

How to Succeed in Sales and Marketing

Advice for start-up companies

How to Succeed in Sales and Marketing

Advice for start-up companies

CONNECT Nordic-B 001

ISSN 1652-5663

ISBN 91-631-5627-X

Printed by OH-Tryck AB, Stockholm, Sweden

Copyright: CONNECT Nordic, 2004

Publisher: Stiftelsen CONNECT Nordic,

Humlegårdsgatan 5, 4 tr, SE-114 46 Stockholm, Sweden

The booklet can be ordered from CONNECT in the Nordic/Baltic countries

(for contact addresses see www.connectnordic.com)

Preface

Selling and being successful at it is what ultimately makes or breaks a company. This goes for both high tech and low tech, products or services, retail or wholesale. Unless you can convince customers to part with their money in exchange for what you offer, your company will ultimately go under. You may have a brilliant idea and strategy, you may have great products, great people and strong investors but without revenues, it is still just a matter of time before your company will be gone.

Marketing comprises the various tools and activities to make your potential customers aware of your products and offering, and includes analysis of the market and development of a marketing strategy. It is essential to develop a well-prepared and detailed marketing plan before any major sales activity gets under way.

Sales activity can be seen as the execution of your marketing plan. The most important aspects of sales are the offering and how the value proposition is presented, the process of driving deals to a close, and the people and resources you have available to make this happen.

The purpose of this publication is to outline the most important aspects of marketing and sales in young growth companies and to provide concrete advice for the entrepreneur, CEO or sales manager. It is our hope that this publication will prove useful for new start-ups as well as for more established companies as they expand their sales and marketing activities into new territories.

This publication was written by Johan Varland and Cecilia Odelsparr from Headworker Consulting, a management consultancy in Sweden assisting growth companies with strategic business development and setting up and improving their sales and marketing activities. Gunnar Liljegren, Net Sales pro mergo in Sweden and Jakob Stengel Hansen, Chubb Insurance Company of Europe S.A. in Denmark, have provided valuable input, which has been incorporated into the final version.

Stockholm, June 2004

CONNECT Nordic

CONTENTS

1. Introduction	6
1.1. The importance of sales	6
1.2. Start by selling	6
1.3. Purpose and focus of this publication	7
2. Marketing plan	8
2.1. Market analysis	8
2.2. The customer	12
2.3. Marketing strategy	13
3. Sales	20
3.1. Sales strategy & distribution	20
3.2. What are you offering and to whom	23
3.3. Sales process	24
4. People & organization	32
4.1. Sales people and skills	32
4.2. Motivation and compensation	33
4.3. Management and organization	35

I. Introduction

I.1. THE IMPORTANCE OF SALES

Considering how important sales are to a company, the focus placed on sales by the business media and academics is surprisingly low. Even in business schools and university programmes that specifically focus on educating businessmen, the amount of time and effort spent on learning about sales at best represents a few percent of the curriculum. Most courses or case studies take the top line of the profit and loss statement for granted, or at best, take a strategic or theoretic approach as to how revenues are generated.

Anyone who has had the experience of working inside a successful, growing company knows how different this aspect is in reality. Selling and being successful at it, is what ultimately makes or breaks a company. This goes for both high tech and low tech, products and services, retail and wholesale. Unless you can convince customers to part with their money in exchange for what you offer, your company will ultimately go under. You may have brilliant ideas and strategies, you may have great products, great people and strong investors but without revenues, it is still just a matter of time before your company will be gone.

In a world where supply tends to be abundant and demand is limited, this is all the more true.

“Let me tell you what I do: I sell. I sell all day long. There is no time left for all that other mumbo jumbo stuff I thought I would do when I first started this company.”

– Swedish entrepreneur in a recent survey.

I.2. START BY SELLING

So, when should I start selling? After a year of product development or strategic planning? After half a year? After three years?

The answer is that there is no reason not to start selling immediately. Now is not too early. You should probably *start by selling*.

It is of course possible to find examples of companies that seem to have started selling far too early; aggressively pitching a product or service that does not exist. The problem with companies that are perceived as selling too early is, however, not often the fact that they are selling, but *how* they are going about it. If it is done properly, selling prior to development and manufacture is sound business practice and potentially fruitful for buyers and sellers alike.

It is far more usual, and consequently a bigger problem, for companies to have a product or service ready to ship but no or few orders or potential customers. The notion that there are products or service offerings that are good enough to sell themselves is flawed but very common.

An obvious advantage of starting to sell early is, of course, the financing aspect. In some cases the first customer can help to finance the entire development phase or at least take the company a few steps further before it will need new capital from investors. A signed order, regardless of when the customer pays, can also accelerate a round of financing among new or existing investors by eliminating part of the commercial risk in the company.

1.3. PURPOSE AND FOCUS OF THIS PUBLICATION

The purpose of this publication is to outline the most important aspects of marketing and sales in young growth companies and to provide tangible advice for the entrepreneur, CEO or sales manager.

“How to succeed in sales and marketing” is a very sweeping topic for a publication of this size. The intention is to provide advice and examples that are generally applicable, but there are also situations where a focus is chosen.

As shown in the list [below], there are several aspects that may affect how you should run your sales and marketing operations.

Different situations affecting marketing and sales:

- Simple or complex offering.
- General or specific offering (with respect to

what function, industry or problem you are focusing on).

- Small or large order value.
- To consumer or business.
- Product or service.
- National or international market.
- Focused or broad offering/portfolio.

The main focus for this publication is business-to-business sales and more complex offerings vs. consumer markets or less complex products and large volume sales.

The first part of the publication is focused on marketing and covers analysis and marketing strategy, i.e. the planning of activities on the market. The second part is focused on sales and covers the sales process, the offer and how to organize the sales efforts, i.e. the actual activities on the market.

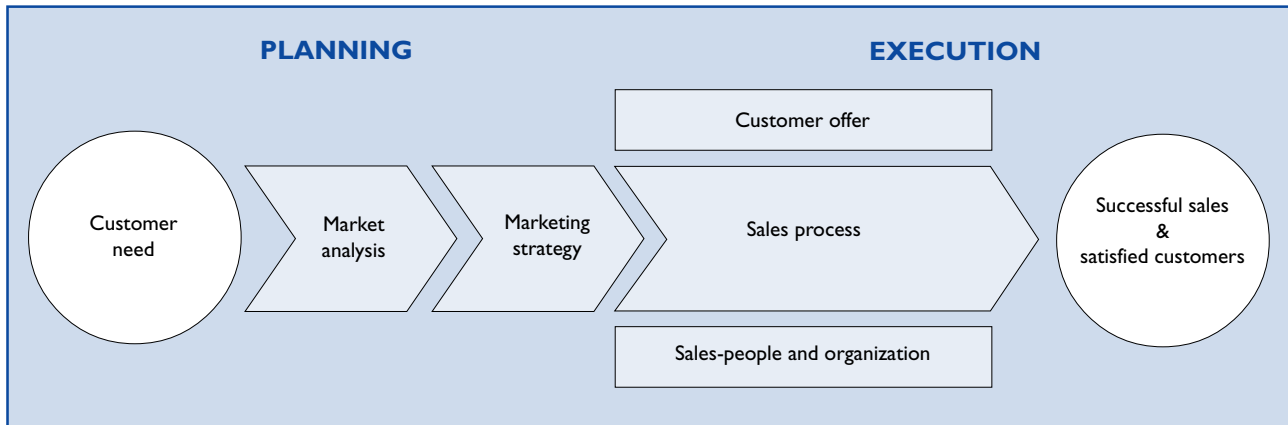


Fig. 1.1 Planning and execution of marketing and sales activities

2. Marketing plan

The purpose of a commercial business is to do business by meeting customer needs. This is also the essential idea of marketing. Whether your business is based on products or services, targeted to the private consumer market or Business-to-Business (B-to-B), there are some basic questions to answer in order to maximize your potential to succeed.

- What customer need does my company fulfil?
- Who are my customers?
- How do I reach my customers and make them want to buy from me?

These questions should be answered in a Marketing Plan, which is an important part of the company's business plan (see Connect Sweden's Booklet "How to write a successful business plan," IVA-R 428). The plan outlines *what* to offer the customers and *how* to reach them. The following chapters give some step-by-step advice on how to create a Marketing Plan, conduct market analysis and formulate a marketing strategy. The advice is general and there should be something for all types of businesses to benefit from. Most companies have limited resources in terms of time or money, which of course sets limits as to how much can be spent on in-depth

analysis or how much advertising can be purchased. A golden rule is to keep it simple and to gather enough information to make realistic assumptions and then try the idea on the market, with your customers.

2.1. MARKET ANALYSIS

A useful marketing plan should be based on facts about market conditions and customer behaviour and your analysis of market needs. The result should be matched with your business idea to form the marketing strategy for your product or service. Although it is presented as a step-by-step process, each suggested element of market analysis in this chapter should of course be viewed and analysed in combination to assess market potential and formulate your customer offering. The most important outcome of market analysis is an understanding of what participants, forces, developments and trends in demographics or regulation etc. drive the market.

