Noordhoff Uitgevers

Sales Management

Gerbrand Rustenburg, Arnold Steenbeek

First Edition

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Preface

This is the first English edition of *Sales Management*. The four Dutch editions of *Sales Management* have been received with enthusiasm in both the academic and business worlds. There appears to be a significant need for a complete and practical work on the subject of sales - and one that is focused on practice.

This edition is geared to current trends and practice in (international) sales. The contents have been updated on the basis of feedback from users of previous editions. As a result, the practical application of the book will be further improved. This is aided by numerous current examples. The publication's website provides further support in this regard.

The book makes use of an integrated teaching approach, grouping important topics in the current practice of sales management from the perspective of a working sales manager. The same approach is used on the book's website. This, fourth edition also pays significant attention to both the strategic and the operational aspects of sales management. This emerges, for instance, in the relationship between Sales and the organisation's strategies and objectives, in the exploitation of sales competencies and skills to outpace the competition and also in the areas of customer targeting, trade shows, markets and countries. These topics are dealt with in relation to B2B, B2R, B2G and B2C markets - locally and internationally.

This edition pays close attention to sales-team coaching and motivation, sales skills and leadership in sales. These areas are covered in what has developed into an extremely useful section both for students and for practical application in sales teams.

The aim of this book is to teach its audience, step by step, how to write an integrated sales plan - how to engage in the necessary process of analysis, learning, questioning, brainstorming, writing, rejecting and reformulating. This, issue-driven, application-focused approach gives students the opportunity, working in groups, to analyse the sales of a (partially fictitious) company, solve sales problems, develop plans and outline their implementation. In doing so, the entire sales landscape will be covered: its strategic and operational aspects; the integration and interaction with other plans at enterprise, SBU and marketing level; internal and external sales support; the qualitative and quantitative aspects of sales planning by country, segment, customer or account; forecasting, CRM and the people-management aspect of sales. The guidelines and examples contained in the appendix also play a useful role.

Target audiences

Sales Management is written for students in commercial and related fields. These students typically end up in marketing and sales departments on completion of their studies. It is also intended for part-time students following, specifically commercial, part-time courses. The third target group is managers in selling functions, such as sales managers, sales team leaders and account managers, who can use the book in drawing up sales and account plans, as well as for training and motivating their sales or account teams. Sales executives can use the book and its website as a reference, for example in selecting and preparing trade fairs, for optimising sales area performance, for applying performance indicators in sales planning or selecting and preparing new, national sales regions.

Structure

The book's structure moves from general principles to specific sales topics. Chapter 1 starts with the external environment and its consequences for sales management. Chapter 2 shows how the objectives and strategies of enterprise, marketing and sales are linked. This is supplemented with more detailed information on sales forecasts, the role of multimedia and sales and customer information systems in chapters 3 and 4. Chapters 5, 6 and 7 deal with specific areas like sales planning, organising the sales team, account management and trade fair management. Chapter 8 covers the commercial aspects of sales management, such as the impact of customer retention. Chapters 9, 10 and 11 concern leadership, coaching and motivation of the sales team - and the leadership skills of the sales manager. In conclusion, chapter 12 addresses a number of aspects of internationalisation, such as the role of culture in negotiation and the selection of national sales regions. A number of questions are included at the end of each chapter. The website provides a large number of multiple-choice questions on each chapter. These constitute a valuable exercise for students. The website URL is www.salesmanagement.noordhoff.nl. Access to the website is via a unique code supplied with this book.
An extensive guide to writing a sales plan is provided at the end of the book.

In conclusion

While the authors and editor hope to have succeeded in providing the user with a flexible and effective tool, we are aware that there is always potential for improvement. Please respond with comments and suggestions for improvement. These may be directed to Noordhoff Uitgevers, afdeling Hoger Onderwijs, Antwoordnummer 3, 9700 VB Groningen,
e-mail: info@noordhoff.nl.

Gerbrand Rustenburg and Arnold Steenbeek,
Groningen. Autumn, 2012

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1 The sales manager in a changing environment

CEO Bert Meulman

B&S: an international wholesaler in specific niche markets.

Interview with: CEO Bert Meulman of B&S, by: Frédérique Slothouber.

As a leading partner in the wholesale and distribution of fast moving consumer goods, B&S supplies several niche markets, e.g. ship chandlers, duty free shops, airlines, cruise lines and peacekeeping forces. This requires B&S to think global but act local, adjusting to local conditions and requirements. B&S is distinguished by its commitment and dedication. Their hallmarks are reliable service, a high degree of expertise and, above all, the best available price. As a result, this international FMCG wholesaler has been able to enter thriving, new markets – in every corner of the globe. The B&S head office near Rotterdam harbour is a hub of knowledge and equipped with state–of–the–art facilities. The growth curve they have enjoyed for the past 140 years is directed from this base. We won several times the *Financieele Dagblad's* Gazelles Award. In the early nineties, B&S was a relatively small business, with 30 employees. Today it has 1,300 employees, working in a widespread network of branches. Growth, rather than short–term profit, has always been the priority. Our aim is to be category leader – the best. We achieve this via a structured approach, one that enables us to take advantage of opportunities and focuses on the needs of customers in our market. This has been the driver of our success. We started as wholesale operation, buying and selling, with a relaxed and unstructured approach. Today we are integrated: we are the importers and distributors of all our wholesale products. This enables a 'double margin' structure. We return a large part of that margin to the customer, but the portion that we retain still exceeds the wholesale margin. This integration within the supply chain will continue in the future. Transport activities are left to external companies; they do this better than we can – and sourcing transport is a relatively simple process.

Confident, committed and always on the lookout for new opportunities, Bert Meulman, CEO of B&S, has a passion for trade. He loves the broad scope of the business and the adventurous culture of B&S, and has felt this way since his first days at the company in 1992. 'In our business, there are normally two ways in which to succeed: either you have a specific niche and operate on a small scale, or you're a big player who can offer the complete package for less. We've managed to bring several niche players together to achieve both: we can offer specialised knowledge and the advantage of volume.'

B&S is customer driven

We started in sales, which involved buying products at a certain price and reselling them for a higher price. This was unstructured and involved dealing with a variety of parties on a day–to–day basis. Nowadays we select good customers and then carefully inventories their needs. We then investigate how to meet those needs – at a price that suits our customer. We make fixed agreements (generally for a year) so both parties know exactly what to expect of the relationship. We can then invest in these clients. Both margins and sales benefit from knowing our clients well. This ensures a stable basis, but also demands commitment. The client requires a dedicate infrastructure, to ensure that products are delivered on time. This is also the case with military missions: if you want to supply them you have to build your own supply chain. In Afghanistan, for example, we function more as a major service provider than as a wholesaler. And while the location may make this seem risky, our customer is 'triple A' – a rating that befits a government client. B&S has, therefore, developed into a customer driven sales business.

At B&S, sales are dominant. We have developed into a customer–oriented operation, in which marketing has become more important. This has become increasingly important as we offer our customers solutions, instead of just products. We say that B&S exists for our customers – and we will deliver on this promise. However we achieve that aim, we want to put the solution in place ourselves – working from a client perspective. In some, complex cases that may require cooperation with a partner. I don't believe that agents add value. In our business model, agents will sooner or later go their own way – and that would mean that we have to start afresh.

B&S culture and human resources

Cultural differences are already apparent between the various Sales Business Units. Account managers sell the same products, but an account manager in the military business is different from one in the food industry. I don't want our people to `become Chinese' if they operate in the Chinese market. We know how the Chinese customer thinks, but ultimately B&S determines our mode of operation – not the Chinese. We are able, however, to operate within the specific context determined by the local rules of a country and its prevailing business culture.

You will note that B&S is a melting pot of different cultures. Our sales people come from all over. What is standard is that they are young and well trained, with a bachelor's degree as minimum. With these criteria satisfied, we then select on personal characteristics. We take care to preserve these personal characteristics, while at the same time wanting to embed certain behaviours in our people. Moreover, our work is firmly grounded in processes. We needed ISO certification in order to grow, to maintain high quality standards and to maintain our processes. The certificate was rapidly obtained, as we had already put most of the required processes in place. Everyone already works with our ERP system. This is an absolute requirement and no one may ignore it. There are also quite rigid methods of task differentiation. The salesman, for example, performs sales tasks but does not, for instance, perform logistics and accounting tasks for his client. Process, governed by the ERP system, is the beating heart of the enterprise. (This interview is continued in chapter 8.) See www.bs-gg.com.

Organisations operate in a rapidly changing environment that is increasingly becoming more international. This environment has a major influence, not only on commercial ventures, but also on organisations in the quaternary sector. Hospitals in surrounding countries, but also in Turkey or Singapore, can now deliver medical services more quickly and cost–effectively. The advances in online technology have reversed the supplier–customer relationship and, therefore, the role of sales. C2C (customer–to–customer) selling via e–marketplaces is fully established.
The majority of businesses – certainly in countries such as The Netherlands, Germany, Japan and Korea – export their products and services. As a result, salespeople must conduct their business with foreign customers. Knowledge of the (business) culture in an importing country is therefore necessary and contributes to commercial success. The sales manager must analyse relevant opportunities and threats in the external environment. These, naturally, differ by country and region. Commercially attractive countries, markets and customers are chosen on the basis of analysis.

This chapter concludes with a paragraph concerning sales and marketing teamwork and the role of the sales manager. Sales has an important and constantly varying task. The sales manager and his salesmen operate from day to day in the market. They are ambassadors for their organisation and intermediaries between it and its customers. The pressure of (new) competitors, often in saturated but also in new, local and international markets, is a daily reality. To operate in this environment, the sales organisation must be durable and flexible and, above all, a tightly knit team – prepared to engage in an ongoing learning process. This, in addition to having a clear strategic vision, constitutes an important role for the sales manager. It is, after all, the application area of his skillset.

1.1 The sales management environment in brief

The *NIMA–Lexicon* (2004) provides the following definition of sales management:

> Sales management consists of a number of management and leadership activities that require analysis, planning, implementation and control – aimed primarily at achieving the qualitative and quantitative (short and long term) sales targets of an organisation, or a part thereof such as a strategic business unit (SBU).

Business management

Sales management is derived from and related to the business management process: combining and managing people, resources and processes, with the aim of delivering a sustainable contribution to the organisation, the current and future market, and society. The sales manager must not only have a thorough knowledge of the immediate environment, in other words of the market, business chain, business category and branch, but also of the more indirect, social environment of his organisation and department. The sales manager's task is to obtain results in this dynamic market environment. How can he or she achieve this as efficiently and effectively as possible? How can he or she do it in a way that is better than that of the competition? How can the sales manager expertly lead and coach his or her team? These issues are extensively discussed in this book.
We start, in this chapter, with the organisation's environment. The sales manager must analyse the environment systematically to be able formulate a robust and original sales strategy.

The micro environment – or internal environment – is the situation within the organisation itself. Management can exert direct control and influence on the micro environment. The meso and macro surroundings are external and not controllable – although the meso environment (or market) may be influenced by organisations to an extent. Figure 1.1 illustrates the relationship between these environments: the micro environment is mainly influenced by the meso environment and this, in turn, is mainly influenced by the macro environment.

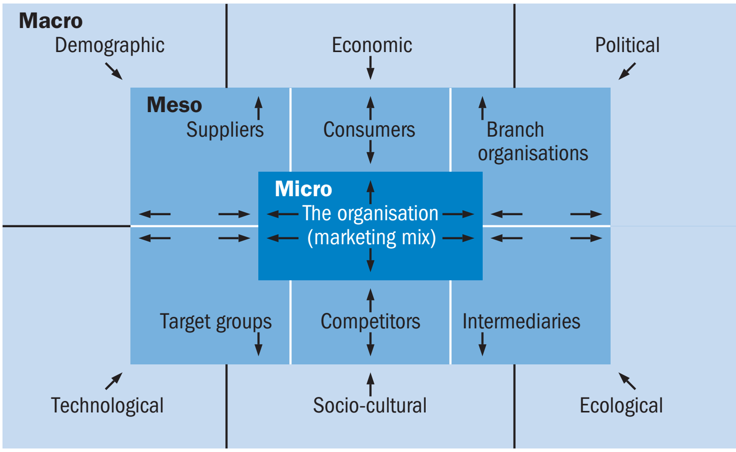
The mico–environment

Micro environment

The micro environment is made up of internal factors which, in the longer term, are controllable. They affect the organisation itself – in areas like sales planning, the determination of growth strategy, production policies, the planning process and the infrastructure of the enterprise.
It is of strategic importance to the organisation that developments in its environment are studied and identified as relevant threats or opportunities. In a dynamic environment it is essential that the organisation and, especially, the sales team fully deploy every available feeler or antenna in order to detect change in client organisations, among competitors and in their own business chain. And that they proactively utilise the resulting information: a flexible organisation will make the necessary adjustments to its business strategy, in the short term.

