

Future of Business and Finance

Peter Buchenau *Editor*

Strategic Sales Management

Insights and Guidance from Top Interim
Managers

 Springer

Future of Business and Finance

The Future of Business and Finance book series features professional works aimed at defining, analyzing, and charting the future trends in these fields. The focus is mainly on strategic directions, technological advances, challenges and solutions which may affect the way we do business tomorrow, including the future of sustainability and governance practices. Mainly written by practitioners, consultants and academic thinkers, the books are intended to spark and inform further discussions and developments.

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Editor
Peter Buchenau
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Foreword

On the Road to Becoming a *Sales-Driven Company*

In his 1969 work entitled *Pragmatics of Human Communication*, the Austrian philosopher, psychotherapist, and communication theorist Paul Watzlawick coined this wonderful phrase: “One cannot *not* communicate.” In this instance, Watzlawick was referring to people, but the phrase can also be applied to companies. After all, a company is a social construct. And this is where it gets interesting. Let’s continue to situate Watzlawick’s wise words in a corporate context: If every aspect of a company is communicating (to customers), then why isn’t every single employee a brand ambassador for the company—always striving to give customers the attention they deserve? Why are the best parking spaces reserved for managers rather than customers? Why isn’t *every* last customer touch point geared toward customers’ needs, no matter how small—from the telephone hold procedure to the invoice design?

There Can Be No Marketability Without Sales

Every aspect of a company communicates to the customer and is supposedly geared toward them—we hear a lot of companies nowadays claiming to offer the best “customer experience.” But is that enough? I don’t think so! Nowadays, customers have a huge range of products, services, and providers to choose from. We should—and, indeed, must—be guiding customers to our products and services, and ultimately toward making a purchase. So, here is my advice, loosely based on Watzlawick’s: Employees cannot *not* sell. Everything and everyone is involved in sales, because every aspect of a company feeds into the customer’s subjective perception of it: the amount of time taken to respond to a query, the quality of product information provided, the development of solutions that are tailored to specific requirements, the expertise and emotional intelligence of a sales consultant,

the capability and efficiency of a service technician deployed to a customer site. . . The list goes on and on. The key questions are whether we are aware of this and whether we are consciously working toward sales success. Not in the sense of hard selling, but rather with the aim of actively selling our services to the right customers, and therefore generating added value—for our customers, yes, but also for the company itself.

Sales has always been an important driving force for growth and competitiveness in companies. However, at a time when products and services are becoming increasingly interchangeable, sales cannot remain an operational task; rather, it must become the linchpin of company strategy. Market dynamics are developing at an increasingly rapid rate, while corporate strategy keeps evolving. Most companies have already moved away from focusing purely on products and are becoming more customer-oriented. But now it's time to take the next step and unlock your company's latent sales potential for good. And believe me, this is something that every company has in spades.

Everyone Pulling Together

There's a lot more to professional sales than simply being good at selling. "The term 'sales drive' refers to a continuous effort by (sales-driven) people and (sales-driven) companies to gain clear competitive advantages and achieve sustainable, profitable growth by consistently prioritizing customers and displaying the utmost professionalism in sales and marketing" (Zupancic, 2019).

In a *sales-driven company*, every single employee sees themselves as a salesperson. Everybody has the awareness and the motivation to play their part in ensuring that the company represents more to customers than just an interchangeable brand. Everybody pulls together to support the sales managers. The company's strategies, processes, and structures are all geared toward effective and efficient sales (and therefore also toward its customers). *Sales drive* is not an isolated solution that can be limited to just a few supervisors, managers, and experts. Companies will only see a real difference when all of their employees in every area—in the warehouses, in the administration and service teams, on the phones, and so on—are finding ways to create added value for customers in their work, and then using this knowledge to support the sales team.

Top companies do not treat sales as something static, as just another department. No—sales is the DNA that runs through the entire organism of a company. In a *sales-driven company*, sales is a dynamic process. *Customer centricity* and trustworthy customer service make up just one part of it. In addition to these aspects, processes and structures are also continuously analyzed, reviewed, and improved. The company's vision is set out in the form of a clearly defined sales strategy, which is shared and discussed with the entire workforce. A successful company focuses all its corporate resources on its customers.

High Performance, End to End

An innovative sales team delivers outstanding performance by segmenting customers by their needs rather than by region. This process-oriented approach can be implemented with the help of qualification modules, tools, and checklists. Sales teams are given access to innovative tools and modern qualifications, enabling them to solve customers' problems and exceed expectations. *Sales drive* requires a successfully realized *customer relationship management (CRM)* system with a high level of data hygiene, target systems (including contribution margins, product revenue, and customer satisfaction rates), and a continuous effort to improve sales efficiency. These companies have an enormous amount of innovative energy—and customers can sense that. Sales opens up opportunities for customers and employees alike. Managers who position sales as a competitive factor, both internally and externally, will achieve lasting commercial success for their company—and cultivate a good reputation among customers.

What Does the Future Hold for Sales?

Some managers will certainly be losing sleep over the increasing complexity of sales activities. There are more and more tools, channels, and competitors—and customers are increasingly well informed. Navigating all these factors and exploiting them in a targeted manner is a real challenge. Intelligent CRM systems and digital customer interaction can help to simplify processes and improve customer experience. But even in our high-tech future, the most important factor for successfully gaining customers' trust will be the human touch. Companies whose sales teams are able to retain this factor as a fundamental part of the customer experience and forge an emotional connection with customers via all channels, both digital and physical, will set themselves apart from the competition.

If a sales team is able to use its collected data purposefully to build and maintain relationships, it will make itself indispensable to customers. In addition to digital literacy, understanding of tools, and data skills, the sales teams of the future will also need other essential qualities: empathy, creativity, and emotional intelligence. These are human traits that no machine can provide. The future will be shaped by social values, sustainability, collaboration, and a shared sense of purpose. This also means that sales teams are increasingly evolving into a strategic partner for customers—one that does not sell products, but rather solves problems and helps customers to develop their business in the long term.

Internally, sales teams should be sharing their challenges and successes with the rest of the company, including current customers, projects, and methods. This high level of transparency means that everyone knows what their colleagues are working on—and how they can help. For example, if the warehouse staff know that the sales team is about to win a customer who is especially pressed for time, they can prioritize

that customer and allocate resources directly to them. This rigorous, goal-focused approach is a state of mind. The more everyone communicates within a company, the more transparent and focused their work can be.

Helpful Tips and Interesting Approaches

In their vivid and insightful contributions, the authors of this book explain how sales and marketing will change in the future and how companies can adapt to our fast-paced working world in order to inject more *sales drive* into their organization. Each chapter presents interesting approaches and valuable tips that would benefit any company, all based on the authors' first-hand experience. The interim managers of the Dachgesellschaft Deutsches Interim Management e. V. association have helped countless companies to improve their sales strategies—from agile start-ups to local SMEs to global groups. Now, they have brought all their *sales excellence* expertise and experience together in this book, making it a real gem for anyone involved in sales management. I hope you enjoy reading these insights, and I wish you every success in putting them into practice!

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Projects GmbH, Ilsfeld, Germany

Dirk Zupancic

<https://www.dirkzupancic.com>

https://www.dzp-consulting.com/index_en.html

Foreword

Interim Managers: The “Doers” of Modern Business

Interim managers are often described in the media as “the firefighters of the business world” (Bandermann, 2019): When a “fire”—that is, a crisis—breaks out in a company, the interim manager is called in to put out the flames. This comparison is not entirely far-fetched, but it doesn’t do justice to all the different responsibilities and activities that interim managers cover. Because interim managers are much more than firefighters. They are bold go-getters, sources of ideas and inspiration, implementation gurus, and *enablers* who pave the way for complex transformations and then guide companies through them. Interim managers don’t just put out fires at companies in crisis—they also put the company in order and set it on course to achieve growth and marketability in future.

This means that all interim managers are also designers—they design new business areas, competencies, growth markets, product lines, processes, forms of cooperation, cultural approaches, and leadership styles. They are the “doers” of the modern business world, characterized by a wealth of experience, as well as practically unlimited expertise and leadership skill. They also have the ability to obtain a crystal-clear overview of company situations that are highly complex, or even seemingly chaotic, and take action to address them—all within a very short space of time. A situation that others might consider extreme is simply business as usual for an interim manager.

Facts and Figures

There are over 11,000 interim managers currently operating at the senior management level in Germany (Stechert, 2021). The fields and industries they represent couldn’t be more varied. In the results of a forecasting survey conducted by the

Dachgesellschaft Deutsches Interim Management e. V. (DDIM) in 2021, the tasks most commonly assigned to interim managers were change management, restructuring and turnaround, process optimization, project management, and executive management. Most interim contracts were awarded in the automotive, mechanical and plant engineering, service, retail, and metal industries. In 2020/2021, due to the pandemic, qualified interim managers also found themselves focusing increasingly on liquidity, and therefore on the areas of finance and HR. And although the coronavirus crisis has also left its mark on the interim market, the 2020 market volume—1.9 billion euros—fell just 9.7% below the record-breaking year of 2019. In 2021, the demand for interim management shot up once again.

And no wonder, since the added value that interim managers generate for companies often exceeds the invested costs many times over. The study *Interim Management Market 2021* by Ludwig Heuse GmbH found that, in one-fifth of interim projects, the *return on interim management* (RoIM) amounts to ten times the financial investment (Cropp, 2021). Within a short space of time, interim managers identify and utilize potential savings and develop new competencies that generate enormous momentum, even in large, slow-moving companies. Many senior decision-makers in client companies are becoming increasingly aware of this RoIM, which is why they are not afraid to pay out daily rates averaging EUR 1200, but sometimes reaching up to EUR 2500. Things were different ten years ago. But nowadays, more and more companies are coming to a realization once pithily formulated by—and this brings us nicely back to where we started—the firefighter Paul Neal “Red” Adair: “If you think it’s expensive to hire a professional to do the job, wait until you hire an amateur.” This is certainly a welcome development for the DDIM, as it represents the fruit of many years’ association work at the economic and political level.

The Mouthpiece: The Dachgesellschaft Deutsches Interim Management e. V.

The DDIM is the leading commercial and trade association for interim management in Germany. It represents the interests of its members and acts as the voice of the industry. One of the association’s most important tasks is to highlight the various ways in which interim managers can be deployed. After all, the appointment of an interim manager must be carefully planned, especially in terms of tasks and objectives, skills required, and legally compliant contracts. The DDIM supports its members in this regard and offers legally compliant contract templates to ensure a straightforward contract process.

As the “Dachverband” (umbrella organization), the DDIM sets the standard: In order to offer maximum transparency for customers, new members are required to undergo a predefined admissions process, comprising multiple stages. As part of this, the DDIM develops a number of quality criteria that interim managers have to

meet before joining the association. All DDIM members are also subject to a binding code of ethics, which they themselves helped to develop. In accordance with this, each DDIM member commits to align their decisions and conduct with the welfare of the commissioning company, its employees, and its shareholders. In order to achieve these standards, the DDIM supports and develops its members by promoting a continuous transfer of knowledge and offering various training opportunities.

The DDIM also promotes dialogue and networking: As an industry-wide platform, it organizes conferences and events that bring together interim managers, interim management providers, and client companies, as well as key representatives from the worlds of business, politics, and research. As of 2020, these events are also held in digital format (YouTube, 2021). The DDIM's working groups are formed of interim managers who come from similar disciplines or focus on similar industries. These groups come together to share experiences, build up know-how, and offer customers even more added value. Among them is "DDIM.fachgruppe//Vertrieb und Marketing," the working group for sales and marketing, whose members also co-authored this work.

The DDIM Working Group for Sales and Marketing

The experienced interim managers in this working group are committed to finding creative and modern approaches that can take the strategic and operational side of sales and marketing to the next level, and therefore boost the competitiveness of companies. In everything from digitalization and internationalization to clear customer segmentation, sales is a key element in the transformation of companies, as explained in depth by Michael Eckardt, Dr. Ulrich Girschbach, Thomas Mertens, and Stephan Rohe in their respective chapters. Meanwhile, Ralf Komor explains how companies are even using virtual reality to successfully offer a better customer experience and stand apart from the competition. And even if a company runs into problems, the sales team can turn things around as long as they have the right interim manager guiding them, as illustrated in Rainer Simmoleit's chapter.

In addition to sales and marketing, service will also play more of an important role in the future. Uwe Brüggemann, Peter Kuhle, and Stefan Zeiss present many different examples to illustrate that service is no longer simply an *add-on* to sales, but is developing into an independent, data-based, and digital business model. The challenge here is to turn innovative business models from an idea into reality, and also to get customers involved in the development process. Elmar Gorich and Siegfried Lettmann provide some possible methods for this. If these are applied successfully, customers will become fans and companies will become strong brands that, according to Ulvi Aydin, even know how to assume social responsibility.

In this book, the interim managers from the DDIM working group for sales and marketing, along with two other DDIM managers with relevant expertise, share their knowledge with the help of illustrative case studies, as well as their own practical experience. We believe that any publication by or about interim managers is a

valuable asset, one that not only benefits decision-makers in SMEs and groups but also empowers this unique professional group. On behalf of the entire DDIM, we would therefore like to thank the authors for their valuable contributions to this volume of *Strategic Sales Management*, which represents another relevant step toward achieving what we have been working on for almost 20 years now: increasing the visibility and recognition of interim managers—in politics, business, and the public sphere.

I hope it proves to be an insightful read.

Management+Consulting, Neuss,
Germany

Marei Strack

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Preface

If you have to sell, you haven't done your homework!

Dear readers,

“Mr. Buchenau, please get my sales team ready for 2020!” This was the brief given to me by a medium-sized company based in the Swabia region of Baden-Württemberg, a German state. It was a beautiful morning in early summer, just before the opening of the 2016 State Garden Show in Öhringen.

Fantastic, I think. Finally, a business owner who's looking ahead, identifying changes in the market, and taking action. However, this impression would evaporate from my mind just a short while later. It seemed that the task would actually be a great job for strategic sales, so the company also officially appointed me as an interim strategic sales manager.

Right away, I got to work on analyzing the sales team, which comprised a good 30 employees. I conducted lengthy interviews with each of them, accompanied them on their acquisition activities, and shadowed them as they conducted their sales work remotely or directly at customer sites.

At that point, I had more than 30 years' experience in both operational and strategic sales, over ten of which I'd spent in a management role. Based on my own experience, but also on recent market studies, I was able to get an idea of how sales would develop over the next few years.

After a good two months, the sobering reality began to set in. It was now clear to me why the company's sales figures had been declining for three years: None of the people employed in the sales department met the requirements for “Marketing 5.0.” The sales team was selling purely at an operational level, without any kind of vision or strategy. “Sell, sell, sell” were the instructions fed down by management. But without vision or strategy, it's just not that simple. So it's no wonder that sales employees nowadays are quitting their jobs soon after starting. As a result, the company is left with the old guard of salespeople, who have been there for many

years and whose attitude can be summed up as follows: “This is how we’ve been selling for the last 15 years—why should we change now?!”

If you only ever use the sales strategies you’ve always used, you’ll only ever sell what you’ve always sold!

Unfortunately, this quote about sales is still very relevant today. There is too little willingness to change in most companies—and especially in sales departments. Things have generally gone well for them so far. Generally, but not always—and less and less as time goes by. Today, we’re living in “Society 5.0”—so if society has changed, companies are going to change, too. And when companies change, the job of sales changes. Today, successful companies are those that do not have to sell their products, but whose products are purchased by customers.

Selling is out—being bought is in!

Let’s return to the company that commissioned me. Of course, I drew up a detailed strategic implementation plan outlining which employees had the potential to become successful salespeople by 2020. But this plan also included some personnel-related measures, which the company would have to take in order to retain its successful position on the market. The plan ended up disappearing somewhere in the owner’s desk. Meanwhile, the company slipped from its once leading position into mediocrity. Strategic sales is and always will be a matter of management.

In *Strategic Sales Management*, experienced interim managers share their top tips on how to use strategic sales approaches to remain competitive on the market in the years ahead. The book’s contributors—Ulvi Aydin, Uwe Brüggemann, Michael Eckardt, Ulrich Girrbach, Elmar Gorich, Ralf Komor, Peter Kuhle, Siegfried Lettmann, Thomas Mertens, Stephan Rohe, Rainer Simmoleit, and Stefan Zeiss—provide insights into why strategic sales management is the key to success, based on their own experience.

I hope you discover plenty of new insights and tips, and I wish the authors of this work the very best.

Wishing you every success in your own sales endeavors.

Oberterzen, Switzerland

Peter Buchenau

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About the Editor



Peter Buchenau or “Mr. Chefsache” is known across German-speaking Europe as an expert in new beginnings—in both personal and professional contexts. He is a man of action, with plenty of real-world experience. He compiles and provides advice written by experts for experts—whether they are employed, self-employed, or freelance.

He was previously a manager and CEO himself at reputable companies such as Ciba-Geigy, MANOR, Sysys, and eibe. Today, he helps to develop specialists and managers in his capacity as a trainer, advisor, coach, and speaker. He has written and edited multiple publications, and also performs as a comedian and lectures at two universities.

Peter Buchenau can support you on your journey and help you make your mark on the business world—to ensure that you’ll be remembered for a long time to come. In over 30 books and countless keynote speeches, he amazes audiences with his simple and easy-to-follow practical tips. He has an incredible ability to present serious and critical facts in such an entertaining and comedic manner that the emotional highlights and punchlines become part of the educational experience.

As a literary scout and agent, he has helped over 200 authors to write their own books. He has also written a comedy cabaret show “Männerschnupfen” (English: “Man Flu”), which he performs on stage

150 times a year—demonstrating presence, efficiency,
and visibility at its best!

Find out more at:

<https://peterbuchenau.de>

<https://buchenau-comedy.de>

Contributors

Ulvi Aydin Ottobrunn, Germany

Uwe Brüggemann BM-Experts GmbH, Berlin, Germany

Michael Eckardt OMB Vertriebsmanagement GmbH, Cologne, Germany

Ulrich Girrback Hilden, Germany

Elmar R. Gorich EGO Management, Menden, Germany

Ralf H. Komor KOMOR INTERIM MANAGEMENT, Ladenburg, Germany

Peter Kuhle Bad Honnef, Germany

Siegfried Lettmann SLIM Management GmbH, Salzburg, Austria

Thomas Mertens Mertens Management, Aachen, Germany

Stephan Rohe Rohe interim GmbH, Arnsberg, Germany

Rainer Simmoleit p4c consulting GmbH, Freiburg, Germany

Stefan Zeiss Stefan Zeiss Management + Consulting, Bad Hersfeld, Germany

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What Will Effective Product and Brand Management Look Like in the Future?

Ulvi Aydin

Abstract Companies have always had to deal with change. And strong brands have always adapted to this change. The main challenges facing brand management in our changing times are digitalization, hybrid customer groups, and the demand for companies to assume social responsibility. This chapter looks at brand management in the consumer goods industry.

What is a brand? It may seem like a simple question, but it's one that is often difficult to answer. Legally speaking, a brand is an entry in the commercial register, a trademark. But for companies and customers, a brand is much more than that. A brand is what remains when everything else about a company has been forgotten. A brand represents the sum of our perception of it. Brands are emotions. Brands are anchors. They help us to navigate our way through an overwhelming sea of brands. A strong brand is like a firewall that protects companies in times of crisis. Brands are our experiences beyond the product. The stronger the customer experience, the stronger the brand value. One brand might mean different things to two different people. At the same time, strong brands are unmistakable in their essence and also deliberately exclusive. Brands communicate through every last customer touch point, no matter how small, whether intentionally or not: via invoices, sales pitches, brochures, social media posts, commercials, PR work, service, response times, and so on.

A strong brand isn't simply there—it has to earn its stripes first. And that's not something that happens overnight. What was it that Warren Buffett said? "It takes 20 years to build a reputation and five minutes to ruin it." It may not take as long as 20 years in our modern, fast-paced world, as demonstrated by Volkswagen's brand recovery following the emissions scandal (Schneider, 2020), but the essential meaning of Buffett's words remains the same: Companies need to do their homework before they can become a brand. And every company must strive to become a strong

U. Aydin (✉)
Ottobrunn, Germany
e-mail: ulvi.aydin@aycon.biz

brand, because if you're not a brand, your future will be determined by prices alone! In order to develop a successful brand, you'll need to put the work in—by providing top products and services at top quality and top speed while also ensuring top response times. Only those who consistently perform at the highest level in every area will be able to offer customers added value in the long term—and remain relevant in the bullring of the market.

However, it takes a long time for customers to recognize a company's excellence in areas such as quality, delivery reliability, service, and response times. Companies need to step up and show customers that they are the best-in-class provider on the market. If you're noticed, you'll sell. High-quality communication will boost brand awareness. If customers can see how good a product is, they'll try it out. And if the product is as good as the brand message claims, they will come to love and value it. Brands are highly emotive. Let's take the German automotive industry as an example: German car brands—emissions scandals aside—have always represented world-leading engineering, long-standing tradition, comfort, safety, luxury, and enduring values. These brands have appealed to customers' emotions for decades. London-based market research institute Kantar conducted a report on the world's most valuable brands, revealing how important it is to have a strong brand in times of crisis. They are more resilient to crises and recover from them more quickly (Kantar, 2021). This was the case in the financial crisis of 2008/2009, as well as in 2020, the first year of the coronavirus pandemic. That said, it's not just the pandemic that has brought about change in consumer society. Nowadays, brands have it harder than ever.

1 What's Changing for Brand Management?

Our society is changing at a rapid pace. Due to digitalization, globalization, shifting demographics, and climate change, we're seeing new priorities emerge in our saturated markets. Customer requirements are more varied and unpredictable than ever before. Customers are more knowledgeable about products, they research topical issues, and they share information within their social network. They scrutinize the origins of products and the sustainability of supply chains. All these factors make the buying process much more complex. There are three challenges that anyone involved in product and brand management should have on their radar if they don't want to fall into obscurity, along with their brand:

1. Digitalization is revolutionizing the customer journey.
2. Consumer behavior is becoming more hybrid.
3. Consumers expect purpose and sustainability from brands.

2 Digitalization Is Revolutionizing the Customer Journey

This point isn't new; it's at least ten years old by now. The digitalization of our world is progressing at an extreme rate, which is reflected not the least in the customer journey. Nowadays, a customer will come across a product while scrolling through their smartphone on their way to work. Later, during their break, they'll use their work PC to compare the product with others and check whether it's available in their area. On the way home, they'll stop at the store to see the product for themselves. And that evening, sitting on the couch, they'll use their tablet to read customer reviews on social media—before finally ordering the product on their laptop. The boundaries between online and offline are becoming blurred. Our channels and devices are no longer as clearly defined as they once were. It's time to rethink the ways in which brands and customers interact. A brand can lose its value on social media in an instant—in comparison, Warren Buffett's "five minutes" feel like an eternity. Any negative news about a company goes viral in real time, sparking a furor that has a direct impact on sales figures. Just think of Netflix in 2011, when the company was still making its money from streaming and online DVD rentals. In July 2011, the founder increased registration fees by 60%. Customers weren't impressed; many of them canceled their subscriptions and the company's share prices plummeted (Fig. 1).

The Netflix brand was briefly tarnished. The company quickly backtracked and the CEO released a video statement apologizing to his furious customers (Sandoval, 2012).

Another negative example is the incident that occurred on a United Airlines plane in 2017. The flight was fully booked, but there were four more crew members who needed to board it. Since none of the passengers volunteered to disembark in exchange for a refund and compensation, the crew selected four passengers to



Fig. 1 Netflix share value (in US dollars), July to December 2011 (Macrotrends, 2021)

leave the aircraft. Among them was a doctor, Dr. David Dao, who still refused to leave his seat. He had patient appointments the following day that he had to keep. In response, the crew called airport security, who violently dragged Dr. Dao off the flight. Of course, somebody filmed the whole debacle and posted it on Facebook, leading United Airlines to find itself at the center of a massive controversy (Kort, 2017). The company suffered immense damage to its reputation, reflected in a market value loss of \$250 million on the stock exchange.

Social media, therefore, has great power over market value—but what does that mean for brand monitoring? After all, there's no longer any point in preparing monthly or weekly reports. Nowadays, social media channels need to be monitored round the clock. Any errors of judgment by management, employee mistakes, and even misunderstandings or well-intentioned moves can backfire and harm your own brand. Slow service response times, a complicated online checkout process, or long delivery times can also damage your brand image. The good news is that technological change also brings with it new ways for companies to improve the customer experience and boost brand value and awareness. Thanks to digital applications, for example, it is much quicker to conduct surveys on trends, prices, and products. Providing the option to personalize offers and products via digital channels will also help to strengthen customers' relationship with the brand (Lehmann et al., 2020). Meanwhile, AI is opening up new opportunities in market research, making it possible to understand potential customers' intrinsic motivation and create new customer group clusters that go beyond the typical characteristics. After all, defining target groups isn't as easy now as it was 20 years ago.

3 Consumer Behavior Is Becoming More Hybrid

Our increasingly well-informed customers aren't just using more and more end devices and channels—they're also becoming more disloyal. They cheat with other brands, then return to their old flame, only to run off again. If you had to describe the relationship status between customers and brands nowadays, it would probably be "it's complicated". According to a study by data analytics company Nielsen, 40% of Europeans surveyed are more open to new products now than they would have been just seven years ago (Nielsen, 2019). This study also shows that brand loyalty is a generational matter: Millennials are much more open to trying new products than older generations (Nielsen, 2019). This raises a few questions: Are consumers really *more open* to new products, or are they simply following their whims more spontaneously because the product label says "new"? And does that make the predicate "new" an important brand value? Aren't there any other ways to make your brand stand out from the crowd?

Of course! You can start by placing lifestyle and emotion at the heart of your brand message. This is important because, as well as being more fickle (as we discussed earlier), modern consumers are also more difficult to categorize. Hybrid consumers, as they are known (Rennhak, 2013), are those who own a high-quality,

expensive smartphone but also buy “no-name” products at discount stores. Or they’ll follow an eco-friendly diet but also fly to the other side of the world twice a year on vacation. These unstable consumer patterns have an impact on strategic brand management: Customer groups can no longer be easily categorized based on their buying behavior or demographic characteristics. Our society is far too heterogeneous for that. Things such as bias, persona mapping, or consumer groups only ever represent a small section of the customer world. In our digital network society, consumers don’t just pursue *one* lifestyle—they switch between *multiple* lifestyles as desired, even if these lifestyles contradict one another.

How does this affect brand management and marketing? Companies need to realize that they aren’t selling products anymore. Nowadays, companies sell values designed to suit certain lifestyles, not just *one*. Modern brand management is all about appealing to clusters of various, intersecting lifestyles. If a customer is currently living in a world of subjective truths and values that aligns with the lifestyles you’re selling, they will identify with your brand in that moment: the 40-year-old early retiree who forages mushrooms by day and drives a Porsche by night, the medical student who plays amateur soccer on the weekends, the tattoo studio owner who loves going to the opera, and the lawyer who enjoys martial arts and plays keyboard in an electropop band. This shift in personal lifestyles and consumer behavior is forcing marketing managers to take a much more abstract approach and start thinking across all ages, professions, and social classes. This is the only way that brand managers can respond to consumers’ hybrid, unpredictable, and seemingly contradictory behavior in all its complexity. In certain segments, however, traditional definitions still apply. Companies in the luxury goods industry, for example, should define a certain income bracket. Mid-priced products in the food and consumer goods industries, however, can be aimed at other lifestyles. It’s important to think in terms of lifestyles what your brand communication consistently appeals to. In these segments, rather than relying on stereotypical patterns, managers need to analyze and appeal to the motives and genuine needs of potential customer groups. After all, more and more customers want the values and messages communicated by brands to align with their own personal values.

4 Consumers Expect Purpose and Sustainability from Brands

According to the Consumer Barometer 2020, compiled by the accounting firm KPMG, 72% of customers now look more closely at the sustainability of a product before buying it (KPMG, 2020). About 69% would be willing to pay more for sustainable products, and 85% of respondents said they seek out information on sustainability. This trend is especially important to consider in the packaging and fashion industries. Ethical consumption—that is, combining material consumption with immaterial values—is becoming increasingly prevalent in Germany. In many

areas of the consumer goods industry, it is no longer enough to offer a good product and an unforgettable customer experience. Health and sustainability have become a lifestyle. This is quite understandable; pursuing such a lifestyle boosts our sense of social responsibility as well as our personal well-being (Kecskes, 2019). Buyers are increasingly asking themselves why they should give their money to a brand that doesn't share their social and environmental values. The issue of climate change has taken root in the minds of many consumers, across all age groups (Kulkarni & Lefebvre, 2018). And from a psychological standpoint, many consumers not only perceive sustainability as a personal priority but also as a facet of their social identity. They want their social environment, their network, to know about their ethical consumption. In psychology, this phenomenon is known as "social signaling": My shopping habits tell the people around me something about myself. This doesn't just apply to sustainable consumption but to any kind of purchase. Bernhard Gneithing, the former chief press officer of Harley Davidson, made a very memorable remark about this: "We're selling an attitude—we just throw in the motorcycle for free" (Deklat, 2015). Ethical consumption works in a similar way. When a consumer makes an ethical purchase decision, they send out a signal to their social environment—"I'm doing my bit to build a better world"—and, in doing so, boost their own social value.

