discussion regarding the necessity for training.

Once the willingness to learn has been created the second phase of the learning process consists of the knowledge transfer. In addition to classical presence training, written or electronic information (e-learning) has often been used to build product knowledge. Behaviour-oriented subjects are handled differently. The classical presence seminars are still dominant. Audio books or videos are only seldom available - generally only sporadically and not coupled with other materials or learning sequences. In the behavioural field it is much more difficult to transfer knowledge via media alone rather than via direct dialogue between a trainer and a seminar participant, particularly for subjects unique to a particular company. However a wide range of e-learning modules now exists for sales. Furthermore, there are no longer any major technical problems with using online media to run different learning sessions on an ad hoc basis (without official e-learning modules). It has been shown that the so-called *"blended learning approach"*, the combination of presence seminars with written and online media, is much more effective than the traditional two-day seminars, as well as saving valuable sales time.

Top performers rely on this new method of knowledge transfer. They not only focus on process competence content: they also teach in a process-oriented way.

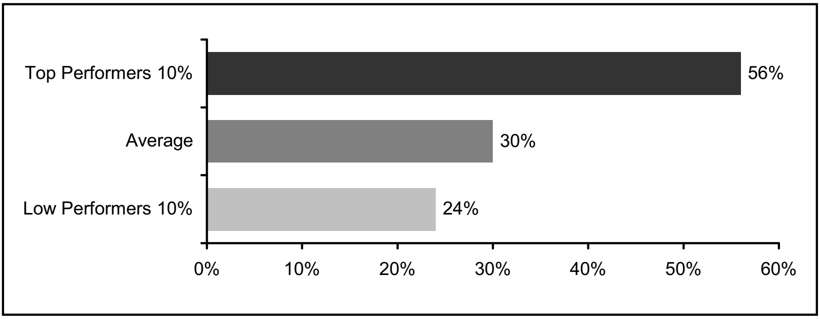

Figure 60: Percentage of companies that use e-learning for the development of their sales employees
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

The third phase in the learning process is that of implementation. Learners must now practically apply their new knowledge. They must integrate it into their sales personality and develop positive routines.

When salespeople concentrate (only) on their own behaviour they have difficulty concentrating on conversation partners, discussion situations and content (the multitasking problem). Salespeople will initially feel insecure and will thus inevitably experience some failures until they reach a routine. As such there is always a danger that the motivation to change will suffer, that the salesperson gives give up or is dominated by day-to-day business to such an extent that they no longer actively work on implementin learning. The degree of support a salesperson continues to receive during this phase is therefore crucial (cf. Chapter 13, The manager as coach). Unfortunately, in practice this does not always happen. This also explains why many sales teams still have an unsatisfactory level of competency despite numerous training sessions.

Recommended courses of practical action

Companies that want to achieve success in sales and customer management:

- … should rely explicitly upon intrinsic employee motivation to improve employee performance and ensure that is not (too strongly) suppressed.
- … should on the other hand use variable remuneration systems primarily as a control instrument and not as a motivation instrument and establish the measurement criteria accordingly.
- … should use suitable reporting systems to observe and monitor the results and completion of actual sales activity.
- … should develop a real CRM strategy. This will include how sales work can be optimised through the intelligent utilisation of customer data. The point is not simply to purchase a CRM system.
- … should plan advanced training systematically and in a process-oriented manner - and apply a blended learning approach.

13. Management in sales

In many sales teams we still encounter the classic image of a salesperson: individual, headstrong, intuitive and difficult to control. At various points in this book we have remarked that this picture is one of unprofessional sales. Sales and salespeople can and must be controlled and managed, whether the individuals concerned like this or not. We believe that professional management as opposed to isolated work achieves better results for everyone concerned. We will therefore devote this section to three areas that we regard as important for sales management: management style, span of control and the role of the manager as coach.

Core questions in this chapter

- Which management style is the best, in sales?
- Which span of control is ideal?
- How should a manager behave as a coach, in sales?

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Management style

We regard management style as the way
in which a manager manages employees

Literature contains a diverse range of approaches and recommendations (Diller/Haas/Ivens 2005, p. 424). We present both a static approach and a dynamic approach below, for guidance. We regard the static approach as an aid for the medium to long term, for specific business models or company situations, for example. The dynamic approach is best used primarily as a short to medium-term instrument for most situations and managers.

Static management style concept

Homburg/Stock identify a management 'style catalogue' for marketing that features different 'best profiles'. We believe that this can be perfectly adapted to sales management. For a sales manager the three dimensions of performance, customers and employees are central. They can be put into practice as follows (Homburg/Stock 2000, p. 104f.):

Performance orientation in sales management is demonstrated when managers…

- actively communicate with their employees
- set themselves and their employees clear targets
- regularly evaluate the degree of target achievement
- concentrate on the most important tasks
- measure the value of their performance by the result and not by the effort
- delegate tasks logically
- do not delay pressing decisions
- encourage employees to perform well

Employee orientation in sales management is demonstrated when managers …

- personally value their employees
- show consideration for their employees' concerns
- place value on good interpersonal relationships with their employees
- pay attention to the welfare of their employees
- get behind their employees, even in difficult situations
- encourage ideas and initiatives from their employees
- make it easy for employees to speak unselfconsciously and freely with them

Customer orientation (being customer-focused) in sales management is demonstrated when managers …

- exemplify customer orientation
- do not regard customer orientation as being an end in itself
- align employee targets with customer orientation
- acknowledge customer-oriented behaviour from their employees
- criticise behaviour that is not customer-oriented
- particularly encourage customer-oriented employees
- frequently speak with their employees about the importance of customers to them personally

These three dimensions may be combined in varying degrees. For more explanation see Figure 61.

