

Management for Professionals

Christian Homburg
Heiko Schäfer
Janna Schneider

Sales Excellence

Systematic Sales Management

 Springer

Management for Professionals

For further volumes:
<http://www.springer.com/series/10101>

Christian Homburg • Heiko Schäfer •
Janna Schneider

Sales Excellence

Systematic Sales Management

 Springer

Prof. Dr. mult. Christian Homburg
Lehrstuhl für ABWL und Marketing I
Universität Mannheim
Mannheim
Germany

Dr. Heiko Schäfer
München
Germany

Dr. Janna Schneider
Ganderkesee
Germany

ISSN 2192-8096
ISBN 978-3-642-29168-5
DOI 10.1007/978-3-642-29169-2
Springer Heidelberg New York Dordrecht London

ISSN 2192-810X (electronic)
ISBN 978-3-642-29169-2 (eBook)

Library of Congress Control Number: 2012945912

© Springer-Verlag Berlin Heidelberg 2012

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Exempted from this legal reservation are brief excerpts in connection with reviews or scholarly analysis or material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work. Duplication of this publication or parts thereof is permitted only under the provisions of the Copyright Law of the Publisher's location, in its current version, and permission for use must always be obtained from Springer. Permissions for use may be obtained through RightsLink at the Copyright Clearance Center. Violations are liable to prosecution under the respective Copyright Law.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

Foreword

This book is intended for sales managers. There is no doubt that in most sectors, sales is facing major changes and that many companies have an enormous need to professionalize in this area. While systematic productivity management has been a mainstay in the internal divisions of companies for years, we still find that there is a “go-getter” culture in the sales divisions of many companies: Improvisation and intuition are emphasized, while systematic analysis and decision-making are, at best, accepted as irksome duties. To avoid any misunderstanding at this point, let us stress that sales success undoubtedly requires a high level of intuition. However, it is becoming more and more apparent that intuition alone can no longer yield the desired results. It must be enhanced by systematic management.

The need to professionalize market development is also encouraged and accelerated by the concept of shareholder value, to which many companies have committed themselves. This concept puts the interests of a company’s shareholders at the forefront. Company divisions are scrutinized much more closely than before with respect to how much they contribute to increasing shareholder value. In many companies, this will lead to a shift in the evaluation criteria for sales: In the future, many companies will focus less on achieving short-term sales revenue targets. What becomes crucial are questions related to the establishment of market positions, customer structures and customer relationships that increase value in the long term. The issue concerning the productivity of resource deployment in sales will be a much more central topic than in the past.

This book provides a guide for systematic sales management. The Sales Excellence (Sales Ex) approach presented in this book is designed to help sales managers to correctly adjust the major levers for long-term sales success. It has already been applied in many companies across various sectors. The very positive feedback we have received on the German edition of this book shows its high practical relevance and encouraged us to make the Sales Ex approach accessible to a larger readership.

The Sales Ex approach is integrative: We are convinced that preoccupation with isolated solutions in sales cannot ultimately succeed. It is for this reason that we are introducing an approach that covers all essential facets of professional sales management: First, it comprises elements related to the *sales strategy*, such as the choice of sales channels, the management of a multi-channel system, cooperation with sales intermediaries, fundamental decisions with regard to price policy as well

as the formulation of an e-commerce strategy. Secondly, it examines *management aspects*, such as the design and structure of the sales organization, systematic sales planning, design of the sales culture as well as personnel management in sales. A third key aspect is *information management* in sales, where tools for analyzing the customer structure, customer profitability and customer retention are presented. A fourth area of the approach examines the different facets of *customer relationship management*, which range from personal success factors concerning customer contact and the design of an Internet presence up to complaint management and key account management.

An important point: The Sales Ex approach is not a sales training book. The reader will search in vain here for sales techniques, presentation techniques or negotiation techniques for the individual salesperson. Our focus in this approach is on sales *management* – not on selling.

The Sales Ex approach comprises tools that can be used in sales management. It also conveys concepts to the reader, and by that we are referring to approaches to handling problems, suggestions and new perspectives. Checklists represent another essential component of the Sales Ex approach. Companies can use these checklists to assess themselves or have themselves assessed with regard to the different dimensions of sales professionalism.

The Sales Ex approach rests on two pillars: First, we have conducted scientific research in the area of sales over a number of years. The approach therefore has a sound scientific and academic foundation. Second, over the past few years, we have enjoyed intensive cooperation with numerous companies from a wide variety of sectors and have used either parts or the entire scope of the Sales Ex approach during this collaboration, which has enabled us to fine-tune it extensively. On this basis, it can be described as being both field-tested and practice-oriented. The important point here is that the Sales Ex approach has proven itself in a wide range of sectors: It has been applied, for example, in the mechanical engineering, financial services, chemicals/pharmaceuticals and building materials sectors.

There remains the pleasant duty of thanking those who have made a significant contribution to the creation of this book. First, we would like to express our gratitude to the countless company managers with whom we have collaborated over the past few years. To thank them all personally here would go beyond the scope of a foreword and also violate the confidentiality we assured them. Nevertheless, at this point we would like to emphasize that the cooperations were always characterized by a constructive spirit, mutual respect and a willingness to learn from each other. Had it not been for this practical work, which spanned many years, the Sales Ex approach would not have arisen in its present form.