These changing values within the consumer society are placing new demands on companies and their brands: It's no longer enough to slap a promise on a banner and then fail to keep it. Customers are looking more closely now, and they expect full transparency. They want to see what's really behind the brand. For some companies, this can cause problems. If, until now, you've only been polishing the surface of your brand, you need to start digging deeper as soon as possible. Consumers are quick to detect greenwashing, and today's companies are expected to walk the talk—in other words, back up what they say with actions. Not only do companies have to deliver on the promises of their brand message, they also have to prove that their brand is sustainable, healthy, and environmentally friendly—that it is fulfilling its social responsibility. This is something that many retailers in Germany have already recognized. In a survey conducted by the International Trade Centre and the European Commission, 100% of retailers said that sustainability is "an important factor in product procurement" (ITC, 2019), 99% included the issue of sustainability in their procurement strategy, and "65% report an increase in recent sales of sustainable products and 76% expect further increases in the future" (ITC, 2019). Brands that are perceived as sustainable will increase their value.

Examples from the Food, Cosmetics, and Fashion Industries

One company that is boldly and successfully anticipating this change in attitudes is *Rügenwalder Mühle*—a truly traditional brand in the meat production industry. For a good decade now, we have seen a major trend toward conscious eating and plant-based diets. This has resulted in growing demand for meat substitute products made from tofu, legumes, and vegetables. *Rügenwalder Mühle*, a traditional sausage manufacturer, entered the meat substitute market in 2014. In 2020, the company sold more vegetarian products than meat products for the first time in its 187-year

history (Terpitz, 2020). With a market share of 40%, Rügenwalder Mühle is a clear top player in Germany's meat substitute market. The company's decision-makers identified this shift in values at an early stage and anticipated that it would be more than a fleeting fad. The company's product range for the German state of Lower Saxony contains seven meat products compared with 19 meat substitute products (Rügenwalder, 2021). With these new products, the company is cannibalizing its core business. At the same time, it is also changing its brand image, while still maintaining a positive reputation among a sustainability-conscious target group.

Another example is the American candy manufacturer *Mondelez*: When it comes to responding to changes in customer requirements, innovation is essential. Companies have to be willing to not only cannibalize their own business model but also integrate customers and customer values into the product development process. This shift in values poses a particular challenge for confectionery companies—and it was no different for *Mondelez*. In response to its customers' new expectations, it created *SnackFutures*, an innovation and investment hub where customers are invited to help develop new snacks that are healthier and more environmentally friendly. The hub also provides a platform for reinventing existing snack brands and investing in external start-ups from the food industry. Here's what Tim Cofer, Chief Growth Officer at Mondelez, said about it in an interview with Food Business News magazine: "The way we address a rapidly evolving consumer needs to change. We are taking a purposeful approach in *SnackFutures* to disrupt our own model and to really bring a more start-up mentality to the company" (Watrous, 2019). The aim of *SnackFutures* is to create an unconventional ecosystem, consisting of venture capitalists, entrepreneurs, scientists, accelerators, and incubators. In terms of business development, *Mondelez* is always looking for sustainable brands that could become potential acquisitions. Even if the core brand loses some of its market share, this approach gets customers and other stakeholders involved in the product development process and, therefore, demonstrates the company's social commitment in an open and honest way.

French cosmetics manufacturer *L'Oréal* has also recognized that its young, Generation Z target group is opting for new brands such as *Urban Decay*, *Essie*, and the German natural cosmetics brand *Logocos* (L'Oréal, 2021)—So *L'Oréal* absorbed these three companies, systematically grew its new acquisitions, and now promotes them via online channels that are popular among millennials, including Instagram and TikTok. Much like Rügenwalder Mühle, the company is attacking its own main brand—but in the process, it is also securing market share and establishing new brands. Finally, let's take a quick look at the fashion industry. Many fashion houses have had to grapple with their brand image time and again. Not only do they face criticism of the unsuitable working conditions at their production facilities in low-wage countries, they are also among the worst offenders in terms of pollution. Thanks to fast fashion and the production of four collections a year, many fashion houses have an enormous carbon footprint. "The fashion industry emits more carbon than international flights and maritime shipping combined" declared the headline of an online Business Insider article in 2019 (Business Insider, 2021). With the emergence of the sustainability trend, it became clear that fashion houses had to

do something to improve their brand image, while also offering added environmental value. As a result, many of them launched sustainable collections, such as “Conscious” at H&M and “Join Life” at Zara. The clothes in these are made from recycled materials or organic cotton, for example. In online stores, too, it is becoming increasingly common for website menus to include the item “Sustainability.” Both companies have also set themselves clear sustainability targets (Böhnke, 2020). These changes in brand identity are communicated by means of advertising and PR campaigns. The green US fashion brand Reformation, for example, advertises its sustainable fashion with the slogan “Being naked is the number one most sustainable option. We’re number 2.”

5 Conclusion: Brands Are Becoming Spaces of Consciousness

These examples make it clear that a change is underway. In many industries, brands are changing from worlds of experience into spaces of consciousness, where dynamic, values-driven communities take responsibility and work together to tackle the problems facing society. When it comes to navigating these changes, brand managers need to ask themselves some brutally honest questions: What do we actually stand for? What role do we play in society? Who are we trying to reach—what solutions are we offering for which problem? What is our company’s *raison d’être*? How should our brand communicate when appealing to customers who wish to understand and experience the purpose and sustainability behind the business model? It goes without saying that not every brand can emerge victorious on the market. Establishing a crystal-clear market position that also deliberately excludes some customer groups was, is, and always will be a key factor in successful brand management. If you dilute your brand essence too much in the fight for market share, you’ll go under—the business world is rather Darwinian in that respect. If your brand is weak and slow to innovate, it will soon end up on the bargain table or in outlet stores. But if you show perseverance, courage, and a willingness to take risks and focus on new patterns of customer behavior rather than on your competitors, you’ll stand a good chance of winning the battle for market share. There is no strategy that’s guaranteed to succeed—but if you really need a guarantee, you’re probably better off buying a vacuum cleaner.

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Ulvi Aydin (born 1960) is an award-winning Premium Executive Interim Manager (DDIM), corporate and entrepreneur developer, advisory board member, XING Insider, speaker, brand ambassador, and author. As an interim CEO and CSO, he supports medium-sized companies and corporations around the world in the fields of brand and market development, repositioning, restructuring, and sales excellence. He is a member of IBWF—an institute and network for qualified management consultants, tax advisers, auditors, lawyers, and notaries working on behalf of SMEs—as well as Die KMU Berater-Bundesverband freier Berater e.V., the German federal professional association for independent SME consultants. He is officially certified as a consultant by the Federal Office for Economic Affairs and Export Control (BAFA) and by the Offensive Mittelstand alliance. He is a member of the Dachgesellschaft Deutsches Interim Management e.V. (DDIM) association and the ArMiD, Aufsichtsräte Mittelstand in Deutschland e.V., an association for supervisory and advisory boards of SMEs in Germany. He is also a supervisory board member certified by Deutsche Börse. He writes about his experiences as an interim manager in various business publications (including *Wirtschaftswoche*, *Springer Professional*, *Transformations-Magazin*, *Controller Magazin*, and *Harvard Business Manager*).

It's Never Too Early: Selling the Value of Digital Services



Uwe Brüggemann

Abstract This chapter is aimed at decision-makers in B2B companies who are involved in the process of transforming their products and services and particularly at managers in the field of sales and product management. In it, you'll learn

- Why digital services are (or should be) treated as a separate part of the service
- What challenges need to be addressed when pricing products and services
- Why customer value is the most important argument in favor of selling digital products

1 Pricing Digital Products: A Critical Decision

How important is the software share of the products you sell in your company? And have you ever asked yourself whether these digital components already have their own value that should be priced—or even sold—separately?

The pricing of digital products and services is not a task that a company's management should delegate to the sales team—it is a strategic matter. It is not unusual that sales teams give software away for free if it helps them to boost turnover and secure more contracts.

The pricing of digital products is an important task that will affect the company's future development.

A Note on the Terms Used in this Chapter Any mention of *products* or *services* in this chapter always refers to both areas. This is simply because product performance is increasingly generated by (digital) services as well as the product itself. The use of one of the terms are therefore often just an expression of the *degree* of digitalization.

Digital products form an increasingly significant part of every company's value chain. They are becoming much more of a critical factor in the customer's decision

U. Brüggemann (✉)
BM-Experts GmbH, Berlin, Germany
e-mail: ubr@bm-experts.com

to buy a product—not just end consumers but also manufacturing companies (in the business-to-business sector)—because they contribute an ever-growing proportion of the product’s overall value. This contribution may be realized in the use of the product, in the procurement process, or during integration. However, in the business-to-business (B2B) sector, it is still difficult to sell digital products at a price that reflects their added value (contribution to value). Too few have recognized how relevant and urgent this issue really is. Ultimately, the proportion of digital components in products is constantly rising, and some products are being replaced entirely by digital solutions.

Here’s an example to illustrate this point. In 2013, Honeywell supplied DHL with 55,000 handheld devices equipped with a scanner to simplify the package delivery process. This deal included the device management software MasterMind™ as well as the scanning software Adaptus™ Imaging Technology (Deutsche Post, 2013-2021). Nowadays, however, we often see DHL couriers just using their smartphones. The hardware is no longer made by Honeywell. This package delivery solution only requires the software and a standard smartphone, which can also be used for other tasks.

So, what does this mean for companies like Honeywell? Since the digital component of the product was only valued as part of the handheld devices, Honeywell is no longer able to sell them. As a result, Honeywell is no longer the manufacturer of the solution. However, if the digital service had been assigned its own value, the supplier could have sold it as an app—and therefore continued to generate significant revenue.

If a company’s digital services only account for 5% of its business or less, it can get away with not pricing them separately. But this percentage is steadily on the rise. If, as in the example above, the digital element eventually becomes the only relevant part of the product, it should not be marketed as part of the hardware. This example illustrates how important it is for companies to seize the opportunities offered by digital services *at an early stage* and, by doing so, increase their margins and secure their future.

It is never too early to define the monetary value of digital services—and to price them accordingly.

This chapter will be focusing on digital products that are sold as additional elements of existing B2B products. Our main point is that these digital services have value in their own right. We’ll explain how companies can use the CCX Matrix (CCXM) as a tool to formulate arguments in favor of raising prices for products to which a digital component has been added. These arguments and this additional value should also be shared with and utilized by sales teams.

We’ll then go on to talk about boosting customer value. Digital products have to achieve this in order to be assigned a value of their own—and they should only be priced on the basis of this increased customer value.

Value is created by

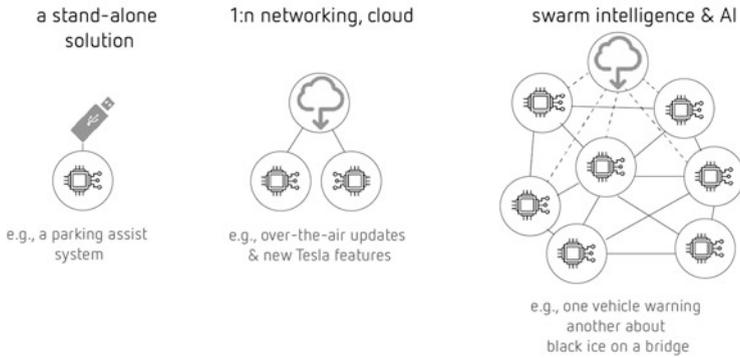


Fig. 1 Types of digital products (courtesy of Brüggemann; all rights reserved)

2 Digital Products: The Basics

2.1 Definition: What Are Digital Products?

Digital products are nonphysical products. They don't weigh anything; they are nothing more than bits of code on some kind of device or hardware, such as software or image/sound files. In some cases, they may meet exactly the same needs as a material product (Jäckle & Brüggemann, 2019). Nowadays, our needs are increasingly met by digital (or partly digital) products. We no longer use paper maps to find our way around, for example, but rather Google Maps, Waze, Komoot, or a navigation device.

However, digital products are often sold (exclusively) as additional features of material products—for instance, a navigation device in a car cannot be purchased separately from the car itself. This is the case with many devices that are operated via the Internet of Things (IoT), to take another example (Fig. 1).

Take the digital records stored by a production machine: The user of this B2B product (e.g., a factory employee) can communicate with the manufacturer via a chip, RFID, or a QR code, enabling them to access installation manuals and information on wear or spare parts.

If a product is equipped with sensors and communication systems, it can also communicate with the manufacturer itself. This is the case with most high-end cars brought to market nowadays: They communicate with the manufacturer (and vice versa) for updates and upgrades.¹

¹In the automotive industry, it is no longer uncommon for cars to come with certain features preinstalled, even if these features weren't explicitly sold. This is easier and cheaper from a production standpoint, and upgrades can be installed "over the air"—even if the car has to be driven to a local dealership in order to do so.

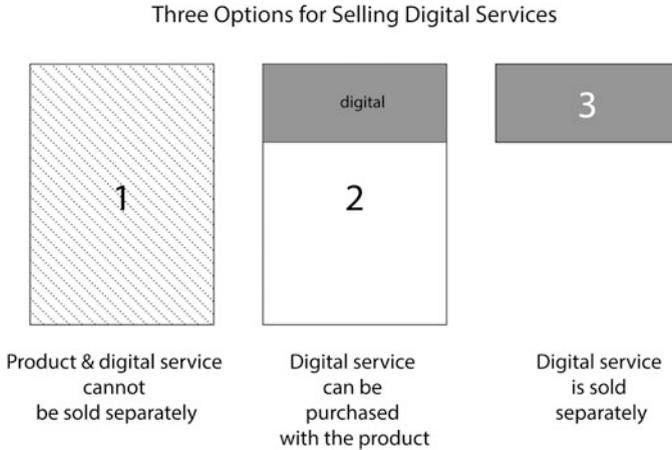


Fig. 2 Options for selling digital solutions (courtesy of Brüggemann; all rights reserved)

Another illustrative example is Thyssenkrupp Elevator and its predictive maintenance solution called MAX (Thyssenkrupp, 2021). MAX monitors all functions continuously: “The real-time data collected by the sensors is sent to the cloud [...] MAX identifies which technical components will soon need to be serviced or replaced [...]. This means that the parts can be replaced before the elevator is out of service even for a minute” (Maienschein, 2020).

These solutions are often initially developed by the selling companies as a way to improve their own performance; that is, by producing products more cheaply or offering services more cost-effectively. At this stage, the companies are not focusing on increasing customer value, so they will only be able to charge the customer the same maximum price as before.

However, this new digital element enables the company to offer new and improved benefits for their customers. If the digital service not only offers an advantage for the manufacturer but also generates customer value, the manufacturer is well advised to charge the customer for it.

3 How Should You Sell Your Digital Services?

3.1 Supplier’s Perspective: Three Types of Digital Services

The most common solution in the industry is for digital products to be sold as *part of the physical product*—and not priced separately (1) (Fig. 2).

Nowadays, for example, there are high-quality ovens (B2B) sold with internet access and app control included. This gives users access to features such as flexible

Fig. 3 Payment models for digital services



preheating—a key advantage that enables them to save energy and get started in the morning without any delay after the employees’ arrival on the premises. The ovens are often sold with these features included, regardless of whether bakery employees actually use them.

In these cases, the product is offered at the same price regardless of the digital component; it serves merely as a potential competitive advantage. At best, it is mentioned as a justification for increasing the overall product price. The digital service, therefore, enables the company to sell a high-quality product at a higher price. The physical base product is no longer sold without its digital components.

In the case of the MAX maintenance solution, this would mean that, after a certain point, all elevators would be offered with the software included. The information on required maintenance work would be an included service and therefore always available to customers (e.g., via an app that customers can access as soon as they buy the elevator).

Alternatively, the digital service can be sold *in addition to the physical product* as a second option (2). Where the MAX maintenance solution is concerned, this would mean that customers only have access to the maintenance information and data if they buy it; i.e., if they purchase the app in addition to the elevator or pay for a service subscription. Of course, this is only possible if the digital service offers adds value for customers. In this case, the customer would have access to the app when they pay for it, and not as soon as they buy the product.

The third option is to sell the digital service separately from the physical product (3) (Fig. 3).

Digital solutions can be sold together with the existing product or service, but they don’t have to be. Many digital products are sold separately, such as software products or CRM² applications.

In the case of the MAX maintenance solution, it would be possible to sell the digital component separately if the necessary sensors could be retrofitted and the digital service could be sold separately—that is, without the customer having to purchase a specific elevator model—and also regardless of the manufacturer.

²Customer relationship management software.

4 Challenges of Selling Digital Services

This chapter's focus is primarily on digital solutions that are sold as additional services or features of physical products. These solutions present certain challenges, which are outlined below.

4.1 *Pricing the Value of an Immaterial Product*

In B2B corporate practice, prices are often calculated on the basis of costs. The factors that these calculations take into account include material and production costs, and then a factor is added for research, development, administration, and marketing costs. The value of digital products is usually only considered as part of the overhead costs, e.g., for programmers. The digital components of a product often have a significant influence on the customer's decision to buy it and the overall costs, but this fact is only considered in passing—as a selling point, so to speak.

But the customer buys the entire product—including its digital components. In companies that traditionally manufacture material B2B products, it is not uncommon for managers to decide to simply give away digital services for free. This is often because they feel compelled to do so due to price wars with competitors. But this is a fatal error, as illustrated by the example at the beginning of this chapter.

After all, even if a digital product is sold as an additional feature of a physical product, it still has value of its own. The software component of a product helps to meet customers' needs and, therefore, contributes a certain proportion of the product's overall value (and this contribution keeps growing as digitalization progresses).

How to identify digital value, based on experience

Divide your product into mechanical, electronic, and digital components. Identify the customer value offered by each of these components. You can also try to identify factors that make the components unique (best in class). This will help you determine which components offer particular customer value and should therefore be priced separately.

Does the selling company recognize the added value of the product's digital component, even if this component does not cost anything in terms of manufacturing expenses? More importantly, however, does the buying company recognize it? Getting customers to see the added value of a digital product is often the biggest challenge of all for the sales team. The next section explains how to achieve this in practice.

4.2 Costs of Service and Updates

Material products come with a warranty that often lasts two years or even five. But what about digital services? It is not possible to guarantee these services for such a long time, especially if the products in question are connected to the Internet. This is because digital products require software updates and other services in order to function properly. The challenge is to convince customers to agree to these updates or even to pay for a service contract.³

4.3 Data Sovereignty

One problem that companies sometimes face in practice is that customers are unwilling to purchase the digital, value-added components of products because they do not wish to share their data (collected by sensors) with the supplying company (Brüggemann & Kuhle, 2021).

There are essentially three tried-and-tested models that are used to win over customers:

- (a) The customer views the added value of sharing their data as inherent to the delivery of the service, therefore giving them a definite advantage.
- (b) The critical data only leaves the company in anonymized form.
- (c) The collection of data has become a standard practice, without which the service would not work. Some examples of this model in the B2C sector are Amazon, Spotify, and Netflix.

In all of these models, customer value is once again the key selling factor.

4.4 Compatibility and Integrability

In the B2B sector, it is often the case that the direct customer is not the end customer. The direct customer has to integrate the digital products they buy and, if applicable, resell them as part of their own product. In this respect, it is essential for suppliers to observe the end customer's current and anticipated future standards and offer solutions to suit them.

³These kinds of service contracts are common in the software industry.

5 Explaining Added Value Using the CCX Matrix

By visibly increasing customer value, the supplying company can get a fair price for its digital products. It is essential that the customer, or the buyer/user, perceives and recognizes this added value.

In order for the customer to accept the increased price, they must first be convinced by the sales team, a process referred to as cross-selling in the case of traditional products. Again, this can only work if the additional product or service offers a clear advantage. Sales teams can use the Customer Company Excellence Matrix (Jäckle & Brüggemann, 2019) as a tool to formulate persuasive arguments.

5.1 The Customer Company Excellence Matrix

The CCX Matrix (CCXM) is used to determine a company's position compared to its competitors, based on two dimensions: *customer value* on the X axis and *production efficiency* on the Y axis.

The CCX Matrix was developed by Steffen Jäckle and Uwe Brüggemann as a way to map the changes in business models in the age of digital transformation.

The X axis indicates the customer value offered by the company's products. Customer value consists of the following aspects:

- *Product performance*

Product performance refers to what the product actually does, that is, which needs it meets and to what extent. This includes factors such as quality, usability, and flexibility.

- *TCO*

Total cost of ownership (TCO) refers to the costs that arise for the customer in connection with the purchased product. This includes the price of the product itself, but also, for example, training, installation, energy, maintenance, and disposal costs.

In the case of a car, the cost of the tires is not limited to the price of the tires themselves (both summer and winter varieties) but also includes how difficult they are to change, any additional energy costs caused by increased consumption of gasoline/diesel or electricity (e.g., if the tires are too soft), how often they need to be replaced, and how much it costs to dispose of them.

- *Trust*

Digitalized products can help to increase customers' trust in a company. One example is the transparent order tracking systems used by Amazon. Transparency also helps to build trust in the B2B sector.

- *Convenience*

Convenience "refers to an attribute of a product (or service) that enables the customer to save time and/or mental effort" (BM-Experts, 2019). This is another factor that can be improved using digital products.

One example in this case would be the Smart Tags developed by machinery supplier Rexnord.⁴ Using QR codes, customers can register a product in a matter of seconds. This service also includes installation and maintenance support, as well as direct communication with the provider's product experts. It saves time because it means that customers no longer need to keep paper copies of documents near the machine. And it's very practical—convenient, you might say.

The Y axis indicates production efficiency, which consists of the following aspects:

- *Sources of income*

Sources of income are primarily the customers' payment for the service but may also include other sources, such as revenue from selling collected data or state funding for an innovative IT project.

- *Cost structure*

A company's production costs will have a major impact on its profitability.

- *Key enablers*

Key enablers are a company's key resources (such as machines, halls, servers, and brands/patents) and key activities (such as logistics, production, marketing, and sales).

- *Customer relationship*

The nature of customer relationships is an important consideration for companies. Do they depend on which contacts are prioritized by the sales team? Or is it the products that form the basis for customer trust? Is there a customer loyalty program with an app and a regular newsletter sent out to customers? Or does the customer just drop by when they need something? Is the CRM system up to date, or do teams only have access to old customer data?

- *Channel management*

If a company's sales activities are carried out by partners, retail points, or franchisees, these parties also form an essential aspect of its overall efficiency.

Companies that provide a service particularly efficiently compared to their competitors will be at the top of the Y axis. Companies whose services offer a high level of customer value will be at the top of the X axis. Companies that manage to achieve both are champions (Fig. 4).

⁴“IIoT Smart Tags are an intuitive QR scan interface that delivers a robust and instantaneous list of product-specific features designed for increased efficiency.”

Rexnord, <https://www.rexnord.com/products-services/process-motion-control/smart-solutions/smart-tags?lang=en-us> (accessed on July 6, 2021)

IIoT = Industrial Internet of Things

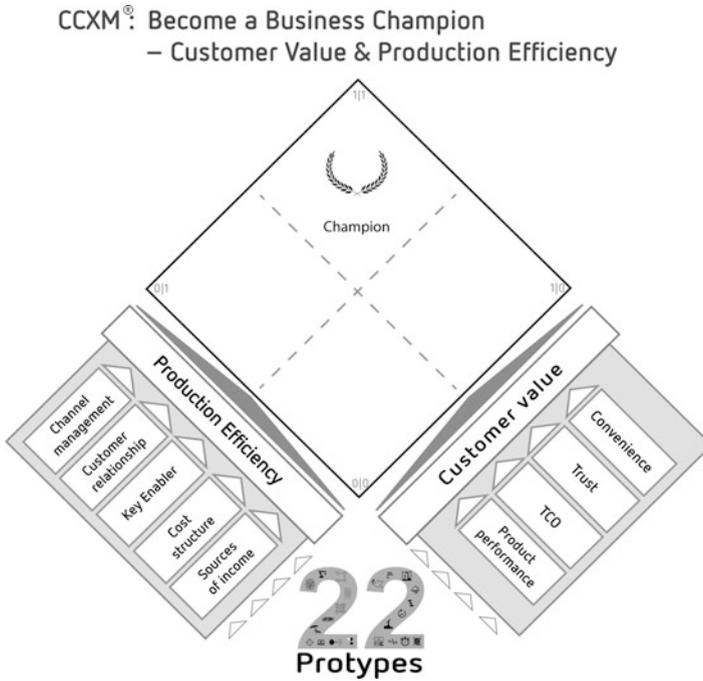


Fig. 4 Company Customer Excellence Matrix CCXM® (courtesy of Jäckle & Brüggemann, 2019; all rights reserved)

5.2 The Most Convincing Argument: Higher Customer Value

In order to sell the added value of digital services, sales teams need to consider the following product-based arguments (plotted on the X axis):

- Product performance
The sales rep could focus their pitch on the improved performance of the product—but that’s what every sales rep does anyway. In the case of the elevator equipped with predictive maintenance software, the product performance is significantly improved compared to that of a “normal” elevator. After all, this software offers a better quality of service—the elevator is always well maintained, always safe, and always available.
- TCO
Customers will be looking at their own costs—and this is something that sales teams should be addressing in their sales arguments. As a very straightforward example, let’s say you’re buying a self-driving car. The car itself is more expensive than a normal car, but in exchange, you can get around without having to drive yourself (e.g., giving you more time to work) or hire a chauffeur (saving you money).

- Trust

There are many ways to win and retain a customer's trust (but there are even more ways to lose it). For example, if the elevator manufacturer were able to show—based on real data—the impact that using this elevator could have on the number of visits from the maintenance team, it would gain a great deal of trust among its customers.

- Convenience

Is it particularly convenient to buy the product or service from a certain company? For example, in everyday life, our choice of supermarket often depends on how close the store is to our home. And our choice of everyday products—our preferred brand of whipped cream, let's say—depends on whether it is available in that particular supermarket. Unless you're a real foodie, you're unlikely to travel another few miles to a different store for a particular brand of cream.

When it comes to online shopping, convenience is closely tied to visibility. Is the company's website clearly structured? Is it easy to find (does it appear on the first page of search results)? Can the products be found on the relevant portals and platforms?

Customer Value as a Selling Point

Sales teams will often rely on product performance as a sales argument. However, it is much more important to consider the product's overall customer value.

In this regard, there is a special rule for B2B customers: Companies should not only consider their own customers when valuing their products and services but also their customers' customers. With that in mind, the next step is to extend the CCX Matrix to the entire supply chain.

5.3 Applying the CCXM to the Supply Chain

In the B2B sector, customers have their own customers, who in turn have customers, and so on until the end customer or end user. One important part of the sales strategy is to understand not only the needs of the company's direct customers but also those of its customers' customers.

Changes in the end customer's usage behavior (or changes in the law) can open up new opportunities for suppliers, including some of a digital nature (Fig. 5).

Now, as the sales team, let's move away from our own CCX Matrix (supplier = "0") and take a look at the customer's CCX Matrix (manufacturer = "1"). Customer "1" is aiming to increase efficiency and create more added value for its own customers ("2")—and the sales team of the first supplier ("0") should be helping it to do so, as should the sales team of the preceding supplier ("-1" and possibly "-2", "-3", etc.).

As an example, let's take a look at the supply chain of a Mercedes-Benz car. It is particularly important for Bosch (position "1" in Fig. 6), one of Mercedes-Benz's

Example of Value & Production Efficiency for a Supplier: "Autonomous Driving"

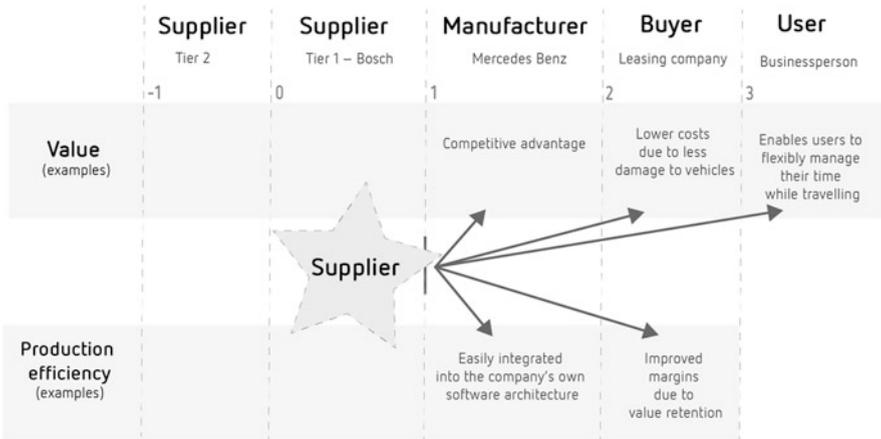


Fig. 5 Customer structure in the B2B sector (courtesy of Brüggemann; all rights reserved)

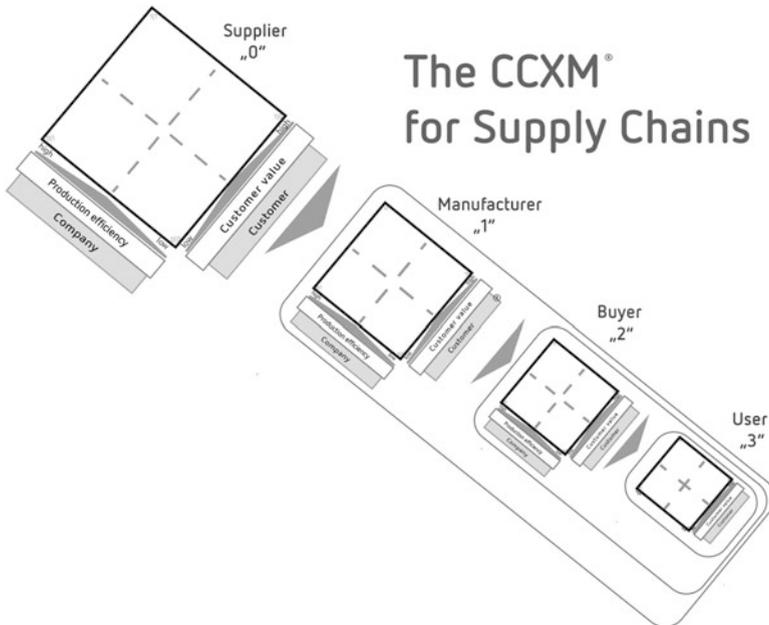


Fig. 6 The CCXM for supply chains (courtesy of Brüggemann & Kuhle, 2021, based on Jäckle & Brüggemann, 2019; all rights reserved)

suppliers, to focus on the total value offered to its customers. This customer value consists of the following aspects:

- (a) Performance efficiency at Mercedes-Benz (left side of the second matrix; e.g., for Mercedes-Benz, this would mean more efficient car production)
- (b) Value for Mercedes-Benz customers (right side of the second matrix—this is the value generated for the user of the car, i.e., better cars).