Customer need

The starting point is to clearly identify, formulate and verify the customer need that you believe your product or service will fulfil. Put yourself in the customer's shoes. Customers will only buy

Checklist for content in the Marketing Plan

- What is your clearly formulated value proposition?
- What is your market and where is your market?
- What are the market trends?
- Which are your targeted customer segments and why?
- Who are your competitors, including substitutes to your product?
- What is your unique selling point (USP)?
- How large is your market potential?
- What are your goals in market share and sales?
- What is your price and price sensibility?
- How will you distribute?
- What is your estimated cost/budget for sales and marketing?
- What is your action plan for marketing?

A list of useful sources for your market research and analysis

- Search the Internet or a library for research reports in your field, product area, or your geographic market.
- Search for statistics relevant to assessing your market in terms of current size, state of the market and trends for future development.
- Statistics or research reports can be found via statistical bureaus, industry associations, consumer interest organizations, public sector organizations, local or regional trade associations, academic institutions etc.
- Search for articles in the media; in the regular daily and business press as well as the specialist press.
- Interview experts from industry, academic organizations, your customers' customers, consultants etc.
- Contact trade councils for export markets.
- Interview potential customers.
- Look at competitors' public information.
- Visit trade fairs or seminars.

your product if they believe it offers them greater benefits than a competitor's product. Some key questions to ask in order to formulate your value proposition:

- What problem does our company solve for our customers?
- Does our company make/deliver something better, faster, easier... than the competitors?
- Does our company provide something at lower cost?
- Does our company provide something new that did not exist on the market before?
- Does our company provide something that exists today but that we are targeting at a new customer group, for example, taking something from our country and exporting it?
- If possible: quantify the customer benefit in terms of lower costs, increased margins, saved time.

What is a value proposition?

Your value proposition is based on what you know about your customers' problem or challenge, and on customer need and your company's ability to deal with this. It should be possible to summarize your value proposition in a single sentence that, in an attractive manner, describes how, for example, pain that is suffered by the customer can be alleviated or even eliminated by your offering, and how little effort or cost will be involved for the customer.

Ask the customer

Secondary information from reports, statistics and experts is useful, but the ultimate and often easiest way to find out if what you are offering fulfils customer needs, is to ask the customer. You can use different methods depending on who your customers are and the amount of resources you can spend. Some examples are:

- B-to-B – phone polls, questionnaires or one-on-one in-depth interviews with the customer's buyer and the users of your products.
- Business-to-Consumer (B-to-C) – focus groups, street questionnaires or phone polls.

Keep in mind that even strong results from customer surveys or focus groups can be misleading and that they should be used with caution. People's answers to survey questions are not always a valid indication of how they actually would behave in a real buying decision.

The two most efficient ways to handle this risk are:

- Formulate the questions in a way that puts the respondents' minds as close to a real buying situation as possible and have the respondents rate your offering among others that they spend real money on today.
- Test the validity by piloting, trying to sell (even early versions of) your product/service to real customers.

The latter is far from easy, but any effort in this direction will add valuable information and insights to the survey results.

Competition and positioning

When analyzing the market, you should also make sure that you know your competition. Analysis should be used to further evaluate whether or not the market has sufficient potential for it to be in your company's interest to enter it, and if so, it is important to define which position you will claim in the market.

An efficient way to begin evaluating your own competitive position is a SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities and Threats, where the first two focus on *internal* aspects while the two latter ones focus on *external* aspects.

Your competitor analysis should answer the following questions:

- Who are the competitors? (Name them)
- What are their market share, revenues and profitability?

- What are their USPs and how do they compete, and what does this require from you, i.e. how will you be different and better than each of them (your USP)?
- What are their business models, pricing and cost structures?
- What does their SWOT analysis look like?
- Are there many small or a few big competitors? What will be your role?
- Is the market easy or difficult to enter, what are the natural and artificial barriers to entry?
- What are the trends in terms of new companies entering the market now and in the future?

It is important to take into account both direct competitors and substitutes, where substitutes represent products that provide the same customer value, but through different means. Companies, offerings and products compete on many levels. They compete for the customers' money or share of their budgets, for their attention, for fulfilment of their needs etc.

Examples:

Strengths

- Patents and other intellectual property rights.
- Sustainable cost advantage.
- Exclusive access to resources, distribution, know-how etc.
- Strong brand name and reputation.

Weaknesses

- Lack of patents and protection for intellectual property rights.
- Unfavourable cost structure.
- Limited access to important resources, distribution, know-how etc.
- Weak brand name and reputation.

Opportunities

- Deregulation or favourable regulation.
- Strong underlying growth in your market or foundations for your market.
- Favourable changes in customer behaviour.
- Troubled competitors.

Threats

- Unfavourable regulation.
- Unfavourable changes in customer behaviour.
- Aggressive competitors with high strategic stakes.
- Trade barriers.

A unique selling point (USP) is in marketing language referred to as a unique aspect of your offering that makes it a superior choice (compared to competitors) for your target customers.

Target segment

Why is it important to define your target segment? In order not to overestimate or underestimate your potential and to be able to form a plan on how to reach the customers, you need to define the group of customers to target and estimate how valuable they are.

The key to defining your target segment and estimating market potential is to gather sufficient facts to make assumptions. It is better to make an estimate and be right to some extent, than to fail to consider potential altogether or to spend too much time on absolute accuracy.

The size of the segment is critical to success. Targeting a broad segment initially may prove too expensive for persistent sales and marketing efforts. It is important to concentrate and yet keep the target big enough to drive enough volume.

Define your target segment

Criteria that define a segment are that customers within the group should have common denominators that are relevant for your marketing, e.g. exist in a geographical area that you can reach, have the same industrial process or type of equipment, or in the case of consumers, have the same lifestyle patterns e.g. families with small children.

The idea is to choose the segments most profitable for you, target one segment at a time and set a long-term goal. The steps include:

- Identifying the total market (the total group potentially interested in buying your product).
- Identifying those groups of customers that are the most interesting (will be most profitable

for you) because they

- Are early adopters of new products or technologies.
 - Will benefit the most from your product or service (how your product matches their need).
 - Can be best reached by you.
 - Are ready to pay the price you are asking.
 - Constitute a large enough group in terms of the number of customers, expected growth, or money spent on your type of products.
- Use the competitor analysis to choose your target segment and define how you will differentiate yourself from the competitors (your USP).

Possible segmentation criteria

B-to-C

- Geography.
- Demography: age, gender, income, profession.
- Lifestyle: early technology adopters, environmentally conscious, urban or country.
- Consumption behaviour: frequency of usage, application of product.
- Purchasing behaviour: brand preference, price consciousness.

B-to-B

- Geography.
- Industry structure: company size, industry, niche, location.
- Operations: production technology, organization.
- Purchasing behaviour: centralised or decentralised, type of supplier contracts.
- Situational factors: urgency of need, order size.

Before you get started and address your target group, make sure you understand which potential customers *within* your target group will be easiest to extract business from. These are often referred to as “low hanging fruits.” “Easiest” is defined as “those who require the least resources to close a deal,” where resources refers to time and finan-

cial resources. By identifying the low hanging fruits and start with them, you will save a lot of valuable time and probably see real money coming in from real customers significantly sooner than otherwise would be the case.

Remember that it is also important to define who the buyer is in order to optimise the use of resources for marketing and sales activities. Who is the buyer that orders your products; the economic buyer or formal manager who makes the budget decisions, and any other key individuals you may come across that influence the buyer's decision. Find more on this in the chapters about Sales.

Case 1 – Low hanging fruits

Background: Alfabravo Ltd. is offering high-end services in the B-to-B market. Despite relative success, the company considered the outcome from sales activities disappointing. Alfabravo's strong and demanding owners grew increasingly impatient with the sales performance of the company's sales force.

Challenge: Alfabravo was targeting blue chip customers despite a lack of track record and very tough competition, and lost out in a large proportion of tender offers.

Solution: To deal with the problem once it was identified, Alfabravo made several changes to the prospecting and selection process, refocusing its sales efforts towards smaller customers.

Outcome: Increased focus, massively improved success rate and strong increase in sales.

2.2. THE CUSTOMER

There are a few questions you should ask yourself about your customers and the transactions they execute. This is particularly important in business-to-business sales, but can also be surprisingly useful when dealing with consumers. The answers to the following questions will affect many aspects of your sales efforts:

- Who is paying for what you sell?
- Who is utilizing what you sell? Who is the user?
- Who is influencing buying decisions or utilization? From an economic/commercial perspective? From a technological perspective?
- Does your product or service replace something or even someone?
- How does your product or service affect the business or life of the customers?
- Will any of this change when it comes to repeat sales?

The questions focus on identifying the individuals who may have an influence on the buying decision. Examples of such individuals are:

- The economic buyer.
- The gatekeeper.
- The functional advisor.
- The user.
- The loser.

The economic buyer is the individual who controls the budget. In consumer sales it may be a parent paying a child's phone bills/cards, and in business sales it may be the CEO or an operational manager who gives approval for all procurement above a set limit.

Other individuals may also influence the decision and shape the process, but the economic buyer is the most important person on the customer side of a sales relationship. The reason for this is that unless there *really is* an economic buyer, there will be no deal.

The gatekeeper is usually an assistant, junior manager or secretary screening incoming mail and calls to the economic buyer or other important individuals. If the sales person does not have the right pitch to get past the gatekeeper, she/he will never get the opportunity to reach the necessary decision-makers with the pitch that was carefully prepared for them.

The functional advisor bases her/his influence on technical or procedural knowledge that is important in the procurement decision. A good example may be the Chief Technology Officer (CTO) in a company buying hardware or software. When the decision is a choice between two or more alternative solutions or suppliers, which is often the case, she/he may have a major impact.