In addition, we would like to thank all the colleagues from the academic sphere who constructively supported us in elaborating and refining many concepts in this book. Furthermore, we would like to extend our thanks to the colleagues from Homburg & Partner, whose project experiences in the application and implementation of the Sales Ex approach were incorporated at numerous places. Lastly,

our thanks go to doctoral student Josef Vollmayr and B.A. candidate Norma Buehling for their valuable and active support in the revision of this book.

Mannheim, August 2011

Christian Homburg
Heiko Schaefer
Jana Schneider

Contents

Part I Introduction

1 The Drive for Systematic Sales Management: The Sales Excellence Approach as a Roadmap	3
1.1 Sales: “Fighting on Two Fronts”	3
1.2 Are You Familiar with These Problems?	7
1.3 An Overview of the Sales Excellence Approach	9
1.4 The Sales Excellence Approach in Use	13
1.5 Is Sales Excellence Worthwhile?	18

Part II Sales Strategy: Setting the Fundamental Course

2 Customers: The Focus of the Sales Strategy	27
2.1 Customer Definition and Customer Benefits: The Basis of Market Development	27
2.2 Customer Prioritization and Segmentation: Farewell to the “Standard Customer”	30
2.3 Customer Retention: Key to Enduring Success	37
3 Competitive Advantages: Quicker, Higher, Farther	41
4 Sales Channels and Sales Partners: Designing the Route to the Customer	45
5 Price Policy: The Price Is Right	61
5.1 Price Positioning: The Fundamental Line of Attack	62
5.2 Costs, Competition, Customer Benefit: The Bases of Pricing	63
5.3 Price Discrimination: Each to His Own?	65
5.4 Discount and Terms and Conditions Policy: The Curse of the Price Waterfall	68
5.5 Price Promotions: Caution, Trap Ahead!	72
5.6 Price Complexity: Overwhelming the Customer	73
5.7 Competitive Bidding and Internet Auctions	74
5.8 Price Harmonization: The Battle Against Reimports	77
5.9 Excursus: What Pricing Pros Do Better	80

6	A Framework of Figures for the Sales Strategy: Targets and Resources	83
6.1	Checklist for Part II: Sales Strategy: Setting the Fundamental Course	87
Part III Sales Management: Designing Structures and Processes, Managing People and Living the Culture		
7	Sales Organization: Successfully Designing Structures and Processes	93
7.1	The Fundamental Sales Orientation: Products, Regions, Sales Channels or Customers?	94
7.2	The Interface Curse	100
7.3	The Braking Function of Bureaucracy	106
7.4	Contact Points for Customers: Uncomplicated, Reliable and Quick	109
8	Planning and Controlling: The Middle Ground Between “Flying Blind” and “Graveyards of Numbers”	111
9	Personnel Management: The Poor Cousin of Sales	117
9.1	Understanding What Performance Depends On	118
9.2	Personnel Recruitment: Professionalism from the Start	119
9.3	Personnel Development: Standing Still Means Going Backwards	120
9.4	Leadership Styles: Patriarchs, Despots and “Correct” Managers	125
9.5	Target Agreements: The Balanced Scorecard in Sales	127
9.6	Incentive Systems: What Gets Rewarded, Gets Done!	134
10	Culture in Sales: The Power of Unwritten Laws	139
10.1	Making Sales Culture Tangible	139
10.2	Managing and Changing Culture	143
10.3	Checklist for Part III: Sales Management: Designing Structures and Processes, Managing People and Living the Culture	148
Part IV Information Management as the Key to Professionalism in Sales		
11	Basis for Understanding Information Systems	155
11.1	Requirements on an Information System	155
11.2	Six Steps on the Way to a User-Oriented Information System	156
11.3	Overcoming Acceptance Barriers	159
12	The Customer: The Unknown Factor?	161
12.1	Customer Information that You Cannot Do Without	161
12.2	The Customer Structure: Guidepost for the Deployment of Resources	164

12.3	Customer Profitability: Which Customers Do Companies Earn Money On?	175
12.4	Customer Satisfaction and Customer Retention: How Stable Are Business Relationships?	181
12.5	Analyzing the Purchasing Behavior of Corporate Customers	189
13	Competitor Information: Know Your Opponent	193
14	The Market: Identify Trends at an Early Stage	197
15	Information About Internal Processes: Sand in the Wheels?	201
16	CRM and CAS: Signposts in the Information Jungle	205
16.1	Checklist for Part IV: Information Management as the Key to Professionalism in Sales	210
Part V Customer Relationship Management: Staying on the Ball!		
17	The Salesperson Personality: Of Know-It-Alls, Socializers and Allrounders	217
17.1	Personality Traits: Liking Yourself and Others	218
17.2	Social Competence: Professionalism in Interaction	220
17.3	Professional Competence: The Sales Representative’s Store of Knowledge	227
17.4	Systematically Developing Sales Representatives	234
18	Rounding Out Relationship Management: Trade Shows, Call Centers, Internet	237
18.1	Trade Shows: Meeting the Customer	237
18.2	Call Center: The Hotline	240
18.3	The Internet in Relationship Management: Options and Success Factors	243
18.3.1	Special Features of the Internet	243
18.3.2	A Company’s Internet Presence: Basic Options	244
18.3.3	Advice on Designing an Internet Presence	246
18.3.4	Management of Customer Recommendations on the Internet	248
19	Customer Retention Management: Making the Customer a “Fan”	251
19.1	Customer Retention: The Foundations	251
19.2	Customer Magazines, Cards, Coupons, Clubs and Virtual Communities: The (Neo-) Classicists of Customer Retention	253
19.3	Value-Added Services: The Ace up the Sleeve	257
19.4	Complaints: Irksome Moaning, Disturbance of the Peace or Opportunity?	261