It comes as no surprise that a management style in which all three dimensions are strongly present is extremely rare. Assuming that managers are even able to come close to the ideal expression of their own style is ambitious enough. All three dimensions would be desirable, of course, but also extremely demanding. We argue that managers should first become aware of how they manage. The criteria supplied above provide a good basis for this. The point then is to try to adopt the best approach for each specific situation. Thus, the “authoritarian customer oriented” style would be a good choice for intensively competitive, solution-oriented business models, for example. The “internal optimiser” is mainly required in efficiency-increasing programmes for the sales department or for complete company turnaround situations.

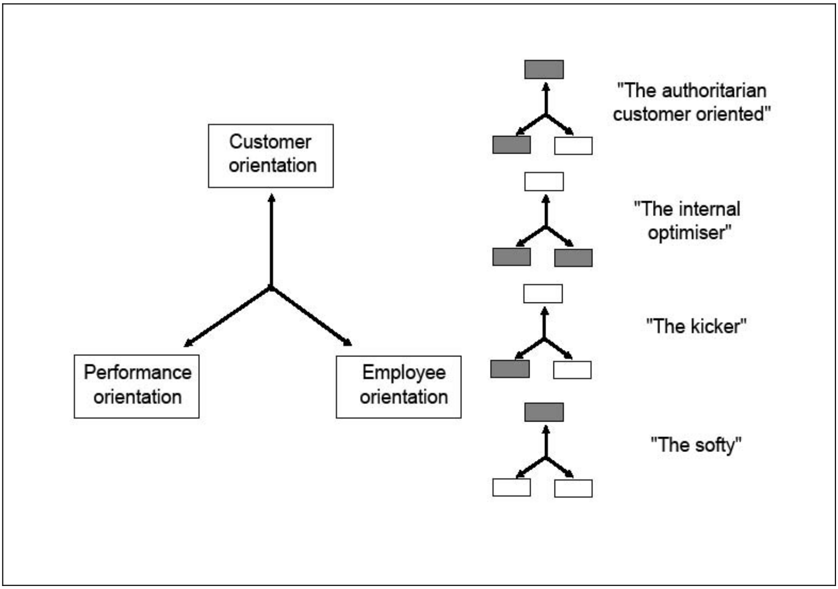

Figure 61: Management styles in sales management
(Source: Homburg/Stock, 2000, p. 100)

A certain degree of pressure from the management is important with regard to replaceable products and services, strong competition and/or time pressures. Although the term “kicker” can be justified neither internally nor externally (and is one which we do not recommend), the focus on performance orientation is certainly the right route. Nor do we recommend a purely sales-oriented sales management, namely a “softy”. Of course, we cannot rule out that situations exist in which this type is successful (e.g. when company performance is significantly better than those of competitors, or when the supplier has a monopoly). Generally speaking, stronger managers are more successful.

The softy in sales management is not successful
because he is a softy but rather despite being one.

Dynamic management style concept

A manager has the task of achieving results through employees. There is no one single correct management style: it has to be varied with different employees and in different situations. The way in which employees have to be managed depends on each task and on the individual employee. The personal resources (capabilities and skills) that employees provide for a specific task and the determination (will, preparedness to accept responsibility, self confidence) with which they approach the task are crucial in this respect. The right management style depends on on the strength of these two components.

Leadership: Managers must use a leading management style whenever a salesperson has little determination and few personal resources. This style ensures that salespeople know what they have to do, that they can do it and feel secure, and that they also actually carry out the task. This is a typical situation with new salespeople.

Coaching: Coaching will be the suitable management style whenever salespeople already possess the essential resources for the task and also a certain degree of determination is present for completion of the task (which is mostly the case in sales). The influence of managers is no longer as strong as for leadership - nonetheless employees are systematically supported and accompanied as they complete their tasks (cf. also Chapter “The manager as coach”, p. 206). This management style is particularly important in sales in particular, where employees have to work on their own and one-to-one contact is less common.

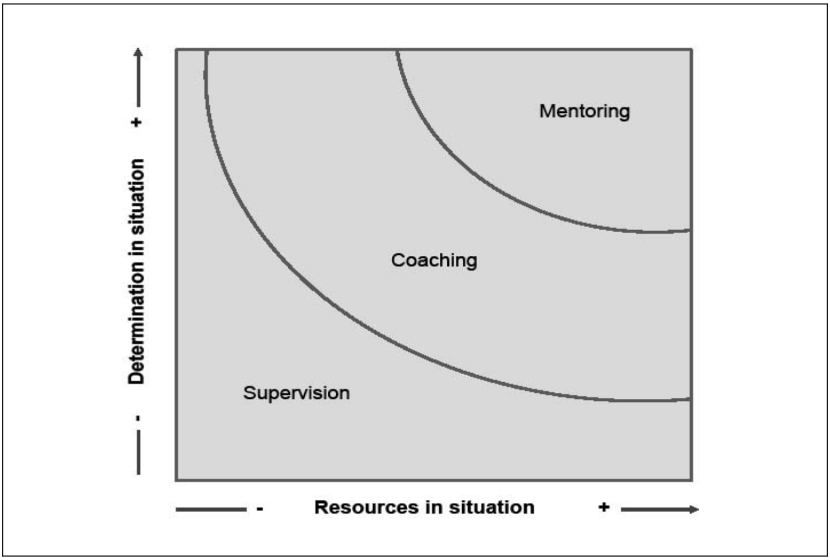

Figure 62: MI LEAD ®, management styles dependent upon the respective management situation
(Source: Mercuri International)

Mentoring: Wherever resources exist and the employees are highly motivated managers should limit themselves to explaining targets and checking results. In the interim they are available for questions, but they do not take the initiative and intervene in the process. The conditions make this unnecessary and it tends to discourage employees.

Five classic roles for a sales manager can be developed using these management styles:

Motivator: He explains why something has to be done, the significance and the importance of a task. He creates commitment.