Flexible organisation

FIGURE 1.1 Micro, meso and macro environment



In the following chapters we will look more closely at the significance of the micro environment for the sales manager. The meso and macro environments are described in paragraphs 1.2 and 1.3. Case 1.1 demonstrates clearly that macro factors influence the meso environment. It is the task of sales management to collect this information, process and discuss it within the organisation and use it carefully to determine how to act on these influences.

CASE 1.1 THE RAPIDLY SHRINKING TRUCK SPARE PARTS MARKET

A limited number of truck manufacturers is active in Europe. Examples are DAF, MAN, Mercedes, RVI, Scania and Volvo. Some of these are very big brands.

The trucks are not highly differentiated and this, in turn, severely limits price differentiation. Trucks sales do not generate much profit. The biggest profits

1

derive from the sale of spare parts used in truck maintenance. These sales take place in the aftersales or MRO market (Maintenance, Repair and Overhaul businesses). The aftersales market is a function of developments in the truck market, which, in turn, are a function of those in the (global) economy. There are a number of segments in the truck market (as set out in table 1).

TABLE 1 Road transport market segments

Macro segmentation	Characteristics	Micro segmentation: size
Professional Logistics Providers (PLP): growth segment	• Logistics is the core business • Technical quality, TCO, MRO, one-stop-shopping are essential	• Small: 1–2 trucks • Medium: 3–29 trucks • Large: 30 trucks or more
Own Logistics Providers (OLP): decreasing segment – trend towards outsourcing	• Transport not the core business • Technical quality, TCO, MRO, one-stop-shopping are essential	• Small: 1–2 trucks • Large: 3 or more

TCO = Total costs or ownership MRO = Maintenance, Repair and Overhaul

Dutch truck market is reasonably stable. Technical (environmental) and economic (ageing per unit) requirements mean trucks are being replaced sooner (see table 2).

TABLE 2 Market size by truck volume (000's)

Year	2007	2008	2009	2010	2011	2012 (index)
Units	120 (100)	124	126	128	128	128 (107)

New trucks have reduced need for maintenance and lower spare parts consumption as a result of technological improvements, thus reducing TCO (see table 3).

TABLE 3 Average spare part consumption per truck per year

Year	2007	2008	2009	2010	2011	2012 (index)
Euros	2,350 (100)	2,250	2,200	1,700	1,600	1,500 (64)

Market size = volume × spare part consumption (see table 4).

TABLE 4 Market size in euros (millions)

Year	2007	2008	2009	2010	2011	2012 (index)
Euros	282 (100)	279	277.2	217.6	204.8	192 (68)

Source: RAI, Dutch trade association for the mobility industry.

1.2 Developments and trends in the external environment, at meso level

1

The meso environment is of central importance for sales management. Ongoing monitoring of all market entities is necessary. Salesmen and account managers are important sources of information about changes in the meso environment. The following market entities are discussed in the sub–paragraphs below: The competition, intermediaries, consumers, suppliers, industry associations and public groups. As can be seen in case 1.2, the sales manager must be extremely alert to the entry of new players and new products.

Market entities

CASE 1.2 FOR SALES MANAGEMENT, IT'S EAT OR BE EATEN

New versions of the iPad are introduced. The waterfall strategy (where the product is introduced successively, by country) is increasingly being replaced by the sprinkler strategy (product is introduced simultaneously in multiple countries). The iPad still has a market leader position (80% market share) as a result of strong innovation (more colours, thinner, lighter and faster) and an extensive App Store. Competitors execute aggressive entries into this attractive market: Google, Microsoft, Samsung, HP, BlackBerry, etc – in short, all smartphone manufacturers. The price of the newest iPad now varies between €499 and €699. The previous version remains on the market for a budget price of €379, aimed at the late adapter categories (late majority and laggards).
Can the sales manager prevent price variation and margins being pressured? Telecom providers offer customers big discounts and other, well–known competitors (followers) are 'buying' market share using penetration pricing and scale advantages.

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1.2.1 Increasing (international) competition

Competition

Indeed, one of the most important influences in the market, when it comes to effect on profitability, is the competition. Competition is increasing and becoming more aggressive. Many markets, especially in Western Europe, show signs of saturation – and even stagnation. If sales planning has not taken this into account, the battle for market share will intensify and will have a negative effect on margins. Governments, among others those in the EU and the US, closely monitor anti–competitive measures, such as pricing agreements and cartels. And stiff fines are still incurred, even by renowned multinationals.

Fusions, joint ventures and takeovers increase the size of competing businesses, giving them more influence in the marketplace. The ensuing reduction of the number of competitors only temporarily reduces the intensity of competition. AkzoNobel, for instance, bought market share by taking over not only national and international paint manufacturers, but also independent paint wholesalers.

Oligopolistic market

In an oligopolistic market (one with few competitors), the degree of competition will certainly be high – and will continue to increase. Economies of scale play an important role here, especially as regards so–called standardised products, processes or systems – such as telecom systems and payment systems. Market size – the market share available to supermarket chains, car manufacturers, telecom providers and others – plays a decisive role in this.

Established market players also have to deal with new competitors, especially in new technology markets, such as telecoms and biotechnology. Google and Apple are good examples of this. The Brazilian, Indian and Chinese markets are growing rapidly, yet competition in these markets is murderous, especially as a result of local competitors. The prices of standard, routine products are very low. It is all too frequently forgotten that these countries are also enjoying rapid growth in the area of more sophisticated products. However, the presence of more competitors can be also positive. New markets, such as those for smartphones, are opening up more rapidly as a result.
Market players frequently supply their competitors. External circumstances sometimes oblige them to stop such supply, as shown in case 1.3. One wonders whether the sales manager of Shell really experiences this as a problem!

CASE 1.3 SALES MANAGER'S SUPPLY OF PRODUCT BY COMPETITORS SUDDENLY STOPS

BP has decided to provisionally cease deliveries of lubricants to Tamoil gas station shops. Shell have suspended sale of fuels, like petrol and diesel. According to the suppliers, this is a direct consequence of the sanctions imposed by the EU on Libya and the regime of its leader, Gaddafi, four months before his deposition in 2011. Tamoil is owned by the Libyan state. The sales manager of Tamoil Netherlands said it was noteworthy that Total is continuing to supply Tamoil in France. Earlier this week a German court approved an urgent application, ordering BP to continue supplying Tamoil. Both turnover and sales staff bonuses will come under pressure as a result of the boycott. In 2010, turnover amounted to €350 million and profit to €2.4 million. Consumers will be forced to use competitive gas stations.

1.2.2 Consolidation in the distribution chain

There is a clear trend towards scale economy in the business chain, at all distribution levels – manufacturer, wholesaler, retailer and consumer. In recent years numerous mergers and joint ventures have emerged in the industry. Examples are Syngenta Seeds, a joint venture of Novartis and AstraZeneca (www.syngenta.com), Akzo Nobel's takeover of ICI Coatings, Delta Lloyd's takeover of OHRA, Tata Steel's takeover of Corus, and FloraHolland – a joint venture between six auction houses (see case 1.4). This development is not surprising, as business is becoming more international and companies are increasingly having to deal with international competitors, including those from the so–called 'tigers' such as India, China, Brazil, Russia and Indonesia. Moreover, the average life cycle of products is shortening and wholesale and retail organisations are introducing own brands, frequently produced in countries offering cheap labour.

Distribution levels

Manufacturer, wholesaler or retailer – each level wants a greater measure of control and influence on the market. Marque dealers in the car industry have shown a strong tendency towards scale economies in recent years. The C4 index in retail markets – the total market share of the four largest brands – is growing, and is often higher than 50%. This trend of enterprise enlargement is made possible by a saturated market, succession issues, reduction of protective legislation in relation to geographic markets, and so on. Larger car dealers are also pursuing a multi–brand strategy, selling a variety of marques (see national car distributor www.pon.nl).

C4 index

CASE 1.4 SALES MANAGER'S SUPPLY OF PRODUCT BY COMPETITORS SUDDENLY STOPS

From breeders and cultivators to salespeople and export companies – The Netherlands has a tightly woven, high–quality network of companies covering all aspects of this business chain. The Netherlands is the 'exchange', where global flower supply and demand – both virtual and real –

meet. This is partly due to the strong position of FloraHolland within the Dutch floriculture market. This company's market position combines the roles of matchmaker, intermediary and knowledge centre.

FloraHolland is a company with an extremely modern profile, with branches in Aalsmeer, Bleiswijk, Boskoop, Eelde, Naaldwijk, Rijnsburg and Venlo. It also has a nationally operating, intermediary organisation and an import department. Its branch network is unique and gives it unprecedented power. Ownership of FloraHolland is in the hands of numerous horticulturists (producers). The FloraHolland model served as inspiration for Zespri Kiwifruit, a New Zealand organisation of kiwi producers, which now enjoys a similar, dominant global position.

Source: www.floraholland.com

There are many, good arguments in favour of scale economies. Helping the organisation achieve its growth objectives is just one advantage. Others are:

1 cost reduction, and
2 strengthening market position and/or dominance.

1. Cost reduction

Increased production volume, better utilisation of production capacity and increased purchasing volumes can reduce cost per unit.
Two, cooperating businesses can increase efficiency, whether they have partially combined, completely overlapping – or even different product ranges. They can expect synergistic benefits like fewer salespeople and reduction of publicity and/or research and development budgets (100 + 100 becomes 150). Scale economy opportunities would have played a role in Boedelbak's takeover of Kip Caravans (see case 1.5).

CASE 1.5 CAN A SALES MANAGER STILL GENERATE PROFIT FROM A KIP® CARAVAN?

There are many, many caravans in The Netherlands. In 1980 they already numbered 400,000. There are now 500,000. The numbers of new caravans sold has, however, fallen somewhat. In comparison with the exceptionally good economic times of a decade and more ago, new caravan sales have experienced a downturn in recent years.
Kip's sales manager notes that sale figures from the Caravan Salon trade fair have increased slightly. He therefore expects sales in Germany to increase and sees this as a positive indication for 'a complete recovery' in the Dutch market within a reasonable period.
Is this wishful thinking? The playing field has experienced significant change – and so have the rules of the game. The traditional camper (now 50+) wants more comfort – and large numbers now prefer camper vans (sales of which have increased by ± 30% per year).
The second–hand market for caravans is thriving. Moreover, the world is increasingly easy to reach without a caravan. Flights, for example, have become cheaper. The Dutch market for the traditional caravan has been saturated for decades. In 2007, an insufficiently large sales base in a strongly competitive international market had already led to a restructuring at Kip and, in 2010, to a second bankruptcy. The German manufacturer, Westfalia, also went bankrupt and was taken over by French camper van specialist, Rapido.
The well–known trailer hire company, Boedelbak, has now taken over Kip Caravans, for a nominal amount. Without a totally new concept, the business seems to hold little potential for a sales manager.

2. Strengthening market position and/or dominance

It is self–evident that a supermarket chain or central buying organisation would have a more dominant position than a neighbourhood store. Consumers, the competition and suppliers can also enjoy a dominant position. By bundling orders, a supermarket chain or central buying organisation can purchase directly from manufacturers and command more favourable supply and payment terms. An important reason for the merger of, for example, the international milk producers Campina and Friesland Food (to form Friesland-Campina) was to increase the power of these producers with retail chains.

Dominance

Globalisation and the Internet have delivered a significant increase in knowledge to both consumers and suppliers. Suppliers with varying, regional prices for their products are being forced to offer consistent pricing to multinational clients. Central negotiations are on the increase, sometimes with far–reaching consequences for local sales organisations. As the retail trade scales up and acquires more knowledge of (and insight into) the market, the importer or wholesale is increasingly less able to add value to the product, and it is obvious that this intermediary will be excluded. The question asked until recently was whether there is still a future for the wholesale trade. The end customer is steadily increasing in size with, as a result, direct supply becoming profitable for producers. Further, wholesalers' prices and quality were drawn into doubt – if all they were doing was merely 'moving boxes' and their margin was being earned without adding any value. In the technical wholesale trade, however, innumerable changes are taking place, as a result of which a large number of wholesalers do continue, rather surprisingly, to exist.