20	Key Account Management: The Close Cooperation with Important Customers	271
21	Relationship Modeling: The Business Relationship Firmly Under Control	281
21.1	Checklist for Part V: Customer Relationship Management: Staying on the Ball!	286
	Epilogue	291
	The Authors	295
	Bibliography	297
	Index	309

List of Figures

Fig. 1	The reference points of the sales strategy	24
Fig. 2	Sales strategy using the example of an office furniture manufacturer	25
Fig. 1.1	Potential for increasing productivity in different functional areas	5
Fig. 1.2	The customer satisfaction trap	6
Fig. 1.3	The four Sales Ex dimensions	12
Fig. 1.4	Typical Sales Ex profiles	12
Fig. 1.5	Main questions when using the Sales Ex approach	14
Fig. 1.6	Example checklist with documentary evidence for the assessment	16
Fig. 1.7	Recommended workflow in a Sales Excellence self-assessment project	17
Fig. 1.8	Correlations between Sales Excellence level and various measurements of company success	20
Fig. 1.9	Correlations between the four Sales Excellence dimensions and market success	21
Fig. 2.1	The “benefit onion chart”	30
Fig. 2.2	Overview of customer segmentation criteria	32
Fig. 2.3	Benefit segments using the example of a clothing store	33
Fig. 2.4	Performance implications of customer prioritization	34
Fig. 2.5	Approaches to differentiating market development	35
Fig. 2.6	The optimal number of customer segments	36
Fig. 2.7	Relative sales costs depending on the length of the business relationship, using the example of a financial service provider	38
Fig. 2.8	Main approaches to creating customer retention	39
Fig. 4.1	Multi-channel system using the example of an automotive supplier	47
Fig. 4.2	Basic forms of multi-channel systems	48
Fig. 4.3	Steps for implementing and managing a multi-channel system	49

Fig. 4.4	Checklist for determining the necessity of using additional sales channels	49
Fig. 4.5	Cost/revenue structure of an airline company's multi-channel system	52
Fig. 4.6	Possible criteria for selecting sales partners	53
Fig. 4.7	Job specification for sales partners using the example of a manufacturer of office communication systems	54
Fig. 4.8	Distribution of functions between sales intermediaries and manufacturers in the mechanical engineering sector	55
Fig. 4.9	Typical clashes of interest between manufacturer and retailer . .	56
Fig. 4.10	The cooperation matrix	58
Fig. 5.1	Alternative strategies in price positioning	62
Fig. 5.2	Utility value charts using the example of a laptop	64
Fig. 5.3	Example to illustrate price bundling	67
Fig. 5.4	Use of pricing methods for services in the chemical industry	68
Fig. 5.5	Comparison of given prices and list prices using the example of an industrial goods manufacturer	69
Fig. 5.6	Price waterfall using the example of a manufacturer of technical consumer goods	70
Fig. 5.7	Process of preventing reimports by using marketing/sales tools	79
Fig. 5.8	Situation before and after the development of a price corridor using the example of a German mechanical engineering company	80
Fig. 6.1	Deployment of field sales resources using the example of a component manufacturer	86
Fig. 7.1	Sales organization according to products or regions	95
Fig. 7.2	Sales organization according to sales channels or customers . .	95
Fig. 7.3	Examples of sales organizations with several structuring criteria	96
Fig. 7.4	The interface problem in sales	101
Fig. 7.5	Overview of the interface management tools	103
Fig. 7.6	Cross-function sales team using the example of a consumer goods manufacturer	104
Fig. 7.7	Effects of bureaucracy	107
Fig. 7.8	Approaches to reducing bureaucracy	108
Fig. 8.1	Diagram of a planning and controlling process	112
Fig. 8.2	Indicators for analyzing the causes of variance	115
Fig. 9.1	Management tools and influencing factors related to performance	118
Fig. 9.2	Further education/training as a process	123
Fig. 9.3	Possible personnel development measures	124
Fig. 9.4	Four fundamental leadership styles	126
Fig. 9.5	Three dimensions of leadership style	127