Likewise, Bosch's suppliers (position "1" in Fig. 6) can boost their added value if they not only consider Bosch (now at position "2") but also Mercedes-Benz (now at position "3").

Sales teams should, therefore, always be thinking at least one step further along the supply chain—and they should communicate that they are doing so. You shouldn't just be thinking about your own customers but also about your customers' customers. Ultimately, this is exactly what will win your own customers over—because companies want suppliers who understand their business model and take it into account.

If you, as the sales team, are able to raise your customer's position on both axes of the CCXM, it means that you have created added value for them. And that's added value customers will be willing to pay for.

These processes are all the more important when it comes to selling digital products, because it is always very difficult to define their value in concrete terms. If you're selling apples, you can "count" in calories or in pounds; if you're selling a material product, you can use production costs as a basis. But if you're selling digital products, you don't have these factors to guide you. Sales teams must, therefore, rely on selling points that focus on the value the product offers for the customer (and, in turn, for the customer's customers along the supply chain).

6 Outlook

Material goods are often priced on the basis of production costs, though there are sometimes other factors involved, such as the competitive situation. This approach cannot be applied to digital goods. Nevertheless, it would be a fatal mistake to give these products away just because they do not appear, at first glance, to offer any material value (copies and downloads are cheap, if not free). The supplying company must focus on the value of the digital product and strategically develop its pricing structure.

Especially in cases where the product's hardware could, in a few generations, be replaced by standard hardware (smartphone + app + possibly a sensor), it is vitally important to develop and implement alternative business models. Just think of all the handheld camera manufacturers having to operate in the age of the smartphone.

Now it's part of the sales strategy to formulate arguments that are geared toward the customer. Understanding your customer's business model will drive your success in sales. The CCXM system can help you to zone in on all the right aspects, and sales teams can use it to prepare their arguments from the customer's point of view.

Digital products should improve your direct customers' efficiency, while also offering more value for your customers' customers. If a sales team can think ahead and develop a sales pitch from the perspective of their customers—and from the perspective of their customers' customers—they will be able to successfully sell the value of digital products.

So, remember to show foresight.

It is essential to

1. Price the value of digital services now
2. Link this price to the product's customer value

In the long term, this approach should be at the forefront of any strategic decision regarding the sale of products and services.

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Uwe Brüggemann is an expert in sales and product strategy in the B2B sector.

His strengths include managing change processes and focusing sales activities, and his main areas of expertise are digital processes and the uses of artificial intelligence. He provides an insight into his methodologies in his book “Digitale Transformationsexzellenz—Wettbewerbsvorteile sichern mit der Customer Company Excellence Matrix” (English: “Digital Transformation Excellence—Secure a Competitive Edge With the Customer Company Excellence Matrix”).

Now the managing director and founder of BM-Experts GmbH in Berlin, he has over 20 years’ management experience at global industrial companies (including Bosch and Tyco), during which he has successfully planned the life cycles of many services and products. In the roles of consultant and interim manager, he has driven digital transformation in the B2B sector—whether this has meant contributing new ideas to advance a company’s digitalization strategy or actively supporting its implementation.

www.bm-experts.de/en.

International Sales: An Opportunity for SMEs



Michael Eckardt

Abstract Is international sales truly the most demanding field of business? No, of course not, but it does pose an enormous challenge for any company. To illustrate why, this chapter highlights the example of a business partnership between a German company and a Japanese company. When it comes to international sales, there's no avoiding a systematic and structural analysis of the situation, the foreign market, and the competitive environment. Opportunities and risks must be identified and assessed in advance. For a company to succeed, it requires a carefully developed sales strategy and a business model tailored to specific requirements. The cultures of both the foreign country (in this case Japan) and the domestic market (in this case Germany) will greatly influence the development of the business relationship. In any internationalization campaign, these conditions and characteristics of the foreign market will always affect the international sales strategy.

1 International Sales

The core responsibilities of a sales force are to acquire new customers, secure follow-up contracts with existing customers, and identify customer value as well as to develop new, tailor-made business models and tap into new markets. Foreign markets in particular can offer opportunities for growth and boost a company's profitability. Nowadays, around 25% of all companies of every size in Germany have an export business that generates up to 30% of their turnover (Mittelstandspanel, 2019).

At the moment, the field of international sales is still reeling from the impact of the COVID-19 pandemic. In addition to the sharp drop in turnover that many companies have seen as a result, international supply chains have also been disrupted or, in some cases, have stopped functioning altogether. International sales were hit very hard at the start of the pandemic since business partners are scattered across the

M. Eckardt (✉)
OMB Vertriebsmanagement GmbH, Cologne, Germany
e-mail: michael.eckardt@omb-management.com

global markets of the manufacturing and supply industries (which in turn requires a great deal of travel).

The field of international sales also saw a huge reduction in traditional sales work during the first year of the pandemic, especially during the shutdown periods, even to the point of suspending all sales activity. For a while, it simply wasn't possible to conduct sales work directly with customers or at their sites. At the same time, the field of sales also saw equally significant changes in the approach to and development of new sales methods—countermeasures, so to speak. Although the pandemic ruled out any physical contact (a basic prerequisite for sales work), it also accelerated digitalization strategies in sales; these developments are still transforming international sales work today and will continue to do so in the future.

International sales strategies had to be actively reassessed, because traveling abroad was—and, at the time of writing, still remains—difficult or impossible under COVID-19 restrictions. As a result, companies quickly discovered the benefits of videoconference systems and adapted their organizations accordingly. Video calls soon became commonplace and still serve as a cost-effective alternative today. They are increasingly used in international sales work, including in the acquisition of new customers. The rise of virtual meetings is reflected, among other things, in the development and rapid availability of relevant tools and especially in the increased sales of videoconferencing software.

1.1 Responsibilities of an International Sales Force

When produced goods are sold and transported to one country by another, this is called internationalization. In business, the term “internationalization” refers to the expansion of business activities to other countries and, in contrast to globalization, focuses primarily on the cultural and economic features of the countries in question (Dehnen, 2012). Internationalization is also regarded as a first step toward globalization (Hans-Dieter & Neumair, 2018).

Furthermore, it can be categorized into different business models, ranging from exports, representative offices, and joint ventures to wholly owned subsidiaries in the foreign market. The primary responsibility of an international sales force is to take the measures required to implement the business models and sales structures in question.

1.2 Setting Up an International Sales System

Especially in the case of a saturated domestic market or a continuous rise in competitive pressure, companies—not just the managers but the sales teams, too—will find themselves faced with the challenge of expanding business activities to new, foreign markets, also known as internationalizing. The key factor for a

successful internationalization campaign is a carefully developed sales and market entry strategy that is geared toward internationalization.

Implementing these kinds of strategies is the first step toward developing an international sales force, which will also have a wide range of general conditions to consider. If you're planning an internationalization campaign, you will need to carry out a careful and comprehensive analysis of the new, unfamiliar market, taking into account the market conditions, opportunities and risks, sales channels, and sales potential. You will also need to analyze your own investment and resource needs and carefully research your strategies for market entry and market cultivation. Finally, the legal and economic conditions also form an essential aspect of the situation analysis.

Recently, there have been some encouraging developments in the economic environment, as illustrated by the EPA between Japan and Europe, which entered into force on February 1, 2019.¹ Another fairly recent example is the CETA (Comprehensive Economic and Trade Agreement) between the EU and Canada. These agreements not only serve to break down barriers but also to establish bilateral market access for goods and services. Free trade agreements or economic partnerships that are concluded between individual countries or economic areas (as is often the case today) already provide good conditions for international activity. It is, therefore, worth studying these agreements in detail—regardless of whether they are already in force or still being developed—to see if they offer any advantages for your own company.

1.3 International Sales in SMEs

Despite increasingly positive trends in internationalization, it is often SMEs that initially shy away from engaging in foreign markets. The COVID-19 period, and particularly the new approaches to restructuring supply chains, has made SMEs even more reluctant to engage in foreign markets.

The most obvious reasons for a company's reluctance to internationalize could be that it does not have the necessary finances and resources at its disposal or lacks in-house expertise regarding market and industry factors. This is often coupled with a lack of understanding, not only as to how to set up an international sales system for and in the foreign market in question but also of the market's cultural characteristics.

When it comes to conducting the situation analysis, it is essential to gather information on the market, customers, and products, as well as the economic and legal conditions, and to do so in a highly structured and systematic manner. This is

¹COUNCIL DECISION (EU) 2018/1907 of December 20, 2018, on the conclusion of the Agreement between the European Union and Japan for an Economic Partnership, Official Journal of the European Union, ISSN 1977-0642 L330, 2018. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL%3A2018%3A330%3ATOC>

the only way for a company to ensure that its international sales strategy is based on reliable data and the analysis of that data. If you fail to carry out this step, you will likely make some very costly mistakes even in the early stages of an internationalization campaign.

Sales teams are already tied up with maintaining existing customers, processing project orders, and managing day-to-day business. If they have to take on sales-related restructuring or digitalization tasks at the same time, they will quickly reach their workload capacity and will no longer have time to develop an internationalization campaign.

This lack of capacity means that the international sales activities in question are usually implemented in a manner that is anything but systematic and structured. Even now, one of the biggest challenges of an internationalization project is still simply to take the correct steps in the correct order. A lack of human resources will make the project more difficult. But if internationalization is unavoidable, then additional resources must be created.

1.4 Key Challenges of International Sales

Every international market has cultural characteristics that have an—often underestimated—impact on whether a company succeeds in expanding to a foreign market. One of the most obvious and well-known is probably the language barrier. This is one of the first hurdles a company will face, which will initially make it difficult to enter the foreign market. Companies should approach this initial challenge—which is cultural as well as linguistic—equipped with intercultural expertise and intelligent means of communication as well as a clear stance and respect for the foreign business partner.

This means that companies, and especially their sales departments, should spare no effort or expense in, for example, organizing an internal or external intercultural training program for learning the essential dos and don'ts. It is important to study business customs—such as exchanging business cards—beforehand, and you shouldn't be afraid to invest in training program that will teach employees how to greet someone when meeting them for the first time or how to conduct negotiations with foreign partners.

However, an intercultural training program won't be enough to secure success in international sales. It is also important to research other aspects, such as the sales channels typically used in the selected market, and the parties that use them. In Japan, for example, the “sōgō shōsha” (Japanese: 総合商社), a type of trading company and a traditional form of industrial organization, still plays an important functional role and should be considered when establishing a sales presence there. Meanwhile, in the Iranian market, it is important to examine customs and export regulations to check whether new sales channels are subject to international conventions (such as embargoes). Last but not least, Brexit is resulting in new trials and challenges for international sales work—and not just in the European market.

Company managers also need to let go of the idea that all national markets and businesses are alike. On one level, they are all the same in that they are all pursuing the business aim of generating profit—but that’s where the similarities end. It is, therefore, all the more important for the international sales team to intensively study the market conditions and the everyday business practices of foreign partners. At this point in particular, the international sales team should also intensively and carefully research any relevant compliance conditions (corruption, bribery, or undue advantage, for instance). To this end, an intercultural training program is strongly recommended, as this will lay solid foundations for country-specific sales work.

It’s also a good idea for the company’s sales team to put themselves in the position of the foreign business partner—the customer—and imagine the situation from their perspective for a moment. This will give the team an idea of what foreign customers might expect, where they source their goods, and which channels they use for products and services. One method for successfully implementing an internationalization strategy in a foreign market is for the company manager to retain their own mindset but adopt the practices of their foreign business partner.

If we apply this to the example of a German company expanding to the USA, this would mean that the manager would still think like a German manager but act like an American manager operating in the American domestic market. Of course, this concept also applies the other way around. The advantage of this approach in international sales work is that it enables companies to more clearly identify the differences between the various market and sales systems, and—based on this information—to develop tailor-made sales strategies more effectively.

If a company manages to, first, equip its sales team with sufficient intercultural know-how and, second, identify and exploit suitable sales channels in the foreign market, they will create the essential conditions required for a successful internationalization campaign. Accepting the other culture as well as understanding and utilizing the right sales channels in the market concerned are key factors for ensuring successful international business relations in the medium and long term.

1.5 Essential Conditions for International Sales

Companies, and SMEs in particular, need the right structures, resources, capacities, and funds if they are to empower their teams to internationalize sales activities with a view to systematically, strategically, and successfully tapping into the desired foreign market.

First and foremost, this means developing a internationalization strategy that is tailored to the company. To get started, it is essential to present a convincing business case—without one, you’ll be flying blind and your project will, in most cases, be very costly. In the process of preparing a business case, any assumptions or estimates should be made very carefully, and all figures and data regarding the foreign market should be critically examined. Key indicators such as total available market (TAM) can help to identify areas that (in theory) hold the greatest skimming

potential and may therefore seem very tempting—but this won't help your company to map its realistic potential. The aim here is to get an overview of your own situation that's as realistic as possible.

It is also important to consider how international sales, as an organizational unit, can be integrated into the existing organization. There is enough leeway for some tasks and responsibilities of the international sales force to be assigned to exports, business development, or key account management. After that, it's time to select a team of suitable employees. You should ensure that this sales team possesses sufficient specialist know-how (in exports, business development, business models, internationality, culture, and language); any prior experience in international sales will also be very beneficial.

During the planning stage of an internationalization project, companies not only have to deploy an above-average number of employees to sales operations but also need to develop a company-specific business model, complete with an accompanying sales strategy. This business model and strategy must demonstrate profitable benefit for the SME, based on the analyses and structuring completed during the development of the internationalization strategy.

2 A Business Model Developed with International Sales in Mind

Business models and concepts form the blueprint for an internationalization campaign. They are indispensable for any company since they outline how profits will ultimately be generated in the foreign market. The next section will use a case study to illustrate how an internationalization campaign at an SME can generate profitable value, especially through international sales activities.

2.1 Initial Situation

A Japanese SME, specializing in metallurgy and the production of mechanical components for the power electronics and medical device sectors, planned to enter the European market, aiming to secure contracts there by the end of its first business year. The manufactured products were technically complex subcontracted products, sold exclusively to business customers. In the supply chain, the company—comprising around 120 employees—would be classed as a tier 3 supplier (Helmut, 2007). The plan was to launch the internationalization campaign in Germany and expand into the European market from there.

In the company's strategic business plan, the CEO of the Japanese SME set out his intention to launch internationalization in Europe. Neither he nor his sales team was able to take on the task of developing a specific plan and implementing it in a

timely manner; all the company's resources were already tied up in day-to-day business. Its product portfolio contained sophisticated technical products that required a great deal of explanation and usually had to be specially developed in consultation with the customer for a specific application (customizing). At this point, it was already clear to the company that due to the specialist nature and complexity of its products (niche products requiring explanation; linguistic and cultural differences), any attempt to enter the German market—which is subject to stringent quality standards—would need to be planned and implemented very carefully and consistently.

2.2 Reasons for Internationalization

This company's motivation to internationalize was rooted in its realization that, firstly, the German and European market is a very attractive and high-price one and that, secondly, Japan is a saturated market. In addition, there was no significant difference compared with the domestic competition, and the domestic market was not offering the company any potential for further growth. There are many reasons why a company might develop and implement an internationalization strategy—often, it is seeking more sales opportunities, or it is drawn to the prospect of potential profits in the foreign market. The decision to enter an unfamiliar market is usually motivated by growth or profit.

In the case of this Japanese company, the domestic market had been stagnating for several years. Even after consistently developing and improving its product portfolio, the company was not seeing any significant potential for growth in Japan. As the Asian market is known to be a low-price market (with the exception of Japan), the company's sophisticated, high-quality, niche products could not be sold there. It had already gained some initial experience in internationalization by exporting its standard (not customized) products to the Asian market, which had resulted in some profitable growth.

The company's strategy involved entering the European market with niche, technically complex products. The aim was to secure some initial projects and/or contracts with strategically important customers. The European market simply does not have the geographical proximity to the Japanese market. It is also structured very differently from the rest of the Asian market, not just in terms of culture and language, but also in its economic and legal conditions. However, it was clear to the Japanese company that there were also some other aspects that would have to be considered in the realignment of its international sales operations. In addition to sales opportunities and risks, as well as product approval processes and technical regulations—which are particularly relevant when launching a product in the EU market—these aspects also included intercultural differences.

2.3 Pre-internationalization Analysis

Now, the company—and especially its sales department—was faced with the challenge of developing a tailor-made business model, complete with a sales structure. The aim was to enter the market within a year—quickly, efficiently, and cost-effectively. The company would have to communicate and position its product and brand in the market in a manner that would enable it to acquire its first customers and secure orders within the first year of its internationalization campaign.

In order to gain a sufficiently accurate understanding of the foreign market conditions, it is always advisable to carry out a structured and systematic analysis of the relevant information and data. In our case study, this analysis only focused on those aspects that would be highly relevant for entry into the European market, based on the company’s own needs and requirements. The biggest challenge the company set for its sales team was to achieve cost-effective and rapid access to the market. Under these conditions, the company first had to assess the relevance of all analysis criteria that could be applied to internationalization and then prioritize them. The multitude of aspects, therefore, had to be ranked by importance and urgency. A comprehensive analysis was not requested—and ultimately not required (Fig. 1).

With any business strategy—including, of course, internationalization strategies for entering the European market—it is important to check and assess whether the strategy makes economic sense for the company and whether it will help to generate profitable business over a long period of time. For example, with regard to market entry requirements, the task of researching product requirements in the European market (CE, standards, customer requirements, and so on) was very important but not urgent. The initial analyses quickly revealed that the company’s niche products were usually customer-specific product solutions and could only be awarded the

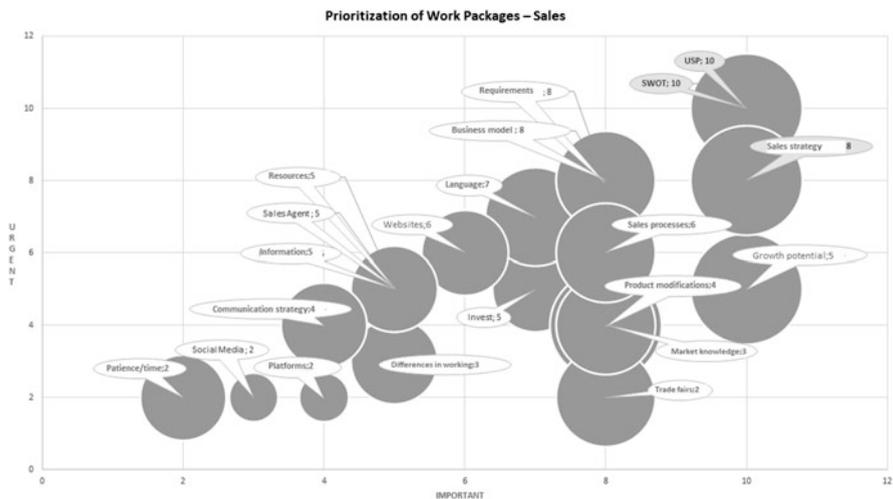


Fig. 1 Prioritization of tasks

relevant CE certification mark after a prototype had been produced. The company's market entry strategy, therefore, did not focus on an already validated product, which would only be allowed in the German market with a CE marking. Instead, the company concentrated on securing projects or RFQs with strategically important customers that needed products to be tailored to their specific needs. Based on this, the company determined its core tasks: to rapidly develop a sales strategy with a focus on customer acquisition in Europe and to create a corresponding business case.

2.4 *USPs and SWOT: The Deal-Breakers*

In this case study, some initial interviews with employees from the Japanese company revealed that the latter had not adequately tested or elaborated a unique selling proposition (USP) for the products selected to be sold in the European market. If a product does not offer a unique selling proposition or a price advantage compared with competing products in the European market, an internationalization strategy would be a waste of time and money.

An internal product benchmark highlighted two significant competitive advantages, specifically the innovative technology and the manufacturing processes, which allow almost any kind of customization for customers. It is very important to identify a realistic USP, as this is the only way to determine whether the product has any chance at all in the foreign market. In this case, the USP was essential because it meant that the product would still appeal to potential customers in Europe despite the high transportation costs (from Japan to Germany)—which a competing European product would not have—and generate a profit for the Japanese company.

Of course, a USP wasn't in this case—and isn't—enough to secure market access. Even if a product is very successful in the domestic market and clearly distinguishes itself from international competitors, it may still fail to achieve success in a foreign market. It is very important to identify and use the right sales channels. It is often the case that companies cannot access these channels because they lack market tools, and human resources at the local level have not adequately assessed the differences in business processes and cultures, have overestimated their own position and performance, or, finally, do not have any clearly formulated strategies for using the suitable sales channels.

This might all sound obvious, but in this case, there was no systematic analysis of the company's situation in relation to its environment and the foreign market. A *Strengths, Weaknesses, Opportunities, Threats* (SWOT) analysis provided some clarity and led the company to reassess its involvement in the German and European markets. Among the outcomes of the analysis was the support it provided in defining the company's performance limits more clearly than before. For example, the plan to supply products to the automotive (e-mobility) market was scrapped from the previous strategy, since customers on this market expect very high quantities (>100,000 cars per year), which the company—despite its willingness to invest in

manufacturing capacity—would not be able to achieve. Additionally, the company’s position was too weak to do so.

Since the internal product benchmark had revealed two promising USPs, and since niche products are not usually produced in high annual quantities, the company sought a way to profitably exploit the advantages of its innovative product technology in the European market, too, and to generate some initial sales. For this purpose, the company developed a sales strategy based on the results of the analyses it had prioritized before (USP and SWOT); this aimed to achieve quick and cost-effective access to the European and German market.

2.5 International Sales Strategy

The third important and urgent aspect was the development of a sales strategy. The aim was to launch the technically complex products profitably in the new market within one year, at the lowest possible cost and with the least possible impact on liquidity. This required the company to develop a tailor-made sales strategy, taking into account the results from the preceding structural and systematic analysis. In this case, the sales strategy was structured as follows (Fig. 2):

The newly developed sales strategy covered the aspects of purposefully communicating the product’s competitive advantages, securing rapid access to the customer, and even placing orders. In summary, the Japanese company was striving to establish proximity to customers despite the geographical distance.

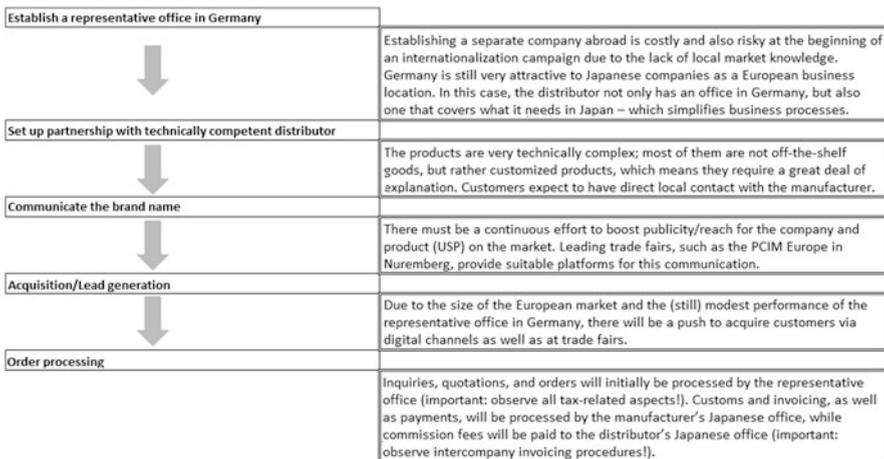


Fig. 2 The sales strategy and the steps involved (simplified diagram)

2.6 *The Adapted Business Model*

In order to align with these objectives, the newly developed sales strategy, and the requirement to secure key contracts by the end of the first business year, the company's business model had to be very simple and quick to implement. One quick solution often favored by companies is to appoint a sales and industry representative in the (in this case German) market. This representative's structures and network would be available to use right away, and so it would seem at first to be the most obvious solution. The costs would be manageable and calculable. Sales and industry representatives usually work on a commission basis, not so much with a commission guarantee. This sales model would be quick to implement, provided that a suitable sales and industry representative could be found.

The essential advantages of this model are that it establishes a local presence in the (German) market and enables the company to communicate in the market in the local language, thus removing two barriers that are not to be underestimated. First, it reduces communication problems, and, second, it means that sales work isn't impeded by time differences (Japan is seven hours ahead of CEST). Last but not least, another advantage of using a suitable representative is that they usually possess some technical expertise, which can help to build trust among potential customers.

Despite all this, the Japanese company did not end up bringing in a sales or industry representative as the ultimate solution for its tailor-made business model. The expectations of potential European and German customers with regard to suppliers, working methods (e.g., in projects), processes, and technical regulations for product approval require more than just a "representative." Industrial customers in the European market do not view their suppliers merely as a company supplying a product but also as a development partner or team member in a series development project, a key account manager, and a consistent point of contact (a single face dealing with the customer). They usually want their suppliers to be more than just a "contact" who mediates across different cultures and time zones.

This might all sound plausible to a German salesperson or business developer, based on the facts outlined above. To a Japanese business partner, however, it is an approach that is often met with confusion. To explain why, let's take a look at a typical business model used in the Japanese market—trading companies. Both traditional and international sales operations in the Japanese market are still conducted via the aforementioned "sōgō shōsha" (Japanese: 総合商社, i.e., Japanese trading companies. These trading companies, which are usually very large (Sumitomo, Mitsui, Marubeni, and Toyota Tshusho are some examples), trade in (almost) everything and support the sale of Japanese products around the world. This sales model is so traditional because Japanese businesses have been entrusting their sales channels to the trading companies since the early twentieth century (Herbig, 2016).

In the European market, products that require explanation, or especially products that are made for a specific customer, are primarily sold in product-based or project-based business models. European manufacturers also expect a high level of

ドイツ流、思考の理解方法

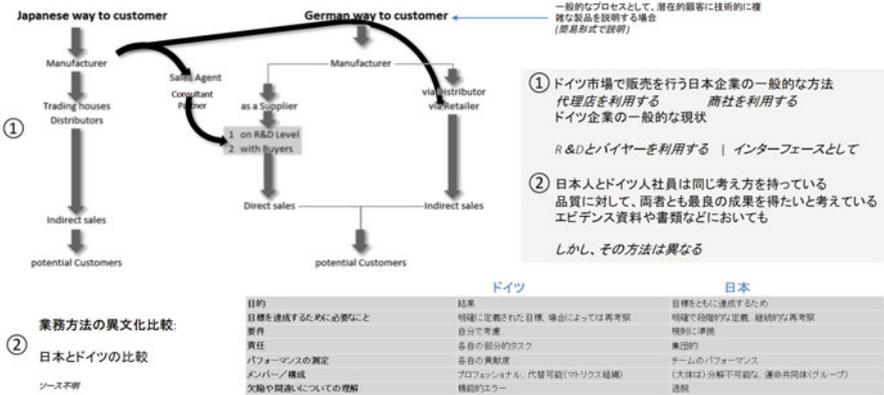


Fig. 3 The adapted business model (combination of representative office and resident engineer)

availability from the “supplier,” who is their contact for any technical and project-related matters. In this case, the company adopted the Japanese business model of a typical trading company to meet the aforementioned expectations of European manufacturers, so that the “sales and industry representative” would actually represent the Japanese company in all aspects as a technical and commercial contact for customers—just as though they were an employee deployed abroad.

This approach bridged the gap between traditional trading and technical, project-based business, between the Japanese business mindset and German business practices, and between the different sales channels and expectations of the parties involved. It was realized through a suitable interface—the contact—who was able to bring all these aspects together. Securing this contact was the real challenge involved in developing this business model. The diagram above outlines the approach taken by the company, including the cultural differences in the working methods, in the original Japanese with brief explanations in English (Fig. 3).

While the supplier’s sales activities (point 1) in Japan are conducted through trading companies, the supplier’s sales activities in Germany are usually conducted in stages or “tiers” (from tier 3 to tier 1 to OEMs). “German” trading companies or distributors are rarely used in product- or project-based business in Germany—something that comes as a contrast to the supply of spare parts (e.g., in the automotive sector) or electronic parts. In the German business world, suppliers are in direct contact with customers, development (R&D) departments, and buyers. This is a rather atypical international business model for a Japanese SME that is normally accustomed to using sales representatives to sell its products abroad.

It was only after directly comparing the different structures and cultures that it became clear, including to the Japanese company, why this solution could be more promising than just a typical sales representative. A purely distribution-based approach (i.e., getting the finished goods off the shelf) implemented by a trading

company would not have been expedient and, therefore, would need to have been supplemented by the use of a local sales representative.