Advisor: He passes on know-how and experiences. He shows employees how the task is accomplished and tells them what has to be done.

Trainer: He discusses procedures and behaviour with employees. He monitors completion of work and gives feedback and advice.

Sparring partner: He listens to opinions and attitudes and supports self-confidence. He challenges employees to think and to see different approaches to solutions. As opposed to the trainer, he lets employees decide.

Mentor: He coordinates targets and checks the results. He allows employees to decide themselves how they complete a task.

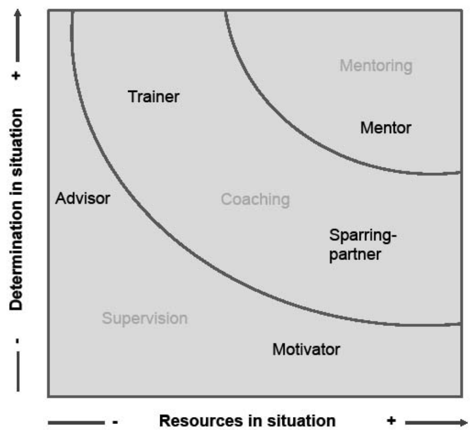

Figure 63: MI LEAD ®The five roles of a manager in sales
(Source: Mercuri International)

In practice many managers do not find it easy to implement these models. Everyone normally tends towards a specific management style that dominates the other styles, and not everyone consistently scrutinises their managerial function. As is also the case in many other company departments, the execution know-how and not the management suitability is still the reason for promoting someone to a managerial position, in many cases.

Sales management therefore involves far more than setting targets and supervisory functions related to results. In our view, developing sales employees is significantly more important than doing so in other management positions.

Spans of control

While flat reporting structures are being introduced into many company departments, sales has not been affected by this to any great extent. This is due, on the one hand, to the general insecurity with regard to rationalisation measures in sales (keyword: black box), and on the other hand to the fact that modern organisational principles cannot always be applied to sales departments.

Sales cannot be standardised as easily as an industrial production process. Management is therefore more complicated and must be more individualistic. In industrial production the work processes are standardised to a significantly higher degree than is possible in sales. It is also much easier to observe employees as they work, to evaluate their work performance and then to give them feedback. In addition, it requires less time - a single manager is able to complete many activities in one day. Sales is significantly different in this respect. We have already mentioned that it is far more difficult to assess the performance of a sales employee than that of other employees. Viewed in the short term, sales results generally only have limited information value with regard to sales performance. Sales managers must therefore invest considerably more time in assessing performance than other managers within the company. They must accompany their employees during customer contact. This generally requires an entire day. If a sales manager wants to accompany ten employees in a month then this alone consumes 50 % of his time. Even if the manager assumes that not every salesperson has to be accompanied once a month the process still will still consume a large amount of his leadership capacity. Furthermore sales managers frequently have their own responsibilities regarding customers and development tasks in addition to their management work. Analysing work results, understanding customer reactions and competitor activities demand a greater investment of time than that required for many internal management positions. In summary, we consider that a span of control covering six to twelve employees is realistic for one sales manager or team leader.

The results of the *Excellence in Sales* survey support this . Every company surveyed reported an average span of control of ten employees, with no difference between the high and low performers.

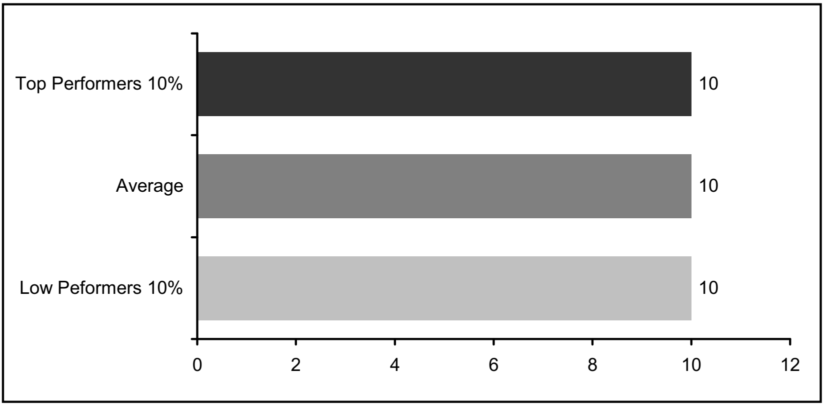

Figure 64: Spans of control in sales
(Source: Study on *Excellence in Sales*, n = 747, top box agreements)

The manager as coach

If sales management is to be taken seriously then it quickly becomes clear that it can not be a function that simply supervises results. However, we frequently encounter sales managers who assume this to be their role. They usually use sales volume as the only valid parameter, because it is assumed to be highly objective. Then they see their task as a manager in identifying deviations. Positive deviations are praised, negative deviations are punished and those involved put under pressure. We regard managers that operate in this way as unprofessional and irresponsible.

Management in sales always means coaching employees to improve their performance. No manager is needed to check results at the end of a planning period – a clerk can do that. Sales managers who define their role in this way make themselves superfluous.

On several occasions we have already mentioned that we regard coaching (from the training to the sparring partner function), as probably the most important management instrument in sales. It meets the needs of the majority of the employees (given motivation and sufficient resources). Work quality is almost impossible to assess in any other way and working together is indispensable to learning processes and HR development processes. We define this practical mentoring and support by a supervisor for a salesperson as coaching (as opposed to numerous other definitions of coaching that are directed towards general personnel development).

Sales coaching is employee development through training and feedback regarding practical work.