Fig. 9.6	Checklist for assessing the leadership style	128
Fig. 9.7	Typical leadership style profiles	129
Fig. 9.8	Control of personnel through target agreements	131
Fig. 9.9	Overview of contents of target agreements	131
Fig. 9.10	Comparison of contribution margin generated and weekly selling time per employee, using the example of an energy supplier	132
Fig. 9.11	Balanced scorecard using the example of a former sales manager of a pharmaceuticals company	135
Fig. 9.12	Steps in designing a performance-based compensation system	136
Fig. 9.13	Possible payout functions within the scope of a performance-based compensation systems	136
Fig. 10.1	Example criteria for assessing the sales culture	144
Fig. 10.2	Cultural profile using the example of a transport service provider	145
Fig. 11.1	Influencing factors in the user orientation of an information system	156
Fig. 11.2	Six steps in developing and introducing an information system	157
Fig. 11.3	Criteria for overcoming acceptance barriers with regard to new information systems	160
Fig. 12.1	Overview of principal customer information	162
Fig. 12.2	ABC analysis using the example of a manufacturer of medical-technical equipment	166
Fig. 12.3	The customer portfolio	168
Fig. 12.4	Portfolio structure of a national daily newspaper in the advertising customer business	172
Fig. 12.5	Sub-portfolio using the example of a sales representative of a national daily newspaper	173
Fig. 12.6	Problematic sales distributions in the customer portfolio	174
Fig. 12.7	Indicators for the customer portfolio	175
Fig. 12.8	Hierarchy of relevant costs	176
Fig. 12.9	Customer satisfaction with individual service components, using the example of a manufacturer of varnishes and paints . .	186
Fig. 12.10	Customer satisfaction profile using the example of a manufacturer of building materials	187
Fig. 12.11	Customer satisfaction/customer retention profile using the example of a manufacturer of building materials	188
Fig. 13.1	Overview of competitor information	194
Fig. 13.2	Overview of key sources of competitor information	194
Fig. 14.1	Overview of market information	198
Fig. 16.1	Overview of a selection of CAS system components	207
Fig. 16.2	Approaches to using CAS systems in the sales process	208

Fig. 17.1	Overview of the important personality traits of sales representatives	218
Fig. 17.2	Selected criteria for assessing personality traits	220
Fig. 17.3	Assessment of the personality traits of a regional sales manager for an industrial goods company	221
Fig. 17.4	Overview of important aspects of social competence	222
Fig. 17.5	Aspects of verbal and non-verbal communication	222
Fig. 17.6	Personality types for classifying customers	224
Fig. 17.7	The sales representative's roles in the progression of a business relationship	225
Fig. 17.8	Selected criteria for assessing the social competence of sales representatives	226
Fig. 17.9	Assessment of the social competence of a chemical company's field sales representative	227
Fig. 17.10	Overview of important aspects of the professional competence of sales representatives	228
Fig. 17.11	The hierarchical organization of the knowledge structure, using the example of knowledge about customers	231
Fig. 17.12	Selected criteria for assessing the professional competence of sales representatives	233
Fig. 17.13	Assessment of the professional competence of a sales representative for IT solutions	234
Fig. 17.14	Four basic salesperson types	235
Fig. 18.1	Process for systematic planning and implementation of trade shows	238
Fig. 18.2	Overview of categories of trade show objectives	239
Fig. 18.3	Decision areas when planning and implementing call centers	241
Fig. 18.4	Overview of types of web page	245
Fig. 18.5	Overview of factors relevant to a successful internet presence	247
Fig. 19.1	Classification of customer clubs based on emotional and economic club advantages	254
Fig. 19.2	Using services to promote customer retention	258
Fig. 19.3	Overview of service-related management problems	259
Fig. 19.4	Complaint management as the key to customer retention	262
Fig. 19.5	Decision areas when designing a complaint management system	262
Fig. 19.6	Selected channels for complaint stimulation	264
Fig. 19.7	Input screen for a complaint management system, using the example of an insurance policy	266
Fig. 19.8	Classifying reasons for complaint with the aid of the frequency-relevance analysis, using the example of a restaurant	267

Fig. 20.1	Decision areas in key account management	272
Fig. 20.2	Criteria for selecting key accounts	272
Fig. 20.3	Key account management as a process	274
Fig. 20.4	Example of a buying center organizational chart	276
Fig. 20.5	Example of a KAM contact matrix	277
Fig. 20.6	Overview of the areas of co-operation within ECR	279
Fig. 21.1	Typical progression of a business relationship	282
Fig. 21.2	Modeling a business relationship using the example of an insurance company	284

List of Tables

Table 1.1	Example guidelines for assigning points scores in a Sales Ex assessment	16
Table 1.2	Examples of application of the Sales Ex approach	19
Table 4.1	Advantages and disadvantages of direct and indirect sales	46
Table 4.2	Coverage matrix using the example of a manufacturer of photocopiers	50
Table 5.1	Terms and conditions system using the example of a manufacturer of doors and window frames	71
Table 5.2	Factors to reduce price complexity by decreasing the size of the pricing system	75
Table 5.3	Competitive bidding using the example of a bid invitation for the construction of a preschool	76
Table 5.4	Problems and solutions in internet auctions	78
Table 6.1	Framework of figures for a sales plan using the example of a PC manufacturer	84
Table 7.1	Overview of the advantages and disadvantages of the organizational forms	96
Table 9.1	Overview of personnel selection tools	121
Table 9.2	Approaches and tools for reducing shortcomings in leadership style	130
Table 10.1	Tools for changing culture	146
Table 12.1	Extract from the network matrix of a financial service provider	163
Table 12.2	Scoring model using the example of a mobile phone supplier	165
Table 12.3	Overview of customer development for the four customer types	171
Table 12.4	Portfolio-oriented customer support measures using the example of a national newspaper	173
Table 12.5	Customer-related profitability analysis using the example of an industrial goods company	177