The user's influence is based on involvement and knowledge of the operative situation. This means that it will depend on what level of involvement she/he chooses to have or is allowed to have. One thing the user and the functional advisor have in common is that they also may exercise influence by initiating a buying process.

The loser may be any of the individuals above, but is worth mentioning separately. The label may sound cynical, but it is a fact that what you sell may have an adverse effect on some individuals' daily work, career opportunities or even their job security. Consider, for example, a company selling IT outsourcing. The impact on some roles within the buyer's IT department is obvious. It is wise to identify any possible losers, including those who *wrongly perceive* themselves as losers, in a situation where the organization buys what you are selling. Having any of these individuals involved in the decision process may cause major problems.

Find out if there are people playing all of these roles, identify the individuals and try to understand what makes them push in either direction and adapt your offering and your pitch accordingly.

Define market size and set your goal

When the targeted customer segment is defined, it is possible to make a more precise estimate of market size and to set your goal.

The starting point is your estimation of the total market size available in terms of the number of customers or number of units of your product. If you start a business involving a product or

service that is not available on the market today, you have to be creative and make assumptions based on the customer need you defined above.

- Take away the parts of the market that are not relevant to you in for one reason or another to arrive at an estimate of total market potential for you in your chosen segment.
- Make a forecast for the next 1–3 years.
- Establish a forecast of how you will build business and take a share of the market: Will you grow the market or take a share of the market? How many customers can you reach within 1–3 years based on the defined customer segment and value proposition. How many in year one, two, three and so on?
- Have respect for the challenge of entering a market without a track record, brand or reputation. Sales cycles are usually longer than you expect, and being new in a market or even trying to build a market will make it even harder and more time consuming. Set realistic goals.

2.3. MARKETING STRATEGY

The next step is to plan how you should act to communicate your value proposition to your customers. In marketing language this is called the marketing strategy, and it normally includes plans and activities for pricing, promotion and communication. Distribution issues are discussed under 3.2 Sales strategy.

Branding

Putting a lot of effort into branding may seem premature to early stage companies, and if branding was all about spending massive amounts on expensive brand building strategies and campaigns, that would be absolutely correct. But branding is as much about keeping your brand in mind when making other business decisions. For several decisions where the alternatives are not very different with respect to cost etc., they may

well be very different from a branding perspective.

How customers perceive your company and your products before they buy is, of course, important. The perceived risk of buying something is much smaller if you have a good feeling about the product.

What do your customers and other important people think of when your company and your products/services come to mind? Is it possible to shape the links between your name and peoples thoughts?

Yes, it is possible, but this must happen on many occasions and over a long period of time, rather than in a 30-second TV commercial or a full-page ad in a trade publication.

- What do your products look like? How do they feel and sound? How are they packaged? Where are they sold and by whom? What products are placed next to your product?
- How does your company sound when customers call in? Switchboard, dial tone, messages, the music playing when you are put on hold, how long you are put on hold, why you are put on hold, first phrases etc.
- What does your office/factory look like? Where is it situated? Who are your neighbours?
- Who are your employees? How do they behave, look and sound? Are they honest? Do they call back? (Very important for support and help desk staff.)
- What does your written communication look like? Outgoing e-mails? Letters? Sales brochures? Logos? Typeface?
- What activities is your company involved in?
- How is the media describing your company and your products?
- Who is using your products? Other companies or well-known individuals with strong brands?
- What are your marketing activities such as advertising saying and how?

Even though these aspects differ in importance, the brand strength will depend on the combined effect. If, for example, sales brochures and employees communicate contradicting messages, the brand image will be blurred and consequently weaker. If they instead are consistent and in line with your brand values, your brand will grow stronger.

Brand value and brand strength is difficult to measure and in the end, the ultimate test of your brand will be to what extent you are able to make sustainable profits.

Ten tips on branding

1. Focus on what your business achieves for its customers. Your brand is no good to you if it is not delivering what customers want.
2. Take ownership of your brand. Pay attention to customer needs, but be sure you still control what you want your brand to mean to them.
3. Be honest. If you do not believe in your brand, no one else will.
4. Keep your brand simple. Focus on a small number of key brand values.
5. Be consistent. Every aspect of your business should make customers feel the same way about you.
6. Be thorough. Look at all your systems to make sure they help to support your brand.
7. Involve employees. Make sure they understand your brand and believe in it.
8. Communicate your brand. Make sure every advertisement, brochure and letter helps reinforce the same message. If you have a logo, use it everywhere.
9. Meet and exceed what your brand promises. Failing, just once, will damage your brand.
10. Manage your brand. Continually look for opportunities to make improvements. And do not be afraid to make changes to reflect shifts in the way you do business or new trends in your market.

The ten tips are taken from the Business Link UK web site <http://www.businesslink.gov.uk/>, crown copyright, and are used with permission.

Pricing

The price is an important part of the offer, not only because of its obvious impact on revenues, but because it is a cornerstone of the market position and the perception of value.

High or low

There are of course markets where it is very hard to set your own price and not follow the competitors pricing, but they are not as common as you might think. Due to the misconception that the market sets the price, many businesses, small and medium ones in particular, end up with a price strategy that their cost structure cannot support in the long run.

The choice of a suitable pricing and revenue model is directly linked to your cost structure, size, growth pattern, market share and financial stamina. It is also linked to your image, brand and the customers' perception of value. Whatever customers say when polled, as a rule they are more prone to look for value than price. The exception to this rule is markets where the focus on price has been fostered by competitors, regulations or other market conditions, e.g. early, bold statements on how cheap residential broadband connections should be, plagued the market in several countries for years by setting customer price expectations at a level where few operators could make money.

Economic psychology

There are established facts about how people reason and make decisions in economic matters. We will name just four here that could guide decisions about pricing for a company.

- People tend to have non-linear perceptions of linear price changes. A change from €9.70 to €9.90 is perceived as smaller than a change from €9.90 to €10.10. This is why supermarkets keep setting prices just below even figures, despite the fact that the trick has been

used for decades and we know how it works, it works.

- Unless there are comparisons available or an established reasonable price level for a product, people are prone to accept an arbitrary set level as the basis for comparison. The effect is that a buyer is haggling over the low price as vigorously as over a high price, which creates incentive for sellers to start out with a high price.
- When offered the opportunity to choose between three different products at different prices, people tend to pick the product that is priced in the middle. To make use of this irrational behaviour, a sales person can arrange it so that there is always one cheaper and one more expensive alternative available to direct the buyer to the mid-priced item.
- Buyers act differently in a situation where they have made an effort to get into a buying situation, such as going to a shop, making the first contact etc., than if they are pulled in by the seller. Understand this aspect and make use of the fact that a buyer is investing time and effort into a deal and will usually base decisions on this (ex-post, irrelevant) fact.

Other aspects of price than low vs. high

There are of course several other aspects of price than what is described above. When you have chosen the basic price strategy and decided to deal with its consequences, there are ways to mitigate the downside or enhance the upside of the chosen strategy. A few examples are:

- Fixed or flexible price – choosing between discount policies. Discounts can be based on volume, season etc. and provided in an open or closed manner depending on how public you want the discount price to be. A frequently used means of hiding campaign discounts and ensuring the product is not associated with a lower price, is to add something to the

deal, such as detergent when selling washing machines.

- Dynamic pricing – transparent price functions that automatically pass on part of a cost advantage to the customer. The parameters can be based volumes, capacity utilisation, demand or any variable affecting the cost of production, delivery or service.
- Multi brand & multi price – putting separately branded offers in several price segments to make sure no customers are handed over to the competitor without a fight.

Summary

Still the ultimate rule is to set the price based on customer benefit/value rather than cost of production or similar measures. The latter should be used merely for checking that the business is sustainable at the set price, not to set the price in the first place.

Market entry

When entering a market where comparable alternatives to your offer exist, it may be tempting to set a low price to grasp as much of the market as possible. That is not necessarily wrong, it may well be the right decision and many companies are running a low price strategy with massive success. It is, however, important to face the consequences of such a strategy. The questions you should ask yourself before making that decision are:

- Will we attract the right customers with this price (are they in our target segment as described in the marketing section)?
- Can we expect the customers that switched to our low price offer to stay with us when our competitors respond with a lower price?
- Price is perceived as a signal of quality or value. Will the main traits of our product/service be enhanced or will they fade with this price?
- Is our cost structure and business model fit for playing the price leader game?

- Do we have enough financial strength compared to our competitors?

If several answers to these questions are no, you should seek another option relying on a competitive advantage other than low price.

The other principal competitive advantage available is a differentiated offer, where the differentiation ensures that it will not be compared to the price leader on price alone. Differentiation can take different forms, but all of them fall into one of the following categories:

- The product or service is intrinsically different, with higher quality, better look and feel etc.
- The product or service is delivered in a different and more attractive manner, e.g. closer to or more convenient for the customer.
- The communication and presentation of the offer creates a brand recognition or another form of positive connotation that is not derived directly from the product or the way it is delivered.

The potential for differentiation does, of course, depend on the specific product/service. Delivery and presentation are described in more detail in the Distribution and Promotion sections respectively.

Promotion

Promotion is all about communication. You have to tell the customer that you exist, what your USPs are, and attract interest in buying your products.