Future wholesale

The most important changes in these industry categories are:

- Manufacturers – often of hi–tech products like machine spares, marine engineering products, installations, generators and pipelines – are themselves specialising further in hi–tech areas and, in so doing, are moving away from commodities (and towards their core business).
- End customers – OEMs (Original Equipment Manufacturers), installers, pharmaceutical companies, chemical plants, water purification plants, food companies, shipyards, refineries and suchlike – are returning to their core business. Outsourcing of the following is taking place:
  - material and component supply to, for example, the OES (Original Equipment Supplier);
  - maintenance, repair and overhaul – MRO activities;
  - design and assembly, ranging from individual components to intermediate products (e.g. sub–assemblies).
- Manufacturing is moving to low–income countries. The physical distance between the producer of components and the end consumer is increasing enormously.
- Consumers want high service at low cost. People will no longer pay for what they can get elsewhere for nothing.
- Consolidation (scale economy) is taking place at every level; there are ongoing mergers and takeovers.
- Large customers want client–specific solutions (differentiated sales approaches), direct communication and fast times–to–market.
- High levels of ICT applications and e–business: fast, up–to–date communication is of central importance for all parties in the chain – to optimise processes from manufacturing to installation.

OES

MRO activities

Wholesaler
Chain

The (technical) wholesaler is the key intermediary between parties in the business chain. It directs activities in the chain, removes obstacles, provides a complete product range (under manufacturer's or own label), delivers at any required moment and keeps pace with the growth of its international client. Such wholesalers must, of course, continue to be the best–value source of the products and services they provide. Examples of technical wholesalers are Eriks, Econosto and Technical Union.

1.2.3 The demanding customer

Both consumers and business customers have changed over the last ten years.

Consumers

Individual customer

The consumer has clearly become more independent, resulting on the one hand in more rational purchasing, less brand and retailer loyalty, the need for accurate product information, requirements for convenience and variation and a range of sales channel options. On the other hand, the consumer exhibits stronger emotional motivations – with wants for 'new' and 'pleasure' becoming more apparent. The duration of a transaction is often shorter, the bond less – and if the salesperson, product range, waiting time or shop interior don't appeal, consumers just don't repeat the visit. Consumers' demands are more varying and increasingly less predictable.

Online purchasing

Online purchasing from home has grown enormously in the last five years. The preference for alternative channels, rather than shops, is based on convenience. Shops and showrooms are more frequently used just for orientation. And if the consumer does leave the house he or she wants fun, an experience – whether it's at the Dutch De Bijenkorf, the Swedish H&M or the Spanish Zara. Shop and shopping centre formulas that are inflexible and cannot engage the changing consumer are experiencing difficulty. Customers increasingly want to encounter new ranges and have unique shopping experiences.

This requires flexibility in sales staff. They need to constantly adapt to the challenge of selling new and changing stock – against increased service requirements from smarter consumers and at increasingly varied times.

Consumers are extremely active on the Internet – participating in communities, engaging in discussion and freely exchanging (undiluted) opinions. High–involvement products, such as cars, are increasingly bought on the Internet.

Business customers

Business customers

The business customer is also steadily increasing its demands on the supplier. A supermarket chain may ask a manufacturer to deliver its branded products more frequently, to prevent being sold out – and at the same time minimise its own stock levels. The supermarket reasons as follows: stockroom floor space costs money, but retail floorspace produces money.

Shelf space is always a problem. There are too many products and too few metres of shelf space. Moreover, one product delivers more profit than another. The supermarket chain must make choices, based on rational argument, cooperation and dominance.

Win–win situation

Good teamwork by account manager and customer can produce an interesting, win–win situation. If the retailer is, for example, involved at an early stage in the development of a new product, it can be designed to fit the available shelf dimensions, participate in an efficient logistics system and/or generate an

interesting margin – for both manufacturer and retailer. The account manager can play the role of innovator in this process, at the same time putting his or her product ahead of the competition.
In complex organisations, such as hospitals, account managers have multi–level contacts (see case 1.6).

CASE 1.6 THE SALES MANAGER'S CONTACTS IN A HOSPITAL

Sales and account managers of orthopaedic products, such as prosthetic knee and hip joints, must be able to convince orthopaedic specialists of their products' technical quality. Once the team of orthopaedic specialists in a hospital has been convinced, a contract lasting for years is often the result. The buying department issues the actual product order.
Hospitals increasingly participate in central buying organisations that serve their category. This requires increased price and discount consistency from suppliers. Logistics is important, as the operating theatre must always be supplied with a complete range of components and instruments to enable operations. And the orthopaedic surgeon must be fully briefed on the characteristics of these supplies, to optimise the speed and quality of the operation – as well as the relationship with the patient.
The benefit for hospital management is, say, five instead of four operations per day. This, in turn, could be worth €1,000, per operation, to the hospital.
The account manager carefully coordinates contact between the orthopaedic surgeon, other hospital staff and the technology, logistics and marketing resources within the supplying company. The result is satisfaction throughout the business/hospital chain and, therefore, customer retention and increased turnover in orthopaedic products.

Development and manufacture of products and product components is increasingly outsourced to other businesses. Technical wholesales outsource house brand manufacture to China, for instance. Car and industrial machinery OEMs have numerous components made elsewhere.
Important reasons for subcontracting or outsourcing are:

Reasons for outsourcing

- Increased flexibility for the outsourcing party, with reduced investment in production resource. Fixed cost becomes variable cost. The risk of failure is shared and reduced.
- The specialist supplier's greater expertise. This can lead to shorter product development lead times, lower cost prices and access to the latest technology.
- The outsourcing party can increase the focus on its core business, i.e. the distribution and sale of products or services.

CASE 1.7 SUBCONTRACTORS DOMINATE IN THE AFTERMARKET TRUCK SPARES BUSINESS CHAIN

Approximately 20% of a truck consists of components made by the OEM (Original Equipment Manufacturer). 80% of the components are produced by OESs (Original Equipment Suppliers). An OES will frequently supply entire systems or sub–assemblies to the manufacturer, for example, a complete gearbox. The OES is becoming increasingly powerful in the business chain. Systems now constitute 50% of all OES deliveries to truck manufacturers. The rest are individual components.
The spares market includes aftermarket suppliers that imitate OEM and OES components, particularly those that are of universal application and enjoy high levels of demand. The original components are often not patented, due to cost and product life cycle considerations.
The OES earns approximately 5% on

components supplied to the OEM. By supplying non–branded, universal repair shops, the OES can increase margin to as much as 63%. The OES phenomenon is now resulting in more and more manufacturers of spares introducing a new pricing regime on parts delivered to the Volvo, DAF, MAN and Mercedes (etc) branded dealers – in order to achieve bigger margins. This applies to systems and individual components, which are now supplied in manufacturer–branded packing. In a strongly competitive market, marque dealers cannot simply pass these price increases on to their workshops. Truck maintenance and repair is done by (marque) dealers, universal (multibrand) workshops and in the workshops of the truck owners themselves.

Manufacturing subcontracting can take place locally or in Eastern Europe, or Asia. In the interests of flexibility, much sub–contracted manufacture takes place nearer home – example in Turkey instead of China. This also enables lower stock volumes to be carried. Car manufacturers outsource the production of numerous components. The production process is often significantly optimised by cooperation between outsourcer and supplier. As a result, costs are reduced.

Problem Solving Unit

Buyers' market

Sales, certainly when a complex product is involved, is a process in which a sales team consisting of sales people, technical and other experts works closely together in order to secure a project. Such a team is known as a PSU (Problem Solving Unit).
Customers' requirements are increasing, because they have a wide choice. Supply is larger than demand, giving rise to a buyers' market. One could say that customers now want a product with Mercedes quality, at a 'Zeeman price' – and then accompanied by a tailor–made 'escort service'.

1.2.4 Suppliers

Supplier

The role of the manufacturer as supplier has been frequently referred to in the section on the demanding customer, above. There is always a certain degree of interdependence in the customer/supplier relationship. Is purchase of the right product or service, at the desired price and quality level possible – or will deliveries, for example, be late in 'tight' market conditions?
The suppliers of super market chains are sometimes disadvantaged in a price war, but they will not all suffer equal damage.

CASE 1.8 DOES THE SALES MANAGER DETERMINE THE PRICE?

Fluctuating raw materials prices influence the price of the end product to an extent. The price of a glass of beer or a cup of coffee in the catering channel increases annually at about 5%, irrespective of whether the raw material prices rise or fall. In supermarkets, however, the prices of coffee roughly follow those of its raw material. Sales managers of leading brands pass cost–price fluctuations on to customers, as far as possible. Supermarket chains must then decide to take a higher or lower margin – depending on their retail formula, competitive position and annual targets. During a supermarket price war a chain may introduce a temporarily low, promotional price on coffee and beer. This will cut retail prices by, say, 10%, especially on larger pack sizes. These tactics are not well received by sales managers, as they ruin a carefully developed price strategy. Smaller pack sizes and special or luxury products normally escape such price–cutting tactics.

For reasons of consistency, and in a buyer's market, it is desirable for a seller to react quickly and efficiently to technological developments. This requires a private label (store brand) manufacturer to provide products that include the benefits of the latest technologies. A retail chain benefits when its store brands can compete with the latest innovations offered by brand leaders. The key to sales is, after all, delivering customer value.

Co–makership

Co–makership involves outsourcer and supplier working closely together from product development through to the manufacture of a product or system, to achieve lower costs and shorter development and manufacturing lead times. In practice, it is important to find the correct balance, somewhere between a close relationship and complete independence. The substantial influence of irrational, human characteristics in negotiations means that a salesperson or account manager also needs some knowledge of psychology. He must be able identify completely with the thoughts and business situation of the buyer. A buyer is not always the sole decision maker. He often coordinates a group of people, originating from several parts of his company. This group is the DMU (Decision Making Unit).

Decision Making Unit

1.2.5 Industry associations and public groups

Earlier in this chapter we noted that industry associations have more influence on the macro environment than do individual organisations. This can be effected via politics, for instance. An industry association primarily represents the interests of its members. Many national, industry organisations are, in turn, connected to umbrella organisations – at European or even global level.

Individual organisations

An industry organisation often represents the industry at government level. Gentlemen's agreements, or so–called covenants (such as the Dutch packaging covenant), are agreements between government and the business world. Industry associations, through regular consultation and coordinated lobbying, have a certain influence on legislation. The tobacco industry is a good example of this, with regard to the tempering of excise duties and the prevention of a general ban on advertising. Industry associations also impose restrictions on their own industry. The motivation for this is, indeed, self–preservation – to prevent even bigger restrictions being imposed by government. Sales managers of member organisations meet from time to time to exchange views.

Covenants

The Dutch Advertising Code Authority is a self–regulating body of manufacturers and consumer organisations that has issued general and specific codes of conduct for the advertising, marketing and sale of goods and services. Businesses, and their sales departments, must comply with these codes – even though compliance could lead to lower sales figures. Misleading sales information can be prosecuted by the Dutch Advertising Code Authority. In such a case, the sales manager is, in the first instance, responsible. Public groups with a potentially direct influence on an organisation could be made up of people living in the immediate surrounds of a business, customers, financiers or the trade press. Other examples are those that also offer legal support, such as the Stichting Woekerpolisclaim (a foundation supporting claims against a non–performing bank product) and Stichting Leaseverlies (a foundation supporting claims with regard to investment via 'leased' shares). It will be self–evident that a good relationship with such groups is required – often of the same quality as the relationship a business has with its customers.

Self–regulating body

Public groups

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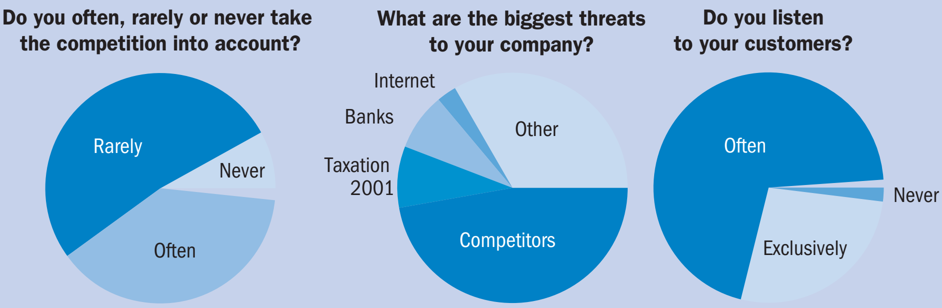
CASE 1.9 HOW DO YOU SCORE AS AN ENTREPRENEUR?