One can distinguish between three fundamental alternatives:

Training through example: The manager acts and the employee observes. This reduces the risk of losing business, and it gives the employee an opportunity to observe an expert at work. This variant enables the employee to receive support from the manager. Problems: The employee can relax and let the manager work. There is no guaranty that the employee truly learns anything (typical reaction: "I would have done exactly the same thing"). It can also expose the manager to attack when something goes wrong or works badly. Conclusion: we only recommend this variant for highly inexperienced salespeople.

Joint selling: The manager and employee work together on a task or hold a joint meeting with a customer. This reduces the risk of losing business, but there is also a risk of the manager embarrassing himself if anything goes wrong. Problems: Requires a substantial amount of time for preparation and role allocation that is often no longer proportionate to the result. It is demanding and difficult for the manager and the salesperson to both act and observe at the same time. This limits the learning effect. The manager quickly takes over the initiative, which frustrates the employee and may confuse the customer.

Training by accompanying: In our view this is the most effective means of encouraging an employee's development. In this case the manager concentrates on observing the employee's way of working and behaviour without playing a strong role in the meeting. The situation will make employee's strengths as well as weaknesses apparent. Problems: The manager will find it difficult to sit back and not intervene in meetings that threaten to fail. Customers who know the manager (or are familiar with his role) may attempt to involve him. In addition some employees become nervous when being observed, which may cause false behaviour (however experience shows that this only affects the intensity of the behaviour; new or fundamentally different behaviour patterns do not generally occur). This effect largely disappears when the manager regularly accompanies the employee.

The coaching discussion following the joint work is crucial. However, in our experience many supervisors initially have difficulty moving away from their classical management role to develop employees rather than assessing them. Table 10 illustrates the main differences.

As a rule, coaching can be carried out in every one of the salesperson's work situations, i.e. during the preparation for and follow-up after customer contact, during the sales area and customer potential analyses and during telephone contact with customers. In these cases there are generally no problems with holding a feedback discussion after the practical work.

Table 10: Differences between assessment and coaching discussions
(Source: Mercuri International)

	Assessment discussion	**Coaching discussion**
Goal	Assess performances	Personal development, discuss behaviour, make aware
Focus	Extensive, based on the overall performance bandwidth of an employee during a given period	Special snapshots based upon a few specific performance aspects
Subjects	Illustrate consequences of performance on income, career	Show interrelationship between performance and results, opportunities and feelings of success, no connection to income, career
Behaviour of the employee	Sell him or herself	Freedom to make mistakes
Behaviour of the manager	Evaluative	Supportive

This becomes more difficult during customer visits. The manager should resist the temptation to hold the feedback discussion during a car journey, although, of course, it is important that it takes place as soon as possible. However, both should be able to concentrate fully on the subject. A quiet location and a concentrated atmosphere are essential. During the discussion the important point is to first allow the employee to review his activities. In doing so, the employee often recognises the weaknesses of a sales talk or any other job. The employee should also be the first one to propose possible alternative procedures or ways of working. Ideally, the manager does not provide the solution but acts as a mediator, posing questions to enable the employee to find the solution by himself. Detailed guidelines for coaching discussions are provided in Table 11.

Table 11: Guidelines for coaching discussions
(Source: Mercuri International)

Phase	Factors of success
Discussion atmosphere/opening	No distractions
	Neutral area
	No small talk
	Close physical proximity
	Always eye contact
Employee's statement/self-assessment with reasons	Non-directed discussion; let the employee find the important points wherever possible
	Enable the employee to review himself or herself
	Ask about causes, reasons for approaches, behaviour
The manager addresses aspects not yet mentioned	Only describe the situations and then let the employee make a statement; discuss consequence/effect as required
	Assure same assessment of the discussion
Plan performance improvement / confirm good performances	Ask about the employee's ideas / steer by questions
	Clearly describe behaviour expected in the future
	Offer support
	Plan individual steps
	Agree next contact point
Departure	Radiate confidence
	Convey trust

The importance of optimised procedures is highlighted by the fact that it is not the actual number of discussions that is crucial for the success of coaching and employee discussions. In purely quantitative terms, the top performers in the *Excellence in Sales* study hold fewer coaching sessions per year than the average of the surveyed companies (6 instead of 12) and fewer performance assessment discussions (8 instead of 12).

Recommended courses of practical action

Companies that want to achieve success in sales and customer management:

- …should ensure that their managers orient their management style based on the actual situation. Generally, managers have to reflect on their style and to adapt it accordingly. The principle here is: the journey is its own reward.
- … should ensure that their sales managers do not have to directly manage more than 12 employees.
- …should ensure that their managers are proficient in different management styles and in particular carry out their coaching function.

14. Execution of sales work

Until now we have primarily analysed the concepts, structures and instruments important for achieving excellence in sales and customer management. Now we will examine their implementation in direct customer contact between sales employees and customers. Sales remains a truly human process - despite its technical instruments and automation. Customers never make purely rational decisions. Salespeople will continue to exercise great influence on the purchase decision. In addition, they will increasingly become part of the performance and service themselves through complex forms of cooperation. The issue is how sales employees position themselves with customers in certain sales situations and how they adapt their sales styles to those different situations. Do they tend to be passive or (pro)active?

Core questions in this chapter

- How do the high and low performers evaluate different sales situations and which sales styles do they use?
- How do top-class salespeople differ from the others?
- What value is placed on systematic, documented customer planning?