Table 12.6	Calculation of a CLV using the example of a chemicals company	179
Table 12.7	Calculation of a CLV using the example of a mobile phone supplier	180
Table 12.8	Service components and service criteria in a customer satisfaction measurement process, using the example of a transport service provider	185
Table 12.9	Key questions for analyzing the purchasing behavior of corporate customers	190
Table 13.1	Extract from a competitor profile of a manufacturer of construction equipment	195
Table 15.1	Indicators and information for analyzing the sales process	202
Table 17.1	Examples of arguments used in character selling and benefit selling	219
Table 17.2	Benefit analysis using the example of a production machine	229
Table 17.3	Suitability of development measures for influencing personality traits, social and professional competence	235
Table 19.1	Advantages and examples of centralization and decentralization of responsibilities for complaint management	263
Table 19.2	Examples of negative and positive behavior when receiving complaints	265
Table 19.3	Example aspects of the performance review in complaint management	268
Table 21.1	Indicators of normal and unusual developments in business relationships	283
Table E.1	Summary of the results of over 260 Sales Excellence self-assessments	292

Part I

Introduction

The Drive for Systematic Sales Management: The Sales Excellence Approach as a Roadmap

1

What trends and developments are in store for the sales sector in the years and decades to come? A wide range of concepts, including customer relationship management, systems selling and key account management, are striving to answer this fundamental question. The lively discussion of such concepts – only some of which are new – demonstrates the mounting pressure for change in the sales sector and the quest for answers to today’s challenges.

Our response to these challenges is the Sales Excellence approach (“Sales Ex” approach), which we will briefly describe in this introductory section. The reader will be given a foretaste of the potential applications of the approach. However, we will first examine the current basic conditions in sales and the problem areas with which it is confronted.

1.1 Sales: “Fighting on Two Fronts”

The principal driving forces in sales can be ascribed to the elementary objectives set by companies. Of course, differently sized companies pursue different objectives in different sectors and markets. Ultimately, however, there are two objectives that dominate in all market-oriented companies: *increasing productivity* and *increasing customer orientation*. These two objectives define the key lines of attack in sales and will therefore be discussed in detail in the following passage.

With regard to cost disadvantages as compared to their international competitors, businesses have globally been making considerable efforts to *boost productivity*, with a certain amount of success. This applies to both the manufacturing industry as well as the service sector. However, if we address the question concerning which company divisions have demonstrated the most productivity growth, an interesting picture emerges: In most companies, the highest productivity growth is found in the internal production of goods and provision of services (i.e. in production, or in the operations division of service companies) and in administration (“overhead”). While considerable progress has been made here,

many companies have not yet even started implementing systematic productivity management in the area of market development.

There are a variety of reasons why companies neglect doing this, one being a high degree of uncertainty with regard to the potential negative effects of measures to increase productivity in sales. This is particularly the case if such measures lead to re-allocating resources or to a cutback of the resources currently being utilized. In many companies, fear of declining sales and lost contribution margins – often exacerbated by sales managers – thwarts any attempts to boost productivity. The fact that intelligently deploying resources lets you realize more output with less input is well known and has been successfully implemented in the internal departments of numerous companies. However, many managers have no intention of applying a similar strategy in the sales sector. In principle, a methodical problem is at the core here: In many companies, modern and efficient productivity management methods in the sales sector are virtually unheard of – or at a minimum, the staff does not have sufficient experience in working with such tools. The result is a tendency to prefer not to “tinker” with sales.

Another main reason for neglecting productivity management in sales is the “go-getter culture” that can be observed in the sales divisions of many companies: Improvisation and intuition are emphasized, while systematic management is, at best, accepted as an irksome duty. The “heroes” in this culture are the “out-and-out salespersons”, who instinctively do what is right. Numerous success stories surround these heroes – frequently bearing the stamp of their own creation. There is, however, no word of the many failures of the “gut instinct approach”.

Lest there be any misunderstanding, intuition and improvisation are undoubtedly important for sales success. Sales activities are, in part, no doubt more difficult to plan and to systematize than, say, production. Market developments, customer behavioral patterns and competitor promotions can only be foreseen to a limited extent, which often makes improvisation indispensable. Nevertheless, the consequence should not be almost total abandonment of systematic sales management and, in particular, systematic productivity management in sales. Rather, what is required are approaches that are highly systematic, while, at the same time, leaving sufficient room for flexibility and intuition.

The increasing importance of systematic productivity management in sales is obvious: Companies in high-wage countries, in particular, will also require advances in productivity in the future if they want to remain internationally competitive. It will not be possible to realize the necessary improvements in production and administration perpetually, since their potential for increasing productivity will eventually be exhausted at some point.