Small business entrepreneurs frequently rely on their own intuition. They hardly take notice of their competition – and only some of them take customer feedback into account. They often distrust the government and, in many cases,

FIGURE 1 Entrepreneur skills

experience government as a threat. This insight is based on research using a representative sample of 750 SME entrepreneurs. The results show that small business performance in The Netherlands is only moderate. Some results of the research are set out in figures 1 and 2.

FIGURE 2 Market aspects



Source: *De Zaak magazine*, December 2000

1.3 Developments and trends in the external environment, at macro level

EU or NAFTA

Macro factors are often not independent of other factors. They overlap and influence each other. Regional, national and especially economic union (e.g. EU or NAFTA – in North America) monetary policy influences economic growth. In general, the dynamics of the macro environment are somewhat slower moving than those in the meso environment. But here, too, we must remain alert. Political situations can change from one day to the next in a politically and economically unstable country or region. Sudden change can also result from terrorist attacks on vital targets in New York, from shifts in political power in North Africa and the Middle East, or from a violent earthquake combined with a destructive tsunami and the collapse of

nuclear power plants in Japan. These events can have a significant influence on business profitability – in a positive or negative sense.
The following sub–paragraphs deal with such macro factors: demographic aspects, economic aspects, political–legal aspects, ecological aspects, public health and ethical aspects, socio–cultural aspects and technological aspects.

Macro factors DEPEST

CASE 1.10 FLORAHOLLAND FLOWER AUCTIONS, AN INTERNATIONAL MARKETPLACE

This auction business, with its selling process based on the 'Dutch auction' clock, must become an international marketplace according to the vision of FloraHolland. The auction must become an organisation that includes all cultivators and not just members of the flower auction.
Users of the auction facility pay for the cost of auctioning their products. The market is developing rapidly into a global market, in which immense distances are swiftly bridged by means of modern information technology (in particular IT systems that exchange information between computers). FloraHolland wants to exploit this, via national as well as international utilisation of the electronic supply and demand databank. This database collects and centralises global supply and demand information. The database is required to provide information on a global basis and enable transactions for all entities in the chain. This facility could also make it attractive for cultivators to participate in this market for their own account.

Source: www.floraholland.com

1.3.1 Demographic aspects

Demographic variables

Demographic variables include population size, age distribution and household composition. Every business must, from time to time, analyse the relevant demographic variables and trends with regard to its market. Demographic variables do not change rapidly, but in the course of years. At the moment there is a significant trend towards an ageing population in the western world. At the same time, older people are more vital, have greater purchasing power and are more mobile than before. Clearly, businesses in the travel, insurance and health categories can profit from this trend. The relevant sales figures reflect this and are trending upwards. On the other hand, ageing leads to shrinking of other markets, such as those for school books and some garment categories.

Ageing

In the last 25 years the number of households in many Western countries has virtually doubled. A third of these households are now single person households. Sales of products that belong in every household, such as washing machines, refrigerators, televisions, computers and telephones, have therefore more than doubled. Moreover, market penetration and additional demand – for second and third units of such products – have in many cases increased. We must also not forget that economic and socio–cultural aspects can reinforce or weaken the impact of demographic variables.

Additional demand

TABLE 1.1 Population by continent, 2005 and 2050

Continent	Pop. In 2005 (in millions)	Pop. In 2050 (in millions)
Asia	3,905	5,217 (+34%)
Africa	906	1,937 (+114%)
Europe	728	653 (−10%)
Latin America	561	783 (+40%)

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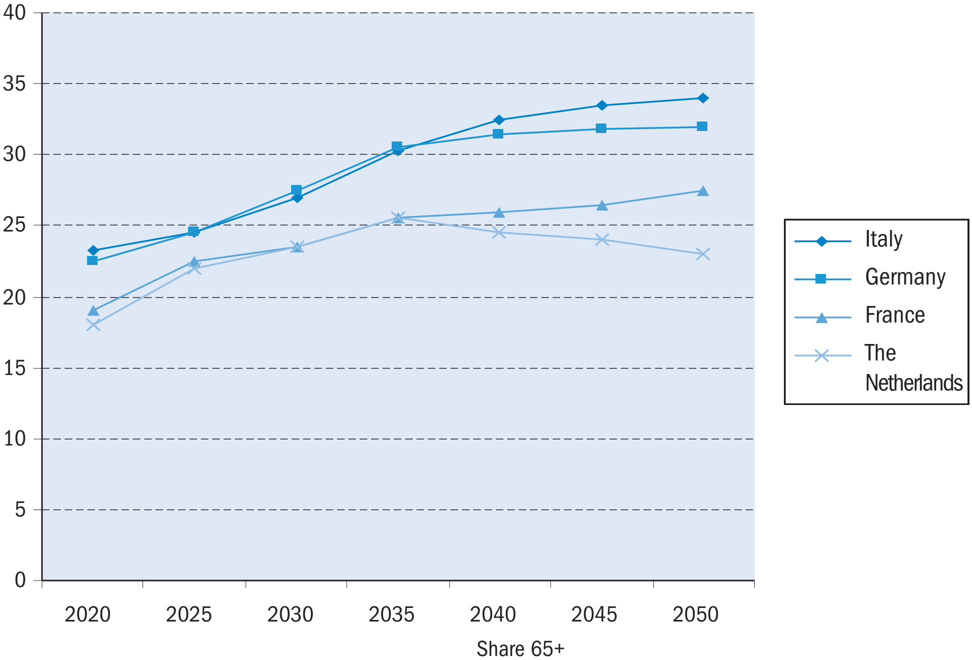
TABLE 1.1 Population by continent, 2005 and 2050 (continued)

Continent	Pop. In 2005 (in millions)	Pop. In 2050 (in millions)
North America	331	438 (+32%)
Oceania	33	48 (+45%)
	–	–
Total	6,464	9,076 (+40%)

In Europe the market is ageing rapidly, but this trend weakens after 2035 (see figure 1.2).

FIGURE 1.2 Development of the 65+ segment in four European countries



Source: OESO, 2011

Primary, secondary, tertiary and quaternary sectors

Demographic aspects not only affect individuals, but also apply to organisations. Consider how this effects the composition of (inter) national, small, medium and large industrial, commercial, service and non–commercial organisations. These are organisations in the following sectors: primary (raw materials, such as steel, oil, grain); secondary (manufacturing industries, such as the car industry and machine manufacturers); tertiary (business services, such as travel, tax consultancy, retail); quaternary (non–commercial services, such as the Red Cross, schools and hospitals).

1.3.2 Economic aspects

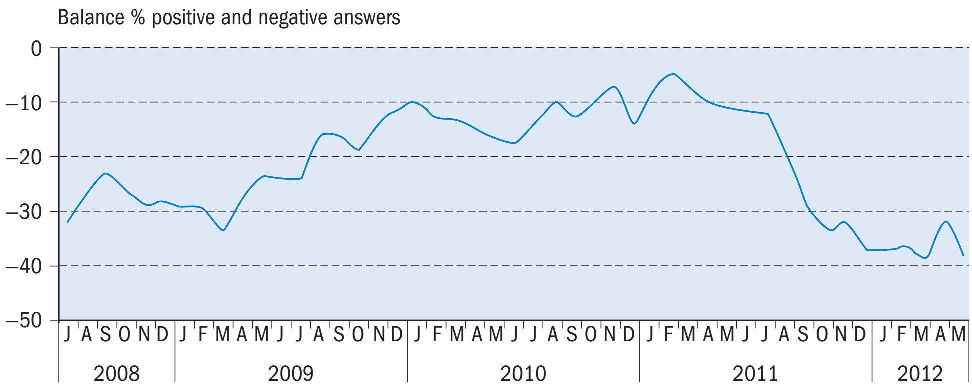
The often determines whether markets will grow, stabilise or shrink. An unstable or declining economic situation often negatively influences the size of markets. Variables such as disposable income, inflation, product and service prices, income distribution and consumer confidence influence demand. They can cause consumers to postpone purchases or switch to cheaper products or substitutes.

Reduction in demand increases competition within the relevant business categories. This, ultimately, has a negative influence on sales, pricing policy and the achievement of planned sales targets. Research done in 2011 showed that businesses were then more optimistic than consumers as regards the economic situation (see figures 1.3a and 1.3b).

FIGURE 1.3a Business opinion on the economy (manufacturer confidence)

Source: CBS

FIGURE 1.3b Consumer opinion on the economy (consumer confidence, seasonally corrected)



Source: CBS

Derived demand

Manufacturers of industrial products have to deal with strongly–fluctuating, derived demand. An increase of a few percent in the demand for manufactured products will cause much stronger growth in the demand for raw materials and intermediate products. The reverse is, of course, also true. World economic growth has driven enormous growth in sea freight and, as a result, the demand for new ships, containers, engines, metal and suchlike (as well as demand for related products). Prices increase disproportionately when the demand for raw materials or sea freight is fractionally larger than the supply – and collapse again in conditions of marginally excessive supply. Government is able to introduce measures to stimulate the economic situation to some extent – or slow it down. These measures include interest rates, subsidies, duties and taxes. They have to be carefully deployed – as each such measure has its advantages and disadvantages. Economic stagnation must, in any event, be avoided. Table 1.2 illustrates several scenarios – with their advantages and disadvantages. An international sales manager must study the situation country by country and draw the relevant conclusions for his or her business. These can differ markedly, per country.

TABLE 1.2 Advantages and disadvantages of economic growth or stagnation versus inflation or deflation

	Inflation	**Deflation**
Economic growth	For example: 3% growth and 2–3% inflation: this is normal.	For example: 2% growth and – 1% deflation. The high oil price reduces, as a result of which (cost) prices also decrease.
	Advantages: • economic activity; • (manufacturer) prices increase; • wages increase; • jobs increase; • reduced competition.	Advantages: • economic activity, but more selective; • (manufacturer) prices reduce; • wages stabilise or also reduce;
	Disadvantages: • lower disposable income.	Disadvantages: • economic growth slows; • profits decrease; • possibility of stagnation.
Economic stagnation	For example: – 2% stagnation and 3% inflation: taxes (e.g. sales tax), pension premiums and food and oil prices increase.	For example: – 2% stagnation and – 2% deflation: see Japan in the nineties. People don't spend, they save.
	Advantages: • (manufacturer) prices increase; • wages increase.	Advantages: • (manufacturer) prices reduce; • wages stabilise or also reduce;
	Disadvantages: • less economic activity; • profits decrease; • increased competition; • stagnation increases, dismissals take place; • disposable income decreases.	Disadvantages: • much less economic activity; • profits decrease rapidly; • high level of competition; • stagnation increases, there is social disorder; • dismissals take place.

A less favourable, economic situation is often a good reason for businesses to implement drastic stringency measures. Purchasing costs are also scrutinised at such a time.

International

The increasing internationalisation of businesses means that reorganisations during periods of (global) economic growth are on the increase. Both efficiency and effectiveness must increase, so manufacturers of innovative products are strongly focused on cost reduction.
These are trends affecting large companies – implying that their suppliers must continuously monitor their clients. If VW is doing well, then its subcontractors will also do well – but the opposite is also true. The

salesperson must constantly ask: 'What are the advantages of my product for the customer?' Suppliers who consistently and knowingly charge high prices to their loyal clients – possibly for years – will irrevocably fail to retain that business when submitted to a supplier analysis – and these are frequently employed as customers adapt to economic change. In Sales, the principle of rewarding loyal clients, or offering them better terms and conditions than occasional purchasers, must be applied. To retain customers, the sales department must command sufficient overall knowledge of the customer to be able to optimise operational effectiveness between customer and supplier.

Economic developments

Economic developments are often the reason for increased or decreased expenditure. Figures 1.3a and 1.3b illustrate how a change in disposable income can influence activity throughout the business chain. This influence differs, however, from product to product. An individual buys a new car if he has confidence in the future. There must be a solid expectation of sufficient, ongoing income.

Economic growth differs from country to country. In Western Europe, Japan, and the US, Gross Domestic Product doubles every 30–35 years – in China and India every 7–8 years. Disposable income increases rapidly in countries with a high level of economic growth, leading to an increase in the demand for higher quality products. As a result, the export of higher–quality products from the West to the Far and Middle East has also increased drastically, as has the West's import of products produced in low–income countries. Economic growth fluctuates sharply, in part driven by even larger fluctuations in raw material prices. In practice, strong competitive influences often prevent raw material price increases being passed on in the prices of manufactured goods. The wholesale trade certainly needs time to pass price increases on to its customers. This is why it is so important that the sales manager knows what is happening in the market – and why market sensing is essential, both now and in future.