3 Implementing the Internationalization Strategy

Of course, other issues and discussions also came up during the intensive implementation phase of this business model. By prioritizing the three key factors (USP, SWOT, and sales strategy) and taking cultural characteristics into account, the company was able to develop a tailor-made business model for international sales, allowing it to enter the market quickly and cost-effectively. One of the most difficult parts of the process was finding a suitable contact who could help to break down barriers and communicate at the same level as customers on the selected market. By defining target groups and developing acquisition methods, the company was able to take further steps to implement its strategy. In the first year after this implementation, the company acquired four different customers, which already covered around 30% of the costs spent on internationalization so far.

The company promoted its products via electronic media (such as bilingual German/English websites) and by presenting the products directly to potential customers. In order to boost its reach and publicity, the company sent representatives to key leading trade fairs (Hannover Messe Industrie 2019, PCIM 2019, and MEDICA-COMPAMED 2019), sparking concrete discussions with potential customers. At the beginning of its second year in the German market, the company achieved another major success when it received a large project request (RFQ) from a European automotive supplier (with 25,000 employees) for a premium (niche) product.

Thanks to the combination of an experienced, specialist sales expert (instead of a commercial agent) and a representative office in Germany, the Japanese company has increasingly established trust—and is now regarded as a serious market player, not just in the German market but in Europe as a whole.

4 Conclusion

When it comes to international sales, there is no avoiding a systematic and structural analysis of the situation, the market, and the competitive environment. Especially in internationalization projects, a carefully developed sales strategy and a business model tailored to your company's specific requirements are essential keys to success. If you have not done your homework carefully, or at all, you may have to deal with some costly errors or obstacles in your internationalization project, especially in the early stages. The example in this chapter illustrates one of the possible methods a company could use to expand from Japan to Germany. If the internationalization campaign was going in the other direction—from Germany to Japan—all the

relevant decisions should still be made in exactly the same way with the same preparatory measures.

At the end of the day, whichever solution you choose is going to be unique. Of course, there are standard models and logical approaches, as described in the first section of this chapter. But ultimately, there will always be individual, company-specific characteristics in your business model that will require these standards to be adjusted. This is because every company, regardless of size, has its own culture and its own structure—and these must always be taken into account when developing a business model. In any internationalization campaign, these conditions and characteristics of the foreign market will always affect the international sales strategy.

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Michael Eckardt, Dipl.-Wirt.-Ing., is an Interim Manager (DDIM[®]) and management consultant specializing in sales and business development. He has 20 years' international experience in B2B sales in the supplier industry.

In particular, he assists SMEs with their internationalization projects in the role of either interim manager or consultant. As a former sales manager, Michael Eckardt has developed and expanded markets in Europe and Asia, with a focus in India, China, and Japan. Today, he is an interim manager and consultant with offices in Germany and Japan.

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Market Segmentation: Create a Clear Focus for Your Sales Activities



Ulrich Girrbach

Abstract Market segmentation helps to create order: first in your mind, then in your sales department. Often, customers and potential customers are not processed in any discernible order, meaning that valuable company resources are not used efficiently. Market segmentation is the process of dividing the market into several target groups to make it easier to understand. This chapter will explain how to filter out the most promising customers from the crowd and how to target them more effectively using sales and marketing strategies.

It's a situation you're probably familiar with: Your field sales force is whizzing around outside the company, visiting all kinds of customers and bringing back various technical requests, which now need to be processed as quickly as possible. When asked, the sales force employees report that the potential offered by each of the customers (some of which may be new) is always very high, or at least quite significant. The requirements of the individual customers have little if anything to do with each other.

The order in which the R&D or application engineering department processes this flood of assignments depends on which customer is putting them under the most pressure or on their relationship with the sales force. The focus here is not on creating value.

In these cases, valuable company resources are misused, if not wasted completely. The most effective way to remedy this is to have the sales force focus on customers that the company can serve in the best and most expert way possible with the given resources.

U. Girrbach (✉)
Hilden, Germany
e-mail: u.girrbach@dgc-partners.com

1 Market Segmentation

This is where market segmentation comes in. A company's products can always be divided into groups. These groups could be areas of application—for example, a certain end use for certain end products. Application engineering departments will have specific product knowledge, application experience, or formulations at their disposal.

There are plenty of books and articles, as well as lectures and speeches, about market segmentation, so this chapter won't be going into the basic theories. Instead, it will outline a quick method that companies can use to orient themselves in the short term.

Market segmentation is an iterative process carried out in cooperation with all parties involved but also one that can be completed within a manageable time frame.

What is market segmentation? According to the Wikipedia entry "*market segmentation* is the process of dividing a broad market into market segments and then targeting one or more of these market segments. Market segmentation consists of two main steps: first, observing and dividing the market, and second, cultivating the market; i.e., selecting certain segments and targeting them with suitable marketing measures." In order to carry out this process, you need segmentation criteria. In the B2C sector, for example, these could be age, gender, occupation, social status, and so on. In the B2B sector, meanwhile, the criteria are often defined by similar products, similar value chains, technical requirements, regional presence, etc. (Fig. 1).



Fig. 1 Market segmentation (Source: <https://www.der-newsletter-experte.de/wp-content/uploads/kunden-segmentierung.jpg>)

2 Method

The aim of market segmentation is to determine the target market(s) more precisely. The first step of the market segmentation process essentially involves listing customers, areas of application, and types of technology and then organizing them into groups. The next step is to assess these groups to determine, for example, their market potential, the cost and effort required to secure initial contracts, and the likelihood of generating short-term or medium-term business from these contracts.

Market data can often be purchased from market research institutes or estimated based on plausibility considerations. If it is not possible to directly quantify these variables, a rating system is a suitable alternative. This step provides almost everyone involved with an overview of the interrelationships between the various parameters, the market potential, the cost and effort required to achieve a successful customer product, and the time it takes to secure initial contracts. These factors can be rated on a scale from 1 to 4 (1 = low; 2 = medium; 3 = high; 4 = very high). You can also use this system to estimate other factors, such as the amount of application engineering work required or the probability of securing contracts in the short or medium term, again by assigning them a number between 1 and 4. There are also other parameters to consider in an international segmentation process: for example, does the company have a local presence? Is the field sales force or engineering department equipped with regional expertise? Are all the necessary structures in place? Once you have determined these parameters, you can get started with your first market segmentation process.

3 Assessing Market Potential

Market potential can be estimated based on the expected quantities of a product.

Example 1: Components for Cell Phones

You can find out the number of cell phones sold (from statistics for each country, which can be accessed via Google) as well as the market share held by each manufacturer. If the components are only used by one or two manufacturers, you can determine the number of possible components. Then, based on the service life of a series, you can determine the total quantity. The lead time for a cell phone generation is around 2 years, while the series production start-up phase lasts around 6 months. This tells you the ramp-up time for a successful product launch. If you know who the suppliers are, you can also assess the competition (in terms of both price and technical considerations) and determine your own chances of securing an estimated market share. This enables you to estimate your company's achievable potential.

Example 2: Binders for Sand Cores Used in Diesel Engine Turbochargers

Today, most diesel engines are turbocharged to improve their performance. You can find out the number of cars per manufacturer, as well as the proportion of diesel vehicles (from registration statistics), and then determine the total number of turbochargers based on this information. An exhaust gas turbocharger requires approximately 5 kg worth of sand cores with a binder content of 2%. This tells you the potential of binders for this product group. With these insights into the market and competition, you can now estimate an achievable market share. Based on the development period for new engines and the relevant certification procedures, you can calculate the ramp-up time.

This or a similar procedure may be applied to many different product groups.

4 Corporate Competence

In addition to market potential and ramp-up times, the amount of application engineering work is another important parameter for estimating your own capital expenditure. The process of developing a product to the point of marketability requires certain resources that must be deployed promptly and intensively. Companies that try to develop multiple products at half capacity do not usually end up achieving any of their goals or realizing their potential.

Another critical parameter is the ability of the field sales force to competently monitor development work and market preparations with each of the customers concerned and, potentially, the suppliers to those customers. Again, semi-competence is more likely to be perceived as incompetence. When it comes to supraregional markets, and especially international markets, it is absolutely crucial to establish a local sales presence; in this regard, it is also very important to have a command of the relevant languages. Interestingly, many sales managers, especially those from English-speaking countries, consider it sufficient to provide product literature exclusively in English. However, this is perceived as arrogant and presumptuous in many other countries.

Now that you've established some parameters for successful market segmentation, let's talk about the segmentation process itself.

5 Defining Market Segments

First of all, we make a list of the different uses for our products, different types of technology, different distribution channels, etc., and organize them into groups. Then, we try to quantify these groups based on the parameters described above. If it is not possible to quantify the groups in absolute terms, we can certainly rank them (by the products' market potential)—for example:

Table 1 Example of market segmentation

Segment	Potential	Gross margin	Application engineering	Sales competence (including command of languages)	Result
Multiplier	1	2	2	3	
1	3	3	4	3	26
2	4	2	3	1	17
3	1	3	3	1	16
4	2	2	4	3	23
5	4	1	3	3	21
6	1	3	3	2	19

1 = low level of competence, or none at all
 2 = medium level of competence
 3 = high level of competence

- 10–100 = 1 (low)
- 101–500 = 2 (medium)
- 501–2000 = 3 (high)
- >2001 = 4 (very high)

If we understand our competitive environment, we can also estimate our achievable contribution margins:

- 1 = 5–15% gross margin
- 2 = 15–30% gross margin
- 3 = > 30% gross margin

We can also estimate the amount of application engineering work in person-days.

At around \$1000 per day, we can determine the amount of work required in clear figures, e.g.:

- 10–50 = 1 (low)
- 51–120 = 2 (medium)
- 121–250 = 3 (high)
- >251 = 4 (very high)

We can use the same system to assess our sales competence for each market segment (Table 1):

Of course, the scores and weightings can be discussed, changed, and refined over and over again as required. However, the results of these ranking processes will spark discussions about the targeted use of resources versus the potential outcomes.

A large amount of application engineering work should result in a corresponding—and, if possible, timely—return of invested funds, whether this is delivered through rapid market penetration, high contribution margins, or, if applicable, a corresponding expense allowance. To achieve successful market penetration, the company and its sales force must demonstrate a high level of competence. This is what determines the multipliers or weightings.

Customer Segmentation Process

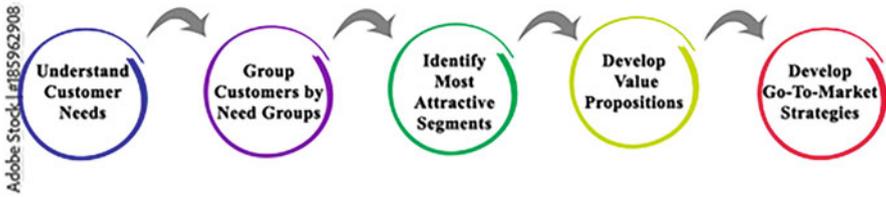


Fig. 2 Segmentation process (Source: https://as2.ficdn.net/jpg/01/85/96/29/500_F_185962908_XUfh8hdXWUDIyqnPVaBLy06w6YvqSLnp.jpg)

This process enables you to consistently separate and filter out the less profitable activities from the more profitable ones. The more profitable activities are consistently developed and intensified since these are the areas in which the company has a sufficient level of competence and which ensure adequate cash flow thanks to their economic potential. The less profitable activities are deferred; you can discuss these activities separately to decide how to proceed with them. Deferring these segments doesn't necessarily mean abandoning them completely. Often, these activities can be sold, licensed, or operated by specialist distributors (Fig. 2).

6 Implementation

Market segments are defined by similar target groups, similar products or applications, required or desired services, and sales channels.

After another iterative process, the market segments are reduced to a few promising segments (four or fewer) that can be served using the resources available, and the structuring process begins.

This involves defining corresponding value propositions for each segment that will appeal to the target groups in question. These value propositions are usually product features, improvements to processes, or economic value in the form of improved quality, prices, delivery times, or payment terms. There is also increasing importance attached to services that are valuable to the target group, including factors that build trust and a good reputation among the company's own customers (e.g., Swiss machinery exported to the Pakistani textile industry to demonstrate the level of quality).

The first step is to define the relevant target groups. These might be as follows:

1. Development managers
2. Process engineers
3. Production managers

4. Quality assurance teams
5. Purchasing teams
6. Other

The sales force must be able to competently manage these target groups. If the sales representatives require any specific information in order to do so, this must be made available to them in a suitable form. These employees must always represent the company's level of competence. In some cases, they may bring a specialist from the company headquarters with them to the customer site—perhaps an application engineer, researcher, or whichever other expert is required. Depending on the customer, it may also be appropriate to form a team with staff from both the sales and application engineering departments.

The provision of relevant product documents for target groups is an important hygiene factor, and one that is expected. If these documents are not provided, your employees will not be equipped with the necessary competence. First of all, this relevant information should include the language and, then, the essential product features (the information relevant for development managers won't be the same as the information relevant for production managers)—but not formulations that can be easily exploited by competitors.

Once you have defined the target groups and provided all the relevant information, it's time to start tapping into the market segment in question. It is important to ensure that your company's competence in a market segment is perceived by the target group. You can communicate this competence via direct or indirect communication measures, depending on the size of your target group (ranging from 100 to 10,000 in the B2B sector).

Direct communication measures are carried out by the company's own sales force in the form of site visits, as well as product or solution demonstrations at trade fairs that are relevant to the target groups in question. Many trade fairs allow exhibitors to give presentations on product innovations and/or solutions as part of the supporting program of events. Thanks to this clear focus, you will be concentrating your activities on target segments in which your company is highly competent, able to offer the right products, and likely to gain market share.

Indirect communication measures are carried out via suitable forms of mass media. Trade journals are still widely used in many technical industries, although electronic media is gaining more ground due to the emergence of younger executives. Indirect communication via trade publications (such as reworked trade fair presentations) can help you to reach more potential customers or significantly increase your company's perceived level of competence. Offprints or PDFs, or any other relevant content provided to target groups, will help to convert market focus into market success. Once this content has been produced, it can be translated into other foreign languages as required with relatively little effort.

7 A Summary of the Steps

1. Define market segments based on similarities in product and customer groups, application engineering, and sales.
2. Compare the level of potential offered by the different market segments.
3. Estimate the expense and effort required to convert this potential into profitable business.
4. Assess your company's ability to serve this market segment.
5. Reduce the market segments to a manageable number and set aside the discarded segments.
6. Identify the target groups within the selected target segments.
7. Focus on the requirements of the target groups and ensure that your sales team is well equipped to represent the company's level of competence.
8. Focus your company structure and resources on the selected market segments.

Organizing your customer base into market segments will give you a clearer idea of the customers you're trying to target and their needs. Gaining an accurate understanding of your customers' needs will enable you to develop more system solutions and relevant services that generate added value for customers. The more precisely you understand your customers and their businesses, the better and more targeted your customer support will be, until you eventually achieve symbiosis. Symbiotic customer relationships also help to exclude competitors by creating effective and high barriers to entry. By focusing your resources, your company will also inevitably increase its own level of competence. Over time, you will become a sought-after partner and problem-solver for target customers or entire target segments. Internationalization offers companies opportunities for growth, as it enables them to target similar customers with comparable needs outside their own regional business activities. Market segmentation can help to provide a clearer idea of your company's actual competence, enabling you to more easily and effectively gear all activities toward targeting the segments in question.



Dr. Ulrich Girrbach is an interim manager who helps companies in the chemical and chemical-adjacent industries to internationalize their sales activities. Over the course of many years, Dr. Girrbach has held various management roles at companies in the chemical industry. He has established and expanded sales activities for various companies in the USA, China, India, Japan, and the United Arab Emirates. He has many years' experience in the roles of SVP international marketing, managing director, and chairman of the supervisory board at medium-sized chemical companies in Germany, Italy, and Spain.

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The G.E.I.S.T. Concept



A Holistic Value-Management Process Model for Digital Transformation

Elmar R. Gorich

Abstract This chapter outlines the individual aspects of the G.E.I.S.T. model and explains how they can be effectively applied when adapting a company for digitalization. By focusing on five essential company resources, you can identify areas of required action and define specific process models for digital transformation. This results in a holistic model that experts and managers can use to guide their planning and implementation processes.

1 Change: Where to Begin?

Many SMEs in Germany aren't fully aware of all the latent potential and opportunities for optimization already available in their existing company structure. I'd certainly say that, as an interim manager, I very often see commissioning companies using inefficient and unstructured processes because their individual operations are not being scrutinized critically enough.

It is easier and more convenient to leave entrenched processes as they are, because they have always "somehow" managed to get the job done. There is rarely any strategically consistent effort to future-proof company processes, and when there is, it's usually because the market pressure has become so extreme that it is jeopardizing the company's own position.

Due in particular to the rapid progress of digitalization, there are now plenty of tools and methods available to companies to help them boost profits and efficiency potential and make targeted, long-term investments for the future.

With some structure and applied methodology, a company could, for example, increase its profits in sales by 15%–20% (or significantly more in some cases) over a period of one and a half to two years—as long as it is prepared to take the necessary steps, consistently and comprehensively, to realign itself and secure its position in the long term.

E. R. Gorich (✉)
EGO Management, Menden, Germany
e-mail: elmar@gorich.de

In summary, by viewing the company as a whole and realigning its processes, you'll achieve more effective and lasting results than any cost management strategy could!

With the rapid progress of digitalization, we're also seeing some fundamental changes in the nature of business management.

The challenge now is to create real added value, generate calculable benefit, and present this benefit in a persuasive way.

Companies that are able to reinvent themselves and plan their future in good time and without any economic pressure, using modern (IT) tools in combination with tried-and-tested business processes, will be fully equipped for the years ahead. Using new methodical approaches to change, you can gain more know-how with every project stage while also documenting and managing results throughout the change process. These approaches are then transferred to daily operations in a gradual and controlled manner, in order to avoid costly errors of judgment.

It is important to continue using the existing processes in parallel with adapted ones, until these have been tested and proven to be suitable. After that, the new processes can be adopted for regular operations.

The holistic G.E.I.S.T method, outlined below, was developed on the basis of practical experience. It serves as a guide to help managers and companies to achieve continuous improvement (CIP) in a world and business environment marked by increasingly rapid change and to find the right answers to all the relevant questions of our time.

Interim managers, with their methodological competence and practical experience, are on hand to provide active guidance and support throughout this journey, from analyzing possible areas for action to helping companies implement strategies.

2 Five Theses for the Century of Digitalization

Technical development is advancing at an unstoppable rate, with exciting innovations appearing in all areas of life, both personal and professional.

For years, companies have been able to source all the information they need regarding technical tools for optimizing business models, as well as the consequences of using them, from trade publications, the media, and associations. In the author's view, there is no longer any need for a missionary-style effort to persuade companies that they should be engaging with digital solutions or reviewing and future-proofing their established business models.

However, companies often don't have a concrete plan or know where to start to ensure they aren't left behind.

To begin with, let's take a look at some of the essential aspects underlying the G.E.I.S.T. method:

1. *Too many resources are required to achieve results*

A large proportion of the “mental” energy in a company, and we’re talking up to 96% here (based on first-hand experience), directly and indirectly determines 4% of realized results, depending on the company.

The exact percentages are obviously a matter of debate, but let’s consider the effort—which includes the intelligence, behavior, and knowledge—that goes into generating value, assets (fixed assets), cash balances, and so on. It should be understandable that the ratio of input mental energy usually accounts for an extremely high proportion of the result. This needs to be a key focus.

2. *Simple principles for long-term success*

Modern insights from business administration, psychology, and sociology offer some fundamental principles that any manager or company can use to generate the interdependencies required for change (change management) and digital business models—in order to gain acceptance among the right people and therefore achieve long-term success.

3. *A company’s culture reflects its consciousness*

Employees are highly sensitive to moods and relationship networks within companies. As a rule, the company management sets the course: Managers determine the corporate culture through the actions they take and, directly or indirectly, create a perceptible awareness of this culture.

The way in which the company is perceived, both internally and externally, is a reflection of the practiced corporate culture. One example of this is Steve Jobs, who recognized very early on that it is only possible to capture the interest of customers if one’s own concerns, dreams, and goals (i.e., one’s most secret desires) are known and understood (Gallo, 2011).

It is Apple’s consistent effort to adapt to customers’ needs that enabled the company to secure the market position it still holds to this day.

Extremely profit-oriented business leaders also typify a certain breed of uncompromising manager, who elevates the pursuit of short-term goals to a kind of religion. These types of managers follow the example of Jack Welch (CEO of General Electric, 1981–2001) with his legendary rule “fix, close, or sell.”

According to Welch’s management philosophy, if a business unit is failing to meet growth and return targets or showing operational weaknesses, and the problems cannot be solved within 2 years, it should be shut down or sold.

As one of the fathers of the “shareholder value” concept, in which all decisions are geared exclusively toward the interests of shareholders, Welch was already heavily criticized during his time at GE, despite his operational success.

His radical methods earned him the nickname “Neutron Jack”—a reference to neutron bombs, which wipe out people but leave buildings and machines intact.

Even hardliners like Jack Welch have realized, if a little late, that a company’s management strategy should focus on employees, customers, and products.

The Financial Times Deutschland from March 13, 2009 (FTD 2009), reports on this change of heart as follows: “In March 2009, Jack Welch moved away from the shareholder-value concept and said that his former beliefs had been ‘dumb’. He realized it was wrong for managers and investors to focus on

constantly boosting profits and increasing share prices as their overriding goal. ‘On the face of it, shareholder value is the dumbest idea in the world,’ he said. ‘Shareholder value is a result, not a strategy; your main constituencies are your employees, your customers, and your products.’” This broader approach resembles the “balanced scorecard,” now a well-known model in modern business.

These realizations also form essential elements of the G.E.I.S.T. concept.

4. *Company mentality determines physical results*

The corporate culture practiced within a company follows an established set of rules. All management methods, practices, and human interactions within the company form a specific culture of interpersonal communication and generate a company mentality.

This culture and mentality, usually deliberately pushed by management, have an impact on external relations with customers and suppliers, as well as within the workforce. Consequently, when it comes to corporate objectives and strategies, every (material) result is essentially determined by the prevailing mentality (psyche) in the company.

5. *The world is an interconnected system of consciousness and energy*

“Everything is connected to everything else” wrote Alexander von Humboldt (1759–1859) in his fundamental thesis. Our environment only functions in interaction with human activity and must always be viewed as a whole.

Humboldt’s gift for combining different disciplines was evident from an early age. To this day, his ideas and combinatory approach are regarded as the epistemological benchmark for our information-driven, interconnected world.

Given the increasing complexity of modern and future worldviews, it is probably indisputable that the interactions between different sciences—from sociology to psychology to economics—result in combined insights that, with the help of modern IT technology, enable us to join up our thinking and gain a better understanding of the relevant interrelationships.

With these new insights, we can establish new mindsets and concepts that could form the basis for both individual and collective consciousness and help people and companies to see and understand the world in terms of interrelationships—“thought is behavior in rehearsal.”

The G.E.I.S.T. method, presented below, aims to boost efficiency and profit. It was developed on the basis of Humboldt’s combinatory approach and findings and absolutely applies to the times we are living in today.

3 The Seven Operational Weaknesses: Fresh Thinking Requires Transparency

Humboldt’s realization that “everything is connected to everything else” can be used to improve today’s corporate strategies and economic concepts—but first, we need to consider the current situation in companies and organizations.

In order to explain the cornerstones of the G.E.I.S.T. method, the following section will outline seven key operational weaknesses that can be identified either individually or in combination at almost any traditional company.

1. *Misdirected funds/costs*

From competitive technical innovations to growth-driven globalization strategies at SMEs, how often do companies try to achieve their targets by throwing money at them?

High project costs may be caused by teams deliberating in endless meetings that rarely yield any new insights, often over a long period of time, or by external consultants who are paid a substantial daily rate to develop strategies but don't take responsibility for implementing them or producing results.

In my own consulting experience, I've seen many examples of companies attempting to reinvent the wheel again and again, while quick and efficient results are impeded (or deferred indefinitely) as a result of ignorance, internal politics, or the managers' personal ego trips—and usually not for any economically driven reasons.

This results in around 30% efficiency with 70% inefficiency costs!

These figures may seem deliberately provocative, but they are very often demonstrated in companies.

2. *Around 4% of success factors leave 96% of G.E.I.S.T. potential unrealized*

Concepts, strategies, and procedures that are based purely on individual, partial results (sales increases, market position, cost reductions, etc.) will not go far enough.

Companies often fail to take a holistic approach that considers as many parts of the value chain as possible (see G.E.I.S.T. model, Sect. 4).

3. *Underexploited creative methods and information sources*

Every single company has talented and highly trained experts and managers at its disposal, who are equipped with the theoretical principles and up-to-date scientific findings required to answer and resolve even complicated questions. But in this aspect, too, companies often fail to adopt a holistic approach.

4. *No holistic approach to the top five resources*

Agile methods are increasingly being used to significantly reduce project lead times and consider results from “the customer's point of view.” However, it is often only during crisis situations that companies are able to successfully develop rapid and effective results with near-perfect efficiency.

As psychological research has shown, people often won't change their behavior until the pressure reaches boiling point. To help companies achieve optimal results, the G.E.I.S.T. method offers a holistic approach that considers all relevant factors from the very start of the planning stage.

These top five resources form the basis for a holistic value-management system:

- (a) Psychology
- (b) Motivation
- (c) Facts and figures

- (d) Monetary resources
- (e) Time factor

The interrelationships between these resources are described in more detail in Sect. 4.

5. *Random management instead of holistic analysis*

Good products are often the result of accident or error.

Many products such as penicillin, popsicles, Tesafilm, and more would never have made it onto the market if the managers responsible hadn't left some room for chance.

One good example is the company 3M and the development of the Post-it, a product that has enjoyed many years of popularity. Today, these colorful, self-adhesive notes are a staple of any well-stocked office. But they almost never existed. In 1968, the chemist Spencer Silver was trying to develop a superglue for the Minnesota Mining and Manufacturing Company (3M). He ended up inventing an adhesive that could be removed without leaving any residue—but nobody could think of a use for it. First, the company developed a bulletin board coated with the adhesive. But this product didn't stay on the market for very long. Silver's invention was a flop. It wasn't until years later that one of Silver's colleagues, who sang in a church choir, started using the adhesive to stick bookmarks into the songbooks—he found it irritating when they kept falling out. And so, in 1974, the Post-it was born.

6. *Specialists vs. generalists*

When it comes to approaching a task holistically, specialists play just as essential a role in the development of solutions as visionary generalists.

In order to achieve the very best results when faced with specific problems, you'll need a dream team who can not only focus on technical feasibility but also think outside the box and contribute additional aspects and ideas that will greatly benefit customers, the company, and future business development—and therefore create value in itself.

The term “value management” refers to methods that produce a quick solution to a problem but also create lasting added value.

So, how can one assemble a dream team of this kind?

Tools such as DISC or INSIGHTS, used by (almost) every HR manager, can help to identify high-potential employees for specific tasks—in practice, it has also proved useful to get customers and suppliers involved in the recruitment process.

By using a skills matrix created especially for the project in question, you can identify individuals in the employee pool who possess the necessary skills and social attributes.

In order to gain a comprehensive overview of suitable candidates for the task concerned, it's also worth using the REISS Profile, which has proved effective in combination with a potential analysis using DISC or INSIGHTS. The REISS Profile identifies motivational structures and analyzes how they affect people's behavior.

7. Dated worldviews lead to sub-optimal performance and loss of value

Very often, conservatively managed companies follow entrenched patterns of thought that have been practiced for years—ones that may even have developed retrospectively over an extended period and have then become standard practice.

You'll often find well-functioning business models on the market that, from a management perspective, do not appear to require any change or even realignment.

The pursuit of innovation, optimization, and realignment is often delayed for too long, until the market pressure to change can no longer be ignored. This is a fatal management error that is often punished with degressive sales and profit rates when competitors approach established customers with new products and services and seize market share.

Equally, an exclusive focus on attaining growth and profit, by any means necessary, can also produce expensive and unsustainable effects in many industries.

Short-term success is rewarded. The development of a sustainable strategy with flexibility and foresight, with a view to securing a company's continued existence, is often considered less important than quarterly performance. This short-term mentality very often results in a loss of value and, over time, long-term damage. There are even some well-known consulting firms that are not entirely blameless in cases of companies losing value.

For many years now, the GROHE case has been considered a cautionary tale of the consulting industry. This company was one of the world's leading manufacturers of sanitary fittings, recording a positive operating profit of around 145 million euros. In the summer of 2004, as a result of several bad decisions and sales, GROHE recorded debts of 760 million euros and became a restructuring case—the planned IPO was out of the question for the time being. In September 2004, McKinsey was commissioned to identify any unnecessary costs—in a contract worth 10 million euros in fees. The consultants considered it “unavoidable” to close four of the five plants in Germany. About 2,710 full-time jobs were cut following the consultants' report, which stated that the workforce would have to be reduced from 4,050 employees to 1,340. The company was advised only to buy in China, to relocate its production operations to Thailand, Portugal, and the USA, and to open a new plant in Poland for 810 employees. A counter-assessment by the consulting firm Management Engineers (ME), founded by a former McKinsey partner, came to a different conclusion that only required 842 jobs to be cut in Germany and only one plant closure. In contrast with the McKinsey analysis, this assessment identified the following risks: “Declining quality, lack of supply availability, complex value chains, lower barriers to market entry for Chinese suppliers, loss of market share, and reputation damage.” The two consultancies conducted their analyses independently of each other. GROHE's CEO, David Haines, decided to adopt his own restructuring concept and initiated all the measures that went along with this (Leif, 2006, p. 90). Then, in the summer of 2004, GROHE was sold to the American group TPG (Texas Pacific Group) and Credit Suisse First Boston Private Equity (CSFB) for 825 million euros (Leif, 2006).