An important point to make about promotion is the fact that it is a matter of communication making it very dependent on language, culture and national context. Even very promotion-savvy managers have failed in repeated attempts to streamline promotion activities across the globe. Differences that seem miniscule from a distance can be a lot bigger on the ground. Just consider

the differences between Estonia and Lithuania. From a non-European perspective the differences may seem small. The lesson for a growing young company aiming to build an export business is to work with local knowledge in each country or region. Do not base decisions on superficial similarities or similarities based on misconceptions from an uninformed visitor.

Another perspective of reaching the customer is how to organize your marketing and sales resources. Find more on this topic in the chapter about managing and organizing sales:

- Via the Internet.
- Via direct mail.
- Customer/call centre, telemarketing in-house or outsourced.
- Own/outsourced sales personnel of different categories.
- A combination of above.

Choices and sacrifices

You should choose the promotion activities that are most effective for your product and customer segment, i.e. where you reach the most buyers with the least amount of resources. This is obvious, but how to achieve it is a different and much tougher issue. Vast financial resources could buy you all the market communication you would want, but when resources are limited, your brand name is unknown, and you are struggling to reach break-even. You will have to make sacrifices.

Should you spend your limited resources on building the brand in the long term or on driving sales in the short term? This will depend on how important a widespread brand name is and how badly you need the short-term revenues.

Promotion, as with the distribution described above, should be targeted to who the buyers are, how they make purchasing decisions, when and how often. In many B-to-B marketing cases, the number of individuals you need to influence is very limited. It may be the Chief Technical Officer

of the 200 largest companies or the HR managers in a few specific industries.

Another way to manage the balance between brand building and short-term sales is to team up with an established player with a strong brand. If the offers are complementary and your company has something to offer in return for the ride, both parties can win. A young company can often provide an established partner with traits that potentially vitalise their brand name. The fact that large companies are often represented and do business around the world means that they can also be the perfect partner for export efforts.

Examples of different promotion channels that you might want to use

- Sales visits and presentations.
- Advertising: Internet, newspapers, radio, TV, cinema.
- Search engine optimization or advertising i.e. buying the right to display ads when specific search words are entered by a user.
- PR with product placements, articles about your product or your company.
- Trade fairs and different types of exhibitions.
- Direct marketing via mail, e-mail, sms, telemarketing.
- Events.
- Viral marketing.
- Seminars.
- Monitor and benefit from the promotional activities of major brands that are strong among your target customers.

Examples of promotional materials to produce and use

- Various presentation materials (including OH presentations).
- Logo or trademark to set your products/business apart.
- Sales letters, business cards.

- Examples of answers to customers' questions about your company, "the elevator pitch" and other.
- Brochures.
- Product descriptions/technical or functional data sheets.
- Web.
- Advertising materials in different formats.
- Trade fair – stands and displays.
- Demo or samples.
- PR kit.
- Proposals.

Marketing budget

The final but equally important step when planning your marketing strategy is preparing a marketing and sales budget.

When you have decided on an appropriate marketing strategy and planned marketing activities and resources, you can prepare a budget. Some simple and straightforward advice is to:

- Make a wish list with the cost of all activities and resources.
- Adjust and prioritize according to available budget and ensure that your plan is feasible so that it is realistic to create enough customers with the budget you can afford. If not, make adjustments in your plan of how to enter the market, narrow the targeted customer segment etc.
- Calculate all marketing and sales costs: from obvious costs for advertising and production of material, to your own time, what it costs to invest in entering a market with your chosen pricing strategy and cost for customer care, service and support.

PR and use of media

When you are building a new company and by definition are starting out small, the various media can provide your best marketing channels. The media has its own agenda and will never be a reliable partner, but from time to time, you may

have aligning interests. Your start-up may be the underdog they need in order to have a great story on a topic they would not be able to cover otherwise.

By handling the media in the right way, you can have an influence over what people think about you and say about you in a way that promotes your business.

There are several ways to get media coverage. Newsmedia is driven by news and good stories. Each time you have something new, there is potential for media coverage.

You may have new products, new management, new customers, new investors or new premises, but it is also possible to create news by writing articles, columns, letters to editors, participating as experts, conducting studies etc.

It is crucial to build relationships with journalists and to understand their profession; their deadlines, what they consider a good story, who they trust and what kinds of stories they are looking for right now. By understanding what is important to the readers/listeners/watchers, you will know how to present your story to the journalist. Media with nationwide coverage will value national impact, while a local newspaper or radio station will value how the story affects local jobs, landscape and business. Trade publications typically value industry relevance more than the news aspect.

As always, building relations is not a quick fix. Make sure the relevant journalists and editors know who you are and what your company does. Be generous in helping them understand your industry and the markets you cover. Respond quickly and always call back when a journalist wants to get in touch with you. Companies that hide from the press in bad times, get bad press in good times as well. It may not be fair, but you do not make the rules.

You can manage several public relationship situations by using common sense, planning and some good advice, which is freely available. But

there will always be situations when it would be wise to use public relations experts. Public relations firms have established relationships with a wide range of journalists and know all the tricks of the trade. Situations when you should consider using experts include:

- When your company is under pressure or public criticism.
- When you need to communicate with the media and journalists that you usually do not have reasons to talk to.
- When the outcome of the PR activities at hand are crucial to your company's success.
- When you have a temporary peak in PR activities.

The rules of relationship marketing

Relationship marketing can be powerful and very cost efficient, but it requires attention and an understanding of the logic.

- A. Find and nurture relationships and maintain updated databases with contact information.

- B. Manage and refine contact information by creating different segments or by grouping contacts by what they can do for you and what you can do for them. Are they potential customers, investors, suppliers, supporters, employees, messengers, advisors, or a little bit of each?
- C. Give to get – most people are prepared to give something back, but those who give first and get this good spiral spinning are usually rewarded.
- D. Business relations can be personal, but their purpose is not private. Your relationships may be with friends as well, either because they started out as friends or because they developed into friends over the course of the relationship, even though the relationship is still based on business.
- E. Keep communication with your contacts relevant, purposeful and interesting. A constant flow of unfocused information will dilute the relationship.
- F. Recognise and understand the concept of wider circles of relationships and indirect connections. Your friends' friends will be your friends.

3. Sales

Sales can be seen as the execution of your marketing plan. Describing execution makes the most sense if it is made specific. That is why this section in some instances focuses more on specific sales situations. The aim is still to keep it generally applicable, but when necessary, the focus chosen is medium to high complexity business-to-business sales with fairly high order value.

One of the most important aspects of sales is the offer and how the value proposition is presented, the process for driving deals to a close and the people and resources you have available to make it happen. This is shown in figure 3.1 [page 24]. The offer itself should be built for closing and the process should be built for moving the deal towards a close.

3.1. SALES STRATEGY & DISTRIBUTION

One key question in selling your products is distribution and how to reach the customer with your offering. You will have to understand how the customer buys. Also, whether you have many small or a few large customers, private consumers or companies, whether you are selling a component for another product or a product for the end-users, you will have to determine the best choice of distribution channels that will create the most efficient customer relationships for your products.

Far from all products and services are sold directly to the end user. Cars, software, white goods and some financial services to name a few examples, are all sold predominantly via indirect channels. This is true for consumer goods and services as well as products and services sold to

businesses. Established businesses usually have a multi-channel strategy and thus sell directly as well as via independent channel partners.

An even more important aspect is the huge proportion of products that are sold as sub systems or input materials for more complex products and thus delivered to the customer embedded in the larger system or product, usually invisible to the end user. This is also true for enabling products and services, which play a role in the production of other products and services without even being part of the final delivery.

The basic decision is if you should deliver to the end-customer yourself or if it is most appropriate or competitive to deliver through other distribution channels. The different choices you can consider among other distribution channels are, for example, third-party retail business, franchising, agents, wholesalers, shop-in-shop partners. This topic is explored in more detail below.

Channel strategy

A basic channel setup may include manufacturing (several steps), wholesale, distribution, retail and service. The primary reason for involving another company and consequently giving up a part of the revenue, is that the other company can perform tasks more cost-efficiently and successfully.

The choice of sales channels will depend on factors such as type of product, type of customers, number of end customers, established distribution patterns, customization and national-regional-local circumstances etc.

The need for a certain channel strategy

changes over time. This is due to the product life cycle and the market development as well as the changing capabilities of the company itself.

Despite some spectacularly successful examples of direct sales models (Dell being the most prominent example), the importance of indirect channels has increased over the last few decades. This change has been driven by several trends reinforcing each other:

- Increasing selling costs have made it even more important to grow a customer account to make it profitable. A distributor is better equipped to aggregate a product portfolio that covers the customers' needs.
- New buying behaviour generated by Just-in-Time and similar changes in industrial processes has been met by efforts by major distributors to use information technology to lock in customers and suppliers.
- The strong trend towards consolidation in distribution has made big players grow bigger and made them increasingly harder to circumvent for manufacturers.

This is not true for all industries and geographic markets, but it is definitely worth considering how the existing sales and distribution structure in your target market affects your ability to reach customers directly.

In the beginning, in particular for B-to-B sales, it is important to have direct contact with the end user in order to get direct feedback from the customer. This does not necessarily mean that you should operate without distribution partners, just that you should make sure you have some kind of direct presence in specific moments during the sales process.