The differentiated sales model

As with managers when managing employees, salespeople are also confronted with different situations. In our experience sales situations vary because of the different expectations customers have regarding salespeople and due to the quality of the relationship between customer and sales person. The parameters can be described as follows:

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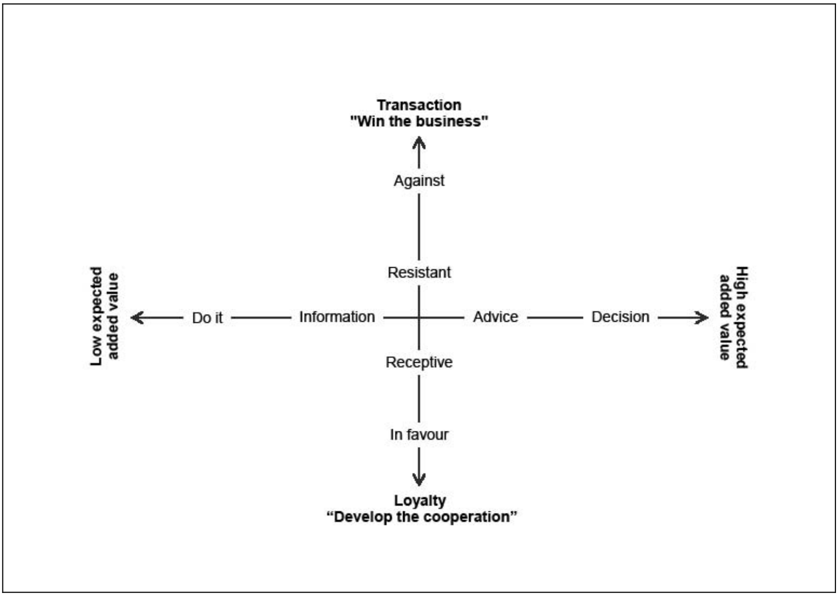

Figure 65: Parameters for the definition of sales situations
(Source: Mercuri International)

Customer expectations regarding salespeople: There are situations in which a customer does not expect any information or consultation from a salesperson. The customer regards them as primarily occupying a “doing” function. This is typically the case when a customer purchases the same products on a regular basis. They know each other and the mutual interactions are familiar and practised. The customer expects a certain degree of customer orientation, looks for friendly service and perhaps enjoys the interpersonal contact. However they do not expect any information on service benefits, services, added values, etc. This is similar to situations in which customers believe that they do not need consultation. Naturally they will not seek or expect any consultation from a salesperson. This is generally the case when a customer is very satisfied with its current suppliers and believes that it has good level of market presence. This is different when a customer does not routinely purchase from the supplier and lacks expertise of its own, or indeed market presence. Customers then expect information, at the very least, from salespersons and in many cases expect consultation (or even that decisions be made on their behalf).

Attitude of the buyer towards the offer: A customer may have a very negative attitude and completely reject the supplier and product or service ("against") or at least a highly sceptical attitude ("resistant"). This frequently happens in the case of new customer contacts when a customer has no need of the products or services or when the customer and salesperson do not know each other. The situation is different when the customer and supplier know each other or a customer has not yet found a satisfactory solution. The customer has a neutral or generally positive attitude towards the suppler ("receptive"). In the best case the customer and salesperson know each other well. The customer is satisfied with the quality of the solution and the relationship is characterised by loyalty.

Assuming these two parameters are combined one can identify four distinct sales situations:

Assertive selling: Salespeople encounter customers who know exactly what they want and are dismissive towards the salesperson ("I know what I want and I don't want to work with you"). In this case the salesperson faces two hurdles. The customer does not want any contact with him and does not need anything - or are satisfied with their current supplier/s. The task then is to establish contact and to attempt to create or establish a new/additional need. Naturally, afterwards the salesperson then has to show that his offer satisfies this need better than the other suppliers' offers. This is a typical selling situation in proactive market development that demands a high degree of personal magnetism and charisma from the salesperson.

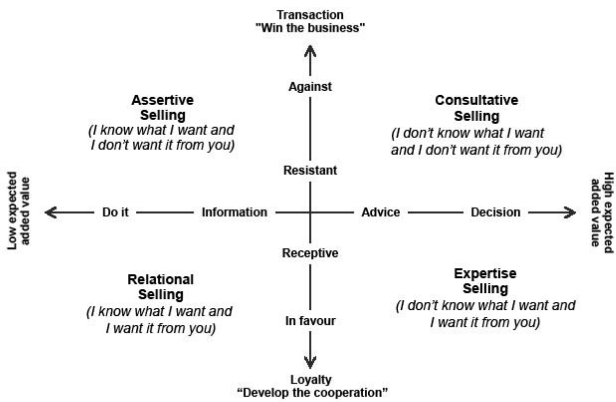

Figure 66: Differentiated selling style
(Source: Mercuri International)

Consultative selling: In this situation customers seek advice from a supplier. They face a new challenge and do not yet know how they can overcome it. However, they have a negative to sceptical attitude towards the supplier ("I don't know what I want but I don't want to work with you"). These customers are often generally satisfied with their existing suppliers. Traditional discussion structures (demand analyses) are therefore normally ineffective here as reaching the same perceived level as other suppliers is too high. The company's only chance is that salesperson succeeds in positioning the company not as a supplier, but rather as a consultant and by making a truly creative and differentiated offer. Of course this offer must make a stronger contribution to the customer's success than existing competitor offers. This demands specially skilled salespeople. In addition to product knowledge they must also possess sector knowledge.

They must know the typical challenges in the market, the competitor's positioning/strategies and the implementation hurdles. The company will only succeed by presenting an offer that is significantly different to that of the established suppliers and which enables the customer to better overcome challenges in a way that will credibly provide added value – and greater success.

Expert selling: As in the previous case, customers face a new challenge for which they are still seeking a solution and are generally positive towards the offer ("I don't know what I need and I want to work with you"). The priority now is to understand the customer correctly and to produce the right solution. As opposed to consultative selling, it is not necessary to work on establishing competence or to differentiate the company from competitors. The company already possesses an image of 'the expert' that can be built on. The traditional route can be taken with a demand analysis.

*Relational selling: In this case t*he business relationship is already established and the customer places orders on a regular basis which do not have to be renegotiated each time or require input from the salesperson ("I know what I want and I want it from you"). Sales activity then focuses on the customer relationship and less on the product, services or a specific solution. This demands interpersonal and social competences from the salespersons, who must regard the customer relationship as their own.