If the consultants responsible had considered and analyzed the proposed strategies from a market perspective, taking into account the mind power available in the company, many millions of euros would have been saved and the collateral damage could have been avoided.

Based on this example, we can draw the following conclusion:

Today's concepts implemented with yesterday's know-how will be the flops of tomorrow!

4 G.E.I.S.T.: Value Management for Better Results

Here is a more detailed overview of the aforementioned five resources of the G.E.I.S.T. method (Fig. 1).

Many companies, but especially SMEs, often find modern consulting solutions to be remote, complex, and difficult to understand due to the frequent use of academic terminology.

The dilemma of having to present complex issues in simple terms is a hurdle that every consulting expert has to overcome in order to win the trust and understanding of managers and clients with responsibility within a company.

In line with the KISS principle ("Keep it simple, stupid!"), the G.E.I.S.T. model attempts to offer a common thread by which managers can develop individual steps for a holistic consulting approach and then, based on this, present a comprehensible implementation strategy.

By focusing on five key resources, you can easily assign relevant activities to each business unit. These activities are developed in workshops, condensed, and then structured into specific strategies that can be applied in practice.

G.E.I.S.T. – Value-Management for Results

Five 5 resources for Companies & people:

G.E.I.S.T.™



G = Geist / Mind – consciousness, intelligence, creativity.

E = Energy – vitality, motivation, dedication.

I = Information – facts, figures, know-how.

S = Substance/Cash – money, balance sheets, assets, budgets.

T = Time – lifetime, product & planning cycles.

Goal: 5 step value management (for profit and personal success)

Fig. 1 The five key resources on which the G.E.I.S.T. concept is based (Author's own diagram)

TISCA Model – an integrative goal process

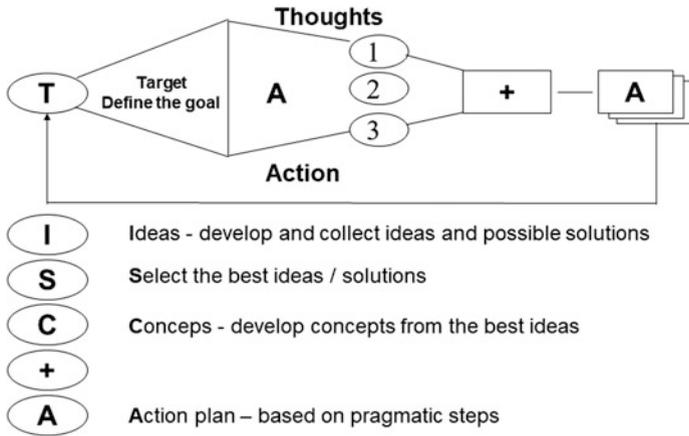


Fig. 2 (Source: ZIAKA model, as developed by Buchner (Buchner, 1994)—author’s own diagram)

The ZIAKA method (Buchner, 1994) can make it easier to communicate these strategies and expedite the process of setting and pursuing goals (Fig. 2).

5 What’s New About the G.E.I.S.T. Method?

There are many effective, tried-and-tested methods for consulting, strategy development, and implementation in the market. In my own consulting experience, I’ve found that many of the known methods are similar and complementary to one another and rarely offer new insights that could provide a holistic overview of companies and situations.

The awarding of any contract is usually preceded by a pitch, during which you are expected to present yourself, as well as your experience, methodological competence, and—a factor that should not be overlooked—instincts (Liebmann, 2007). In my view, the key is to capture the decision-makers’ attention quickly and concisely within a limited time window and to persuasively present them with both monetary and emotional added value.

In this respect, there are some fundamental psychological findings that can help to reroute managers who would usually think and act in a purely rational manner and guide them instead toward the idea of coherence—that is, holistic models of observation—while also taking human emotions into account.

Emotional added value is defined in particular by the individual experiences we develop and internalize during difficult periods in life. The coronavirus crisis of 2020 has given rise to a new mindset among the general public. Suddenly, our society is

embracing solidarity, as well as technical tools (video conferencing) and new workplace models (e.g., working from home), as useful and sustainable—essential, in fact.

This emotional intelligence and sustainability is often lacking in traditional consulting approaches.

When the monetary interests of investors and consulting companies are prioritized above all else, well-managed and profitable SMEs suddenly become restructuring cases—as demonstrated by the example above (Lief, 2006).

There is often a lack of emotional human input in decisions and strategies, which leads to a massive loss of trust among the very people we need in order to keep companies on track and secure their future.

The active effort to preserve values, by means of humane and sustainable approaches, is becoming increasingly recognized in the global economy as a fundamental aspect of economically rational processes.

I've taken everything I have learned from my practical consulting experience and condensed it in the form of the G.E.I.S.T. model.

The result is the first ever holistic psycho-rational process analysis model.

This model aims to reverse losses in efficiency using creative and productive “energetic” processes, with a focus on the 96% untapped potential.

The core element of the G.E.I.S.T. method is a creative and innovative change in mindset, with the aim of improving the individual efficiency of people and companies, as well as a clear focus on measurable results.

This method is designed to help you gain a 360° perspective, with a focus on achieving an 80/20 success process and a sustainable level of efficiency, based on the relevant top five resources.

The objective here is not only to optimize resources but also to identify and exploit previously neglected success factors. This optimization potential very often lies in the 80% of activities that appear to be functioning well and are therefore not examined any further. Every company has inefficiencies in around 20% of its activities—and it is often not very useful to invest lots of energy and money in these areas.

Applied consistently, the G.E.I.S.T. method can help to develop holistic approaches and models for realigning companies, resulting in measurable, significant, and lasting improvements to processes and business models.

6 The G.E.I.S.T. Model for Excellence and Leadership

When it came to presenting the overall concept in a visual format, my partners and I spent a long time discussing what kind of diagram would be most memorable and how it could transparently illustrate the relevant interdependencies between the various issues and factors.

The diagram below (Fig. 3) presents the core elements of the model and each of the factors in a clear and comprehensible way.

The G.E.I.S.T. – model for excellence & leadership

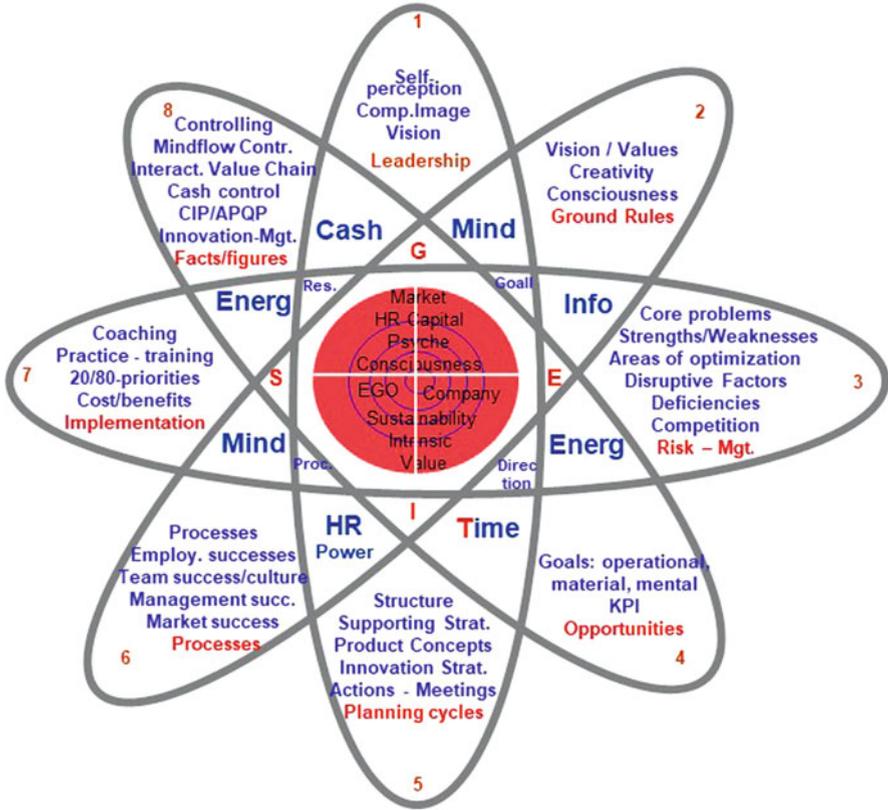


Fig. 3 G.E.I.S.T. concept. The first holistic psycho-economic mind-leadership model for companies and people (Author’s own diagram)

This model considers all areas of a company. It takes all operational weaknesses and transforms them into an integral model for success and leadership. With fundamental know-how adapted from the disciplines of business administration, psychology, and sociology, as well as an understanding of complex interrelationships and processes, you can help companies focus their activities and efficiently achieve their goals.

The G.E.I.S.T. concept links together all success processes to form a highly coherent, efficient, and intelligent management system.

It comprises eight process steps, each with eight success factors. The method, therefore, provides a precise analysis system and a road map toward a holistic, company-specific, and integral model for success and leadership.

With it, you can analyze efficiency and inefficiency costs, determine achievement rates, and identify measurable optimization potential for process performance and mind power.

Thanks to modern IT tools (AI, business analytics), which can enable continuous performance monitoring for all company departments, every step of every analysis or project can remain fully transparent for everyone involved. Existing ERP systems can be adapted for this purpose, as can the analysis tools already in use.

Professional training and targeted workshops can help to guide the way toward planned goals—with processes that are transparent and comprehensible throughout.

In order to break old habits and replace outdated personal beliefs with new mindsets, companies usually require professional and customized support over an extended period—ideally alongside day-to-day business activities.

Coaching and mentoring are efficient and modern methods for realigning the relevant company departments, from management to administration, in any industry.

Focusing on the relevant issues in close collaboration with a professional coach has been proven to help change people's behavior and understanding of requirements for good, yielding rapid, visible, and measurable results.

When it comes to selecting a coach, you should focus on whether the coach has ever received change coaching or been a change manager themselves during their professional career and whether they have completed any psychology-based training (methodological competence). In any case, it is absolutely essential for the coach to have many years' experience as a specialist or manager with operational authority.

Those who actively serve as a mentor within the company, promoting high-potential individuals and supporting them along their career path, will secure the human capital that will benefit the company's future development in the long term.

The main focus of a holistic realignment strategy should be the people (human resources), who have a significant influence over corporate success and represent the company with conviction and consciousness, both internally and externally.

Preparing people for the digital future is a matter of management!

HR managers would be well advised to quickly identify and recruit high-potential employees in the company and on the market and offer targeted programs to prepare them continuously and intensively for the future. A worthwhile investment indeed!

The aim is to prepare for the future—more quickly and effectively than the competition.

7 The G.E.I.S.T. Method Gets Measurable Results

The G.E.I.S.T. method was developed on the basis of practical experience and has been successfully applied in practice at client companies, either in individual steps or across entire projects. It is a toolkit that can be adapted to a company's individual needs in order to achieve its goals.

Intersections in the G.E.I.S.T. - process

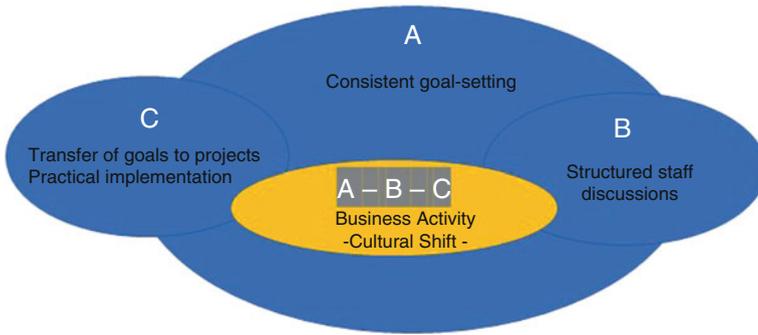


Fig. 4 Simplified diagram outlining the intersections in the G.E.I.S.T. process (author’s own diagram)

Additional checklists and methods provide a road map for practical work and help to maintain a consistent overview of the project and keep all agreed targets clearly in focus (Fig. 4).

The G.E.I.S.T. method focuses on optimizing efficiency in companies of all sizes.

Reducing inefficiency costs in individual company departments and processes is an essential aspect of strategic realignment, paving the way for the long-term implementation of digital concepts. In my experience, companies often identify inefficiency costs of 30% to 50%—but this depends on the individual company.

When companies apply the components of this method, they often see a significant increase in revenue and profit, with a realistic lower limit of 10% to 20%.

At the same time, many projects also become more efficient by the end of the first year (with an initial increase of >20%) due to the company’s new level of awareness, as well as its understanding and realization of individual success factors.

It is, therefore, well worth exploring the tried-and-tested G.E.I.S.T. method as a change-management concept.

8 From Model to Implementation Strategy

The success of a future-oriented method depends on a wide range of details (Fig. 3).

The three key pillars of success are:

1. *Market:* Target group, economic conditions, competition, etc.
2. *Products:* USPs, quality, pricing, etc.
3. *Method:* Awareness, behavior, implementation, coaching.

Before embarking on a partnership, it has proven useful in practice to organize an initial, non-binding meeting, during which you can discuss and define the

expectations of both parties, based on individual goals and measurement criteria. Only then should you evaluate the current situation and start on a concrete project plan.

Here is an example of an effective project plan:

1. A 4-h intensive workshop for senior management (free initial meeting).
2. A 1-day intensive workshop with an interdisciplinary project team to define the company-specific success factors and plan the concept with the help of an experienced project manager.
3. A 5 × 1-day concept implementation workshop with the project team.
4. A 2-day executive workshop with senior management to teach the method.
5. A 2 × 2-day review workshop (to evaluate outcomes). This workshop should be held later, ideally after 6 months.

Total investment: 12 days

Of course, if required, someone familiar with the method would also be on hand to support the client or company as an interim manager throughout the project (for either a daily rate or a flat fee).

9 Hybrid Methods: Agile Transfer with Scrum

Which methods are best suited for implementing the G.E.I.S.T. model?

Agile (i.e., team oriented) models are always a good option, but there are also some traditional value-generating models that have proved effective in practice for individual tasks, such as the Kanban model.

In principle, a company can achieve excellent results if its employees are actively involved in goal-setting and implementation processes as individuals who think, act, and make decisions independently (in line with the idea of the Harzburg Model).

Before organizing the workshops, it is important to hold in-depth discussions with the people selected for this task in order to assess their suitability, motivation, curiosity, and willingness to change. Agile transformation processes can only succeed when they are planned and implemented with people who are willing and able to learn.

The development of new, pioneering strategies and innovative processes requires curiosity and a willingness to experiment.

When it comes to assembling the teams during the initial phase, it will become clear that not everybody is ready to work with agile methods. This is a fact you'll have to accept. It is important to consider each case individually.

Questions that arise in the course of projects, even in highly complex ones, can be addressed in a targeted manner without insisting on absolute agility. It is, therefore, up to the team to incorporate everybody's professional opinion, present planned change processes, and communicate goals in a targeted and comprehensible manner.

Agility must not become an end in itself.

At this point, it should be noted that there is no universal definition of “agility” in the literature. The term “agility” is assigned different definitions depending on one’s interpretation and objectives. It often comes across as just a trendy buzzword—it’s used all the time, but it means something different to everyone.

Across all definitions, however, we can say that it universally encompasses the following elements: time, costs, competence, flexibility, and quality, as well as “reactive and proactive responses to market changes, with a focus on customer satisfaction” (Häusling, 2018).

The focus should always be on generating economic benefit. Based on the issues identified using the G.E.I.S.T. method, you can formulate credible and comprehensible lines of reasoning to argue the benefits of the relevant strategies at every stage of the project.

If you avoid restrictive controls, hierarchy-based responsibilities, drawn-out approval procedures, safeguarding mechanisms, and other bureaucratic obstacles, you will be able to keep your processes dynamic and focused toward finding the solutions you’re looking for (Häusling, 2018).

Your top priority should always be to generate calculable economic benefit.

In addition to this calculable benefit, the G.E.I.S.T. method also focuses closely on individual value-adding processes.

Since it is seldom possible during the initial phase of a project to predict exactly how the individual process steps will develop, agile approaches (such as the scrum method) offer some clear advantages over traditional approaches based on the waterfall model, in which all process steps are completed in sequence (Preußig, 2018).

“The aim of agile methods is to manage projects in a particular manner, based on agile techniques, principles, and values” (Preußig, 2018).

Much like the G.E.I.S.T. model, projects that use the scrum method should ideally be implemented with the support of trained and experienced experts. Scrum undoubtedly requires a fresh mindset, especially in companies that have only ever used top-down processes (the waterfall model).

Agile methods are far superior to these traditional process models because they involve a degree of active self-organization, which can achieve a high level of efficiency within a short time and without requiring many rules (Fig. 5).

Scrum, much like the G.E.I.S.T. method, is a framework for navigating complex problems with a clear focus. As a result of this method, the team members, who focus on individual issues in order to develop approaches and solutions, will feel valued; they will not only experience their collaborative work as meaningful in itself but also view it as a contribution to the overall solution.

The scrum master, who is responsible for ensuring compliance with scrum processes, plays an important leadership role in the goal-setting process, as does the technical expert (product owner).

The transparency and flexibility of the processes results in near-optimal communication within the small teams, which in turn maximizes their motivation and enjoyment. As well as improving communication, flat hierarchies also facilitate rapid goal-setting processes.

Building Blocks of agile management

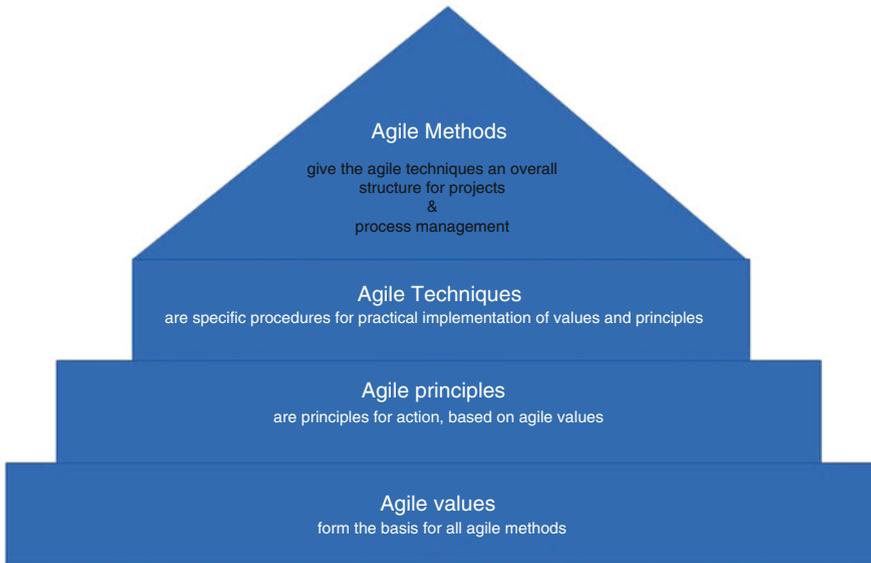


Fig. 5 Key elements of agile project management (author's own diagram, based on Preußig, 2018, p. 143)

In this respect, the G.E.I.S.T. concept and the scrum method complement each other. By using them in combination, you can therefore develop excellent solutions for specific issues within companies, which can then be converted into long-term strategies and future-oriented business models.

10 Conclusion: Go for it!

Today, we live in an age of almost unlimited possibilities. There are still some aggravating and limiting factors, such as globalization, rapidly changing market conditions, customs duties, national egoism vs. solidarity, and so on. But there are also many examples of people and companies that have managed to shift to new business models despite difficult market conditions and reinvent themselves time and again.

Any person and any company can figure out what works for them and transform their ideas into reality.

Nobody can force a company to make a particular decision or take that first step into action—but there are many sources of support and guidance available, ranging from experts and professional workshops to coaches and online tutorials.

If a company's experts and managers are working on other important projects and time-critical tasks that require a high degree of methodological competence, it will generally need to call in external resources to avoid losing valuable time. An expert who is able to communicate ideas and concepts at the same level as the management team, and implement them in collaboration with managers and departments, will always serve as a constructive driving force within companies.

As this expert, you'll need to focus on taking responsibility for operational implementation and on pursuing measurable results and sustainable profit.

In this modern age of information, with unlimited access to knowledge for everyone at any time, there are unprecedented opportunities, sources of inspiration, and methods available to develop completely unique implementation strategies for companies—to ensure that they can remain marketable and innovative for the digital future and also adapt to constantly changing market conditions.

Managing the five basic G.E.I.S.T. resources will put you on course to achieving holistic agility and to gaining a new entrepreneurial understanding of the psycho-economic interrelationships of the digital age.

For more detailed information, please visit my website—you can also get in touch at any time at www.EGO-Consulting.de or contact me directly on: +49 (0)172 27 16 450.

I look forward to continuing the conversation!

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Elmar R. Gorich is an implementation expert—a passionate “doer”—who has spent many years in various executive roles at international (primarily American) companies. He is a recognized expert in solution and project-based sales.

After completing his education in industrial management, he studied business administration, graduating with a master’s degree (MBA). He went on to complete additional psychology training as a coach and supervisor.

For many years, he held various senior partner and shareholder roles at reputable management consultancies, where he had the opportunity to plan and implement projects at SMEs and DAX companies and to take on training responsibilities as a sales coach.

Since 2006, Elmar Gorich has been working with the management consultancy EGO-Consulting/Advisory and Management Services (www.EGO-Consulting.de) on a freelance basis as a management consultant, interim manager (DDIM member), coach, and speaker. He works primarily with solution providers in the IT/ITC market, with a particular focus on digital trends and the implications of future business models.

In 2013, Elmar R. Gorich was also appointed as a part-time lecturer at the South Westphalia University of Applied Sciences, where he presents a variety of lectures and workshops on the subject of entrepreneurship.

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Agile Customer Co-creation: The Customer as an Innovator



Ralf H. Komor

Abstract In today's fast-paced business environment with ever-shorter innovation cycles, it is more challenging than ever to stand out from the competition. A close focus on customer needs is the key to a successful product launch. In this context, "Agile Customer Co-Creation" is emerging as a key strategy that offers a wide range of benefits to companies. By actively involving customers in the development process, companies can not only address these needs directly. They can also harness the potential for continuous innovation and differentiation in the marketplace. Adopting this approach is becoming an imperative for any organization that wants to achieve market leadership and sustainable growth.

1 Interactive Value Creation for More Success

"Focus on the customer and everything else will follow," said Google founder Larry Page years ago. Today, this guiding principle is more relevant than ever—in times of "new work," customers do not just want to consume. They want to be integrated into business models and actively or passively *participate in shaping them!* This is achieved through the so-called customer co-creation: Companies integrate customers (or suppliers, partners, stakeholders) into processes or use open platforms to generate ideas together. Whether in the concept, specification, design, or development phase, with input from the customer, companies can solve customer needs and problems more efficiently, develop new innovations and disruptive concepts, or improve existing products and services in a targeted manner. Even the emotional decision criteria, valuable insights that companies can use for their agile sales process can be better understood when utilizing co-creation.

At the same time, companies improve their (end-to-end) customer experience (CX) with a co-creation. The customer feels valued, takes on a leadership function, and enjoys supplementary experience consumption in addition to the usual product

R. H. Komor (✉)

KOMOR INTERIM MANAGEMENT, Germany, Ladenburg

e-mail: ralf@komor.de

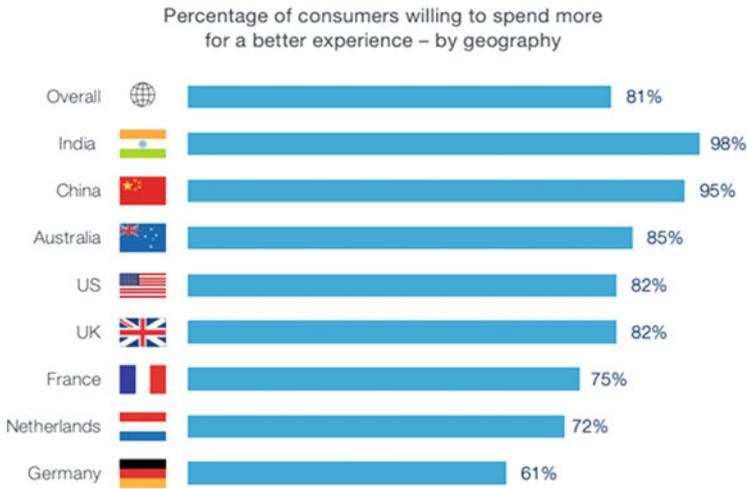


Fig. 1 Proportion of customers willing to pay for a better customer experience (Source: Capgemini)

consumption. This takes the customer relationship and loyalty to the next level and increases the emotional investment of customers. The strength of a customer's motivation depends on the value that they can achieve through co-creation (see Gassmann: "Shaping Digital Transformation").

In addition, many products are threatened by commodification. It is becoming increasingly difficult to stand out from the mass of competitors. A more satisfying customer experience as well as better (digital) services will help differentiate a company from its competition. According to a study by Capgemini Consulting, 81% of customers are willing to pay for a better customer experience. Companies that link their business operations to the customer experience are potentially more successful and generate higher margins. In contrast, one in five customers permanently turns away from the company after a bad customer experience, which relates to the so-called "peak-end rule" (Fig. 1).

Important Co-creation does not only mean cooperation with external partners. It is at least as important to develop processes and products across functions and/or departments *within* the company. This can be achieved through, for example, multidisciplinary teams and the concept of human-centered design thinking, which also focuses on user wishes and needs. Many companies are already doing this. According to a study by PwC, 73% of the companies surveyed are developing their products across functions. Companies that do not do so leave a lot of potential behind.

Advantages of an agile customer co-creation:

- Use the innovative power of the customer and better understand customer needs
- Identify customer problems and develop tailor-made products

- Understanding emotional decision criteria and optimize sales processes
- Improve customer experience and highlight differentiating features
- Strengthen customer loyalty and establish long-term customer relationships
- Accelerate market launches and increase chances of success

2 Sustainable Competitiveness

What makes customer co-creation particularly valuable? Companies increase their chances of success in bringing new products and services to market by minimizing the risk of a lack of customer value. In fact, between 50% and 80% of all new products fail because the customer benefit is insufficient. On behalf of the same reason, 70% of newly introduced products are no longer on the shelves after 12 months. This is exactly where customer co-creation comes in, by letting customers participate in product development. Companies test usage promises at an early stage, discover new needs, and navigate more securely through the development process, thanks to regular customer feedback. This avoids costly mistakes and ultimately leads to products that are tailored to the actual needs of the target group and users. This is one of the elements of the Sales Hygiene[®] concept I designed.

In addition, a close focus on customer needs accelerates market launches, especially ones in traditionally cumbersome industries such as plant and mechanical engineering or insurance. According to a study by PwC, customer co-creation reduces the time to market by an average of 17% and by as much as 28% for “digital champions.” Whether it is brainstorming, testing prototypes, validating important assumptions, or developing new business models: All this can be accelerated with co-creation without increasing the budget.

According to a study by Sopra Steria, 77% of companies now acknowledge the customers’ need for more individual products and services as a part of sustainable growth and sales opportunity. Although, according to this study, customer centricity is of high to very high relevance in 88% of the considered companies, it is clearly expandable in almost half of the companies. Companies improve their market position and achieve higher sales if they act in a customer-oriented manner and align processes and produced goods with the customer (Fig. 2).

3 Customer Co-creation for B2C and B2B

Interactive value creation through co-creation makes sense in all industries. For example, IKEA encourages its customers to develop their own products with the digital platform “Ikea Co-Creation.” Coca-Cola used the concept of customer co-creation to validate its Southeast Asian product strategy, and LEGO developed 23 special and highly successful LEGO sets using the open-source platform “LEGO Ideas.”

CUSTOMER CENTRICITY CAN BE IMPROVED IN NEARLY HALF OF THE COMPANIES

How would you rate your company's current customer centricty?

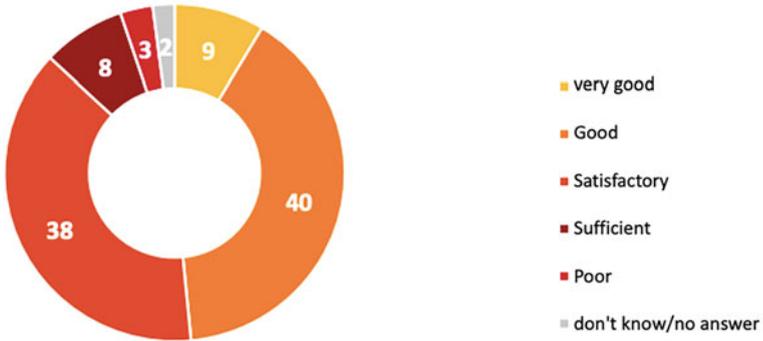


Fig. 2 Assessment of companies' own customer centricty (Source: Sopra Steria)

Customer co-creation is important for B2B companies as B2C companies because purchasing decisions of B2B and B2C customers are more similar than it first appears (consumerization/industrial consumerism). In addition to the objective criteria, subjective factors also play a role in B2B. One of these criteria is, for example, whether the brand fits the positioning of your own company or whether the product design and features are attractive (see Almquist "The Elements of B2B Value[®]"). It is therefore important to know all the rational and emotional factors that are decisive for customers when making a purchase decision. Forrester Research found that more than 55% of consumers today take corporate values into account in their purchasing decisions. Companies gain such insights with customer co-creation, and no time and/or cost-intensive processes are necessary for this.