Of interest here is the result of an empirical study conducted a few years ago in the industrial goods sector (see Homburg et al. 1996a). One of the questions the study investigated concerned which company divisions are viewed as having significant potential for increasing productivity.

As Fig. 1.1 illustrates, the sales and marketing divisions rank in first place here, some distance ahead of production. It is also interesting to differentiate the replies according to the respondent’s position in the company. Figure 1.1 shows that sales

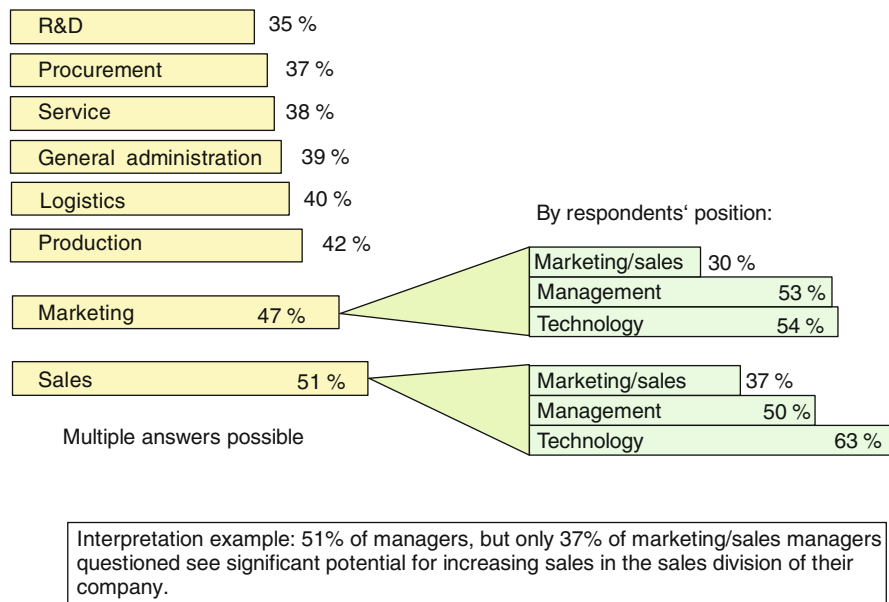


Fig. 1.1 Potential for increasing productivity in different functional areas (see Homburg et al. 1996a)

and marketing division managers assess the potential for increasing productivity in their divisions as being much lower than the other respondents. Awareness of the obligation to increase productivity in sales is therefore still inadequate – the “go-getters” send their regards.

We now come to the second objective: *Customer orientation*. Nowadays, it is one of the principles of economic life. Virtually every company that operates according to guiding principles cites the customer and his needs as the central driving force behind company operations. At this point, however, we do not wish to discuss how customer orientation is implemented in a company (see the detailed study by Homburg and Werner 1998). Rather, we would like to point out one particular aspect of customer orientation which, in our estimation, receives far too little attention: the dynamic character of customer satisfaction.

The customer orientation of a company should lead to customer satisfaction and, ultimately, to increased profitability. Customer satisfaction – the main link between customer orientation and profitability – is, however, a highly dynamic phenomenon. To understand this, the reader needs to fully understand how customer satisfaction arises. Customer satisfaction results from a process of comparison: The customer has an expectation of a company’s performance, which can stem from a wide variety of sources (e.g. previous experience, competing offers, third-party information, etc.). The customer then compares what he receives with what he expected to receive. The result of this comparison process is his satisfaction rating.

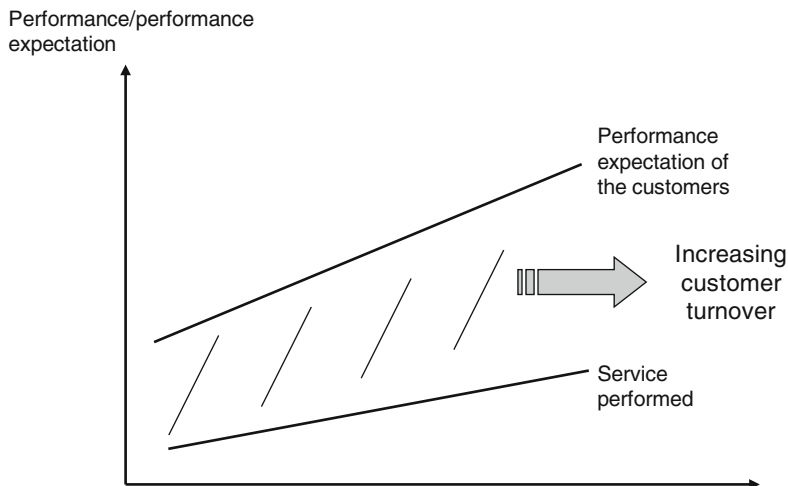


Fig. 1.2 The customer satisfaction trap

The dynamic character of customer satisfaction stems from the fact that the performance expectation does not remain constant over time, but increases continually. Often, there is a real inflation of customer expectations noticeable. What enthused customers only a few years ago is often already taken for granted today. This can give rise to an interesting phenomenon, which we call the “*customer satisfaction trap*” (see Fig. 1.2). If the rise in a company’s performance level is slower than the rise in customer expectation level, the result is an ever-widening gap between performance expectation and performance perception. This inevitably lowers customer satisfaction, which, at least in the medium term, leads to higher customer churn. What is truly paradoxical about this phenomenon is that customer satisfaction and customer loyalty recede even though the company’s performance level increases over time. What is hence, first and foremost, crucial is not that a company improves, but whether it improves *quickly enough*.