It is usually easier to enter a new market or launch a new product/service with an indirect sales strategy, i.e. working with established distributors and sales channels. This is also true

for export sales where the distance between the company headquarters/operations and the market increases the need for local expertise and presence.

It is expensive to set up your own distribution channels while it is cheaper to use distributors who already sell other products to your potential customer. Keep in mind that it will seldom be sufficient to have them carry your products. You will have to take measures to ensure that they are committed and give your products priority. This can be achieved by training, sales support and sales incentives such as bonuses, marketing kickbacks and sales competitions etc.

By building market presence via distributors, a manufacturer can tap into local knowledge of buying behaviour, retail structure etc. When the brand or the product is established with a strong presence in the market, it may be common sense to set up a captive distribution operation.

A channel strategy is, however, not easily changed, as it shapes the company, the customers' perception of the products and the competitive landscape as a whole.

The various roles of distributors can be described as follows

Distributors are either independent from the manufacturer or captive (owned partly or entirely by a manufacturer). Distributors are characterized by the fact that they buy the goods and own them until they resell them, even though this may be for a very short period. They may be focused on specific geographic markets or industries and aggregate large numbers of products.

Agents or manufacturers' representatives operate on a commission basis, and thus never own the products they sell. In many other respects, agents are similar to distributors. Agents are very common in technology markets in Asia and in North America. For historic and cultural/language reasons, Europe has traditionally been harder to reach through an agent structure.

Brokers usually act as matchmakers without owning or even handling the goods. Brokers are rarely found outside commodity or near-commodity markets and make the most contribution in markets with high volume sales and volatile supply or demand.

Depending on the role of a distributor or agent, a direct sales force may still have a very important role to play. If the distributor is focusing on inventory, logistics, order handling, aftermarket service or customer credit and not on proactive sales, a direct sales force will have to work the target customers, close deals and drive orders to the channel partners. In other cases the role of the sales force will be to work the various parts of the channel, such as the distributors or the retail outlets, to make sure they push *our* products downstream in the channel. This role usually includes training and coaching of partners' employees and negotiation of margins.

Questions you should ask yourself when deciding on a channel strategy are:

- Can we reach our target market efficiently without partners in distribution, sales or service?
- What is most important to us in a channel partner relationship? Inventory/logistics, sales, service or some other aspect?
- What kind of distribution partner would we prefer given our products, our financial strength and willingness to assume various risks?
- Who (except for our competitors) has market coverage/reach?
- What kind of deal can we make with them when it comes to terms and conditions such as prices, volume discounts, marketing support, warranties and return policies?
- How will these aspects change over time and what impact should this have on our decisions in the short term? This is important since an established channel strategy is relatively difficult to change.

Remember that indirect sales is a game of relationships. Both parties invest in the relationship and have reason to protect that investment. But it is still important to understand that you are business partners, not friends. The channel partners sell your goods because they make a profit from it.

It is usually important to find a distributor who does not sell competing products and who is prepared to sign an exclusive agreement for distribution in a specific territory or segment and accepts clauses on minimum sales volumes or investment commitments. In cases where distributors carry your competitors' goods as well, you will have to compete hard for your distributors' attention and commitment. It may seem like the distributors have the upper hand on you, but just as the distributors can play their suppliers against each other, suppliers can play distributors against each other too.

This entire section is based on the assumption that you are a manufacturer considering how to reach a market. Regardless of whether this is the case or not, you should also consider another perspective. If your company has customer relations, local knowledge and presence in a market you may have a profitable business case offering others access to your channel.

Summary – the pros and cons of indirect sales:

Pros

- Distributors and resellers represent another channel to the market.
- The distributor's credibility will rub off on your products.
- Tap into your partners' knowledge and network in the market.
- Potential cost savings in inventory, logistics, sales, customer support, service, financing.
- Better control of what your competitors are doing (provided they use the same channel) and another perspective on market development.

- Potentially better visibility and accessibility for the customers.

Cons

- Less control, e.g. over how your offering is presented to the customer.
- You have to give up some of the revenues to the channel partners.
- Potential pre-launch leakage of information about new products, prices.
- Time, attention and financial resources have to be invested in the relationship.

Franchising

Another option for indirect sales is franchising. Franchising is often used for retail sales, but there are examples of wholesale franchising too. There are numerous successful global franchising operations, especially in fast food and various services. Franchising enables fast rollout and retained control over how your products or services are presented. This is done by dividing the roles between the franchiser and the franchisee in very clear agreement that is standardized across franchisees. The franchiser usually takes responsibility for the brand, advertising, campaign planning and training of franchisee staff. The franchisee is usually responsible for local management and sales, and ensuring that the outlet is run according to the (often very specific) instructions stipulated in the contract.

The franchisee running the business pays fixed and variable fees to the franchiser for the right to use the brand and send staff to training etc.

Franchising requires a high level of diligence in recruiting franchisees, as they must be able to run the business autonomously within the instructional framework. It also requires rigorous legal formulation of franchising contracts and very clear communication of instructions.

Providing a company can gain access to local

expertise in recruitment and legal matters, franchising can be a suitable way to rapidly establish export sales in several countries.

3.2. WHAT ARE YOU OFFERING AND TO WHOM

You have made your analysis and identified the target segment(s), but your customers are still a fairly intangible quantity of organizations or individuals aggregated into a segment or group with some common denominator.

In order to turn your plans into action, you will need a clear understanding of:

- Who are the customers and how do they do business?
- How you should pitch your value proposition to these customers?
- How you should use pricing to get the deal and make it profitable?

Building the pitch

After reading the marketing section, you know your customers' pain and how to formulate the value proposition. Now, with a more specific understanding of the customers, you can build the pitch that helps you move through the sales process towards a successful close.

Adapting the pitch to the audience

Keep in mind the different individuals and their roles described above. You need to adapt the pitch to each type of situation you are in. For each step in the sales process, there is a tollgate that you need to pass through. Some gates are wide open, while some are very difficult to get through.

Since the value proposition is something you communicate explicitly, the pitch will have to appeal to considerations that are legitimate in the specific forum. When pitching the value proposition for your enterprise software, for example, you will have to focus on how it saves cost and generates new business rather than how it in-

creases the relative power of the CFO in the organization. If the CFO is an important decision-maker, the more detailed pitch will of course also convey the vision of how the software will help him/her to succeed in his/her role.

This is not unique to business-to-business system sales. In consumer sales there can be several aspects such as fashion, peer pressure or self expression that are central or instrumental to the buying decision, but that are difficult or impossible to state explicitly in the pitch. A good pitch focuses on the uncontroversial and open considerations, but is at the same time able to convey at least a hint of deeper desires.

Make sure you understand how perceived scarcity and time limitations affect buyer behaviour. People, no matter how smart and rational they consider themselves, tend to make faster and less thought-through decisions when presented with scarcity and time limits. If you do not have real scarcity or time limits, you should create them artificially. This can be done simply by creating a limited number of products or introducing deadlines for your offers.

3.3. SALES PROCESS

The purpose of a sales process is to provide the sales persons and the sales managers with a structured approach they can rely on. Even an

experienced sales person or sales manager benefits from a structured approach and some degree of formality. Sales may seem very simple, but the structure also allows the individual to focus attention and creativity on the tactics and the interpersonal aspects in the sales/management situation.

Steps and activities

What steps and activities you need in your sales process will depend heavily on what you are selling and to whom. What is described here is a generalised process for fairly complex B-to-B sales.

All activities, from presentations/meetings and onwards, require the preceding activity to be properly completed before they begin. To make sure this is the case and to make sure your process is in line with the buyer's process, the tools described later on include tollgates and checklists that need to be completed before proceeding.

It may seem rigid, but that is what makes it a process that can serve its purpose and provide structure.

Prospecting

In most B-to-B sales, prospecting means turning the sometimes huge number of unnamed, unidentified customers in your target segment into a

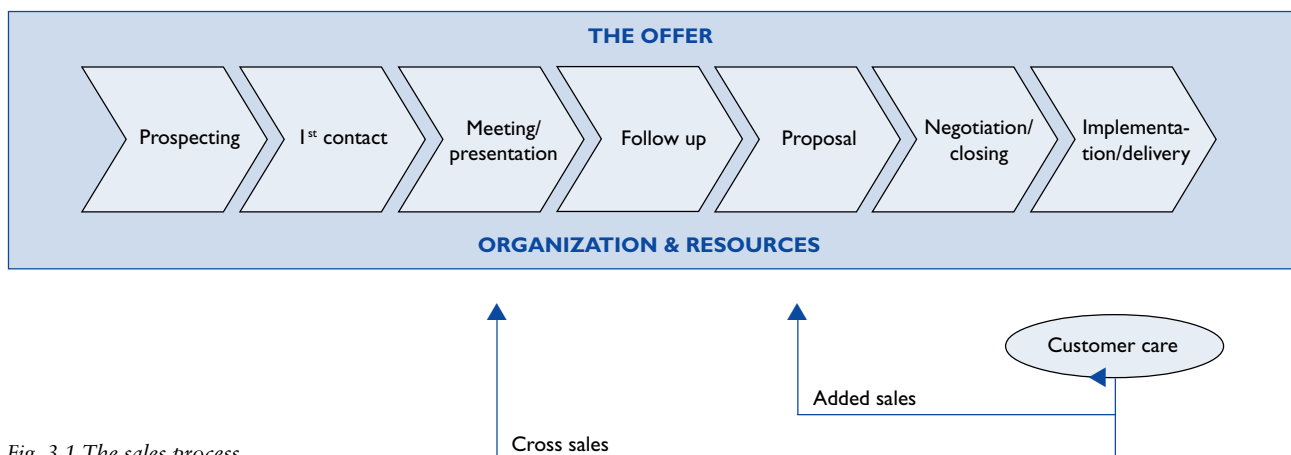


Fig. 3.1 The sales process

contact list of named customers that you have reason to believe are worth contacting.