An Accenture survey revealed a remarkable gap between the expectations of buyers and the customer-centricity of suppliers. Purchasing departments are often no longer comfortable within the framework offered and turn their backs on companies that do not take intensive care of them, ignore their needs, and offer inappropriate solutions and services. This is reflected in these dramatic figures:

- About 62% of the companies surveyed have changed suppliers in the past year.
- Around 36% plan to change in the next 12 months.
- That is to say: 80% of customers will change suppliers within 24 months.

A study by research and consulting firm Gartner found that B2B buyers spend only 17% of their time meeting with all of the potential suppliers. If buyers compare several suppliers, this figure is perhaps 5%–6% per supplier (Fig. 3).

Utilizing customer co-creation, companies can spend more of their short time in direct contact with their customers to find out what their real needs are. Through this,

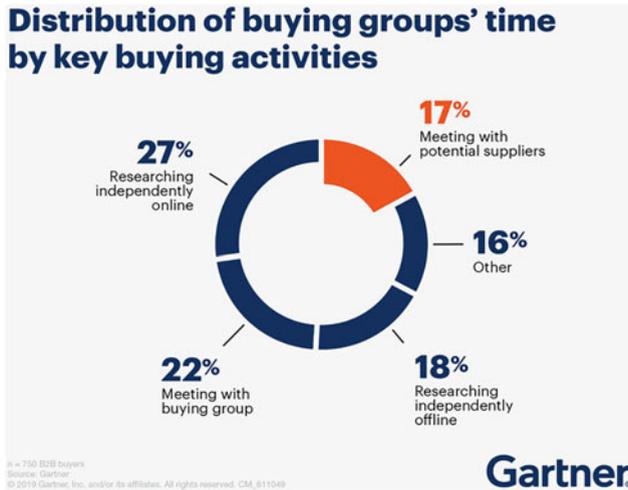


Fig. 3 Distribution of purchasing activities (Source: Gartner)

companies prevent migration, strengthen customer loyalty, and significantly increase their sales quota. But the implementation is not always easy.

4 Many Challenges

Customer co-creation presents companies with a wide range of challenges. They often must adapt their processes, particularly those involved in new product development. For example, when old tasks are eliminated or new tasks such as selecting and integrating customer suggestions into the innovation process are added. A catalogue of measures can help to define which co-creation makes sense for which innovation tasks. At the same time, new processes mean major changes for employees in the realm of innovation. For example, customer co-creation increases the interaction tasks with the customer or can limit the competence areas of the employees. It is therefore often necessary to convince management before implementing these processes.

Transparency toward customers is especially important. The customer must always know the status quo of his participation and what benefits he can bring to the company. Whenever this is not the case, the customer will not feel valued. Frustration sets in, which can spread quickly. In the worst case, a social media shitstorm threatens. Transparency is also important in other areas: For co-creation, companies often must rethink the protection of their intellectual property. While companies have to disclose certain innovation issues for customer interaction, of course, not the entire knowledge base should be communicated to the outside world. The right balance between openness and protection is crucial (Fig. 4).

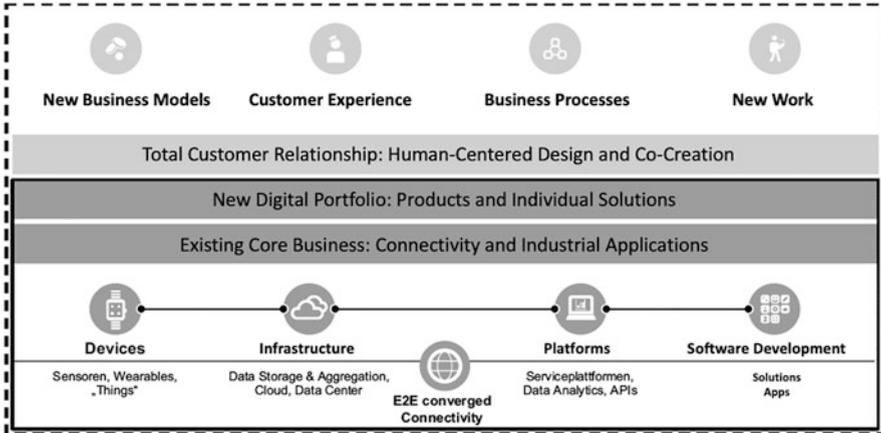


Fig. 4 Reference framework of an agile customer co-creation at Swisscom (Source: Gassmann)

[At a glance

- Customer co-creation allows the customer to participate in the innovation process of a company actively or passively.
- Both B2B and B2C companies benefit from customer co-creation because subjective factors influence the purchase decision everywhere.
- A co-creation provides valuable insights that companies can use to improve customer experiences and gain sustainable competitive advantage].

5 A Practical Example

The “LabCafé” I designed for WALDNER, a hidden champion from Wangen in the Allgäu and world market leader for laboratory furniture, shows what customer co-creation can look like in concrete terms. Together, we wanted to optimize the laboratory planning of a pharmaceutical company, simplify the daily work of the laboratory staff, and fully align the products with the user needs. To achieve this, customer co-creation included every phase from the development of ideas and the development of several prototypes to the final implementation (Fig. 5):

In this way, LabCafé provides participants with the process and tools to accelerate innovation and generate a lot of ideas—and shows how to get from poorly defined problems to well-thought-out solutions. For this, I combined proven and innovative creativity techniques (brainstorming, World Café, questionnaire, and more) with the core of “design thinking.” In an open and creative “kindergarten atmosphere,” the participants went through various challenges under certain rules and developed new approaches and solutions detached from everyday life (Fig. 6).

In a 7-hour LabCafé with 25 laboratory users, we collect up to 700 impulses, which we then cluster and prioritize together. In the end, our clients not only better

Customer Co-Creation

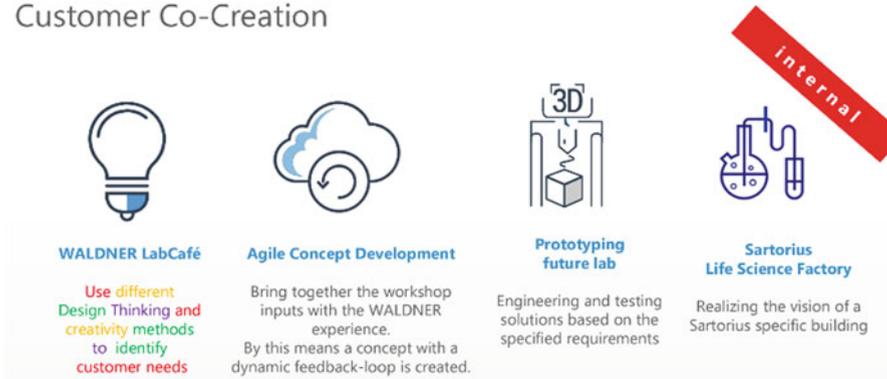


Fig. 5 Sequence of customer co-creation within the framework of a LabCafé (own representation)

WALDNER LabCafé Rules



Fig. 6 The LabCafé rules (own representation)

understood the needs of their own employees but also received many valuable, previously unspoken, tips on organizational optimization possibilities (New Work) for their daily business. For example, WALDNER was able to develop a new and tailor-made product for one of the largest laboratory projects in the world. The idea originated in the LabCafé, was refined using a prototyping process, and was realized via agile development with a multidisciplinary team of specialists, including experts and user representatives of the customer. The whole thing was supported by a professional VR (virtual reality) presentation. In the meantime, I have gained some experience with co-creation: Such a LabCafé works with adapted content for companies of any industry, in different cultures, and on all continents—worldwide (Fig. 7).

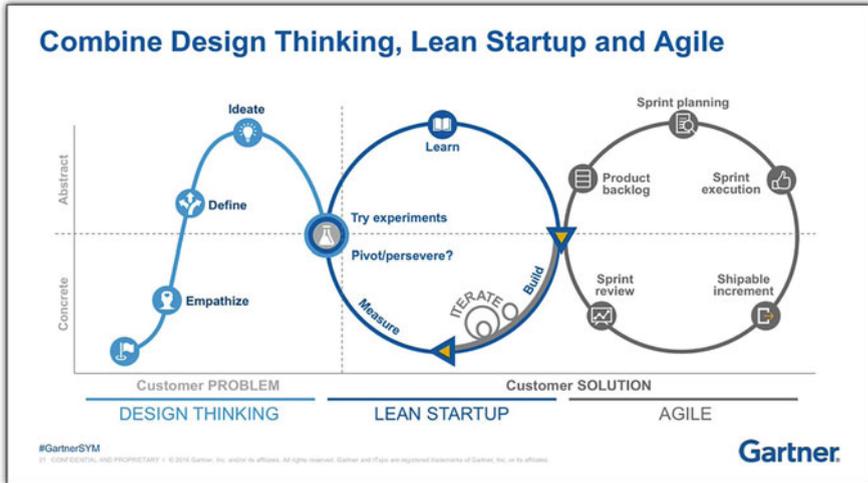


Fig. 7 Combine design thinking

6 Closing Words

An agile customer co-creation offers companies many advantages. For example, you can discover new market opportunities, steer product branding in the right direction, understand your customers better, and stand out from the competition with products tailored to the target group. All this leads to more customer satisfaction, a higher customer lifetime value, and more revenue potential. Can you afford to do without it?

Talk to me.

Quotes

- The customer of today wants to be integrated into business models and actively or passively participate in shaping them!
- Customer co-creation avoids costly mistakes and ultimately leads to products that are tailored to the actual needs and wishes of the target group.

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¹I have compiled all publicly available studies and contributions for you in a compact form. Send an e-mail to: ccc@komor.de and you get immediate access to it.

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Ralf H. Komor from KOMOR INTERIM MANAGEMENT is an Executive Interim Manager DDIM® in Ladenburg, certified advisory board member, Most Trusted Adviser for family businesses, keynote speaker, and multiple Springer author. Known in the industry as sales captain, he heads the DDIM working group for sales, marketing & service (“DDIM.fachgruppe//Vertrieb, Marketing & Service”), in which renowned interim management experts regularly meet to discuss topical sales issues and continuously build their knowledge and skills. He loves developing new business models and sales strategies. Ralf Komor has always worked primarily with SMEs, and he still does, but now he also works with start-ups and corporates (operating in the areas of machine engineering, plant construction, high-tech and software). As a C-level expert in B2B sales, with over three decades’ experience in national and international projects, he is passionately committed to his clients. A cooperative, focused, and visionary approach is his working style. His credo is “Resulting instead of Consulting”—or, in the words of the great philosopher Max Weber: “Ideas are no substitute for hard work.”

<https://en.komor.de>

MetaSales: From Virtual Reality to Business Reality



How VR Can Transform B2B Sales

Ralf H. Komor

Abstract In an increasingly digital world, the digital customer experience is becoming ever more important. Rapid technological progress is opening up a wealth of opportunities for companies to use digital solutions in order to boost emotional appeal, improve customer experience, and stand out from their competition. Some digital pioneers are already using virtual reality (VR) in sales, service, and product development. Customers and suppliers facilitating VR can now, for example, meet in virtual spaces to work collaboratively on digital twins of all kinds of physical products. From technical tools to machinery to entire building systems, near to no limits can be found. VR is revolutionizing the way in which buyers and customers interact. This chapter will focus on an example project conducted by a top player in the pharmaceutical industry, which illustrates how VR can be used to create an exciting, interactive, and immersive product experience, even in cases where the products concerned are highly complex.

Products are becoming more interchangeable, and customers are quicker to switch suppliers. At the same time, the rapid development of digital technology brings with it more and more opportunities to improve the customer experience and retain customers in the long term—it's just a matter of using the right technology. This may sound like a futuristic fantasy to many, but for some companies, it is already a reality: As an example, companies are using virtual reality in sales and product development to secure an immense advantage over competitors. Those who act quickly to integrate VR into their sales activities can become digital pioneers, with the power to improve USPs and win market share. What can VR do today? And why should every company learn how to harness it as quickly as possible?

R. H. Komor (✉)

KOMOR INTERIM MANAGEMENT, Ladenburg, Germany

e-mail: ralf@komor.de

1 When the Customer Becomes the Hero

Gone are the days when sales just involved selling a product or a service. Today, it's all about the story beyond the product. This comes from consumer behavior changing drastically over the last ten years. Customers are better informed, more selective, and more indecisive, while products and services are more interchangeable than ever. If a company cannot provide a product within the expected time frame at the expected price, the customer will leave (Puthiyamadam & Reyes, 2018) for a competitor that can meet their requirements with a comparable product within the needed time frame. So, the question for managers is this: If products are becoming increasingly interchangeable, how can we ensure that customers stay with us and continue to buy our products? One of the biggest challenges companies have faced over the last decade has been improving customer satisfaction in order to stand out from competitors. The focus of sales strategies has shifted—away from products and toward customers. Of course, the product has to be good—that's a fundamental requirement. But the aspect that really makes all the difference is customer experience (CX). This is a core issue for companies nowadays, affecting product development, marketing, service, and sales (Schwager & Meyer, 2007). A positive CX will keep customers satisfied and motivated to buy.

So, how do you create CX? With stories, emotional appeal, and memorable or even unforgettable moments. This is just as relevant in the B2C sector as it is in the B2B sector—and that is why marketing departments are finding ways to place the customer, rather than the product, at the center of their communications. The customer is the protagonist, the hero of the story; the product is merely their loyal companion and facilitator. One striking example from the B2C sector is the storytelling in a Volkswagen commercial from 2011: A child dressed up as the *Star Wars* villain Darth Vader tries in vain to use the force on various objects around the house until his father arrives home in his VW—and helps him out a little.¹ The car is not the focus of the commercial, but it does help the father cheer up his son.

In addition to marketing, customers are also taking center stage in product development. Over the last 20 years, customers have increasingly evolved into “prosumers” (Toffler, 1980); they both consume and produce. They want to have a say in product development as they are the ones who will ultimately buy and use the product. For example, it is not uncommon for machinery manufacturers to invite customers to their R&D facilities to take part in usability tests for prototypes. This enables the manufacturers to optimize the user-friendliness and usability of their planned machines right at the development stage, elevating the role played by customers and integrating them into the development process. By doing so, companies are saying: “We need you, your needs and feedback are important to us.” When customers get to be involved in the product development process, they feel more closely connected to the company.

¹Volkswagen commercial (2011). <https://www.youtube.com/watch?v=zVpFdJQ9Lz8>. Accessed: September 15, 2021.

2 Using Digital Tools

Numerous examples of companies using customer-focused approaches to improve customer experience can also be found in the fields of service and sales. The coronavirus crisis has accelerated the digitalization of many company operations. According to Gartner's reports *The Future of Sales (2020)*, "80% of B2B sales interactions between suppliers and buyers will be conducted via digital channels" by 2025 (Gartner, 2020). This is by no means an unrealistic prediction if the progress of some companies is anything to go by. Nowadays, companies are using *predictive maintenance* solutions, based on artificial intelligence (AI), and *machine learning*, to service machines before they even go down—allowing money to be saved. This is a visible digital service for customers, which therefore offers a great deal of added value.

Augmented reality (AR) is also used, for example, to solve technical problems from a distance, also known as *remote maintenance*. When a company's machine goes down, an employee at the site concerned puts on a pair of data glasses. These not only enable the employee to see the defective machine but also to access additional information displayed on the lens of the glasses, such as a user manual or a writing tool. The images of the machine are then transmitted to the screen of a service engineer located somewhere else in the world, who can then mark what needs to be done in order to solve the problem. The on-site employee will see these marks appear on their data glasses, enabling them to repair the complex machine without the need for any relevant expertise of their own.

3 Next Level: VR

These examples provide an idea of all the possibilities offered by digital solutions. Digitalization is going to play an important part in almost every aspect of our business world. Companies should be taking advantage of digital tools because they create direct, visible added value in terms of *customer centricity* and provide better lines of argument for the sales team to use. Any company that fails to recognize this will, sooner or later, find themselves overtaken by young, digitally adept competitors. And technological change waits for no one. In the fields of services, sales, and product development, virtual reality has already opened up a wealth of opportunities to generate new business, tap into growth markets, and impress customers. Whether it's in the form of a sales tool, smart solution, prototype, or an all-in-one package, VR takes the customer experience to a new level because it enables companies to communicate their products and brands more emotively.

4 The Rise of Virtual Reality

The history of VR dates back to the late 1950s and early 1960s. Some even argue that it started in 1939 with the introduction of the View Master slide viewer (View Master, 2021). In any case, there are a few key historical dates marking the development of VR:

- In 1962, filmmaker Morton Heilig developed the Sensorama, an immersive machine in which users could view 3D films. The Sensorama also used odors, wind, and changes in temperature to provide an even more sensory experience. An innovative product, no doubt, but it flopped on the market (Reismann, 2020).
- In 1966, computer scientist Ivan Sutherland presented the Sword of Damocles, the first head-mounted display or HMD for short (Van Krevelen, 2007).
- In 1985, the company VPL, led by former Atari employee Jaron Lanier, teamed up with NASA to develop a VR headset and the first data glove to be used in astronaut training (NASA, 1990). The DataGlove and VR headset are among the first business use cases in VR history.
- In 1995, Nintendo's Virtual Boy flopped on the market: A VR games console, it left players with headaches due to its underdeveloped technology (Flanagan, 2018).
- 2001 saw the launch of the Stanford CityBlock Project, which 6 years later became Google Street View—a 360° photographed copy of the Earth (or parts of it, at least); in other words, an early version of a digital twin (Garg, 2021).
- In 2013, the company Oculus VR developed the mass-market VR headset called Oculus Rift. In 2014, the company was taken over by Facebook—which presented Oculus Rift to the public in 2016 (Oculus Team, 2015).
- Since 2017, VR has been increasingly used by digital pioneers in the fields of sales, product development, and service (Marr, 2017).

Companies in the gaming industry continue to experiment a great deal with the possibilities of VR. There are now headsets for mobile games, for example; the user simply slides their smartphone into the device to turn it into a VR headset. But VR is also gaining ground in other industries: The impact of the coronavirus crisis has meant, for instance, that trade fair and conference organizers are now able to run their events virtually. To achieve this, a virtual exhibition hall is mapped on a VR platform. Attendees can log into the platform and move around freely as an avatar. In this virtual space, they can approach other avatars and speak to them, present products, or give talks to multiple attendees at once. Suppliers and customers no longer have to be in the same room; they can be scattered all over the world and still come together in the digital space.

5 Try Before You Buy

VR products also enable customers to try out and experience a product before deciding to buy it. Let's take a look at an example from the construction industry. kreatiVRaum GmbH, a company based in Karlsruhe, Germany, is a pioneer of virtual architecture and product visualization. Having come from the construction industry themselves, the company founders—led by Managing Director Jochen Knecht—initially created to-scale digital twins of prefabricated houses and conventional apartment buildings, based on technical architectural drawings. Construction firms can then offer these digital twins to their customers to accelerate the sampling process. During this process, the customer (i.e., the building owner) picks out any potential modifications that could be made to the building, from the wall color to the floor material, the doorknobs, and the stair railings, even down to the window frames and furniture. The use of VR can speed up this sampling process. Today, the company provides digital twins for every type of property: office buildings, industrial warehouses, supermarkets, hospitals, car dealerships, and so on.

Every year, thousands of construction projects are planned and realized across Germany. Each one of these projects involves an extensive sampling process, which requires a substantial investment of time, money, and human resources on both sides (the client and the architect/construction firm). The use of 3D VR visualizations drastically shortens this process: As long as customers have a VR headset, a tablet, or a laptop, they can explore their new (virtual) building in advance, from the comfort of their sofa, and sample the options offered by the architect/construction firm at their leisure. This innovative approach saves time for the architect/construction firm while also enabling the customer to explore their new home. Over the following weeks, the customer can familiarize themselves with the digital model of their property, allowing them to assess their cost situation and ultimately feel more confident about their decision. It also reduces the likelihood of them requesting any costly modifications later on, something that would otherwise be very common and in turn necessitate changes to plans, costs, and deadlines.

So, with all that in mind, how come VR hasn't revolutionized the construction industry yet? One possible reason is that the industry itself is not yet digital enough. Construction plans are often outdated, imprecise, or both. Many companies still lack a digital mindset in various regards. A study by the auditing firm PwC comes to a similar conclusion (PwC, 2020). While over 70% of respondents recognize the "very high potential offered by cloud technology and platforms, as well as visualizations," only "one in five possess any solid expertise in digital construction."



Fig. 1 The avatars of two customers look at a newly configured car in a virtual showroom

6 From Customizing Cars to Fitting out Hospitals

Prospective car buyers can now use VR to customize their dream car. In a digital twin of the car, buyers can design the interior and pick out the paint color, rims, and brake pads. They can even take a look under the hood. The buyer is joined in the digital space by a sales representative, either in person in the seller's VR room, or via live stream from anywhere in the world. This enables an interactive and collaborative sales process as the customer can not only visualize how their new car will look but at the same time has all their questions answered right away by the sales representative. When it comes to major financial investments and complex technological equipment, this support in the decision-making process represents real added value; car buyers are not as likely to be influenced by brochures and configurations. Additionally, VR enables manufacturers to present new cars before they are available to buy at dealerships. Prospective customers can configure a car themselves either online or virtually and then view that very car in a VR showroom. They can even take their requested car for a virtual test drive before it is made, truly bringing the product to life (Fig. 1).

This form of customization creates extra emotional value for B2C customers. However, it is also beneficial in the B2B sector. These kinds of modifications can boost revenue or even save lives, for example, in the planning of a hospital. In this case, VR can help to foster a collaborative dialog between architects, planners, and the people who will later work in the building: that is, doctors and medical assistants. Hospitals are some of the most challenging projects in the construction industry because they require so many different forms of specialist technology to be incorporated into one building. For the customer commissioning the construction project, it is very useful if the surgeons and assistants in question are able to view a digital



Fig. 2 A surgeon evaluates the medical equipment in a virtual delivery room

twin of the planned operating room at an early stage and work with the planner and architect to adapt room sizes and layouts to user-specific needs. For example, surgeons can access a digital twin of the delivery room, where they can try out and rearrange true-to-scale medical equipment. They can also rearrange and cost the virtual inventory and create a digital catalog of possible equipment in the VR delivery room. So, with this solution, multiple people can move around the virtual space at the same time and play a role in customizing and optimizing their own future workplace. When it comes to sales, this is a feature that adds a lot of value for customers. Hospitals are highly complex. It is enormously reassuring for planners and investors to know in advance that the specialists who will be using the premises in the future have inspected it and given their feedback. The ceiling-mounted supply unit should be closer to the operating table, the light fixture should be lower down, the corridors should be a little wider so that two beds can pass through at the same time, and so on. The planner and architect know where on the ceiling a power cable needs to be installed—but the doctor knows where the cable should *not* be installed in case it interferes with surgical procedures. The planning process, therefore, involves people who know little about architecture but are ultimately using the facilities, opening up whole new worlds of opportunity for sales departments. VR provides customers with a stronger basis for their purchasing decisions. The customer is given more information and feels more confident about their decision—and they get to enjoy an exciting virtual experience, too (Fig. 2).

7 VR as a Change-Management Solution

Last but not least, VR is also a useful tool for communicating complex technical functions in a completely intuitive way. Instead of having to trawl through technocratic user manuals to figure out how to operate a machine, employees can now use VR to train on a digital twin of the said machine, which is also a much more effective way to learn the content (Likens & Eckart, 2021). Communication is also the central theme of our next case study, which provides a prime example of how VR can be used to

- Craft a winning sales pitch
- purchase technical equipment in a virtual format, and,
- successfully implement a change program.

Initial situation

The WALDNER group, based in Wangen in the Allgäu region of Germany, was commissioned by Swiss pharmaceutical giant Hoffmann-La Roche to fit out a planned research building with complex laboratory equipment. This new construction project aimed to provide the lab technicians with workspaces that were spacious, modern, communicative, and collaborative and that would therefore help to expedite and intensify research and development work.

Now, Roche was faced with some of the challenges that often come with change: The company had to communicate the benefits of the new workspaces to its own employees in advance, break down outdated work structures, and ensure that employees were actively involved in the change process from an early stage. The solution was to create an interactive and modifiable VR twin of the building, which different parties could work on collaboratively.

Method

The pharmaceutical group was presented with a VR architectural visualization of the planned laboratory spaces, which could then be coupled with visualizations of the products. The company management could therefore give their employees the opportunity to interactively explore the new premises, choose laboratory equipment, and try it out in virtual space.

The visualizations were based on data sets from the architects and structural engineers, relating to the building structure, as well as data from the laboratory supplier, relating to the interior design. The purely architectural visualization was, therefore, combined with a project-specific product visualization.

The virtual open-plan laboratories, complete with modifiable laboratory equipment, were presented to staff as part of a large-scale event. The presentation took the form of an on-stage VR walk-through by two future users and was attended by an audience of around 600 laboratory technicians. The two protagonists embarked on a virtual tour of the new workspaces and laboratory facilities, sharing their thoughts throughout. The images from the VR headsets were transmitted to large screens for the audience to see. In this way, the supplier was able to reach hundreds of employees at once and share the story of the two users (with VR headsets). This



Fig. 3 Product information for the virtual equipment can be displayed directly to the customer

virtual walk-through was followed by a digital survey about the proposed laboratory design.

Thanks to this impressive presentation, the audience was able to play an active role in the entire change and design process for their own future workplace.

Anyone in the virtual laboratory could measure the room dimensions, select products, and access technical information (Fig. 3). During the event, the laboratory designers presented the complete lab setup together with the customer’s managers in the virtual space, enabling both buyer and seller to see all the aspects even as they discussed them. Technical information, possible color combinations, pricing, delivery schedules, item numbers in the catalog, and so on could all be integrated into the virtual space. Another interesting point to note from a sales perspective is that VR headsets are not strictly necessary. Virtual twins can also be accessed via a laptop or tablet.

Result: A Collaborative Trio

The change project was successful, with the VR presentation enabling employees to explore and experience the new laboratory facilities. As early as the planning stage, lab technicians were able to simulate and test current or even future work processes in the virtual world. This accumulated practical experience was then factored into the layout planning. The people behind the project summarized it as follows: “Thanks to the strategic foresight of our interim manager, Ralf H. Komor, we have been able to upgrade our global account management with unbeatable selling points to win over customers. We successfully formed a collaborative trio—comprising a small company (the supplier of the VR technology), a medium-sized company, and a large corporation—which has benefited everyone involved! This also shows just how much added value interim managers can bring to companies.” This project illustrated that immersion is emotion. With VR, customers can fully immerse themselves in the

simulated reality—and therefore develop a stronger emotional connection to the product. So, if you use virtual reality to turn your product presentation into an interactive experience, you can be sure that customers will be giving your product their undivided attention throughout.

8 Conclusion: MetaSales—The Future of Sales Is Virtual

VR is still hitting a wall in some areas today because there are not yet enough hardware solutions to accommodate it. However, I expect VR to really take off in sales by probably the mid-2020s. Then again, a forecast by Statista suggests that this may even happen a little sooner: The number of VR headsets sold worldwide is expected to rise from 11 million (2021) to 43.5 million (2025) (Vailshery, 2021). More and more companies are realizing that virtual reality can be used to improve the sales process.

The CEO of Facebook, Mark Zuckerberg, is planning to transform the social network into what he terms a Metaverse. The company has even changed its name to Meta in a true indication of the direction the industry is heading in: the world as an ever-present holodeck of virtual reality devices, computers, and compatible software. The Metaverse will supposedly merge the real world with virtual reality and augmented reality (AR). Facebook clearly believes that, in the future, we'll be meeting up with our friends, family, and colleagues in the virtual reality that the Metaverse will create.

The benefits of virtual reality are clear: It creates an exciting, interactive, and immersive product experience for customers. No matter where they are in the world, they can get involved in the product development process and simulate workflows before they've even decided to buy anything. And there's no need for them to make any costly trips to the supplier to adjust minor details. This breaks down cultural barriers and provides budget holders with a clear overview of the product, therefore lowering the threshold for purchasing decisions.

When customers are able to experience a product via VR before buying it, they make better decisions and are less likely to feel disappointed with their purchase. This is because, with VR, sales teams no longer simply sell products—they tell evocative stories that appeal to customers' emotions.

MetaSales includes applications that can be used for product configuration and individualization, employee training, machine maintenance, or the presentation of new products. I believe that companies that use XR (extended reality = AR, VR, and more) specifically for their own business areas will prevail in the market. If you want to learn more, visit <https://metasales-excellence.com/> or my website <https://en.komor.de>.

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Ralf H. Komor from KOMOR INTERIM MANAGEMENT, is an executive interim manager, certified advisory board member, Most Trusted Adviser for family businesses, keynote speaker, and Springer author. Known in the industry as sales captain, he leads the DDIM working group for sales, marketing and service (“DDIM.fachgruppe//Vertrieb, Marketing & Service”), in which renowned interim management experts regularly meet to discuss topical sales issues and continuously build their knowledge and skills. He loves developing new business models and sales strategies. Ralf Komor has always worked primarily with SMEs and still does. Nowadays, he additionally works together with start-ups and groups (operating in the areas of machine engineering, plant construction, and software).

Komor guides them on topics related to AR, VR, MetaSales, and Virtual CPQ/Configurators. He has already implemented and used these systems successfully in practice many times. He is the current winner of the “Interim Management Excellence Award.” He provides deeper insights into his topics in various trade media and books as well as in his LinkedIn newsletter.

As a C-level expert in B2B sales, with over three decades’ experience in national and international projects, he is passionately committed to his clients. A cooperative, focused, and visionary approach is his working style. His credo is “Resulting instead of Consulting”—or, in the words of the great philosopher Max Weber: “Ideas are no substitute for hard work.”