This problem area will notably affect the sales sector over the next few years. The modern view is, of course, that customer orientation is a task for the company as a whole. However, since it serves as an interface to the customer, the sales sector will continue to have a key role in this connection.

If we summarize what has been said so far, the sales sector finds itself in a difficult situation: On one hand, productivity pressure on the sales sector is increasingly mounting, while, on the other hand, customer expectation levels are continually rising. If a company wants to avoid getting ensnared in the “customer satisfaction trap”, it needs to keep pace in terms of improving performance levels. This pressure to perform will have a particular impact on the sales sector. Basically, it will be forced to “*fight on two fronts*”:

Both performance level and productivity need to increase at the same time.

This constellation (“doing more with less”) presents many companies with completely new sales challenges. Traditional management approaches alone will

not offer sufficient aid in successfully coping with this situation. Rather, a sustained more systematic sales management is required. The approach introduced in this book is designed to provide companies with that very support.

1.2 Are You Familiar with These Problems?

“Can the Sales Ex approach be useful for my company and me?” is a question that the reader may be asking himself at this point. Although the Sales Ex approach has been applied with demonstrable success in numerous companies operating in a wide variety of sectors (see Sect. 1.4), we cannot, of course, give an across-the-board “yes” to this question for every single company. Ultimately, it will be up to the reader himself to provide an answer. To support this process, we will be describing, in the following section, some typical shortcomings that we have been able to observe in the sales divisions of many companies. This description will give an idea of the problems that can be resolved with the Sales Excellence approach. If the reader recognizes at least some of these problems, he would be well advised to consider the Sales Ex approach.

Numerous problems occur in many companies within the scope of *market development*. Some companies, for example fail to concentrate on the customers or market segments with real potential. Instead, market development in many companies follows the “principle of giving everybody an equal share”: Distinct types of attractive customers are not differentiated, with each receiving the same (and, unfortunately, often the same poor) service. There is hardly any (pro)active management of the customer structure. In addition, many companies are devoid of any targeted customer retention management and business relationships with important customers are not managed systematically. A third shortcoming in market development is the utter chaos surrounding the terms and conditions system for customers: An endless array of discounts and bonuses frequently makes pricing unclear to customers. In our experience, only some of these discounts and bonuses are really necessary. Ultimately, a lot of money is wasted in this way. A fourth and final problem area in market development involves cooperation with sales intermediaries (retailers, importers, etc.). The distribution of tasks and responsibilities is often not clearly defined, with conflicts being the order of the day. Conflicts particularly arise with so-called multi-channel systems, which consist of several parallel sales channels (e.g. direct and indirect sales or indirect sales via different routes). In many companies, the separation between the sales channels can hardly be called smooth.

The second problem area for many companies concerns the behavior and conduct of *sales representatives*. A significant problem lies in the fact that, despite assertions to the contrary, the product-oriented, rather than customer-oriented, perspective still prevails in many companies’ sales forces. The representatives are focused on presenting the advantages of their products over competing products. The starting point in many sales talks are the company’s offered services, instead of the customer’s needs. This problem entails another: Many companies have now

disassociated themselves from the classical marketing of individual products. They want to be system providers, often offering bundled products and services. Sales-people that are purely product-oriented cannot successfully implement a strategy of this kind.

Furthermore, on a surprisingly frequent number of occasions, we have observed a lack of commitment towards the company from sales force. This fact has to be viewed extremely critically, since a sales representative's commitment is considered to be an important prerequisite of his or her performance (see Jaramillo et al. 2005). The sales representatives do not indicate in sales talks that they support their company, let alone that they are proud to be working for it. Rather, it is frequently the case that sales force and customer form a kind of "unholy alliance". By dint of cynical statements about his own company, the field sales representative "joins forces" with the customer against the company's head office. Such alliances are fatal in the long run: How can a customer have respect for a company if his direct contact person in the company does not even show such respect?

The result of the problems described above is that the field sales force is frequently extremely price-oriented: It aims to cover up its own shortcomings through aggressive price behavior in the market. This also reflects a certain lack of ideas in sales. Instead of employing innovative tools in customer development, many sales representatives resort to well-tried price reductions. The customers can use this to their own advantage by systematically leaking incorrect information about competitor prices. Basically, every company's prices are higher than those of its competitors – according to the customers.

The two previous problem areas relate to the company's presence in the market. Such weak points are usually rooted in company-internal problems. *Internal processes* play an important part here. In many companies, interface problems between departments make sales activities more difficult. Departmental egoism results in massive information deficits, duplicate work, and uncoordinated behavior and actions. The result: The overall impression given by many companies is a lack of customer orientation, despite a possibly customer-oriented sales force. Another problem in the context of internal processes is that the sales force is overloaded with administrative activities and is ultimately prevented from fulfilling its actual task – customer care.