There are both commercial and public databases to query for a sample of customers. The services range from plain yellow pages to more advanced batch queries to databases. Usually you can get consumers as well as businesses from these databases, though information about consumers other than contact data is quite scarce due to obvious privacy and integrity issues.

Other sources of contact information are spontaneous responses to marketing activities, visitors to your website, participant lists and collected business cards collected at seminars and trade fairs. What you get is the raw material for prospecting. To turn the entries in these contact lists into prospects, you need to find out who is a potential buyer and who is not.

Money and resources are usually spent most effectively if you can make some pre-evaluation, enabling you to pick the most interesting prospects. If the data sources allow for more advanced selections, this is often a smart way to get good quality from the start. In the case of B-to-B sales, you can always find useful information in trade magazines and business dailies, or from former colleagues or friends who know someone or who buy the potential customer's products. Even the smallest piece of information will make it easier to know if the company is a potential buyer and will also help you make contact and communicate with the company in a relevant manner.

An interesting alternative that may blur the boundary between prospecting and first contact is to conduct a market study. This would normally be part of your marketing analysis efforts, but here it is used to build the prospect list or to make first contact. That way the cold call (or e-mail, letter, fax) will offer something that can be easier to accept than an outright sale or a sales meeting. This, however, is approaching the next step in the process.

First contact

The first contact is typically made by phone, but also by e-mail, mail, fax or in some cases, even a visit.

First of all, you need to decide whether to use in-house resources or a service provider. Some telemarketing call centres are experts on cold calls to make the first the contact to find potential buyers, schedule sales meetings or perform market studies.

The down side of using outside resources is that you risk losing important information about your prospects. Depending on how you pay for the service to the call centre, there may also be other problems. If you, for example, pay a fixed amount for each scheduled sales meeting, you cannot always expect the highest quality meetings. Some of these problems relate to call centre quality, while others are lasting problems that will always require attention regardless of what call centre you are using.

Call centres can be very useful and buying telemarketing services is a management skill you develop.

As a rule of thumb you should keep the following calls in-house

- Calls that require deep knowledge of your organization or the offer.
- Calls that have a potential for building personal relationships with influential individuals.
- Calls where complicating factors such as distance, cultural differences or languages are of low importance.

If you decide to keep calls in-house, there are a few guidelines you should keep in mind.

Telesales is a numbers game, and that is true for cold calls in particular – if 100 calls generate 12 hits then 1,000 calls will generate 120 and 10,000 will generate 1,200. It is easy to under-

stand that the key success factor is high activity and persistence. The hit ratio will of course depend on what you are trying to accomplish, but for cold calls it will never be very high. This also implies that cold calling is sensitive to labour cost. Keep track of what you pay (in time and money) in relation to the relationships and business this activity generates.

Sales calls to qualified prospects (or established relations) are completely different from cold calls. Phone calls are very cheap compared to meetings, cheap for you and for the buyer as well. The purpose of this kind of call is to take the sale as far as possible in the phone call to make sure a meeting can start off from a high level with an established understanding of the specific customer need etc.

A typical tollgate for entering the next step could be a clearly identified customer need. Without a clearly identified customer need, you risk running meetings with non-buyers, wasting time for both parties. Still, in a market entry phase, a new company without a very well known brand name would probably not be too picky in this aspect. Tollgates are more important in the next steps.

Moving to a close

It is important to make use of the value proposition and the USPs in a manner that takes you the entire distance to a close. Apart from dealing with various people, you also have to acknowledge and deal with each step in the customer's buying process.

A powerful way of doing this can be to walk the buyer through an individual version of the customer need analysis described in the marketing section. By letting the buyer talk about needs and challenges, and pick up the threads that take you forward and nail them down with concrete questions, you can establish a shared understanding of this customer's need. This is described in the matrix below.

The most acute need of the buyer is often called the burning platform. It represents an issue that has to be addressed. Once it is identified and confirmed, you can help the buyer explore its impact and then wind to a close by visualising your capabilities to help solve the problem. What you have done is that you have created a drama out of your value proposition that makes it very obvious to the buyer and you can soon take the next step by making your proposition and eventually moving on to close the deal.

	1. Diagnose reasons	2. Explore impact	3. Visualise capabilities
Open	Tell me about it, what is causing you to have this ... (repeat pain)?	Besides yourself, who else is impacted by this (repeat pain) and how are they impacted?	What is it going to take for you to solve this (repeat pain)? Could I try a few ideas on you?
Control	Is it because?	Is this (pain) also causing ...? If so, wouldn't (title) be concerned?	What if there were a way for you to ..., would that help? What if you were also able to ...?
Confirm	So, the reasons for your (repeat pain) are?	From what I just heard (repeat the who and how), this isn't just your problem but a ... problem	From what I just heard, if you had the ability to ... (repeat capabilities), could YOU solve (repeat pain)?

Source: Solution selling, Michael T Bosworth

Meeting/presentation

This step is often, but not necessarily, a meeting, though it requires a rich interactive discussion that usually can only occur in a meeting face to face. Cases where it can be a phone call or a

video conference etc. are when you have a very well-established relationship with the counterpart or you have deep insights in the buyer's business. Depending on the buyer's processes, this step may also take larger proportions, such as a workshop or a meeting involving several people from the buyer's organization.

The purpose of the meeting/presentation is partly to establish a relationship (unless this is already done), but the most important objective is to gather enough information to make a killer proposal. It is instrumental that you get the counterpart to talk about challenges and needs in the area where your solution is effective. Since most people enjoy talking about themselves, their opinions and what they do, they usually talk a lot unless you interrupt. Let the counterpart have a large part of the airtime and concentrate on using your time to ask questions that direct the conversation in the desired direction. Discipline and curiosity will take you far.

The need for rich communication also means that in export sales, where you are always meeting people with a language and cultural back-

ground that differs from your own, it is wise to bring someone local to help you, regardless of whether you think you understand the language.

For further suggestions and a more detailed example of how to run this type of meeting efficiently, see the box on page 26 "Moving to a close."

Other important traits for successful meetings are of course presentation skills, interpersonal skills and in-meeting time management. To enable full focus on the dynamic and unpredictable aspects, nail down everything else in simple checklists and cue cards.

It is very important to have clear tollgates before moving on to the next step. What tollgates to keep by the end of this step and the next, depends on the situation. All tollgates are therefore listed under Follow-up.

Follow-up

Follow-up should take place within a few days or earlier if that was agreed upon, and may take the form of a phone call, a letter or an e-mail. It serves several purposes:

Checklist for sales meeting preparations:

- Get facts about the counterpart before the meeting
 - Size.
 - Business.
 - In the news recently.
 - Etc.
- Find out their primary need or challenge in our solution area
 - Ask open questions to spur conversation.
 - Let the counterpart speak but direct their line of thought with questions.
 - Identify their challenges and needs.
 - What activities are they running at the moment?
 - Are there internal initiatives affecting our offer?

- What solution are they running today?
- The counterpart's awareness of need
 - Who is responsible for this issue?
 - Signs of awareness?
 - Problem identified and considered important?
 - Willingness to deal with the problem?
- Decision process/influential individuals
 - What is the role of the individual we are seeing?
 - What is the decision process?
 - Who decides? Name/function?
 - Who has got the budget and about what size is it?
 - What kind of arguments would convince the individual we are seeing?

- The counterpart will be reminded about your meeting which will strengthen the impression and keep you top-of-desk and top-of-mind.
- You get an opportunity to fill in important things that did not come up in the meeting.
- You can seek further information and confirmation to ensure your coming proposition is meeting or exceeding expectations.

This step is important because it helps you keep control of the situation as you approach the very critical step where you make your proposal. You usually have one shot at making a killer proposal. Make sure you wait until you know where to hit and until you are close enough to succeed.

Suitable tollgates will depend on what you accomplished in the previous step, but combined, the tollgates from meetings/presentations and follow-up must include:

- Knowing for sure who the economic buyer or decision-maker is.
- Confirmation from the buyer that they have a clear and burning need for something we can offer.

Case 2 – Unbiased measures of progress facilitates flow

Background: Charliedelta Inc. is offering a complex B-to-B service package to large and mid-sized corporations. Being backed by major venture capitalists, Charliedelta has the cash but not the liberty to fail or even to move a bit slower.

Challenge: Very long sales cycles with several cases stuck halfway.

Solution: New quantitative and qualitative criteria for progress in the sales process. Rules for dropping slow moving sales cases and a greater inflow of new prospects to replace dropped cases.

Outcome: Massive increase in sales activity. The number of progressing cases in the sales pipeline grew five fold over six months.

- Agreement about the next step – i.e. you will come back with specific suggestions in a proposal.
- A very clear image of what that proposal will have to include to meet the expectation of the buyer.