1.3.3 Political–legal aspects

We have seen that government influences the economic activity of individual companies. This influence is increasingly having an effect at industry, or even higher, level – rather than on individual companies. An example of this in Germany and the US was the substantial subsidy (of up to €4,000 per car) for scrapping older cars. This led to the purchase of large numbers of new cars in 2009, a year of economic recession. The market share of environmentally friendly cars has also been significantly boosted – by 'green' tax legislation.

Disposable income

Disposable income is also, for a large part, determined by the extent and variation of government–controlled taxes, duties and subsidies. An excise increase of €0.10 per litre on diesel fuel results in an 8.5% increase in a retail price of €1.20 per litre. This results, in turn, in a temporary drop in consumption.

Other factors, such as higher stock market indices and consumer confidence, can also have a positive effect on demand. High export demand, particularly from Asia, led to Mercedes exporting more cars in 2010 than ever before.

In some markets government has a major influence on price–setting. This affects markets such as those for fuel, energy and alcoholic drinks.

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CASE 1.11 THE SALES MANAGER'S INFLUENCE ON THE PRICE OF PETROL IS LIMITED

A petrol price of €1.64 per litre at the pump (with crude oil costing approximately €100 per barrel of 159 litres) breaks down as: a cost price of €0.26 per litre; a gross margin for the petrol station owner and oil company of €0.72 per litre; excise, levies and 19% VAT totalling €0.66 per litre. Absolute gross margin and VAT rise in line with the price at the pump, as they are calculated as a fixed percentage of the total price per litre. At a self–service petrol station the retail price is, on average, €0.10 lower per litre. This results in approximately €0.02 less VAT. And the self–service petrol station margin is also lower in absolute terms. Levies and excise are set in terms of a fixed number of cents per litre.

For the sales manager of an oil company like Shell, price variation options are limited. Price is determined on a national basis by the oil company and is mainly dependent on the price of crude oil – which fluctuates on a daily basis in reaction to supply and demand and (political) uncertainty. The petrol station sets its price in relation to cost price and regional differences occasioned by competitors and location (e.g. proximity to a national border, or main roads). This is often done in consultation with the oil company's sales manager, as the price of a premium brand must be reasonably consistent on a national basis. (Note that retail petrol prices are also subject to legislation that regulates competition.)

Umbrella organisations

A non–interventionist government prefers not to use the powers conferred on it by legislation (for instance, pricing legislation – which enables government price–setting and price regulation). Solutions are rather sought via consultation with representative bodies like industry associations or trade unions. Legislative solutions are a last resort. (The financial implications of such drastic measures on the turnover of pharmaceutical companies are self–evident.) On the other hand, some government intervention does have a harmonising effect on the extreme price differences – which often vary by often more than a hundred per cent – that exist between European countries. Control of such, large price differences between countries limits parallel import, i.e. the distribution of products by means other than those intended by the manufacturer. This works in favour of legitimate importers. The aforementioned are examples of government policy that *creates* conditions for optimum commercial activity.

Parallel import

Government conditions

Government can also *impose* conditions. A large part government regulation concerns measures to protect people, consumers and their environment. Examples of government–imposed conditions are:

- product liability legislation;
- laws regulating specific products (these laws are long way from being internationally uniform);
- regulations on packaging, product information, language, etc;
- laws regulating competition (such as found in The Netherlands, EU and USA).

Some legislation has a direct influence on sales, such as the laws regulating competition, privacy and access to personal information. Other laws have a more indirect effect. Government is increasingly repealing legislation meant to protect consumers against sophisticated selling methods that tempt consumers into buying for the wrong reasons. The Dutch Limitation of Gifts Act (trade practices legislation) is an example. Government assumes, in this process, that consumers are sufficiently knowledgeable and resourceful to protect themselves. Legislation also regulates commercial competition by prohibiting non–competitive (anti–trust) agreements between market entities, for instance price collaboration. However, as of 2012, agreements between smaller businesses (with a combined market share of 10% and a maximum of €40 million turnover) will be permitted. This is specific to The Netherlands.

Agreements

CASE 1.12 PARALLEL IMPORT CURTAILED?

Implementation of the European trade mark directive represents an important victory by brand leaders over the so–called parallel importers. The parallel import of Levi's jeans and Calvin Klein underwear from the United States is no longer permitted in Europe without permission from the authorised manufacturer. The inability of brand owners to protest unauthorised trading of their products in regions to which they do not export, has been remedied. Brand owners only lose this right of protest after introducing their product in a member state of the European Union. This directive is, however, an enormous setback for a large number of entrepreneurs in the Netherlands, who had already based their business on the import of branded products that were cheaply available in other countries.

Price differences between countries can also arise from changes in currency exchange rates. The American dollar, for instance, was worth €1.20 at the turn of the century and just under €0.74 at the start of 2011. The euro has therefore become considerably more expensive. While may have created difficulties for European producers of standard products, it was hardly a problem for salesmen of hi–tech products, such as high–quality artificial grass (see case 1.13).

Price

CASE 1.13 THE SALES MANAGER DEPLOYS HIS TEAM, ARMED WITH CONVINCING ARGUMENTS!

Royal Ten Cate (www.tencate.com) is the US market leader in artificial grass: With a 70% share of the market, further growth of market share is not possible. Total market value is, however, still quite low – and has the potential to grow in the

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period up to 2020. Many new entrants are trying to establish themselves by offering lower prices, sometimes under cost price. These are often small companies that excel in certain technological areas, but have insufficient knowledge of product applications. Very specific demands are made of artificial grass. Different applications demand different types of product. Experience and references are lacking among competitors and their sales staff is not well briefed. Their artificial grass does not satisfy requirements and, as a result, sporting fixtures are being relocated to other playing fields. Manufacturers are being sued, going bankrupt or leaving the market. This is a positive situation for Ten Cate, but it is taking longer to close sales: customers are asking their account managers more questions and demanding more certainty. The supply of poor quality new products has, in fact, slowed market growth.

1.3.4 Ecological, public health and ethical aspects

CSR (Corporate Social Responsibility)

The way a business operates can have a significant, negative effect on both short and long term sales. Consumers, acting as a group, may reject products, if the manufacturer or its products do not satisfy ecological, CSR (Corporate Social Responsibility), CSR (Corporate Social Responsibility), public health or ethical requirements. This can happen despite the fact that these criteria may be subjectively determined. (Potential) consumers may not react consistently in this regard. A company may be censured on one issue, while another issue may draw no reaction. Generally, issues that impact on the environment of people, children and pets – or health and personal finance issues – draw spirited reactions. Community groups, representing the interests of consumers, animals or the environment have significant influence. Single–issue groups are often successful and are rapidly increasing in number.

Further examples in relation to ecological, public health and ethical aspects are:

Nutricia, Dutch market leader in baby food and a member of the Danone group, presents a good example of the care that has to be exercised in product development, production and sales in this category. Traces of a cleaning agent in the packaging led, some years ago, to much anxiety among mothers – and to a major drop in market share. Swift correction of the fault, appropriate action taken by account managers in relation to their customers, the brand's good reputation and Nutricia's good relationships with supermarket chains ensured limitation of damage to the brand. Nutricia learnt much in the process.

Greenpeace want the EU to prohibit sales of genetically–manipulated soya. They contend that the product is a danger to public health and the environment – and that these risks should first be better researched. In 2001 The Dutch government opened a national debate on genetic manipulation. As at 2011 there was still no EU decision on genetic manipulation. Proponents say that genetic modification of food is unavoidable, as demand for agricultural products has quadrupled between 1960 and 2015, while the land available for agriculture has decreased.

McDonald's have operated fast–food restaurants in the Indian capital of New Delhi since 1996, but cannot serve beef or pork there. More than eighty per cent of the Indian population are Hindu, for whom cows are holy animals. Muslims, on the other hand, regard pork as unclean.

Claudia Schiffer modelled an evening dress – on which an Arab love poem was embroidered, according to the designer, Karl Lagerfeld. The text proved later to be a verse from the Koran, in which the faithful are reminded to

remain on the path of righteousness. Following protests by Muslims the designer offered his apologies. The entire collection of dresses was destroyed.
Organisations are obliged to act with transparency and propriety. In the longer term, an organisation must build sufficient empathy with society to enable it to sensitively manage ecological, ethical and public health issues. Strategic reorientation can benefit a business in terms of both environmental and cost advantages.
Internationally operating organisations must develop codes of conduct, particularly for their sales people, regarding dealings with countries in which corruption is ‘normal’, where the political system differs from that of The Netherlands and where legislation concerning child labour, quality control and the copying of patented products is vague.
In China conversation about politics, religion and social injustice is not appreciated. The Chinese government also distances itself from the internal situations in African countries in which it invests heavily. It is the task of the salesman or account manager to identify changing customer attitudes and behaviour at an early stage, to acquire local knowledge of customer countries, to always be well prepared and to not be susceptible to corrupt practices. Proactive conduct is certainly expected from quoted multinationals, all the more because it has been shown that organisations that actively engage with social, ethical and environmental issues consistently generate better profits.
Table 1.3 ranks countries according to degree of corruption. (No. 1 has the lowest degree of corruption.)

TABLE 1.3 A selection of countries, ranked according to the 2010 CPI (Corruption Index)

Rank	Country
1	Denmark
2	Finland
3	New Zealand
4	Singapore
5	Sweden
6	Australia
7	The Netherlands
8	Switzerland
9	Canada
10	Norway
22	USA
50	Saudi Arabia
56	Turkey
69	Brazil
78	China
87	India
116	Vietnam

Rank	Country
134	Ukraine
154	Russia
178	Somalia

Source: www.transparency.org

CASE 1.14 THE SALES MANAGER IS CONFRONTED BY AN ETHICAL QUESTION.

A Shell advertisement reads: '…
a natural gas power station produces half the CO emissions of a modern coal–burning power station. Let's work together to ensure that we can enjoy natural gas for as long as possible, by using it as carefully and economically as possible.'
Economical use of gas has a negative effect on turnover for Shell – a supplier of oil and gas. And Shell's slogan is 'Let's Go'. But Shell would rather sell slightly less gas than none at all – which is, coincidentally, the requirement of a coal–burning power station.
Acting in the best interests of the client, a sales manager must provide the correct information – and sometimes advise against the use of his or her product because the competition's product is better. A bank, for instance, must limit the amount of finance it extends, so that the customer can afford to repay it. This builds the customer relationship in the long term, even if the sales manager sells less in the short term.

1.3.5 Socio–cultural aspects

Socio-cultural aspects

The attitudes and behaviour of groups and individuals in society change in the course of time. Relationships have changed between parents and children, teachers and students and between institutions, such as trade unions, the church and government, and individuals. Concepts such as individualism, consumerism, the calculating citizen and self–sufficiency are current.
The role of women has changed drastically. Women already successfully occupy many buying and sales positions. This has led to change – in business relationships, in the 'atmosphere' of meetings and in the interpretation of the meaning of 'businesslike' itself. (See case 1.15.)
The Internet, and that includes social media, has a major influence on our information, communication and buying behaviour – not only as regards individuals, but also in B2B relationships.

CASE 1.15 SALES – AND WOMEN IN TOP SALES POSITIONS

There good reasons for women occupying top sales positions. Decision–making quality improves when women are involved. Women in lower positions are motivated when they see other women occupying top positions. And women have excellent intuition about what is happening in society – and therefore among clients. Many women are fitted for top sales positions, but their suitability is not always easy to detect. Not so with Judith Schoenmaeckers – who works for international recruitment agency, Randstad. She was elected Commercial Director of the Year (2010) by the jury and seven hundred colleagues at 'Sales Event 2011' (theme: 'Boosting Business'). The jury members were influenced by her capability to drive and motivate the organisation in a way that exceeded the abilities of others, judging her exceptional in this regard. The title of Commercial Director of the Year also went to a woman in 2009, namely Esmée Ficheroux (of national recruitment agency, Tempo–Team). The title of Key Account Manager of the Year (2009) also went to a woman: Wendy Freriks (of Ricoh). This was the first time, in both categories, that a woman took the title. Recently, Petra Claessen has become the first female director of the Dutch SMA (Sales Management Association).

Cultural differences exist between countries – even within countries – and certainly between continents. A multinational may have the best Belgian – or Indian – representatives, in Belgium or India. But in Flanders it should still, preferably, have a Flemish representative. Table 1.4 shows the positioning of Denmark, The Netherlands and Turkey, on the basis of Hofstede's theory of cultural dimensions. The differences between Turkey and Denmark are significant. In Denmark the (hierarchical) power distance is small, the individual and feminine qualities of the society are high, the society tends towards a short–term orientation and behaviour is not very risk–averse. The Netherlands differs from Denmark, particularly on the last two points.