Another sales-related problem area in many companies involves the *information systems*. In many cases, effective and efficient sales activities are not supported by adequate information systems. Deficiencies in customer-related information are particularly common. According to our observations, information systems containing reliable potential data (i.e. information about the customer's requirements) continue to be the exception. Often, quantitative customer assessments concentrate on the sales volume achieved. Such evaluations frequently boil down to the classic, sales-based ABC analyses. The weakness of such evaluations is obvious: A customer with a low sales volume is classified as a C customer. The fact that it can also be an attractive customer with high requirements which are mainly covered by competitors is completely overlooked. It is also rare for companies to be familiar with the profitability of individual customers or individual customer groups. At best, customer

contribution margins are encountered with a certain regularity. However, Homburg and Daum (1997) provide numerous examples to illustrate that contribution margins are a problematic criterion for assessing profitability. Only when overheads have been assigned to the individual customers (customer groups) on the basis of the costs-by-cause principle, a sufficiently well-founded statement can be made concerning which customers (or customer groups) could be attributed with earning or losing money. A cost analysis of this type is, however, generally not carried out. Most cost accounting systems traditionally have a pronounced product orientation: While the most detailed profitability analyses can be made for products, this is rarely possible for customers (and customer groups). Such information systems result in market development “flying blind”, in some sense. Decisions about resource allocation are made on instinct, which virtually rules out increasing productivity in a targeted manner.

A final problematic aspect has to do with *incentive systems*. In essence, this concerns the way in which the success of sales divisions and individual sales representatives is measured and rewarded. In many companies, the incentive systems are merely quantity-based, a typical example being incentive and bonus schemes for field sales representatives that are based exclusively on sales volumes. The effects of such “one-dimensional” incentive systems can be devastating, since they do not meet today’s requirements in sales. Their contribution to productivity-oriented sales activities is particularly questionable.

Can the Sales Ex approach help you or your company? We raised this question at the beginning of this section and have already pointed out that it is not possible to answer it with an across-the-board “yes”. The reader should, however, ask himself at this point whether at least some of the problems described here apply to his own sales division. If this is indeed the case, familiarizing himself with the Sales Ex approach is strongly recommended.

1.3 An Overview of the Sales Excellence Approach

In this section, we will examine some of the main aspects of the Sales Ex approach. We will first discuss the principles underlying the approach, and then subsequently explain how the approach can benefit the user. Lastly, we will provide an overview of its contents.

The Sales Ex approach is a method for optimizing sales activity in companies. It has been developed over the course of work spanning several years and is underpinned by experiences in numerous companies in a wide variety of sectors as well as by scientific findings in the field of sales management. When developing this approach, we started by asking what principles and methods are involved in professional sales management. Five *principles* form the cornerstone of the Sales Ex approach:

Integrative view: The Sales Ex approach lays claim to including all the main facets of sales activities. We want to provide managers with an extensive set of tools for optimizing the sales sector. In many companies, we have observed numerous

“isolated activities” in connection with sales optimization. Such fragmented activities, however, cannot yield the desired results in the long term.

Scientific foundation: The most recent scientific findings in the field of sales management were incorporated into the development of the Sales Ex approach.

Relevance and up-to-dateness: The Sales Ex approach is not only based on the most recent scientific findings, but also takes into account current trends, providing answers to pressing problems and questions related to sales.

Practical orientation: The Sales Ex approach is based on a broad range of experiences in a variety of sectors, which we have included at many junctures, since the focus of the book is on the benefit for practice.

Cross-sector orientation: The Sales Ex approach is not aligned to the specific characteristics of individual sectors and can thus be used in all sectors and sales structures, with certain aspects possibly being more relevant to some sectors than to others. In principle, however, the concept has a cross-sector orientation.

What *benefit* can be derived from using the Sales Ex approach? Three key components should be mentioned in this respect:

- Tools,
- Concepts and
- Checklists.

The first benefit component lies in the provision of a large number of concrete *tools*. Examples here include tools for analyzing the customer structure (e.g. the customer portfolio) or employee management tools. These tools can be used directly in the company.

The Sales Ex approach, however, does not stop at the introduction of tools: It also presents *concepts* (e.g. for designing key account management or complaint management systems). The reader will learn new approaches to solving a wide range of problems. The concepts provide suggestions and new perspectives. They are more fundamental in nature than tools. As a rule, however, they have to be adapted and adjusted to the individual company requirements.

Checklists represent the third benefit component of the Sales Ex approach. Each subject area will conclude with a detailed checklist. We will discuss the use of these checklists in more detail in the following section, merely pointing out here that they can be used in self-assessments made by the sales division or in assessments by external experts. Relevant comparisons can also be of interest here, for example, assessments made by employees and by management. Another option is the use of internal benchmarking to compare several sales divisions within a company.

In terms of *content*, the Sales Ex approach encompasses four areas:

- Sales strategy,
- Sales management,
- Information management and
- Customer relationship management.

Each of these areas deals with tools and concepts that characterize the manifestations of professional sales management. Each area concludes with a checklist.