During the *Excellence in Sales* study we investigated how often these selling situations occur with individual companies. One can clearly see that there are differences between the companies surveyed.

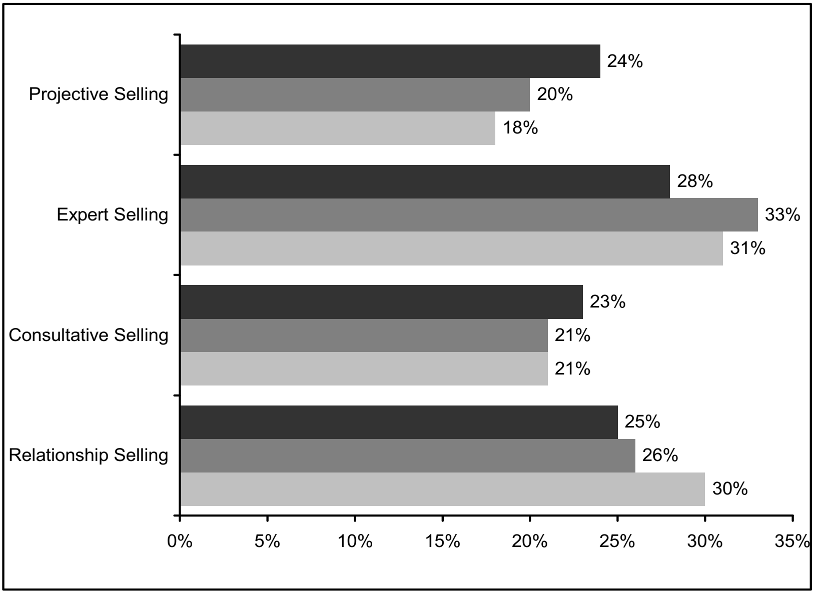

Figure 67: Frequency of selling situations
(Source: *Excellence in Sales* survey 2006, n= 747, top box agreements)

The top performers found themselves more frequently in *assertive* and *consultative selling* situations. Both sales situations require a more active market cultivation by salespeople in which the company is also to actively alter its own market position. This has a direct effect upon market success. The question is whether these situations truly occur more frequently or whether the top performers perceive them (ie the opportunity) more frequently. However the consequences of both interpretations are the largely the same:

Successful companies obviously concentrate more on potential customers that have not yet articulated any need for the company's products. In addition they more frequently *regard themselves as value creation partners who advise their customers and are able to understand the customer's strategies, rather than simply delivering products*.

It is unsurprising that the salespeople belonging to the high performers also have a higher rating in the sales performance areas suited to the individual sales situations. The differences are smallest in product competence – significant for *expert selling* situations. This fact also confirms the assessment that low performers not only have a generally a lower level of performance, but presumably also focus on the wrong areas. It is also interesting to note that top performers rate their own social competence skills highest. Moreover they do not neglect the more "traditional" selling virtues, those of relationship management in favour of others.

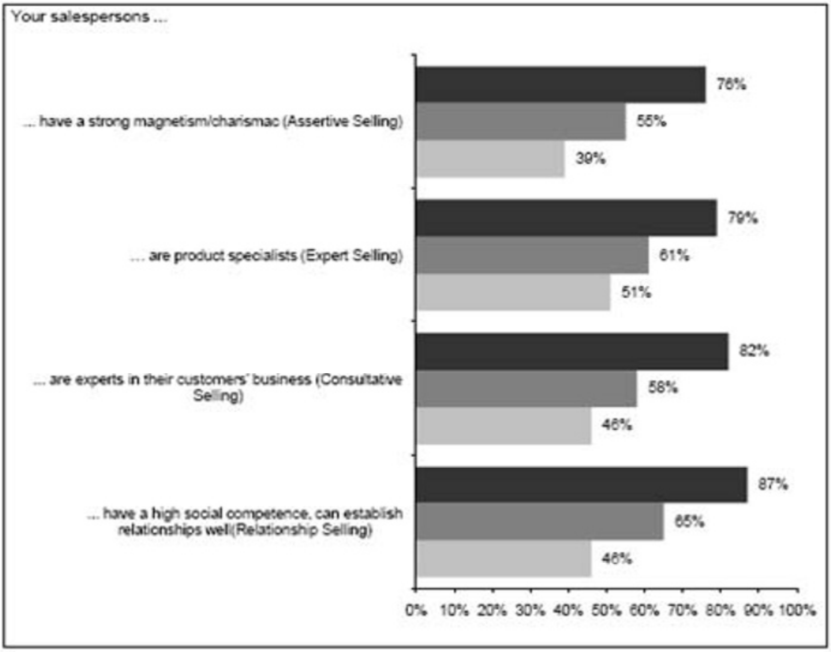

Figure 68: Frequency of sales situations
(Source: *Excellence in Sales* survey 2006, n= 747, top 2 box agreements)

The top performers do have differences in performance within their sales teams, which tend to be even greater than the low performers. On average the performance difference between good and bad salespersons amounts to 30 % among the top performers and 26 % among low performers.