Sales must thoroughly research a newly–targeted country. Knowledge of and respect for its culture can be the deciding factor in negotiations and in concluding transactions. A sales manager with employees from several countries must take their cultural background into account.

TABLE 1.4 Positioning of China, Denmark, The Netherlands and Turkey

Dimensions	High	Medium	Low
Power Distance	**CN** TUR	NL	DK
Collectivism	**CN** TUR		DK **NL**
Masculinity	**CN**	TUR	DK **NL**
Uncertainty avoidance	TUR	**CN NL**	DK
Long–term orientation	TUR	**NL CN**	DK

Source: Geert Hofstede's cultural dimensions

1.3.6 Technological aspects

Technological aspects

The frequency of new innovations is steadily increasing. There is a flood of new technologies. The effect of application of these new technologies is steadily increasing. One result is that payback periods for investment in new technology are expected to be shorter. The enormous increase of knowledge in areas such as IT and Internet technology, the scope of technological projects and globalisation itself are all having a major influence on management – and thus also on sales. The market and technology evolution matrix in figure 1.4 is derived from these developments in the market and/or in technology.

Market and technology evolution matrix

1

FIGURE 1.4 Market and technology evolution matrix (by F. Suarez et al.)

		Market evolution	
		Slow	**Fast**
Technology evolution	**Slow**	'Calm waters'; for example Scotch tape, Viagra	'The market leads'; for example e–bikes
	Fast	'The technology leads'; for example digital cameras, TV	'Rough waters'; for example smartphones, eco cars

Increase in speed of development increases the difficulty experienced by organisations in maintaining an advantage. In challenging times, intense cooperation between Sales, Marketing, Intelligence and R&D is essential. This makes high demands on the professionalism of the sales manager who, with his team, has to achieve a profitable position in the market.

Customer relationship management

The influence of automation and information technology is already large but is still, according to experts, at an early stage with regard to sales. Significant innovation in information systems is ongoing, so that managers are more quickly and better informed. The use of computer systems is essential at the setting–up stage of customer relationship management (CRM). CRM will be more closely examined in Chapter 4.

Customer relationship management

CRM is a fundamental and indispensable component of sales – particularly via e–business – and, as an operational instrument or business strategy, important for every organisation. In the case of e–business this goes further. The company's operations are enabled and executed electronically.

E–business

The challenge for e–business companies lies in the ability to change and integrate strategy and business processes. The organisation evolves from supply chain (the manufactured product is sold), to demand chain (the sold product is manufactured). This implies tailor–made production and reduced inventories. Because e–business must lead to win–win relationships, it will eventually become the norm in organisations, instead of the exception.

Supply chain
Demand chain

CASE 1.16 CRM IMPROVES THE EFFECTIVENESS AND EFFICIENCY OF YOUR SALES ORGANISATION

SalesPro Business Consulting examined the extent to which businesses understand the applications of CRM. The consultancy sent a questionnaire to five hundred sales managers and received an 8% response. The following, interesting conclusions were drawn from this research:

- Nearly all sales managers are convinced that the application of CRM considerably improves the effectiveness and efficiency of the organisation.
- CRM is becoming very important; more than 82% of the respondents indicate that CRM will play a major role in the market.
- Many organisations are still insufficiently aware of the workings of CRM and what it can mean for their organisation.
- In many organisations much useful information, such as relationship history, customer satisfaction and sales method by contact, is (still) not available for application in CRM. These organisations are not aware of the fact that a 1% increase in customer retention equates to 4–5% more profit.

Source: Sales Management

Those who attach a lot of computer–readable data to a product item, for instance internationally operating courier companies, could instead paste a chip onto a package for consignment. This chip could then be read remotely, via an antenna, and make the use of bar–code apparatus obsolete. Customers could, in this way, easily be informed as to the location and collection time of the package.

Radio Frequency Identification
Tracking and tracing

New technologies, such as the smartphone and RFID, have a major influence on our (selection and purchasing) behaviour. Experts consider Radio Frequency Identification (RFID) as the most important development for the coming five to ten years. RFID applications can cut unnecessary costs from the business chain and upgrade the level of service to the consumer. The applications of RFID are unprecedented: tracking and tracing, storage of product information and logistics data, self–scanning and theft prevention are all possibilities. RFID offers previously unheard–of opportunities in food sector logistics. Goods can be continuously monitored, throughout the entire business chain. The condition of goods can also be monitored more closely. The most formidable challenge is the change from the current technical infrastructure, focused on the bar code and pallet label, to a digital information flow.
RFID is already, but will increasingly in the future, be applied to:
- Highly efficient sourcing, storing and application of relevant information;
- Identification and tracking of goods and persons;
- Direct communication with the supplier, at times selected by the customer (demand–oriented);
- Relevant information on products (manufacturing location, characteristics, effects on health, composition, etc) and services (such as the delivery time for a refrigerator, an itinerary, travel information, etc);
- Delivering tickets and providing access (to a museum, football arena, home or locked bicycle);
- Making personal information available – such as garment sizes and passport information.

Privacy issues surrounding RFID remain a subject of discussion.

Connected economy

In the connected economy (in which parties in the business chain are electronically linked), business models are substantially influenced by the use of Internet technology. According to Roos Vonk, organisations must pass through a number of phases before they are connected. Vonk distinguishes the five, successive phases:
1 Organisations provide unilateral information on their websites: product information, price–lists, etc.
2 Organisations exchange information and transactions take place via the Internet.
3 Organisations establish intensive online connection, by harmonising their IT systems, for instance. This obviates double–entry of data such as article codes. Result: time–saving and error reduction.
4 Organisations exchange information on purchasing, sales and stock situations, as a result of which all of their inventories reduce, as does their working capital. On the basis of information and planning the supplier can keep the customer in stock.
5 Organisations integrate their business processes, for example: online catalogue at offer phase → e–procurement on receiving the order → online delivery information at order implementation → e–billing/self–bill-

ing at invoicing stage → e–banking at payment stage. Those processes are executed jointly and the costs are shared.

With e–billing the customer has insight into the invoicing process of the supplier, unpaid invoices and, if applicable, credit notes. The supplier can verify the status of payments. The supplier introduces codes that are important for the customer, such as cost centre, cost object and purchase number, which facilitate electronic processing. Self–billing involves the customer drawing up the invoice himself for products ordered online. The invoice is checked by the supplier. The advantages are significant: savings on postage and handling and reduction of the period between delivery and payment (i.e. time–based quality improvements). As a result, less working capital is necessary. The advantages are shared between customer and supplier.

Internet

The Internet offers organisations an abundance of new and interesting opportunities. Internet is a serious communications and sales channel for business–to–business transactions (between organisations), business–to–consumer (between companies and consumers) and consumer–to–consumer (between individuals, for example via marktplaats.nl, speurders.nl or ebay.nl). Multinational organisations, such as DSM, Volkswagen and supermarket chains, buy and sell large quantities of raw materials, intermediate products and end products by means of e–business. Multinational organisations purchase well–known, branded products on a global basis and have them delivered on a decentralised basis. The time is past in which the Internet was mainly used as a source of information on new products and services. It has attained maturity as a purchasing and sales channel. Market research agencies now also use the Internet intensively, for example for feedback from online opinion panels. ICT utilisation is fast and relatively cheap.

Receiver driven

The trend is clear, new technologies are causing a shift, from sender– or offer–driven to receiver– or demand–driven. The receiver is increasingly taking the initiative. This also becomes clear from table 1.5. As a result, the selling organisation and/or its salesman are only welcome when invited by the customer. The customer wants help available seven days per week, 24 hours per day.

TABLE 1.5 Shift from offer to receiver–driven

Up to 1995	1995–2000	2000–2005	2005 to the present
			The recipient determines – and controls: mobiles, RFID
		Sender stipulates, recipient wants insight: number recognition, sms, e-mail filters	
	Sender stipulates, recipient blocks: answering machine, ‘yes-no’ (to door-to-door junk mail) mailbox stickers		
Sender stipulates (offer-based): mail, telephone, fax, e-mail			

Source: Molenaar, 2005

In relation to the Internet, and especially the use of search engines by organisations, we must bear the following in mind:

- the Internet is used, in order of importance, for information and orientation, purchase, putting apparatus into service, after–sales service;

- more than 95% of Internet users use search engines;
- roughly 80% approve the use of search engines;
- more than 40% of those entering search terms only view the first results page and a quarter only view above the 'fold';
- this is confirmed by eye–tracking studies, which indicate a focus on the left side, above the fold;
- slightly more than 10% of organisations have advertised at some time on the Internet;
- ease of use is an important critical success factor for search engines.

Online technologies

The sales manager should not hesitate to implement online technologies to more effectively drive customer value. New technology has a major influence on sales strategy and offers the opportunity of an even more individual approach to the customer on the basis of customer analysis and estimated turnover, sales volume and profit. An example of this is seen in customer recognition programmes. If we know exactly what a customer wants, how he thinks and lives, then we can make shopping a lot more attractive by presenting him or her with tailor–made offers.
There are also many opportunities for internal change. For example, new technology makes flexible workplaces possible. These may increase the opportunity to work more often from home.
A broking unit in a bank can offer more personal service to clients with investment balances of more than €0.5 million than it can to smaller clients. Special Internet services could be made available to retain smaller clients, such as realtime stock market information, reasonable buy and sell commissions and the opportunity buy and sell directly. BinckBank plays a leading role in this area. It has done this so well that other banks and investment houses also use their excellent and low–priced ICT services.
This differentiated customer approach is also known as customer marketing. The approach builds customer value, for both customer and service provider.

Customer value

CASE 1.17 HIDDEN PROBLEMS IN THE NETHERLANDS

At the start of 2008 economic prospects in The Netherlands were good. No country in Europe had grown faster in 2007. Manufacturer confidence had even exceeded the previous peak. The question was: how permanent is all this?
Business services are important in the Netherlands. The tertiary sector grew rapidly, paralleling increasing demand for tertiary–educated employees, of which there were fewer and fewer. Continued growth was in serious danger. Despite the trend towards more educated executives, the business services sector was 'dumbing down' in terms of productivity. Over the last two years productivity decreased at the rate of one percent per year. And few innovations arise from this sector.
According to EU research, only 5% of the turnover is generated as a result of innovation. Dutch service providers suffer to some extent from 'inbreeding' and there is insufficient internal competition – and/or there are too few challenges. The CBS (Dutch Central Bureau of Statistics) concluded that productivity mainly increases when organisations operate in an international environment to bring innovation in products and production processes to the market. As at 2012, Germany is performing far better than The Netherlands: Germany is forging ahead and The Netherlands struggling in its wake.

Source: NRC Handelsblad, 2012

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1.4 Opportunities and threats in the external environment

Developments in the meso and macro environments (paragraphs 1.2 and 1.3) lead to business opportunities and threats. The sales manager must be aware of this and engage with the issues. The case of Ernst & Young speaks volumes on these issues (see case 1.18).

CASE 1.18 COMPETING FOR GROWTH

Management expects competition in all market sectors and countries to increase over the coming two years. This is demonstrated in our research on 1,400 managers of multinationals. The competition is dynamic and is mainly determined by four factors which, although they are not new, are more important than ever before. It is a case of `eat or be eaten'. The factors are:Germany is forging ahead and The Netherlands struggling in its wake.

- *Markets and countries are changing more rapidly:* developing countries are growing, but their performances differ considerably. This also applies, incidentally, to developed economies. A number are performing better than expected, whereas other markets are having difficulty or find themselves in a downward spiral.
- *Markets are more volatile:* Product life–cycles are shortening and innovation increasing. In nearly every market, economic forecasts are being adjusted every quarter. This volatility exerts more pressure on the supply chain – which must be capable of rapid adaptation. International pressure is high.
- *Margins are under pressure:* expectations that prices will rise in the future are low. Almost 60% of the people questioned expect them to increase at or below the inflation rate. At the same time, many entrepreneurs are faced with price erosion in their markets, in combination with increased production costs. New competitors, from new countries, are entering the market.
- *Stakeholders are nervous:* recruitment and retention of talent remains an important issue. Moreover, the availability of capital is limited and there is uncertainty about risk and new legislation. There is talk of a growing demand for more transparency and better governance.