Proposal

The proposal design will depend entirely on what you are selling and to whom. What is universally important though is that you keep control of the process by staying in touch with the buyer. Some basic rules in complex B-to-B sales are:

- Make a final phone call before finishing the proposal to set expectations, make sure you got it right and find out if there is something new in the buyers' view of central issues.
- Do not send a complex proposal to the buyer – schedule a meeting and present it. This way you can handle questions and potential misunderstandings and know for sure that the buyer has read and understood your proposal.
- If there are several decision-makers, make sure they are all present.

A specific example of a fairly complex solution sale could be the sale of a climate control system for an industrial establishment. A proposal for a system with this level of complexity would have to include (apart from regulatory requirements):

- Background, situation and challenge, need or problem.
- Purpose and goals.
- Required system specifications.
- Description of suggested solution.
- Schedule and activities.
- Deliverables.
- Team and competence.
- Referrals to earlier installation.
- Subcontractors and parallel processes.
- Roles of buyer and seller.
- Limitations.
- Terms and conditions including price.

Tollgates before initiating negotiation could include confirmation that:

- This is the kind of solution the buyer needs and the buyer believes that it will solve the problem.
- Your company is considered a credible partner in this project.
- Unsettled issues are limited to terms and conditions and solution items that can be changed without comprehensive and unpredictable second order effects.

Negotiation/closing

Regardless of the number of potential aspects, negotiations tend to focus on price. Despite the situation-specific nature of negotiations, there are a few general rules that may help you to be persistent, creative and to succeed:

- Do not discuss the price unless you have to.
- Avoid having to discuss the price by preparing at least five different issues to discuss before accepting a price discussion – many negotiators give up after a while.
- When forced into a price discussion, suggest that a component of your product or service is lifted out of the deal when the price is lowered – this protects the perception of value.
- When forced to lower the price, find a way to describe the price afterwards that does not show the price cut or at least does not emphasise it.
- Be creative by involving a wide array of issues that the buyer might be interested in adjusting. The more different issues there are, the bigger the chance that you find something that someone can accept and value higher than the cost for the counterpart.

When doing business on export markets, make sure you understand the negotiating culture of the specific market or culture. There are often sub-

stantial differences even between neighbouring countries and sometimes even between regions within a country.

Implementation/delivery

Implementation is a post-sales opportunity to create sales. The way your company acts in this phase, the information gathered and the individual relations established represent the starting point for recurring sales, added sales and cross sales. By identifying implementation and delivery as a sales opportunity and making the employees involved understand their sales role in this, a lot can be done to increase the probability of successful added and cross sales. What the customer sees as the fulfilment of your sales contract and the last step in their buying process is really the initiation of customer care and the first step in the next sales process.

Customer care is the day-to-day aspect of account management. It is about how you assume the responsibility the customer gave you when signing the deal and it is about how you listen, understand and get to know your customer to develop the account. By broadening the contact base, you also increase the switching costs and the barriers to entry for your competitors.

When calculating profitability in a deal or in a customer account, you have to factor in the sales costs. It is obvious that the costs incurred by initiating sales in existing accounts and established relationships are significantly lower than those incurred by winning new customers from scratch.

That is why the returning loop from customer care that is shown in the sales process figure is so important.

Tools and framework

The tools needed to succeed in sales are of two principal types: tools for the operative sales activities and tools for managing sales.

The operative tools include:

- Client journals with clearly defined progress steps and time frames for each step.
- Guidelines or rules for dropping or freezing clients, initiating cross selling etc., specific moves to be made depending on progress or lack of progress in the sales process.
- Contact logs that help the sales person keep track of what has been said, by whom and in whose presence and that ensures high activity on each client account.
- Templates for letters, e-mails, meetings and phone calls etc. to ensure action.
- Checklists for argumentation, negotiation and closing.

The sales management tools include:

- Simple sales reports where individual sales persons fill in a few of the most important

Case 3 – Set specific goals, measure, follow up and act

Background: Echofoxtrot, a growing company offering business process outsourcing, had not reached its sales budget in several months. The company's services attracted interest from potential customers, but the number of closed deals was very limited. Most customers used one service from the product line rather than several.

Challenge: Understand why sales are sluggish. Get the offer in front of the potential customer at the right time. Increase sales activity and creativity in expanding business with existing customers.

Solution: A thorough effort to identify accessible deals predominantly with existing customers and an action plan to win these expansion contracts. Specific individual goals for sales activity, a system for measuring and following up goals, as well as clearly communicated consequences of failure to reach goals.

Outcome: Echofoxtrot beat the sales budget for five consecutive months.

statistics such as number of calls, meetings, dispatched proposals/offers, closed deals or specific progress in key client accounts – these are used primarily to make coaching and evaluation more efficient and offer “self management” between meetings.

- Aggregated sales reports with the most important statistics presented as decision support that makes it very clear what part of the process is on fire (some part always is!).
- Key account alert – an early warning when an important customer account needs management attention.

Do not be intimidated by the content of these lists. Tools should be simple and easy to use rather than advanced and complicated. Have a few cards or sheets in whatever format or medium (paper, computer file) the sales person finds easy to use. Tools that no one uses and forms that no one fills out are useless.

A word of caution: Most sales software and even some modern business systems offer fantastic possibilities for reports and tools along the above lines. That is great when it is implemented, running and adapted to your specific business. Make sure that you are not dependant on a new system to perform the selling activities and keep using old systems parallel to implementation of a new one.

Customization vs. standardization

For a new company trying to reach pilot deals with larger buyers, customization may be the key that opens the door to the giant counterpart. In some situations it is the only option available. This is often the case in the business software industry. Consider a situation when you are negotiating a pilot deal. Unless you get that pilot deal, your company will be gone in six months, but if you get that deal, even if you lose money on it, you can get more deals and perhaps another round of financing. Not accepting customiza-

tion in that situation could be costly. But if the next deal and the next etc. are always a question of survival or break through, it may be hard to get out of the expensive customization game. In that sense the acid test comes when the business is up and running and it will have to make money regardless of whether it offers standardized or customized solutions.

A company that has found a cost efficient way to industrialise customization can use it as a way to differentiate (“the other” competitive advantage) its offer. Apart from being an attractive offer in itself, cost-efficient customization can also be a great defensive weapon when competing for a deal. When the buyer points to a feature in your competitors offer you can say: “Is that what you want? Well, you can have that with our solution too.”

The drawback is that customization usually costs time, money and uses other resources as well. Either you charge the customer for this, by quoting a higher price or by adding fees for customization, or you accept losing part of your margin on the deal.

For a company that did not intend to customize, this may cause serious problems. If the production process and the business case were based on production of standard items, customization could break the company.

A standardized offer is often associated with a leaner cost structure. Standardization is therefore a more attractive option if this cost structure is central to the company’s strategy and worth more than the money it turns down when declining customization.

4. People & organization

Who should be selling?

A common misconception is that all sales are done by a sales force, a group of people specifically dedicated to sales. It is important to have people dedicated to and directly responsible for creating business for the company. The *most important* thing is, however, the recognition and practical implementation of the culture and *everyday thinking and acting* that *everybody sells* and is, directly or indirectly, a sales and marketing person for the company.

Customer support is, as mentioned in the sales process chapter, another part of the company that potentially could play an important role in sales. This is true for most parts of a company that are more “ears listening” than “mouths talking.” Reception, assistants, executive secretaries and service staff for instance.

How to staff your sales process and organize your sales force will depend on what phase your company is in, what products you are selling and what resources you have available. The most successful sales people are usually able to earn good money regardless of business cycle. In an early stage you may not be able to attract the sales people you would like, unless you offer generous compensation packages with stock options etc.

The CEO as sales person

The CEO will always have an important role in sales, though the sales role is even more important in a start-up phase. Large counterparts will expect nothing less than seeing the CEO of a

small company present at sales meetings. In general terms, start-up companies cannot afford a CEO that does not take part in the actual selling and the closing of contracts. The CEO may focus on large accounts and strategic sales, but the important thing is *taking part*, succeeding and bringing home deals. It is both about bringing in real cash from customers and leading by example, with focus shifting to the latter as the company grows.

External sales resources

It is important to understand that people outside your company are also (or at least should be) involved in your sales efforts. These people range from temps acting as hosts in your stand at a trade fair to the employees of your major distributors and agents.

The recruitment, training, motivation and compensation of these partners and individuals are at least as important as that of your own staff. Consider the fact that they, more often than your own staff, may be left alone with your product and your customer. The limited time you have available to screen, pick, train and influence these people needs to be spent wisely. When reading the following advice, keep in mind that large parts of it are also valid for sales people working for you *outside* your organization.

4.1. SALES PEOPLE AND SKILLS

Recruitment and selection of sales people, training, compensation and performance evaluation are core elements in organizing and implementing

the marketing and sales effort. In a real sense, the people factors are the fundamentals to the success of a company's sales efforts.

This section will elaborate on skills and training, motivation and compensation and finally some general advice on managing and organizing sales.

The skills needed of a good sales person vary, of course, depending on what your company sells and in which market you are active. Generally when evaluating the skills of the sales person the following factors should be considered.

What are the most important general sales skills needed? Relationship building, ability to run several parallel processes, presentation skills, motivation and ability to work under pressure and towards clear targets, personal drive, argumentation and negotiation skills. The specific type of skills needed varies with the type of product or service to be sold and the channel used, such as telemarketing or personal relationship sales.

What type of product knowledge (technical knowledge, customer production process knowledge) does the sales person need and how in-depth should it be?