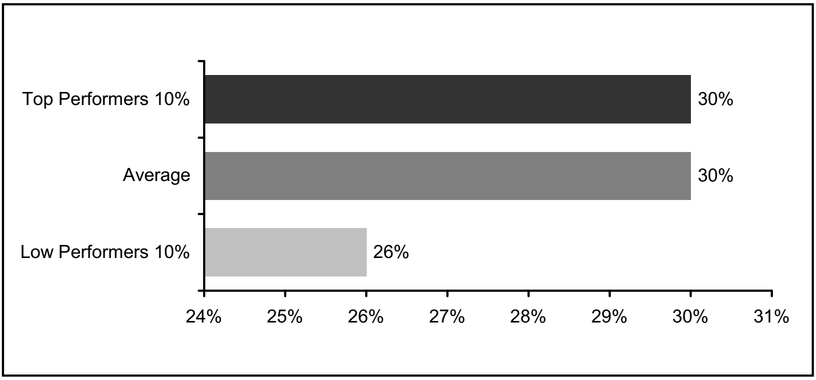

Figure 69: Differences in performance between the best and worse salespeople (Source: *Excellence in Sales* survey 2006, n= 747, top box agreements)

The *Excellence in Sales* study also investigated those individual performance components that distinguish good from poor salespeople. It became clear that the low performers are less able to name the performance characteristics that separate their successful salespersons from the less successful. Whereas many of the top performers (up to 74 %) were able to identify the particular strengths of their successful salespeople, the low performers were less able to do so (max. 45 %). This raises the suspicion that either these companies analyse their sales work less exhaustively or that the reasons for the good salespersons' success are not transparent.

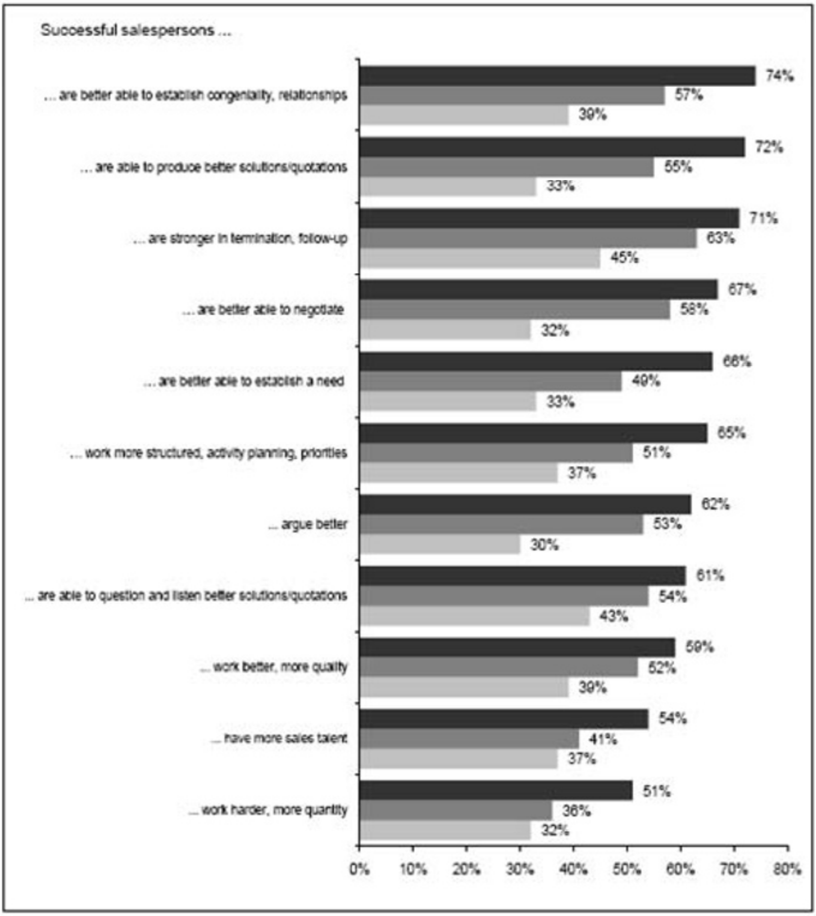

Figure 70: Differences between successful and less successful salespersons
(Source: *Excellence in Sales* survey 2006, n= 747, top box agreements)

The strengths of the good salespeople among the low performers sometimes are sometimes seen in areas other than those of the top performers. Good salespeople among the top performers differ from the rest primarily in that they are better able to become likeable and establish relationships (74 % agreement), have greater competence in quotations/solutions (72 % agreement), are more closure oriented (71 % agreement), possess better negotiation skills (67 %) and are better able to establish a need among customers (66 %). Although the low performers also regard closure orientation (45 %) and the ability to become liked and establish relationships (39 %) as key competences of their good salespersons, but apart from that they place more emphasis on general skills such as asking questions and listening (43 %), general work quality (39 %), more sales talent (37 %) and structured working (37 %).

These are indications that the skills important for active sales are also important drivers for attaining excellence in sales and customer management. They are centred on the competences required to establish a need, produce quotations and propose solutions as well as negotiation skills.

Customer planning

Elsewhere in this book we observed that historically sales functioned more intuitively than analytically. In the past salespersons relied primarily on their skill in reacting to the moment during customer contact. Systematic planning and documentation tended to be met with ridicule. The exciting question is now whether the high performing companies' sales departments not only analyse and organise their work in a more process oriented manner, but whether each salesperson also systematically plans individual customer development.

Here we find a major difference. The top performers use recorded customer planning nearly three times more frequently. Salespeople can no longer rely solely upon their intuition in increasingly competitive markets. Companies can only achieve competitive advantage by using systematic approach and by having in place detailed customer development plans. The act of writing forces precision and also creates a basis for discussing optimisation options with supervisors. Other company departments can be better integrated into customer development on the basis of fully formulated customer planning. From a psychological perspective, documenting knowledge also provides a stronger motivation to act whereas intuitive-only knowledge encourages reaction.