Source: Ernst & Young, Competing for growth, March 2011

Sales organisation

Behaviour

The sales manager must learn from developments in the external environment. He must act with a ‘sense of urgency’. He must translate external developments, making them relevant for his (sales) organisation. Moreover, he must examine their consequences. Significant dynamics in the environment demand certain attitudes and behaviours from the sales organisation. These are summarised in ten points, below:

- We do not have enough time, as a sales organisation, to ‘wait and see’ what happens.
- We must monitor our increasingly dynamic competition: it is a case of ‘eat or be eaten’.
- Our future is (certainly) not only in the west; we must therefore know what lies beyond our borders in terms of trade opportunities.
- We must invest in antennae that monitor change: for early warning of its approach.
- We need to be much more alert and improve in our assessment of the future.

- We must take more risks in identifying interesting markets and niches – and in making choices: we cannot do everything.
- We must focus on existing, profitable clients; in other words, on customer retention.
- We must immerse ourselves deeply in our clients' needs and we must want to create value for our clients.
- We must consult with and stimulate our colleagues to get the best out of them.
- We must cultivate the mentality of being the top performers in the market.

1.5 Interplay of Sales and Marketing and the role of the sales manager

It has been made clear in paragraphs 1.3 and 1.4 that the external environment – both meso and macro – has a major effect on organisations. This paragraph addresses the goals of Sales and Marketing and the role of the sales manager. Moreover, an essential relationship is identified: Sales results depend on the value created by Sales for the customer. Sales often plays an extremely important role in B2B sectors, where many clients require tailor–made solutions.

1.5.1 The goal of Sales and Marketing

The organisation must skilfully exploit all of the opportunities offered by the external environment (such as new technologies and growth markets), while carefully taking into account the threats (such as increasing competition) that arise within that same environment. The extent to which the organisation can achieve this is strongly dependent on its own strengths and weaknesses. Strengths and weaknesses are inferred from variables such as market share, brand positioning, financial situation, new products, knowledge of other market entities and the degree of cooperation between Marketing and Sales.
One tends to assume that Marketing and Sales would work well together. Nothing is less true. Marketing accuses Sales of 'mediocre commitment to a brilliant product launch' while Sales accuses Marketing of 'incorrect pricing and promotion, leading to difficulties in achieving sales targets'. Or Marketing spends budget 'that could better have been spent on acquiring additional sales staff, in order to achieve targets'. Conclusion: both groups insufficiently appreciate the contribution of the other. This is regrettable, as good cooperation between Marketing and Sales leads to substantially better scores on performance indicators for the organisation: product launches take less time, the organisation benefits more from 'first mover' effects and market entry and sales costs are lower.

According to Kotler, there four types of relationship between Marketing and Sales:

- *Undefined*: Marketing and Sales work independently of each other. The departments are busy with their own, demarcated tasks. There is no communication concerning each other's activities. Conflict is discussed on an *ad hoc* basis. Structural cooperation does not exist. **Undefined**
- *Defined*: Marketing and Sales cooperate on the basis of agreements, task definition and embedded processes. Their respective activities are **Defined**

demarcated. Expectations regarding basic issues are managed. This, 'classic' form is often seen in traditional markets that are not evolving rapidly.

Aligned

- *Aligned*: Demarcation of the activities of the departments exists, but is flexible. A joint plan is produced. Both departments speak each other's language and understand each other's contributions. Joint consultation concerning important products, customers, marketing and sales strategy takes place (as is certainly necessary in markets that are becoming more dynamic).

Integrated

- *Integrated*: There are no barriers between Marketing and Sales. Structure, systems and rewards are shared. Marketing and Sales have a common focus on strategy and forward–looking tasks. The departments use jointly established and jointly implemented performance indicators, created on the basis of joint analysis of the most important market segments or customers, customer value propositions and database exploitation tactics. The departments have a shared responsibility for achieving targets and are also rewarded on this basis. These may be customer–oriented, 'front–end ' units offering integrated solutions and supported by 'back–end', functional groups. This, integrated relationship between Sales and Marketing is absolutely essential in volatile, 'rough water' markets.

In this book we have assumed that organisations, as led by their (sales) management, are customer–oriented and make (potential) customers their central focus, in order to achieve their objectives. In this view, a separate marketing department in the organisation is not actually necessary, although this is often not recognised in many small to medium–sized organisations.

Customer strategy

A customer–oriented strategy has the customer as focal point and modifies the organisation as much as is necessary to achieve its strategic goals in the most ambitious way possible. The results and/or advantages for the organisation are, therefore, the consequence of implementing this customer strategy – and not the other way around (see figure 1.5). It is as essential to know attractive prospects, to turn them into customers and to retain them. The reasons for continuing a relationship with a particular supplier vary, per customer.

Customers have three fundamental motivations to be loyal to a supplier of (branded) products and/or services, namely:

1a The supplier offers more advantages and/or better value and
1b switching to a competitive product or service is substantially more expensive.
2 The supplier's brand is perceived to be stronger.
3 The supplier puts the customer (relationship) first.

Customer equity /drivers

The client's customer– equity value is made up of three customer drivers. These, in turn, become three drivers for the supplier (see figure 1.5).

Value equity is constructed from a carefully defined 'value proposition' – in other words, an accurate interpretation of the customer's needs. It is advisable to split the totality of these needs or advantages into three categories:

Economic needs

- *economic needs*, such as cost aspects of the product, service and accessories – among others TCO and MRO;

FIGURE 1.5 Customer equity: customer versus supplier

Customer equity (for the customer)		
Value equity: economic, functional and psychological product or service benefits.	*Brand equity*: Reliability, reputation and values of the brand; identifying with the brand.	*Relation equity*: Benefits of a good relationship, e.g: involvement, information exchange, flexibility, risk reduction.

↓ ↓ ↓

Customer equity (for the supplier)		
Value equity: Expressed in, e.g: turnover, costs, CLV, market share, economies of scale.	*Brand equity*: Expressed by, e.g: better awareness; loyalty or retention; image	*Relation equity*: Relationship benefits, e.g: supplying market information; testing new products; rapid acceptance of new products; referrals; word-of-mouth advertising (customer to prospect); giving orders and/or contracts.

Functional needs
Psychological needs

- *functional needs*, such as user–friendliness, production capacity, outage and energy usage;
- *psychological needs*, such as model, colour and the fashionability and reputation of the supplier.

In B2C markets, marketing plays an important role in recognising and defining customer needs. In other markets (B2B, B2R and B2G) this is mainly the task of Sales and, in particular, that of the account manager or the project team. It frequently involves translation of a variety of needs into solutions.

Three drivers (equities)

The three drivers (equities) are, of course, inextricably bound to each other. If the degree of value equity is not sufficient, then this also impacts the values of the brand and the customer relationship. Repeat purchase does not then take place and the investment (acquisition cost) involved in converting prospects to customers is wasted.

The supplier that generates the highest value for the customer is rewarded as the 'winner' in its product category.

CASE 1.19 INSURER 'O' FAILS TO ESTABLISH CUSTOMER EQUITY

An individual, after many years of being insured by O, finds his annual premium for car insurance on the high side and requests quotes from other insurers on the Internet. Within sixty minutes he has made a choice and insures his car with F who, like O, is a direct insurer. O positions itself as 'low priced', but is tens of percent more expensive than F. After receiving written cancellation of the policy, O does not make contact with the switcher, who has four other policies with O. Details of the insured vehicle are: Alfa Romeo Mito – model year 2011; cover – third party liability of €2.0 million and a market value for comprehensive cover of €18,840; Mileage restriction

– none; No–claim period – ten, accident–free years.
The annual premiums, including personal accident cover for occupants and taxes, are:
Insurer O: €962.50 p.a. (with €150 excess per event).
Insurer F: €780 (with no excess and a new–value total loss settlement for the first 3 years. For new customers, ten no–claim years are converted to twelve.)

Conclusion: F.'s policy terms are more favourable and the insurance premium is almost 20% lower. O has not delivered on its low price promise.

Close cooperation between Marketing and Sales is a requisite condition for providing the best value to the customer. Sales is therefore an essential business function, at least equivalent to other company disciplines such as Production, R&D and Marketing.
The sales manager and his salespeople deal with customers in the marketplace on a daily basis. They are the organisation's ambassadors, the intermediaries between the organisation and its customers and are directly in touch with the customers. The sales manager's aim is customer retention. He knows that customer retention directly increases profitability: one per cent additional customer retention translates into a 4–5% higher company profit and/or CLV (customer lifetime value).

Customer orientation

Figure 1.6 shows that customer orientation is an interdisciplinary and dynamic process, continuously adjusted and improved in relation to changes in the external environment to enable the salesperson to offer and sell the right products to the right customer. To achieve this, Sales has a major need for support from the other departments within the organisation.

The ultimate win–win situation between an organisation and its customer is achieved when its Sales and Marketing functions have been integrated, internal competition belongs to the past and consultation and feedback have generated synergistic benefits. Good, internal communication between Sales and Marketing can work wonders.

Internal communication functions

Internal communication has three functions:
- *Lubrication* (as provided by oil in an engine): increasing efficiency and effectiveness.
- *Commitment*: Sales and Marketing sharing the same principles and objectives.
- *Process*: increasing mutual cooperation.

Because marketing is a mentality, these guidelines apply to all employees of the organisation, and not just to Sales. For this reason it is possible that the marketing function eventually mutates into a planning, coordinating and monitoring role, in a customer–oriented organisation.

Customer–oriented organisation

This requires control by a management appointee, whose task is to ensure that employees in all disciplines are customer–oriented and mutually coordinate their functions to facilitate this orientation. The ultimate goal must be that the organisation's sales operation functions more effectively and more efficiently than the sales operations of its direct competitors.
Cooperation is very important, certainly in an international organisation, where sales results can differ substantially by country.

An international company can also have an 'internal benchmark', as shown in table 1.6. In a situation in which there are large differences between national SBUs, the sales director must intervene to turn 'losers' into 'winners' or viable units.

Benchmark

FIGURE 1.6 Total quality management process

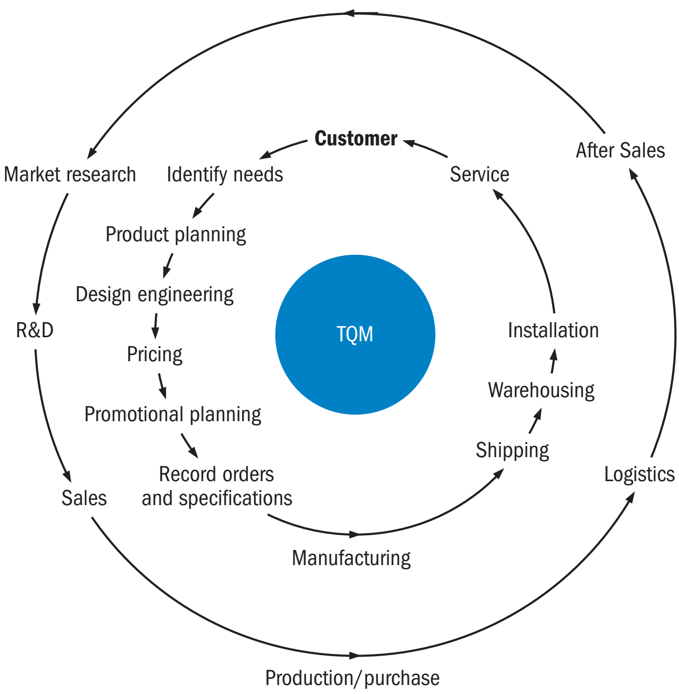

TABLE 1.6 Technical wholesalers internal benchmark

National SBU 2011	Turnover (millions of euros)	Gross margin (%)	EBIT (%)	Debtor/days rate	Sales per employee (thousands of euros)
The Netherlands	84	35	5	49	280
Middle East	44	28	7	90	290
Germany	35	23	6	70	525
UK	14	27	5	85	340
Belgium	12	32	5	72	380
Spain	8	33	4	110	260
Malaysia	1	30	4	152	95

The following case shows that Sales and other disciplines are inextricably bound to each other (see case 1.20).

1

CASE 1.20 THE SALES MANAGER MUST ALSO ENSURE THAT THE CUSTOMER PAYS

Royal Ten Cate is an innovative producer of high–quality industrial (technical) textiles and market leader in numerous niche markets, worldwide. The company has, for example, a 70% market share in the market for artificial grass. The company also produces protective clothing for the military and fire brigades and construction materials for (commercial) aircraft, satellites, observation drones, and so on.
During the financial crisis, the company's management was strongly focused on financial aspects: 'Sales would not authorise delivery if we were not absolutely sure that the customer would pay'. The company also closely monitored the financial health of its clients' customers. 'If their customers were threatened with bankruptcy, our customers would also experience difficulties and pay late, or not at all. This negatively affected turnover, mainly in Europe and the US, but didn't compromise our business. Our sales managers and account managers had detailed instructions and operated with caution. Now we know much more about our customers and about our business chain than we did before.'