<https://en.komor.de>

Service and Customer Retention



Peter Kuhle

Abstract The digital transformation of our business world is opening up new opportunities for companies to find and retain customers. A customer-focused strategy is a critical success factor and one that will also shift the operational focus toward service. After all, good service builds customer loyalty. Technical customer support has always been a key strategic business area. However, when combined with digital solutions (smart solutions), B2B service can evolve into a valuable sales channel or even a digital business model in its own right. Today, if companies do their homework, they can use digital service solutions to offer long-term added value for its existing customers while also tapping into new growth markets.

Industry 4.0 is transforming the way in which companies generate value. Modern customers expect much more than they used to—in both the B2C and B2B sectors. Nowadays, problems and their disruptive effects are recognized much more quickly and must be rigorously avoided. For provider companies, this poses a challenge—but also an opportunity! However, companies can only take advantage of this opportunity if they are generating perceptible added value for their customers; that is to say, if they remedy problems immediately or prevent them from arising in the first place. Despite this, most digitalization projects being implemented in the context of Industry 4.0 are only focused on improving efficiency (Staufen AG, *Deutscher Industrie 4.0 Index 2019 – Eine Studie der Staufen AG und der Staufen Digital Neonex GmbH*, 2019). And while this is obviously a worthwhile endeavor, it is also one that the customer typically doesn't see.

1 Customer Centricity

This brings us straight to one of the key issues of our new business world: customer retention. In the age of service contracts, this issue is more important than it used to be—due in part to the fact that customers have become more willing (and able!) to

P. Kuhle (✉)
Bad Honnef, Germany
e-mail: info@peterkuhle.com

switch providers. Today, B2B companies in particular can secure longevity if they can keep improving their customer retention rate—and if they do so more effectively than their competitors, who can penetrate new markets more easily than before due to lower barriers to entry.

Customer retention has therefore become even more of a critical factor. To illustrate this point, here are a few statistics demonstrating the effects of good customer retention.

- Companies have a 60–70% chance of selling to an existing customer, compared to a 5–20% chance of selling to a new customer.
- It is generally assumed that the cost of acquiring a new customer is five times that of retaining an existing one.
- A 5% increase in customer retention boosts the supplier's return on investment by 25% (Kalid, 2019).

Despite this, 44% of companies focus much more intensively on acquiring new customers than on retaining existing ones (Kalid, 2019)—and this may well come back to bite them.

The Digital Trends Report (Adobe, 2020) for 2020 identifies customer experience as the most important factor in this regard—it is especially critical for successful customer retention. And, in turn, the most important tools for building customer experience are found in the field of service. In more than six out of ten cases, if a customer likes a company, it is because of its customer service. Even products and services don't score that highly (56% of cases) (Pidas, 2017).

A company's success is therefore greatly influenced by its customer service, and, under the conditions described above, this trend is only going to continue. This influence can very easily be negative, too. A *Zendesk* study revealed that two-thirds of B2B customers, and a good half of B2C customers, would stop buying a brand after *just one* negative customer service experience (Zendesk, 2018). These figures provide food for thought and starkly illustrate the new position of modern customers.

Another problem is that companies themselves often do not realize when they are *not* meeting their customers' expectations. Three quarters of companies believe they are customer-focused—but less than one-third of customers agree (Taylor, 2017). This shows that there is some discordance between how companies see themselves and how they are perceived by others.

On top of the fact that digitalization is transforming products into interconnected blocks of added value, these factors mean that the combination of products and connected services has become a highly attractive option for both customers and providers.

In order to secure long-term success in the age of Industry 4.0, it is essential for companies to recognize service as a strategic factor and a key sales channel. After all, it is your company's service that will keep your customers coming back—or leave them disappointed. Technical customer service is also an essential factor for establishing a customer-focused approach. The value of this service is visible to customers and enables the company to stand out above all others.

2 Technical Customer Service as a Strategic Business Area

Due to the recent developments in markets and customer bases—as well as the huge amount of potential offered by (technical) service in terms of customer retention—customer service is becoming a critical strategic business area. This is all the more true now that customer lifetime value is starting to take precedence over traditional, one-off purchases.

Customers expect smart products. However, these products can only really achieve excellence if they are combined with smart services to create attractive solutions. These smart solutions can meet increased expectations regarding safe and reliable operation and provide customers with a consistently high-quality experience.

Capgemini also identifies smart solutions as a key factor for increased growth in the age of Industry 4.0 (Bechthold, 2017). Many industries still have a lot of catching up to do in this regard, due partly to a highly technical approach to current problems, but also to the wide range of aspects for which service departments are commonly responsible.

Service departments are tasked with always sending the right technician to the right place at the right time—and/or providing the right product in the right place at the right time. This has far-reaching implications. Service effectively begins at the point of purchase and extends right to the end of the value chain—which, more recently, can be pushed back a considerable way *if* the service is performed well.

There shouldn't be any gaps in a smooth customer experience, so service departments need to plan their operations very carefully to account for their broad field of activity: To secure the necessary capacity, materials, and other manifold elements of a positive service interaction for the customer, these departments need foresight and end-to-end processes, conducted at a consistently high level. For customers, an interaction with a provider is a single process. The provider company must be able to take the necessary measures to deliver this experience. It should also set up some kind of system to coordinate the manifold tasks of the field service.

In addition to the technical and specialist competences already present in modern service departments, it is also important to put the right business components in place to ensure that service activities are economical. This is not the only reason why professional service management should be located at senior management level—something that is especially true if your company's service activities are not just “pure service” but also intended to actively and strategically boost customer retention, productivity, and returns.

3 Innovation and Digitalization

Some competitors are already making huge strides in this field, catering to their customers with service innovations that are only made possible by new technology such as *virtual reality (VR)* and *augmented reality (AR)*. Solutions such as these, which offer customers an ever-improving customer experience—and one that is also more precisely tailored to their needs—will soon become standard practice. As a result, there is no avoiding a comprehensive (and strategically weighted) digitalization process in service departments. Digitalization is really shaking things up in this regard.

Companies are increasingly developing service innovations on the basis of the data collected during interaction processes. This data is often not effectively utilized—which is undoubtedly also due to the fact that the issues being dealt with are not yet firmly established at the management level. At the moment, many companies are pinning their hopes on AI and expecting to fundamentally improve their services simply by using it (Freshworks, 2019). But even AI—especially AI, in fact—needs data so that it can “learn to walk.” Most companies do not collect and process this data adequately enough for the AI to really know what to do with it.

4 Utilizing Valuable Data

Data forms the basis for digital business models and smart solutions. It is at the heart of every component of Industry 4.0. And every single company is sitting on a treasure trove of data. Production plants, for example, generate millions of data points—either from individual components or entire machine fleets—such as runtime data, process data, and key figures on material flow, wear, or system behavior. If you are able to collect and analyze this data, you can also use it to benefit your own company. Among other things, data can help you improve your understanding of production processes and make them more efficient, therefore resulting in more added value for customers.

So, if you want to keep tapping into new growth markets and using service as a digital business model to acquire and retain customers in future, you’ll need to improve data literacy not only in your IT department but also at the management level and in your service and sales units. Companies that are able to collect and analyze continuously processed data are more responsive and ready to act, in turn enabling the relevant departments to develop new ideas more quickly—for innovative, customer-oriented products, services, or entire business models.

Many companies still have some potential for optimization. In an IDC study (2021), just 25% of surveyed companies said that they were working on new data-based business models (IDC, 2021). Thirty-seven percent of managers view data quality as one of the biggest challenges in data management (IDC, 2021).

5 The Possibilities of Digitalization and Data

When it comes to data, companies should be doing everything they can at an early stage to build up their core discipline of service—that is, the provision of rapid, high-quality solutions for customers. There are many possible uses for digital services.

Take self-service, for example: Gone are the days when instructions had to be laboriously communicated over the phone until the company's technicians finally arrived. Today, technicians can issue maintenance instructions from a distance in a process known as *remote maintenance*. For example, when a technical fault occurs on a ship, someone on deck can put on a pair of glasses equipped with a camera, which sends the live images to a service technician on shore. This technician then provides the instructions required to fix the problem. In addition to the fact that some (software-based) tasks can be carried out remotely via *remote maintenance*, there are also plenty of self-service options available nowadays. For example, augmented reality (AR) can be used to show the customer's technicians how to solve problems themselves. In addition, instruction manuals can be provided in advance (e.g., via a service portal) for more typical or common errors, if known. A dedicated technician can also assist this on-site work via live stream, providing real-time feedback remotely. If a company were able to fix problems in this way, it would eliminate the need for its own technicians to visit the site—resulting in a process that couldn't be any quicker.

AR and VR can also be used to train technicians, thus eliminating the need for a qualified trainer to travel to the company site. This might take the form of a digital twin, i.e., a digital copy of a machine, product, or entire factory. In a digital version of a factory, technicians can practice on the new machines before they are allowed to work with the real machines outside the simulation. Digital twins can also be used to deliberately test errors—to observe how a machine responds to overloading, for example.

6 Predictive and Prescriptive Maintenance

Another example is *predictive maintenance*. Using *machine learning*, machines can collect data and report signs of wear before a failure even occurs. This data is displayed on a user-friendly dashboard, allowing the responsible technicians to easily monitor the situation. This enables companies to enormously boost their efficiency in terms of both time and budget. *Prescriptive maintenance* goes one step further. In this case, too, the artificial intelligence in the machine analyzes the data and recommends maintenance work or necessary next steps, minimizing the level of operational risk.

All this may sound like a fantastical vision of the future, but it is already possible today, and at a reasonable cost. However, providers need to create the right conditions. Even in the case of *predictive maintenance*, companies still need to digitize all

of their processes effectively and prudently and start collecting and analyzing the relevant data, years in advance. Essentially, if you want to be able to offer these kinds of solutions in the future, you need to start early.

7 Good Service Retains Customers for Longer

These examples clearly show that the possibilities presented by digitalization are shaking up the relationship between product and service. Digital service solutions can extend product life cycles many times over, therefore helping to retain customers for longer. The provider—a machine manufacturer, let’s say—has to be able to offer customers digital service solutions along with its machines. Otherwise, it runs the risk of letting a competitor from outside the industry poach its customers with a piece of software or a digital platform. In this case, the machine manufacturer would lose its data sovereignty and would only be providing the hardware, cutting off its access to the growth market.

Given such prospects, it should be clear why digitalization in service can be such a powerful tool for establishing customer centricity—and therefore building customer loyalty. This pattern is illustrated by the study “Customer Obsessed” by KPMG, to name just one of many (Hernandez, 2019), which identifies close links between digitalization and customer satisfaction and highlights the importance of service in these aspects. This is also due to the historically established role played by service departments, an area that has always involved frequent and close customer contact. It is precisely these opportunities for contact that form a central element of digitalization (Weber et al., 2018) and can now be used in a whole new way. In short, today’s companies can understand their customers better than ever before. And they need to take advantage of that.

To illustrate this point, we need only to look at those who are leading the way: Companies considered to be digital pioneers are recording eight times higher revenue and profit growth than the stragglers. And that’s not all—their customer satisfaction rate is also seven times higher (Industrie.de, 2019).

In order to achieve these kinds of numbers, however, companies—especially those with traditional ways of working—must be willing to make some changes. In order to pave the way for everything to come, companies need to take some important first steps:

- A carefully considered and consistent digitalization strategy. Processes, services, and customer support should be the priority here. Companies should not be developing isolated solutions, but rather considering the entire situation as a whole. They must facilitate the end-to-end collection and analysis of data.
- In order to ensure overall access, service must be positioned at the highest level of the company. Service will increasingly converge with the actual business models, until—through the development of smart solutions—it ultimately becomes part of them.

8 Service as a Sales Channel

In the past, service has often eked out a rather quiet existence, overshadowed by noisy sales departments. And at first glance, this appears to make sense in terms of economics: After all, sales usually generate higher and more visible revenue than the additional services sold, which generate comparatively low margins. On closer inspection, however, the contribution margin of a sold service is often higher—despite lower revenue. Companies can also boost their service margins with new digital tools, if used correctly. Furthermore, during the coronavirus crisis of 2020/2021, many B2B companies expanded their portfolio of digital services—and therefore took a crucial step toward remaining competitive in the new normal. Digital services have become an indispensable element of business activity—in both the B2C and B2B sectors.

Besides determining the success of smart solutions, service is also increasingly being used as a sales channel. Sales are generally made via digital or analog contact with customers. And service departments traditionally have countless customer contacts. In addition to improving customer retention, companies should be learning how to use these contacts to boost sales: This will not only help to provide a better understanding of customers and spark new ideas, but it will also improve the active selling of products and services through upselling and cross-selling. Even in the digital era, trust still remains one of the top reasons why a customer decides to buy a product. And in the context of service, the technicians from your company and the customer's company will talk among themselves, so to speak—which lends the recommendations a certain level of credibility.

These approaches, combined with the many personal contacts, can complement your services and generate new revenue (a larger “share of wallet” among existing customers, who are already more willing to buy). And remember that the actual selling by the sales department is occurring increasingly late in the customer's decision-making process. The study “Die digitale Zukunft des B2B-Vertriebs” (English: “The digital future of B2B sales”) found that, in 57% of cases, the customer had already decided to make the purchase before even contacting a sales representative (Lässig, 2015). That was in 2015, and the number definitely hasn't fallen since then—quite the contrary, in fact.

As business models change and new revenue streams emerge, companies need to do their homework and treat service as an important sales channel and a facilitator of new business. Those looking to improve their digital business model using smart solutions must ensure that their service and sales departments are working hand in hand—and not in separate silos. This can also simultaneously boost service innovation. Besides the increasing importance of smart solutions, this is another valid reason why companies should establish service as a key aspect of corporate development—not just as “pure service” but as a strategic factor. Your customers will thank you for it—in ways that include more revenue. As revealed by the Capgemini study cited earlier (Taylor, 2017), more than eight out of ten customers

would also pay more for a better customer experience—and customer experience, as illustrated at the beginning of this chapter, is driven primarily by service.

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Peter Kuhle, Dipl.-Betriebswirt (FH), is an executive interim manager and a senior advisor from Bad Honnef. In line with his slogan “Field Service and Sales: Making Things Better, Together,” he supports companies during critical phases of growth and change. He has many years’ experience in sales and service, transformation, and efficiency, as well as integration, and has held various management roles at well-known SMEs and group companies. He specializes in sales, direct sales, after-sales, service, and technical customer support and has also won the Interim Management Excellence Award. He writes about his experiences in various business publications.

www.peterkuhle.com/en

Kornelia Danetzki

Targeted Development of an Innovative Business Model in Practice



Siegfried Lettmann

Abstract Business model innovation is important for the survival of any company, especially today. Nevertheless, many companies are too reluctant when it comes to developing new business models. In this chapter, Siegfried Lettmann, an executive interim manager who develops new, innovative business models for his clients, among other things, describes what this process looks like in practice. Suitable tools can help to minimize business risks throughout the process. By using these tools and modern methods, companies can develop a new business model in a structured and efficient manner. The new business model is only actually implemented once it is assured that it will also work on the market, step by step, from thought experiment to reality—and to market success.

Business model innovation is one of the most underutilized but powerful methods of generating sustainable profit growth and economic development and of creating new markets and industries (Mills-Scofield, *Business model generation: A handbook for visionaries, game changers and challengers*. Campus, 2011).

1 What Do Business Models Have to Do with Sales?

Why does a book on sales include a chapter about creating business models? Well, business models should be customer-centric—and any process that targets customers is essentially a sales process.

The link between sales and the business model is therefore an organic one. At a time when customer requirements are changing, sales and business models must change, too. The development of innovative business models has become critical for market success, especially in the current climate (Wirtz & Thomas, 2014).

For example, the second iteration of the large-scale Salesforce study “State of the connected customer” (Salesforce, 2018), conducted back in 2018, showed that 80% of customers rated the buying experience itself as equally important as the actual

S. Lettmann (✉)
SLIM Management GmbH, Salzburg, Austria
e-mail: siegfried@lettman-interim.com

product or service. And they set a high bar for that experience. B2B buyers are now also comparing buying processes with their experiences of private purchases—four out of five expect an experience that is at least as good (and 69% still cite Amazon as a direct comparison).

So, in order to retain today's customers in an environment where switching suppliers is easier than ever, companies need more than just good products and services; their business models should also offer added value that the customer can see. It is no longer enough to just satisfy customers. They have to be inspired.

Nevertheless, many companies shy away from developing new business models. It may seem like too much of a risk if you lack the relevant knowledge and experience. Ultimately, however, this obstruction of development poses the far greater risk. If you don't move, you will be moved. And in the age of global digitization, the competitive arena is growing rapidly (Bitkom, 2019).

This chapter will therefore use a practical example to show you how to develop a new business model. It is also important to demonstrate how, with the right tools, you can reduce business risks to a minimum.

2 A Step-by-Step Guide to Developing a Powerful Business Model

2.1 Step 1: Identifying Problems and Possible Solution Areas

Our example company is TERRANEW,¹ which primarily develops innovative fastening technology for wood construction. During my time there, I was able to support the company in developing and implementing an innovative business model. This process is described in the following section.

The project began as an effort to identify possible areas of innovation for further business development. Ultimately, we created a value proposition that could go a long way toward restructuring the terrace market in Austria, which had previously posed significant disadvantages for customers—from a macroeconomic perspective, there were some clear market inefficiencies:

- First of all, there is a very large selection of different construction methods, materials, and fastening methods available, and it is not always clear what the respective advantages and disadvantages are.
- In addition, various trades are competing for the favor of customers, from carpenters to garden designers, since customers usually require the services of several trades.

¹This is a real company from Austria, whose name I have anonymized in this paper by using the name TERRANEW.

These factors result in an extremely opaque market. It is almost impossible for customers to keep track of all the different options. There is also no transparency in terms of price; practically anything is possible, from very expensive to very cheap. Anyone who wishes to commission a terrace must first engage in extensive research and, with enough patience, will eventually end up in a complicated provisioning process involving several suppliers. All in all, it's a very energy-intensive process with unclear conditions and similarly unclear results.

We also conducted our own potential analysis, which showed that people in Austria are particularly fond of terraces and that there is a sufficiently high level of market potential.

In this context, we wanted to go to market with a new business model. Our aim was to eliminate all customer pain points and create a shopping experience that was clear and enjoyable throughout—which, in this environment, represents a real comparative competitive advantage.

2.2 Step 2: Analytical Approaches to Business Models

We started the development process by defining a common basis. I held workshops to build up know-how and methodological expertise. This stage is also useful for easing inhibitions and sparking the necessary curiosity and innovative spirit within the customer company, TERRANEW.

A business model describes “the basic principle by which an organization creates, communicates, and captures value” (Osterwalder & Pigneur, 2011). The Business Model Canvas (BMC, Fig. 1), developed by Alexander Osterwalder and Yves Pigneur (Osterwalder & Pigneur, 2011), provides a comprehensive overview of this basic principle. We used the BMC to define our areas of innovation analytically.

What can the Business Model Canvas (BMC) do?

In the past, people would often look at a business in its entirety and thus overlook the many different relationships between the individual elements. The BMC provides a transparent and clear picture of how value is really being created, for the customer and for the supplier.

A large-size printout of the BMC will encourage participants to contribute and collectively develop their own value creation logic, making this an ideal team activity. A secondary advantage is that, if you work on it together, everyone will be speaking the “same language” throughout the rest of the process.

So, by using the BMC, we established a deep understanding of value creation, as well as the interdependencies and connections between the individual elements.

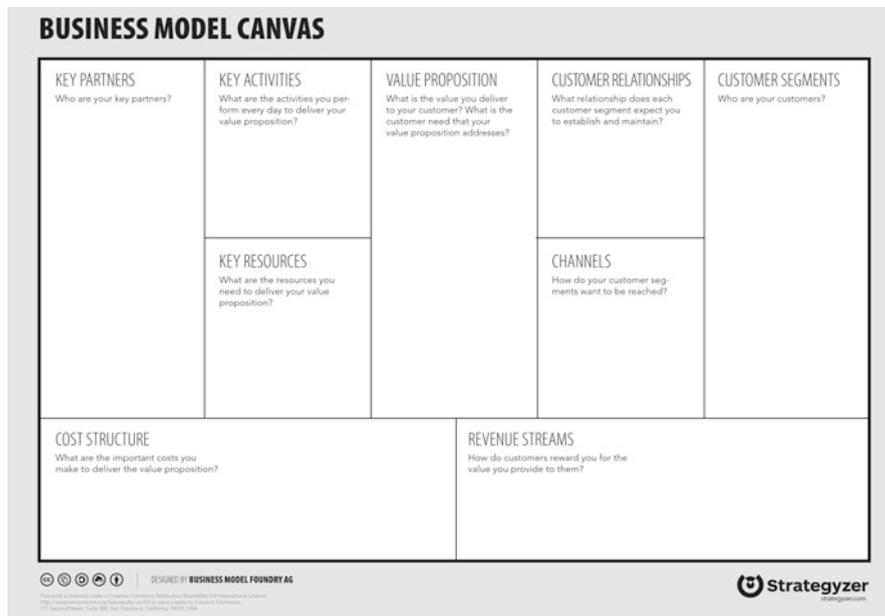


Fig. 1 Business Model Canvas (Image source: [Strategyzer.com](https://www.strategyzer.com))

2.3 Step 3: Creative Approaches to Business Models

Of course, gaining an analytical understanding is only the first step—after all, our goal even at that point was to develop an *innovative* business model, not simply to describe how our existing one works.

Using the St. Gallen “Business Model Patterns” (Gassmann et al., 2017) is a useful way of establishing the necessary innovative approach.

These patterns were originally the result of a major research project by the University of St. Gallen and the *Center for Design Research* at Stanford University and were developed in collaboration with numerous companies. It emerged that 90% of the business models examined were actually combinations of existing patterns. In the end, 55 of these patterns were listed (the “Business Model Patterns”), which are very well suited for experiments (though initially only thought experiments).

We conducted these thought experiments in two different processes. First, we went through all the patterns and selected those that were very similar to our own business model and then those that were very different from our own supply logic. In each case, we considered the following questions: What would change for us if we used this or that pattern and integrated it into our business model? What would that mean for our customers and for our value creation process?

In this way, we developed several prototypes of possible business models. The interdependencies between the individual elements were generally well understood due to the previous work with the BMC.

2.4 Step 4: From Thought Experiment to Reality

In the following step, we investigated whether any of these prototypes could also work in reality. For this purpose, we selected what were presumed to be the best options and considered which conditions had to be met in order for the respective business models to actually be effective.

To do so, we identified the hypotheses on which each business model was based and tested them one by one. The business model would only work if these hypotheses were also tenable in reality. Again, to ensure maximum efficacy in the business model, it is always important to make as complete a list as possible. If testing reveals that certain hypotheses do not hold up in reality, the business model is adjusted accordingly in an iterative process. In the end, we were left with a business model that was very likely to work on the market as well.

In the case of our example company TERRANEW, the final result was “standardization through modularization and multiplication using a franchising concept for wooden terraces in B2C sales”—a model that completely eliminates the market inefficiencies mentioned earlier.

It starts with standardization: TERRANEW now offers standardized packages in three different price categories: entry level, medium, and premium. We made a particular effort to ensure that even the lowest-cost version is still premium quality. For customers, this creates a level of transparency that was simply not available before.

The next point also directly eliminates a former source of problems: The previously overwhelming range of design options was replaced by a modular principle (modularization) with prefabricated elements, at least during the planning stage of terraces. In the vast majority of cases, it would be possible to dispense with customized measurements. Customers would be able to assemble their terraces themselves.

This all happens on a new online platform, which is based on a powerful product configurator. This software handles most of the work, making the entire purchasing process very simple for customers, who can simply assemble their own preferred terrace from the prefabricated modules. They can even upload photos of their own property to get an immediate idea of how their selected modules would look in reality (augmented reality). Finally, the configurator generates a binding—and competitive—price quote. So, unlike in the past, customers can now see exactly what they will ultimately get and how much it will cost as soon as they place an inquiry. This standardization of products provides transparency and comparability.

The entire commissioning process takes place on this platform. Marketing activities are also operated centrally there by TERRANEW. The turnkey terraces are then delivered and installed by franchisees. TERRANEW, as the franchisor, manages acquisition and quotations centrally and in-house—in an essentially digital and fully automated process. The benefit for customers is obvious: They do not have to commission several suppliers.

Conclusion

It has never been so easy and manageable for customers to commission a terrace. All they need to do is place a single order on a single platform.

But there are also some advantages for TERRANEW: Because the assemblies work via franchisees, the customer relationship remains with TERRANEW. The franchise model also makes the product range scalable. TERRANEW is no longer restricted to the number of terraces it can manage itself—now, it can supply as many terraces as the franchisees can handle. Since customer contact takes place via the company's own platform, this process also generates data that could be used to implement further innovations in the future. The franchisees benefit from the fact that they don't have to deal with acquisition, marketing, quotations, etc. It is therefore not only customers who ultimately benefit, but also all the other parties involved—a model that is currently unrivaled on the market.

We have thus developed a service that does not innovate the product itself—the terraces sold in this model are still “normal” terraces—but rather the way in which it is supplied.

In the end, it only took a few weeks to develop this innovative business model. This example clearly illustrates how structured and effective this development process can be when you have experienced personnel on board—and how effective an innovation can be when sales factors take center stage.

3 Business Models and Digitalization

The TERRANEW example also effectively demonstrates the influence of digital tools on services and the respective business models—even in the case of “traditional” products such as terraces. Many companies are still too cautious in this respect. This was also reflected, for example, in the digitalization push caused by the coronavirus crisis. There has been a great deal of digitization, but the developments have rarely gone so far as to create new business models. However, this is precisely where the great potential lies.

First of all, digitalization is affecting relationships with customers. Of course, customers can be considered the most important success factor for any company. And customers have also become noticeably more digitally adept in recent years. Take Amazon, for example: The company has now given rise to the term “Amazonization.”

“Amazonization” refers to two things in particular: first, the phenomenon of more and more aspects of value creation moving online and, second, the importance of providing efficient processes that are convenient for the customer. Even B2B customers are increasingly expecting online transactions to offer the same level of quality they are used to experiencing in their private purchases on platforms such as Amazon.

Business models play a significant role in meeting these expectations. Amazonization has little to do with the type of goods being sold. It could be

books or the products of a mechanical engineering company. The term describes digital, convenient, and secure service processes. Digitalization and the resulting changes in customer expectations not only make these processes *necessary*—digitalization also makes them *possible*.

After all, as the TERRANEW example also shows, digital tools can help to solve problems that have simply not been addressed efficiently in the past. Anyone wishing to take advantage of such opportunities should always keep in mind how greatly these changes in creation processes will also influence existing business models. It may be a good idea to develop your own new business models on the basis of digital changes, so that everything ultimately works as a whole.

4 Using Sales-Related Issues and Data as Starting Points for New Business Models

The most suitable starting points for the development of new business models can often be found in sales departments, which the TERRANEW example also demonstrates well. In the case of the BMC presented here, this would effectively mean working from the right-hand side and therefore focusing on the customers (segments) and their needs from the very beginning. This is also in line with modern marketing strategies, which increasingly ask not why someone should use a certain service but, rather, why the specific target group should use a certain service.

This is only possible with good customer knowledge, which digital business models can also help with. The more digitalized processes are, the more data they generate. Many experts nowadays are expecting more and more data-driven business models to enter the markets soon. Data-based insights are becoming increasingly important in both the end customer and business customer segments. For some factors, however, there is not yet a historical database available, so these will require some lead time to produce sufficient data. This means that today's digital business models could even become starting points for future ones.

There are therefore several advantages of developing new business models. In the aftermath of the coronavirus pandemic, we can assume that these models will become more widespread in the near future (simply based on the fact that many processes have now been digitized).

There is also further potential in this field, including in the automation of processes. In a more recent project, for example, we developed a business model for an innovative method of designing wood surfaces using laser sublimation. A separate, digital business model was also developed, mainly in order to offer the service at a marketable price. Here, too, the input of the sales department was essential for the service and for the accompanying business model. Not only can prospective customers design these surfaces themselves—again, using an online configurator—their input is also converted into machine control data, fully automatically, and sent to the actual production plant, which can then independently

manufacture the requested products. Digital tools save a great deal of costs and human working time in this respect.

Finally, it is once again important to emphasize that developing a new business model is much less risky than many think. If you can say exactly which products and services are suitable for whom, you can take a very targeted approach and use effective methods to identify and test the underlying hypotheses before having to invest a lot of money in the business model itself. Particularly in the case of these long-term developments, it is important to always keep an eye on the underlying corporate strategy and the targeted customers.

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Siegfried Lettmann, MSc, is an executive interim manager specializing in transformation in sales and marketing. He takes over senior executive positions in sales and marketing on an interim basis, operating primarily in the machinery sector, as well as the electrical and metal industries. In his projects, he is responsible for growth, change, and innovation. His main areas of focus include business models, customer orientation, price management, and digitalization in sales and marketing. As part of this, he develops strategies and also implements them. As a mentor, he supports managers and personnel. He also trains other interim managers at the European Business School (EBS) as a director of studies. He has already received several awards for his work in Germany, in Austria, and on the international stage, having won the “Interim Manager of the Year” award (twice), as well as the “Interim Management Excellence Award.” He was also named “Innovator of the Year” and “Entrepreneur of the Year” and has received the Constantinus Award several times.

www.lettmann-interim.com

Sales as the Key to Change Within Companies



Thomas Mertens

Abstract Successful companies intensively reflect on their structures from the customer's perspective. Using the example of the Aachen-based company ELSA AG, once a top computer industry player, this chapter will demonstrate the positive effects of the magic market-sales-company cycle when it is carefully controlled—but also the destructive consequences of allowing it to become a vicious cycle through mismanagement.