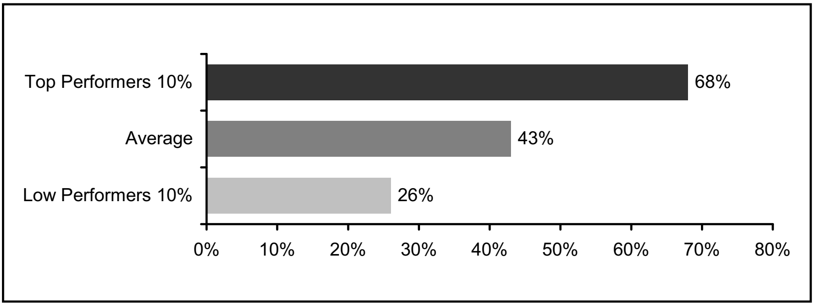

Figure 71: Use of written customer planning
(Source: *Excellence in Sales* survey 2006, n=747, top box agreements)

Recommended courses of practical action

Companies that strive for excellence in sales and customer management:

- …should analyse their sales situation and deliberately establish their competence accordingly.
- …should concentrate especially on c*onsultative and other selling* situations that allow them to shape their market more (pro)actively.
- …should demand written, documented customer planning from their salespeople, at least for the important customers.

15. Digression: What salespersons can learn from top athletes

Now let us indulge in a small digression. As we worked on this book we became aware of a number of parallels between excellence in sales and customer management, and excellence in sports. We subsequently examined this subject in more detail. One of the German *Mercuri* consultants and trainers, Christian Schulte, had played in the German national hockey team for many years, winning two world championships as well as a bronze medal at the Olympic Games in Athens. He helped us to transfer the principles of top athletes to salespersons.

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Table 12: What salespersons can learn from top-class sportsmen
(Source: Mercuri International)

Top-class sportsmen	Top-class salespersons
Regular checking of crucial physical data (e.g. uric acid and lactate values). Individual training plans on this basis.	Top-class salespersons know their performance level and capabilities through permanent analysis of their success rates and KPIs such as hit rates. They compare them to their targets and are aware of possible deficits. On this basis, top-class salespersons actively demand advanced training and see to their own qualification. They are available for training courses. They demand excellence from everyone.
Long-term competition planning, acceptance of possible temporary setbacks, as well as supercompensation right up to the season climax.	Top-class salespersons plan their approaches for their most important customers and prospects, sometimes beyond an annual period. They have trends and annual plans for their most important accounts. They attempt and practice new techniques in the less crucial appointments. They know that practice makes perfect. They believe that mistakes are part of everything and it is not necessary to make excuses or pleas.
Support to athletes before, during and after the competition by a team of experts (trainers, therapists and managers).	Top-class salespersons seek and accept best practices and accept advice from others, because they know that others understand more about certain things. Top-class salespersons are also unable to be experts in every subject. They therefore demand specialists who coach and advance them. Their managers do not have be the best salespersons, but managers help them in being able to call upon their potential and giving critical feedback.
Permanent performance comparison against opponents and benchmarks. Orientation of training units on these objectives.	Good salespersons seek the comparison to colleagues and competitors in order to get feedback, to place themselves under pressure and to retain their self-confidence. Innovations, competitors and internal competition are not a problem to them, on the contrary this motivates them.
In written performance agreements with clear stage/development targets. Individual training plans on this basis.	They have a clear idea of those areas in which they would like to improve their performance qualitatively. Furthermore, they have long-term action plans for their most important (potential) customers for how they would like to acquire or extend them. They demand personal development plans and perspectives from their bosses. They voice their ambitions and are therefore sometimes categorised as being arrogant..

continued on next page

Top-class sportsmen	Top-class salespersons
In addition to individual development, targeted training of individual team elements (e.g. the forward). Then training of the interplay of the whole team.	Top-class salespersons use their experiences with customers to discuss suggestions and improvement proposals with other departments such as office support or even marketing. They are aware of interfaces and dependencies, but do not attempt to do their job or use the lack of support as an excuse for their own performance deficiencies.
In order to be able to react with flexibility in competition, sequences of movements become automated through permanent exercising.	In stress situations top-class salespersons can rely on automated behaviour that has been tested for success in typical discussion situations. Nonetheless, they always want to develop further, try new things and question proven traditions. They are never really satisfied.
Risks are repeatedly taken and new variants attempted for the "perfect match", even in crucial match situations.	Top-class salespersons have their own success concept. They know how good they are and are aware of their own successes. They join in every discussion, consider ruses in order to seek their advantage and go through possible sales situations. They take risks and are bold.
Young sportsmen are actively encouraged by talent-spotting systems and mentoring.	Top-class salespersons constantly seek advice and demand feedback from their supervisors, and agree joint visits with them. Joint visits do not have the purpose of jointly selling, but rather of further development of salespersons.

The basic rules that produce excellence are the same in both sports and sales. However, only a few salespeople and sales managers have understood this.

Talent alone is by no means sufficient. It is merely a basic requirement in order to have a chance to achieve excellence. The rest is hard, target-oriented work. The procedure has to be extremely structured, individual work steps must be dissected and developed for best results piece-by-piece, comparisons must constantly be made with others, risks have to be taken and new ideas tried out.

Excellent performance does not happen by chance, neither in sports nor in sales and customer management.

16. Conclusion and outlook

We are convinced – and have stressed this repeatedly in this book – that sales is not merely a channel to the customer. Once company sales and customer management have been correctly established they become competitive weapons. Moreover:

At a time when companies are becoming more interchangeable with regard to their core performance – and this is the case in most sectors –in the final analysis the best sales and customer management plays a decisive role in business success. Sales is no longer merely a competitive factor - rather it is <u>the</u> competitive factor of the future.

Excellence in sales and customer management are not easy to achieve. We have arranged our findings in this book so that managers can relate them to their own companies. The points we have made here create a demanding list of possible areas for action. We are certain that our recommendations can make managers, sales employees and the entire company more successful. Our recommendation to readers is:

Be selective. Identify your greatest strengths and expand them. Identify your greatest weaknesses and attempt to improve them. Tackle only a few subjects, but deal with them correctly.

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