BAL SEAL REQUIRES A EUROPEAN MARKET MANAGER FOR B2B CONSULTATIVE SELLING

Bal Seal is a worldwide producer of high–quality products. Has an excellent market position in many niche markets: Medical Devices, Pacemakers and Neuro stimulators, Technology, Aero–defence, Power T&D, P. oil & gas, Automotive (E–cars).
Bal Seal USA has a compact, EMEA sales office, at a top Amsterdam address (with 13 personnel). EMEA is responsible for a substantial part of global turnover, including Europe. Provides strong feedback to Development and Production in the USA. Provides tailor–made solutions to leading medical firms. Builds sustainable partnerships with demanding clients. Is seeking a European Manager, Medical. Responsible for: sales activities, overall strategy, annual plan and budgets. Clever strategist, effective prospector, works closely with the Global Market Manager, is proactive and consults with client on their design phase. Operates autonomously to close deals. (30% travel.) Supported by international team. Training/education: Technical business administration. Broad sales experience and enjoys setting up new sales activities. A team player with a totally hands–on approach. Secures relationships by delivering quality. Goal–oriented. Has technical insight. Minimum 5 years experience.

Source: www.ebbinge.nl.

1.5.2 The role of the sales manager

Sales is becoming more professional as clients require solutions and systems instead of just products. The business of 'moving boxes' is being replaced by systems. These not only deal with products but also technical information, design, purchase process, logistics and global distribution. Clients are demanding increased flexibility, efficiency and effectiveness. So–called 'hit–and–run' sales are increasingly replaced by cooperation agreements that, in turn, are regularly re–evaluated. Moreover, so–called non–personal selling methods (such as direct selling and e–commerce) are experiencing strong growth.

Non–personal selling methods

Our definition of sales management is justifiably broad and includes all activities, both personal and non–personal, that are required to achieve the planned sales objectives of organisations during a particular period. The selling entity must always remain alert. Case 1.21 exemplifies this.

Definition of sales management

CASE 1.21 MODERN COOPERATION BETWEEN AN INTERNATIONAL SHIPYARD AND A TECHNICAL WHOLESALER

The wholesaler's internal technical salesperson (itsp) works full–time on the shipyard customer's account. Once a month – and if necessary more often – the itsp visits the head office of the yard to discuss current issues with the head of buying and the 'trouble–shooter'. Quality and product delivery lead times are important matters for the shipyard. The wholesaler is constantly addressing opportunities to make supplier–client processes more efficient. Examples of such efficient and effective measures are:

- on the initiative of the wholesaler, the two organisations have developed common item identification codes, in order to save time in the ordering process.
- the yard sees it as important that the wholesaler labels the products purchased. On average a purchase order for a new ship comprises approximately 2,000 items. The labelling of items simplifies assembly for the fitter, who then knows exactly where to install the item. This creates significant cost–savings. The consistent quality delivered by the supplier has meanwhile reduced quality inspection time from 80% to 20%.
- the wholesaler's products are incorporated in the drawing programmes of the yard. The ships are thus designed using items from a known product range. A drawing of each new product is incorporated in the design programme.

Other advantages of the cooperation (in addition to these efficiency and effectiveness benefits):

- the shipyard delivers valuable market information to the wholesaler on, for example, the competition;
- the yard's head office commits its international yards to work with the wholesaler in terms of the overall, shipyard contract.
- the wholesaler provides the yard with technical information on new products.

Sales manager

The sales manager is certainly a professional, operating in a very dynamic and competitive market. He must carry out numerous and diverse tasks, is responsible for his team and is evaluated against attained sales results. In short, he must be able to call on a wide range of personal competencies and capabilities. He must achieve a distinctive and sustainable positioning for his organisation among a group of attractive clients. Figure 1.7 sets out the various competencies required.

Competencies

The sales manager sits on the management team and is therefore jointly responsible for the business or SBU strategy, the vision, mission and culture, the structure of the organisation and the implementation of its strategy. He is directly responsible for sales and must translate the organisation's strategy for application in Sales. He is distinguished by his talent, powers of innovation and leadership qualities.

Sales manager provides

The sales manager provides leadership to Sales. Listed below are the core Sales functions:

1 sales information management;
2 planning;
3 generating sales;
4 customer service;
5 professionalisation and/or education.

FIGURE 1.7 Competencies of a sales manager

Outside-in competencies	*Inside-out competencies*
These competencies enable the sales manager to fully understand the market. What do customers want? How do competitors operate? What are the current and future opportunities and threats in the marketplace? What can be achieved – today and in the future (forecasts)? These questions define an important task for Sales - and also for other departments in the organisation.	This is a strong internal drive to provide clients with unique or improved added value: It manifests itself in (pro-active) advice on market opportunities and threats. It generates strategy in the form of client, sales and HR plans. It drives intra and cross-functional synergies.

Market-based capabilities

Market-based capabilities are necessary to integrate *inside-out* and *outside-in* capabilities. They connect many types of experience, skills and knowledge (e.g. of customers, sales, marketing, product development, logistics and cooperation agreements). This integration cumulatively adds value, delivers synergies and, therefore, enables these connected 'assets' to be better utilised and exploited by a business. The market-based capabilities involve insight, collaboration, motivation, perceiving relationships between things, bonding (internal and external), leadership, decision making and so on. The market-based capabilities generate sustainable competitive benefits.

1 Sales information management

Examples of sales information management are:

- detailed analyses, particularly of existing distributors, customers and (new) competitors;
- gathering and using information on the customers' customers;
- identifying macro–environmental influences;
- setting up a sales information or CRM systems.

2 Planning

Examples of planning are:

- planning sales objectives, sales strategies and sales cycles;
- setting sales objectives by customer, product, region, country and salesman/account manager;
- planning lead–generation activities;
- planning sales activities by customer, product, region, country and salesman/account manager, including events;
- determining sales strategy in new countries or new markets;
- determining customer retention strategy;
- working within the values and standards of the company and within the culture of the various market countries.

CASE 1.22 SALES FUNCTIONS ARE MULTI–PURPOSE; EXPECTATIONS ARE HIGH

Some extracts from advertisements:

- 'As key account manager you are responsible for converting customer needs into total solutions – from technical, commercial and logistics angles.' (For an international supplier of transport solutions.)
- 'The sales analyst plays a vital role as between the customer and the operating companies. You support the corporate

account teams by independently analysing customers, markets and industry categories.' (For a multi–brand supplier of cars.)
- 'The business consultant must create an optimum service experience for clients – and implement excellent processes. Lean Six Sigma and operational management have been selected as strategic process development methods.' (For an international bank.)
- 'Clients require operational excellence to be extended to customer excellence. Lean Six Sigma implies breakthroughs in client satisfaction and client loyalty and must lead, in addition, to productivity improvements.' (For Altuïtion.)

NB: Lean Six Sigma is a globally applied, proven, improvement methodology. It involves setting up processes in such a way as to ensure that you only do what the customer actually wants – and that you do it right the first time. (www.sixsigma.com).

3 Generating sales, the sales cycle
Examples of sales–generating activities within the sales cycle:
- preparation of sales activities, such as customer visits;
- customer visits, telephone calls, e–mail contact with customers;
- sales presentations
- organising and taking part in trade fairs;
- implementation and coordination of order fulfilment;
- complaints handling;
- controlling margins and supply and payment terms.

4 Client service
Examples of client service are:
- management support;
- technical support and installation;
- training sales people, including those from other countries;
- merchandising;
- exploring joint promotional opportunities;
- aftersales services.

5 Sales professionalisation and/or education
Examples of Sales professionalisation and/or education are:
- leading or attending sales meetings;
- conducting staff performance evaluations and appraisals;
- participation in industry associations;
- taking part in or giving sales and intercultural training;
- taking part in interdisciplinary teams.

These aspects are discussed in the following chapters.

CASE 1.23 OPTICIAN CHAIN SALES MANAGERS MAINTAIN A CONFUSING PRICE STRATEGY

Optician chains offered discounts of hundreds of euros on sales coupled to certain insurers. The promotional offers were not 'lightweight': 'Now at 'EW', up to '200 discount on multifocal glasses! The highest healthcare insurance discount on glasses and contact lenses! Only at 'EW' – big discounts on your glasses and contact lenses! We have made agreements with almost all health care insurers on compensation for your glasses and contact lenses! 'EW' always – for your highest healthcare insurance discounts!'

Opticians' prices varied enormously. The discount percentages were huge; price–cutting was on the rampage. It became very difficult for consumers to determine the eventual price to be paid. It was often better to buy a cheap frame of '80 – even if it was a child's frame – in order to qualify for an additional discount of '125. Those who did not negotiate well ended up paying too much – all the more because there are so many different types of multifocal lenses, with prices varying by hundreds of euros. The official price list also contained absurdly high prices. The average – perhaps naive – customer paid these prices, while hard negotiators obtained discount upon discount, up to ridiculous levels. There were also high prices for non–scratch and non–reflective finishes, theft insurances and other 'inconveniences'. One can well ask whether this kind of price–setting is ethical. (Although it could be said that this kind of retailing does stimulate consumer bargaining behaviour.)

The sales manager's ultimate goal is to create customer value. This goal is not served by a vague and confusing price strategy (see case 1.23).

Responsibilities of an account manager

This chapter concludes with a look at some differences between the responsibilities of an account manager and those of a salesperson. These are listed in table 1.7.

TABLE 1.7 Differences between the functions of account manager and salesperson

Differences in function	Salesperson	Account manager
Prospecting	• striving for maximum sales coverage • identifying suspects • identifying prospects • developing penetration strategies	• determining ideal customer profiles • analysis of current customers • analysis of prospective customers • developing penetration strategies
Knowledge	• product application level	• complete (empathetic) insight into customers and own organisation

Differences in function	Salesperson	Account manager
Product	• emphasis on standard product	• negotiating tailor-made solutions
Focus/attitude	• primarily on external sales • reactive in customer relationships	• primarily an internal negotiator/motivator • proactive in customer relationships
Profile	• primarily individualistic	• a team player, both inter- and intra-organisationally
Responsibilities	• mainly implementation	• contributes to sales plan
Powers	• mainly limited and formal powers • generally little or no financial information	• broad and mainly informal powers • has access to financial information
Competition	• competition as benchmark	• creates competitive advantages
Goals	• short term results, volume targets	• focused on both short and long term profitability

Summary

- The sales manager operates in several, increasingly dynamic environments, namely: meso environment (market), macro environment (society) and micro environment (own organisation).
- In the meso environment, the following meso factors were dealt with: market parties, competition, the distribution chain and intermediaries, consumers, customers, suppliers, industry associations and public groups.
- In the macro environment, the following macro factors were discussed: demographic aspects, economic aspects, political–legal aspects, ecological and ethical aspects, socio–cultural aspects and technological aspects.
- The business world is steadily shrinking. Many organisations are trading internationally. This starts close to home, for example in the EU, Eastern Europe and the US, and then moves on to trade with ‘emerging’ economies in, for example, Asia. Dutch businesses are increasingly involved with foreign competitors, for instance from China, South Korea and India. There are many ‘new’ dimensions to Sales.
- Sales must respond to changes in the organisation’s environment. The sales department must cooperate, intensively, with various other disciplines in the organisation. The relationship between Sales and Marketing is of critical importance in achieving customer value – for the customer and for the supplier. The sales manager has a ‘unique’ set of competencies.

We have seen that Sales is an exciting and inspiring discipline. Selling takes place externally but also within the organisation. You deal with people and you have influence on issues that affect their interests, both within the sales team and among customers. The competencies required for this are important. If you are convinced of this you should immediately continue to the next chapter.

This book’s website contains several Excel documents that increase the value of this chapter.

Questions

1.1 A number of market forms can be identified. In many market sectors, joint ventures or other forms of cooperation are set up. Explain, providing reasons and examples, why this development is more applicable to some market forms than to others.

1.2 Businesses in the same industry category sometimes form pricing agreements. What are the reasons for this? Are price agreements allowed? If not, which Dutch and/or European laws are of application? Are there differences between such national and international legislation?

1.3 What is meant by market sensing, customer sensing and sense making?

1.4 Customer value (customer equity) comprises three 'drivers'. Give a specific and complete description of these drivers, related to a specific business.

1.5 Explain in five points why the sales function is subject to change and how (also in five points) sales management can adequately engage with such change.