What type of market knowledge does the sales person need and how much? About a customer group, an industry or a geographical market.

How important are the person's documented previous personal relationships and sales performance to success in selling your product?

Assessment of the skills needed for specific sales persons and for building the mix of the total sales force can be used as guidelines when recruiting the right sales persons or as basis to form training programmes for individuals or the entire team. When deciding on how and in what to train sales people, you should also consider how to best use a mix of on-the-job training vs. attending regular courses.

Some skills are best acquired on the job: For example getting over the awkward feeling that is initially present when helping a buyer to decide by putting pressure on him/her.

Also, keep in mind that some people were never meant to work in sales, and however painful it may be to fire people, it is usually in the best interest of both parties to end a relationship that is not mutually fruitful. In recruiting sales people you should always expect to hire a number of people, find the winners and stick with them, replace the rest of the sales force, find the winners among the new recruits and so on.

Finally, selling is an art and the core skills needed are the right motivation, self-confidence and personal drive. This is very much the result of good sales management. The next sections will give some advice on motivation and on general management.

4.2. MOTIVATION AND COMPENSATION

Motivation in general

The overall purpose of a good compensation structure is to motivate every employee to be committed to the company's strategy and work for the company's best and its goals. More specifically, sales people should, at the individual and team level, be motivated to succeed in sales performance, excel in sales volume and profitable sales.

In general the company can use hard and soft factors to create motivation. The hard factors include all forms of traditional monetary compensation such as fixed salary, commission, bonuses or option programmes. The soft factors include rewards in terms of good vacation conditions, child-care assistance, sports facilities and flexible work hours. (See Connect Sweden's Booklet, "Building growth companies through people," IVA-R 436, for more on this topic.)

Motivating the sales force

The question "How should we pay the people

responsible for customer encounters?” is not the only one you need to ask, but it is an important part of organizing sales efforts.

The kinds of factors to consider when answering this question are:

What must the sales person do to succeed?

Closing profitable deals is of course the end result, but to compensate success, this needs to be divided into the factors leading up to a closed deal. How much cold calling is needed, how important are negotiation skills, relationship building, customer care and sheer persistence...? The most important sales tasks should be identified and the roles of the various different sales people in each task/set of tasks should be determined and rewarded. (See section on the Sales Process for more examples of tasks).

What damage would losing a specific sales person do to your sales? In many industries, sales people with experience develop specialized knowledge about and strong relationships with the customers, which makes the cost of losing them high. This should be reflected in their compensation.

How should success be measured? The guidelines for properly formulated goals are that they are clearly measurable, that they are possible to influence and reach, and that when followed, they create the desired behaviour.

What should be the fixed salary/variable incentive mix (commission, bonuses)? Most companies use a mix. It is important to formulate and continually evaluate the mix with close attention, specifically the variable part. Use of outside expertise such as tax experts can be valuable. The reasons for this are that the variable part can be complex for a small company to forecast and handle, and the sales people tend to find and use “the loopholes” and spend their time on activities that maximize their own income rather than the company’s, for example, paying commissions when orders are placed versus paying when payment is received, can make a

major difference in the company’s cash flow, order patterns and focus on selling efforts. Also remember that changing or withdrawing compensation that has already been promised can damage staff motivation.

What is the relevant overall compensation level to compete with our competitors and attract the right people? This of course varies with industry, type of sales person, and the state of the market.

Situations when to consider a low individual fixed salary component and aggressive performance compensation are:

- Basically, as a rule of thumb, in most cases.
- Individual sales performance and individual influence on overall outcome is easy to measure in a reliable way.
- The need for coordinated efforts/team cooperation is small.
- Sales complexity is low and sales cycles are short.
- Low importance of non-direct sales activities such as customer care, after-sales service.
- Sales are characterized more by taking orders, than education and influencing the customer.
- Low volatility of demand in a product market.

Situations when to consider a high individual fixed salary component are when:

- It is difficult to measure each individual’s impact on sales.
- The need for coordinated efforts/team cooperation is large.
- Sales complexity is high and sales cycles are long.
- High importance of non-direct sales activities such as customer care, after-sales service.
- High amount of “missionary selling,” e.g. educating the customer.
- High volatility of demand in a product market.

Checklist for designing sales personnel compensation packages

- Set individual goals as well as team goals and company performance goals.
- The guidelines for a well-formulated goal is that it is clearly measurable, that it can be influenced and attained, that when followed creates the desired behaviour.
- Use a combination of fixed salary and performance-based variable compensation such as sales commission or bonuses. Aggressively use variable compensation much more than the European culture is accustomed to!
- Reward and celebrate team and individual success honestly, generously and openly. Luxurious and highly visible prizes in sales competitions may spur motivation. Everyone in the organization should want to be a sales person.
- Measure on a fair and regular basis.
- Follow up, evaluate and take action on the results on a fair and regular basis. Do not delay in taking action on a bad result at the individual or team level.
- Seek professional advice to avoid adverse tax effects on compensation packages.

4.3. MANAGEMENT AND ORGANIZATION

*“I promise you that I could manage a sales organization successfully just by measuring and paying for sales call frequency. The number of visits or calls is **the** most important factor in sales.”*

Quote from sales manager in a major Swedish company.

Managing sales

Recruitment and selection of internal and external sales people, training, compensation and performance evaluation are all part of sales management. One of the sales manager’s impor-

tant responsibilities is to evaluate and coach the sales personnel. This responsibility should also cover sales resources outside the company, such as distribution partners and agents.

Performance evaluations are an integral dimension of successful sales, preferably formal and scheduled. Well-defined evaluation criteria and consequently, fairly executed performance reviews, on an equal basis for every individual, are essential to secure good sales personnel decisions.

The evaluation should focus on actionable behaviour that the sales person can influence and do something about (see also on compensation above). Many evaluation systems focus solely on end sales results, and measure only the result, not the process. It is, however, necessary to take into account all the steps in the process towards a successful result, otherwise the important links between motivation, effort and evaluation are broken.

The evaluation criteria should be consistent with the company’s measurement system and compensation plan. This includes choosing a mix between team and individual performance and compensation, ensuring that the company’s information system provides information that makes it possible to objectively evaluate performance, and that the evaluation result is in reality reflected in the employees’ pay checks.

The evaluation process is best designed as an opportunity to both evaluate and give coaching. This is, however, a major challenge for the company; to ensure that the managers responsible for evaluation are competent in giving and receiving feedback, capable of coaching strong and achievement-oriented sales people, and finally give it the attention and time necessary to perform well.

Organization of sales resources

When deciding on how to organize the sales resources there are a number of perspectives that may be relevant, all depending on your specific

business and market. Another dimension of organization is channel management, discussed in the previous chapter on Distribution.

One general guideline is to organize resources and customer responsibility so as to best fit the customer's decision process, location or organization. The different perspectives described below may help in the process of allocating sales resources. Depending on company and organization size, the same or different people may be responsible for each area and a few or many people may be allocated to it.

Examples of perspectives:

- Geographic area the customers are located or active in.
- The customers' industry.
- The type of customer, such as private consum-

er, private business or public sector – these different customer types have different decision-making processes and therefore need to be communicated with differently.

- Your product or solution areas.
- The account or customer size, the customer's importance to you.

The customer's importance to your own business is usually useful guide as to how many resources you should commit and how specialized they should be. For your most important accounts, a Key Account Management perspective may be efficient, while other customers should be served by field sales people, in-door direct sales or telesales. Other channels that may be appropriate depending on account characteristics are back-office sales/support or Internet sales resources.

CONNECT Nordic

CONNECT Nordic is a foundation that was founded jointly by CONNECT Sweden, CONNECT Denmark and CONNECT Norway in 2002 in order to stimulate and encourage:

- the creation and development of knowledge-based start-ups through an increased co-operation between CONNECT networks, investors, the business community and universities in the Nordic and Baltic region,
- international investors to invest in knowledge-based start-ups and industry to establish strategic partnerships in the region.

Today CONNECT Nordic also includes CONNECT Estonia and CONNECT Latvia.

CONNECT in the Nordic and Baltic region links entrepreneurs and start-ups with the financial, technical and business development resources needed to create and develop knowledge-based companies.

In each country, CONNECT networks have been developed around the major research universities in close cooperation with the business community. Regional activities are conducted by these networks in order to “package” the entrepreneurs’ ideas into start-ups with the potential to become international companies. Within each network, people with experience and competence in various areas contribute their time and know-how in CONNECT’s activities. Such individuals include accountants, lawyers, patent experts, management and marketing consultants, technology experts, entrepreneurs, venture capitalists and people from industry. The activities within CONNECT Nordic are carried out by experts in the national and regional CONNECT networks.

CONNECT’s most important activities are the following:

- Springboards – an expert panel (specifically selected for each entrepreneur) helping entrepreneurs solve problems and identify opportunities, as well as providing practical advice on what actions should be taken to tap into these opportunities.
- Financial Forums – a meeting place for selected start-ups seeking venture capital, and venture capitalists looking for investment opportunities.
- Publications – offer entrepreneurs and start-ups guidance on important issues they face when building their companies.

CONNECT is a non-political, non-profit, private initiative. All regional networks are financed mainly by membership fees, sponsor packages, and fees for certain activities. CONNECT Nordic is financed by the Nordic Innovation Centre and by the BSR INTERREG III B programme.

For more information please visit: www.connectnordic.com