1 The Importance of Sales for Successful Business

Successful companies intensively reflect on their structures from the customer's perspective. Sales plays an essential role in this—but sales teams can only succeed in such an important task if their ideas fall on willing ears and can be implemented across departments. A cooperative leadership style leaves room for motivated implementation.

During my time at the Aachen-based company ELSA AG, formerly one of Germany's top specialists in graphics cards and data communication products, I negotiated a major OEM contract¹ for high-end graphics cards with a world-leading PC manufacturer in France. A small group, led by the CEO and company founder, traveled to the PC manufacturer's site to sign the contract. There was just one section that had not yet been agreed: the customer's stipulated penalty for breach of contract. The meeting was held in English and led by the attending CEOs—in an atmosphere that was rather icy at first. Both sides were being very stubborn, refusing to budge from their respective stances. Eventually, I couldn't take it anymore. After briefly consulting with the CEO of ELSA, I went over to the customer's side of the table and

¹OEM contracts are supply contracts for the original equipment used in a parent product of an original equipment manufacturer.

T. Mertens (✉)
Mertens Management, Aachen, Germany
e-mail: tm@mertens.management

asked the team, in French, why they were holding onto this clause so vehemently. They explained to me that, from the PC manufacturer's perspective, ELSA was a small, young supplier that would only be awarded a contract if it could demonstrate a high level of reliability and quality and was also willing to develop certain structures to facilitate this—structures that it did not appear to have in place yet. The prospect of an international shipment of expensive PCs being delayed because of a problem with a supplier would be utterly unthinkable. The stipulated penalty had never actually been enforced before, but it was intended as a last means of leverage to ensure punctual delivery and was therefore nonnegotiable. They advised me to assess the risk and factor it into the product price, which I was able to convince the CEO of ELSA to do. All of a sudden, the meeting became very constructive. We moderately increased the product price and successfully concluded the contract. The PC manufacturer went on to provide some invaluable support during the initial period of deliveries. Experienced staff members took the time to discuss our logistics, supply chain, communication, and ERP system and show us how we could improve internal processes. Each of the teams and managers at ELSA were very impressed by these proposals and expressed their eagerness and excitement to implement them. The resulting improvements benefited all customers and contributed greatly to the company's success. A close partnership developed, and, as customer trust grew, the company was able to add more product lines and boost sales.

It became clear that the positive, open encouragement and serious willingness to listen were having a very positive influence on the company's development. Most of the factors that brought about this change could not have emerged with this intensity and speed from within the company itself; the external analysis and influence were essential. The company realized how useful it was to seek out this kind of dialog with important and suitable customers.

2 Cooperative Leadership

Like many other start-ups, ELSA was founded by two students, who adopted a cooperative leadership style across the company from the outset. Almost everybody working there was young, addressed one another informally, and practiced an open-door policy. Former employees still remember this period fondly and describe it as the most productive time the company had. They were intrinsically motivated, working toward clear targets with minimal hierarchy. The CEO was present, responsive, and approachable and always attended key meetings.

This enabled the ELSA team working on the PC manufacturer's order to revise the supply and production chains in full, from purchasing to delivery. Many changes were introduced, which improved the customer journey and delivery reliability across the board. A departmental mentality would have prevented the company from successfully implementing these changes. The customer's team members

were genuinely invested in helping the small company develop and were happy to share what they had learned from other companies.

3 Why Can't It Be That Easy?

Later in ELSA's story, it became clear that this had all been a fluke and that the kind of positive climate described above is very difficult to cultivate or maintain.

The change at ELSA was caused primarily by the company's substantial growth and the IPO, which created enormous external pressure to succeed. Short-term quarterly results were increasingly prioritized over long-term company development and good customer relations. Critical decisions were suddenly being made from above and then often reversed shortly afterward—there was no longer time to communicate reasons and motives or to discuss them as a team. This created an atmosphere in which employees were focusing on securing their own position rather than on customers, products, and services. They were increasingly occupied with internal politics, while the CEO became more and more isolated.

For the team working on the PC manufacturer's order, these unfavorable developments culminated in the CEO suddenly changing his mind about the contract and terminating it unilaterally, without giving any reasons for doing so. The customer was not amused, and many members of the ELSA team in question started looking for other jobs soon afterward. We later learned that a competing—and apparently more important—OEM customer had been putting pressure on the company's management.

The team experienced a considerable drop in motivation when the company's leadership style regressed from cooperative to directive, which resulted in unfounded and—from the employees' perspective—misguided orders from above. The internal firestorm that followed as a result of this demotivation was immense. In other departments, too, any hope of achieving change through personal initiative was extinguished. The company's management did not realize the implications of its decision at the time.

ELSA AG filed for insolvency a few years later, and around 350 employees had to look for a new job.

This example clearly demonstrates how the same managers who had initially cultivated a positive cooperative atmosphere, almost automatically, were also eventually forced by major and rapid success to change track and suddenly switch to a directive leadership style. This drastic change meant that staff felt undervalued and lost a great deal of their intrinsic motivation, sparking the vicious cycle that eventually led to the company's downfall.

There are always more ways to get something wrong than to get it right. This is a fact that every CEO will face every day—and they're not the only ones. It is impossible for a company to succeed without any pressure to produce results.

And of course, external pressure will inevitably have an internal effect as well. So, how can a company ensure that this unavoidable pressure does not impede cooperative leadership but rather spurs everybody on and creates a cycle of success?

4 The Flow

In her book *Mitarbeiter motivieren und Kunden begeistern!* (English: *Motivate Employees and Inspire Customers!*), Petra Blum presents excellent and thorough research—conducted at many well-known companies—to demonstrate that anybody can be incredibly efficient when they are in “the flow.” This means that every individual has an inherent impulse to act, one they wish to follow without being made or even asked to do so. Financial incentives (bonuses, salaries) play a somewhat minor role here. However, the conditions required to activate the flow are unique to each individual, and not all employees will be equally willing to commit themselves in this way. It is essential not to demand too much or too little from your employees. There must be a high level of congruence between external demands and the individual’s inner desires or goals.

Any good manager should therefore make it their mission to activate this flow among as many of their employees as possible. In order to do so, they will have to cater to each individual’s needs—something that may sound obvious, but is not easy to achieve! As part of this, managers should delegate decisions to their team. This usually means that decisions take longer to make, since they now have to be worked out in team discussions. A cooperative manager may therefore seem to lose some decision-making power and assertiveness because they do not make decisions immediately but rather consult their team first. However, by doing so, they will also gain a high level of accuracy and efficiency. Personal pressure to succeed comes from within the team, and targets are achieved because the employees want to achieve them—not because they have to. Cooperative leadership starts at the top, because traditional leadership values no longer apply in perceptions of modern managers. Managers who view themselves as the star of the show, who are uncompromising, who play political games, and who mold the company to serve their own needs and career will find themselves unable to activate the flow and ensure maximum team efficiency. However, the very characteristics that make these managers so ill-equipped to activate the flow are also typical traits of successful leaders in the traditional (but very real) world. Strong personalities who play politics in companies are, unfortunately, often considered preferable to leaders who are team-oriented but more reserved—that is, if those in executive management do not recognize the logic outlined above.

5 How to Successfully Implement Change

American high-tech companies such as NVIDIA, Google, and Apple have realized where this trend is going. Some modern German companies, such as Bosch, have also come to realize that young, Generation Y employees are striving for self-realization and will not consider working at any companies that impose a directive leadership style. Implementing change can therefore not only significantly boost efficiency and innovation—it can also be truly indispensable in the fight for top employees.

Some interim managers (IMs) have seen these developments in the course of their own work with various companies and are able to gradually implement them in cooperation with the CEO or in the role of CEO themselves. In order to do so, the IM in question must trust themselves, their experience, and their creativity, because there is no perfect recipe or toolkit for managing these complex interrelationships. The order in which individual steps are taken, and the intensity with which they are implemented, will have a considerable influence on their success—and this order and intensity will be different every time. The only decisive success factors are the experience and prudence of the interim manager. Small changes, even down to structure of the working day, may determine the success or failure of the measures taken. Cooperative leadership isn't always the best choice, as illustrated by the diagram above (Fig. 1).

Existing managers have to adapt their natural leadership style and trust that letting go (empowerment) will not be viewed as weakness. Employees need to recognize that they will now be expected to get involved and contribute their own ideas. Over time, this change helps to cultivate a new atmosphere from department to department, and from floor to floor, which will gain more and more momentum as it spreads—because teams that are managed in this way become a pleasure to work with! Suddenly, the company starts achieving feats previously unimaginable, with all the same staff as before, while embracing external pressure as a challenge. A whole new, powerful corporate culture begins to emerge.

Customers are quick to notice this change, since they now have an influence over the relevant processes and product features via sales contacts—and they will reward it with more sales. The improved efficiency within the company will also generate increases in profit or competitiveness, resulting in a self-sustaining market-sales-company cycle. It's the little details that will determine whether this cycle makes or breaks a company. One of the key strengths of a good interim manager is the ability to understand this fine-tuning process and apply it throughout the company.

If we look at the capitalization of NVIDIA, Alphabet (Google), or Apple over time and compare it with that of traditional German companies, we can see how this effect can be magnified. Many other factors also indicate that Germany still has a long way to go. This applies in particular to modern trends such as e-mobility and digitalization, which have been overlooked in this country. Innovation is severely hampered by primarily authoritarian structures and would certainly benefit from cooperative leadership.

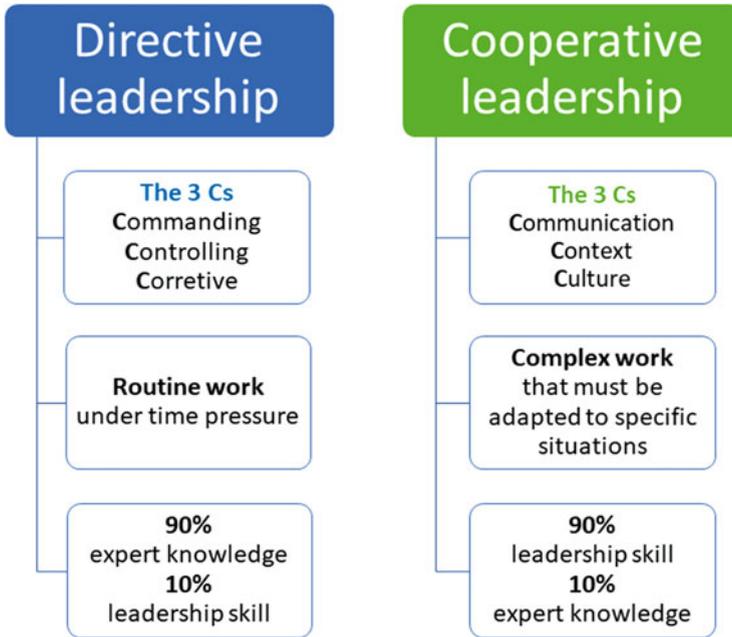


Fig. 1 This diagram clearly outlines the two most common and contrasting leadership styles and shows which situations they are most suited for (Source: <https://www.mehr-fuehren.de/fuehrungsstil/> Accessed February 1, 2022)

With a visionary CEO, who is able to both communicate their vision effectively and, in doing so, channel the creativity within their new modern company toward whichever areas will generate the most value in the long term, companies will be able to implement successful and sustainable change:

If you want to build a ship, don't drum up the men to gather wood, divide the work, and give orders. Instead, teach them to yearn for the vast and endless sea. (Antoine de Saint-Exupéry)

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Thomas Mertens , Dipl.-Ing. (M.Sc.), is an executive interim manager (DDIM[®]) specializing in the sale of complex technical products. He takes on management and sales management roles with the aim of kick-starting the market-sales-company cycle. His career path started with a degree in electrical engineering at RWTH Aachen University, which then led him to the international computer and graphics card industry, the medium-sized electrical industry, and the mechanical and plant engineering sector. With his high level of technical know-how and professional working proficiency in German, English, French, and Dutch, as well as his varied international experience working in a wide range of industries, he is able to successfully implement challenging projects within a short time. His highly customer-focused attitude and his passion for digital tools help him to improve his customers' processes, enabling them to achieve long-term sales success.

<https://thomasmertens.com/en>

Developing International Sales Partnerships



Stephan Rohe

Abstract Once a company has decided to tap into a foreign target market, the first step is to find a local distributor in that country. In order to lay the foundations for a successful manufacturer/distributor relationship, it is important to forge an equal and trusting partnership. This is followed by a targeted process of developing the distributor by means of training, a clear focus, and management, which will help to pave the way for long-term collaboration.

In the age of global competition, a company's employees have become a very important factor. They play a critical role in the planning of an international expansion and especially in handling the additional tasks associated with engaging in a foreign market. In addition to ensuring that a distributor's senior management team is able to achieve targets in the long term and equipping them with extensive product and market expertise, one of the keys to a successful internationalization strategy is ascertaining distributor availability.

A distributor will only stick with a company in the long term if it is able to exploit the equal and trusting partnership to generate lucrative business for itself. And it will, provided that it has a viable business model and competent staff, and is able to securely invest in the partnership over the long term.

1 The Search for Distributors

Companies need to take great care when selecting a suitable distributor. Small and medium-sized enterprises (SMEs) in particular require some support during this process. For example, a sales system that has proven to be effective in one's own country cannot always be transferred directly to international markets. The legal

S. Rohe (✉)
Rohe interim GmbH, Arnsberg, Germany
e-mail: stephan@rohe-interim.com

intricacies involved in the formation of international sales partnerships can present a number of stumbling blocks. There are various tools and services available to simplify the search for an international distributor; I would recommend using these tools in a targeted manner, as well as seeking professional advice on how to structure the legal framework.

1.1 Searching for Distributors on Your Own Initiative

International trade fairs and online platforms are great places to look for distributors from around the world. Foreign trade fairs provide an ideal platform for securing international business contacts and seeking out distributors. Especially for SMEs, it is beneficial—from both an organizational and a financial perspective—to share exhibition booths with other companies at trade fairs. Institutions such as the German Chamber of Industry and Commerce (IHK) provide information on international trade fairs, including both virtual events and in-person fairs with exhibition booths. It's much easier to find suitable trade fairs nowadays, thanks to the global industry-specific and country-specific trade fair search engine provided by the Association of the German Trade Fair Industry, which you can access online at www.auma.de/en. On this website, you'll find information on trade fair costing, as well as fair previews and reviews. If you're looking for distributors in nearby markets, online platforms are a particularly useful tool. These platforms take the form of either online cooperation forums or online databases. The imove online B2B marketplace (www.imove-germany.de) is one of the largest virtual cooperation forums available for international business. It is operated by the German Chambers of Commerce Abroad (AHKs), the IHK, and Germany Trade and Invest (GTAI). It also includes a rating system so that companies can evaluate potential partners.

1.2 Searching for Distributors with the Help of AHKs

AHKs form a key part of Germany's toolkit for promoting international business. With 120 locations in 80 countries, they offer a comprehensive range of services to support German companies. This service package is standardized globally under the brand DEInternational; it includes consulting plus numerous other services to help companies successfully engage in foreign markets. These also include various fee-based services designed to help companies find distributors. After creating a specific profile of requirements together with the company in question, the AHK initiates the search for a distributor. Once the AHK's market expert has found some options, it sends the company a selection of suitable candidates (Christina & Wolfgang, 2009). If required, the AHK can also provide business premises for initial meetings with contacts and for professional supervision during contract negotiations.

1.3 Searching for Distributors with the Help of Service Providers

Some companies offer services designed to promote international business. By assisting your search for an international distributor, these companies can help you achieve profitable and optimal expansion into various foreign markets. Qualified consultants can be very helpful in finding the right distributor and tackling the first hurdle of initiating contact. These companies usually focus their services on specific industries.

1.4 Defining Your Criteria for Potential Partners

Quantitative criteria, such as financial resources, number of employees, and company equipment, are scrutinized and rigorously evaluated. Qualitative criteria, such as the potential partner's management style, corporate culture, and strategic targets, are considered secondary and are often underestimated. One of the most common reasons why international expansions fail is that the qualitative criteria were not examined closely enough during the search for distributors. After all, a potential partner's corporate culture and strategic targets should align with those of a manufacturer.

Here is a summary of the steps you might take in the process of selecting a distributor:

- (a) Create a profile of requirements for potential partners: What criteria would your ideal candidate meet?
- (b) Select potential distributors: Make an initial list of candidates as part of your field research.
- (c) Initiate contact with potential distributors: Research your candidates in-depth, and verify their motivation for entering into a partnership.
- (d) Select your top candidates: Evaluate the candidates and order them into a list. Create a shortlist of three to five candidates (Matthias, 2021).
- (e) Choose your distributor: Before signing the contract, make sure you have a chance to pay a few joint visits to the customer site, to get an idea of your potential partner's competence and reliability in sales pitches.

In order to effectively develop your distributor, you'll need to provide targeted support and guidance. It is important to ensure that your newly acquired distributor is able to start working as soon as possible in order to keep the start-up time and costs within reasonable limits. The diagram below compares the factors that put pressure on manufacturers with the potential offered by well-developed international distributors (Fig. 1).

The manufacturer must empower the distributor in several different aspects:

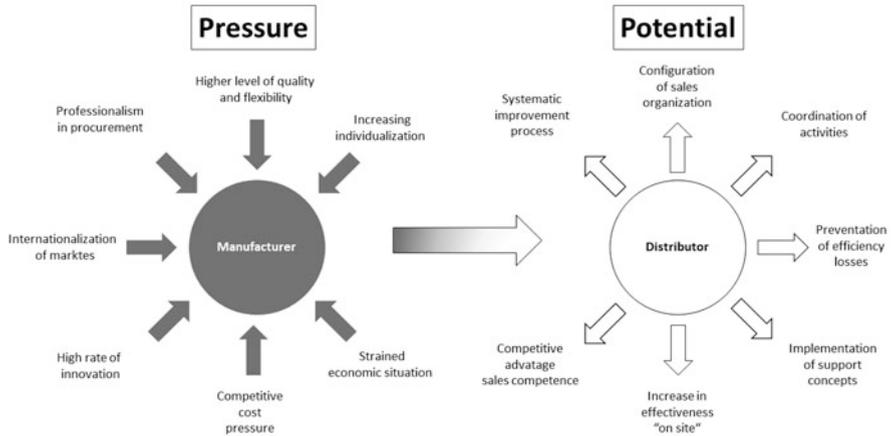


Fig. 1 Pressure on manufacturers versus potential offered by distributors

2 Training

As a rule, the manufacturer will provide their distributor's employees with product and sales training, therefore imparting a wealth of knowledge within just a few days:

- Products and areas of application
- Product features and functions
- Competitive edge
- Advantages and disadvantages
- Persuasion techniques for sales pitches

The newly acquired distributor is also an "ambassador" for you, the manufacturer. From the distributor's point of view, it may soon be selling a product from a supplier who is unknown at the point of sale and possibly even based in a distant country. There should therefore be an effort on the manufacturer's part to consolidate its ties with the distributor. An extended stay at your headquarters, for example, would give the distributor and its employees an opportunity to learn more about your history, traditions, and atmosphere. Getting to know each other's philosophy, employees, and working methods will also help to forge an emotional connection. These firsthand impressions and information should definitely form part of the foreign distributor's sales story, in addition to hard facts like quality and prices.

3 Focus

As everyone knows, the best source of motivation in any business is commercial success. The sooner the foreign distributor is able to generate initial sales with the new product, the less likely they are to respond to failed deals, a protracted start-up

phase, or simply a lack of financial reserves by neglecting sales activities and shifting their focus toward other, more established product lines. For an SME, this behavior would be quite understandable, so it is important for manufacturers to consider this possibility in advance.

Ideally, the manufacturer should be working to prevent these kinds of problems right from the start of the project, namely, by taking the new distributor by the hand and providing intensive support to guide it through the first few months or years of market engagement. This support may include the following:

- Regular phone calls to discuss day-to-day business and keep in touch
- Updates on product developments and commercial successes around the world
- Conference calls with product managers
- Coordinated marketing activities and joint visits to customer sites
- Information, involvement, motivation

When developing a marketing strategy, the manufacturer should remember that one or several of its employees will be fully tied up with providing this intensive support.

Once the distributor's service team is fully trained, the manufacturer's customer service department can soon start delegating maintenance tasks to the newly acquired distributor. This not only enables the distributor to generate revenue with the new product relatively quickly but also gives its service team an opportunity to gain more practical experience.

4 Management

Due to the manufacturer's geographical distance from the new market and lack of familiarity with its customary business practices, there are various risks (financial, legal, etc.) that could arise as a result of an error by the distributor. Minimizing these risks is an important task and an essential element of distributor management: Regardless of how liability is regulated between the manufacturer and the distributor, any damage to the reputation of a product or brand is very difficult to recover from and can have a lasting impact on overall business development on the target market.

Companies can mitigate these risks by ensuring that contracts are carefully considered from the outset, by properly aligning all collaborative sales processes and by using IT-supported management tools. These tools include CRM or PRM systems or, especially for those working with customers in high-risk regions, the "Know Your Customer" (KYC) principle. The KYC principle is a rigorous screening process for new customers that provides detailed information about the company in question, its business model, ownership structure, and cash flows. If you are particularly keen to avoid risks because your company has a highly sensitive business model or operates in high-risk countries, you should establish the KYC

principle with your new distributor and customers as a prerequisite for any business activity.

5 Market Transparency

The CRM database is also a key aspect of distributor management, especially when it comes to (re)establishing market transparency for the manufacturer. From a monetary point of view, using a distributor to tap into a foreign market is a relatively cost-effective option for international business. However, the real price (which is often vastly underestimated) is the loss of customer contact and the resulting lack of direct feedback from the market. Market feedback only reaches the manufacturer through the lens of the distributor's perspective, meaning that the manufacturer cannot be certain whether it is identifying new trends or needs on the market promptly and adequately.

The most effective way to tackle this challenge is to integrate your distributor and customers into your own internal CRM system with the relevant access rights. This creates the ideal platform for information to be shared between your company (the manufacturer), your distributor, and the market. After all, regardless of your market entry strategy, you should be aiming to obtain all necessary information from the target market—just as though you were operating in that segment directly. This is the only way to maintain your products' marketability and competitiveness in the long term.

If it is not possible to integrate your distributor into a CRM or PRM system and therefore automate the exchange of market information, you will have to find another means of ensuring that your distributor sends you regular updates (e.g., by stipulating this in a contract). These updates should include at least the following information:

- Distributor's market share and that of competitors
- Customer lists with development trends
- Potential customers and possible methods for acquiring them
- Product and price trends on the market
- Medium-term prospects

6 Credit Check

Another aspect of the partnership that should be based on regular monitoring rather than simply trust is your distributor's financial standing. Modest restraint won't do you any favors here. You need to obtain the relevant commercial and bank information yourself via the services available (e.g., credit agencies) but also openly ask your distributor to submit their balance sheets on an annual basis. Your best bet is to

remove all emotionality from the outset by stipulating regular credit checks in the distribution agreement.

If any doubts actually arise about the distributor, these must be addressed and clarified immediately. One way to avert potential credit risk in this case would be to adjust the payment terms in the contract (possibly temporarily) in a manner agreed upon by both parties.

7 Conflict

In practice, it is often the case that the relationship between manufacturer and distributor is affected by conflicts caused by differing interests. The table below (Table 1) outlines some selected interests of the manufacturer and the distributor that can often cause conflicts:

Some common areas of conflict therefore include the following:

- The distributor’s margin
- The manufacturer’s simultaneous direct sales
- The distributor’s pricing policy
- The distributor’s support in the sale of the manufacturer’s products compared to its support for competitor products
- The manufacturer’s efforts to support the distributor’s service activities
- The distributor’s efforts to communicate market information

It is impossible to completely avoid conflict in a business relationship. Nevertheless, you should do your best to minimize the scale of it. One promising option is the partnership model, which focuses on cooperation between manufacturer and distributor. This model promotes mutual support and the coordination of activities in order to achieve common goals.

Table 1 Areas of conflict

Interests		
Manufacturer	<->	Distributor
Focusing on new products		Prioritizing bestseller products
Selling entire product range		Selling a selection of products aimed at certain target groups
Continuity of sales volumes		Flexibility of order volumes
Prices at the expense of gross margin		Prices at the expense of purchasing margin
Risk of sell-off by distributor		Risk of sell-off by manufacturer
Collaborative market presence at the PoS		Independent market presence at PoS
Service competence of distributor		Service responsibility of manufacturer
Collaborative market planning		Autonomy in planning

This might involve the following fields of cooperation:

- *Products*: Distributors are involved in the product development process and invited to contribute their experience and knowledge of market trends and customer requirements. The aim of this process, from the manufacturer's perspective, is to secure the distributor's commitment to the new products right from the start.
- *Product range*: Distributors are involved in decisions about the composition of the product range. They can express their own preferences but also offer advice with regard to customer demand.
- *Processes*: Manufacturers and distributors try to make processes more efficient (e.g., in order processing) by improving interface management.
- *Marketing*: Manufacturers and distributors work together to coordinate market-related business activity across all distribution tiers.

8 Pursuing Goals

The sales targets and market shares envisaged in the market cultivation strategy usually refer to the full timeline of market development, outlining the companies' medium-term business development goals. However, it is also essential to define shorter stages of market development with relevant milestones. These should be based on figures, such as incoming orders, revenue, and market share, but also on achievements—for example, developing customer structure, obtaining licenses, and being added to key customers' supplier lists.

Objectives must be reviewed on a regular basis (e.g., once every quarter), because they may change in the course of the partnership due to previously unknown factors or even turn out to be unfeasible. Changing course at the right moment can help to avoid setbacks and financial risks.

9 Conclusion

Once you have decided to work with a distributor as part of your market entry strategy, you need to start cultivating your sales partnership. Your distributor will be pivotal to your success as a manufacturer in the selected target market. This development process must therefore succeed in aligning the two companies' strategy, targets, and interests as broadly as possible, in order to ensure that the partnership will be mutually beneficial in the long term. Some key factors for successfully entering foreign markets are targeted guidance and management of the international distributor, flexibility toward intercultural and market-specific characteristics, and commitment to long-term goals (Helene, 2015).

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Stephan Rohe, Dipl. Wirt.-Ing (FH), is a sales expert with many years' management experience, who supports companies by temporarily taking over their sales activities and projects—including at the international level. As an interim manager, he often works at the interface between technology and sales to generate more B2B business.

Contact: www.rohe-interim.com/en, stephan@rohe-interim.com

Business Development in Turnaround: Win New Customers with Fresh Insights



Rainer Simmoleit

Abstract Win new customers with fresh insights. The profitable businesses of tomorrow require continuous development today. The importance of this task becomes particularly clear in times of crisis, when companies need to make up for lost ground and establish systematic methods for monitoring the market and competition. This monitoring yields insights that can be used to identify opportunities and systematically exploit them. If a company's problems persist, it may need to call in an interim manager to get it back on track. With their experience and external perspective, interim managers are quick to identify new business areas. At the same time, they can empower a company's employees to strategically analyze and cultivate the market. These temporary partnerships can help even small and medium-sized companies to convert potential into success. How can companies regain relevance with new fields of business? A case study.

When a company is at the brink of insolvency, it's too late for lengthy consulting processes. Now is the time to get the company back on course for growth. Boosting sales will have more of a lasting impact than simply cutting costs. This case study demonstrates how, in just a short time, an interim manager was able to create new demand for a company and restructure its sales department to make it more transparent and effective.

Nowadays, our markets and competitive environments are marked by rapid and disruptive change. Due to the volatility, uncertainty, complexity, and ambiguity of modern market dynamics, companies are constantly having to adapt to changing requirements. In this "VUCA" world, planning horizons are becoming shorter and shorter, and long-term business success is no longer guaranteed. What companies need now is the ability to adapt flexibly to new conditions and seize opportunities swiftly. These developments are affecting companies as organizations as well as the individual employees. Corporate strategies are also being placed under the

R. Simmoleit (✉)
p4c consulting GmbH, Freiburg, Germany
e-mail: rsi@p4c-consulting.com

microscope—including, at the latest, during periods of turnaround. In these cases, it's a matter of wasting no time and focusing on attractive customer segments. In order to rapidly adapt strategies and operations to new situations, companies need impetus and ideas, concepts, and competence. In other words, they need to call in an interim manager who can swiftly take over the required market activity during this critical phase—leaving the company free to focus on developing new structures and talent.

1 The Challenge

A medium-sized car supplier, which started with over 600 employees, became insolvent. After splitting into subcompanies, the core business was taken over by a financial investor. The next step was to reposition this business with the help of an experienced interim sales manager. The aim here was to develop modern, efficient, and effective sales operations and launch a long-term sales offensive.

For many years, the original company had enjoyed a position in which it could comfortably get by without conducting proactive sales activities. Customers had approached the company on a regular basis. After restructuring and changing its name, the company struggled with quality deficiencies and its project pipeline dried up. In this situation, acquiring new customers was key to its survival.

By a lucky coincidence, the vacant position of international sales manager was filled permanently within a few weeks of the interim manager starting at the company. However, the new post-holder was initially fully tied up with the restructuring process. After the successful handover of the day-to-day business, as well as the newly developed foundations for a strategic key account management system, the interim manager was able to focus on (new) business development.

2 Situation Analysis

At the time, the company was generating most of its sales from the series production of components for commercial vehicle manufacturers. The majority of these products were nearing the end of their life cycle. The company had already lost some lucrative development contracts to competitors, projects that would also have included the subsequent industrialization and series production processes. The company's new structure and name had caused some uncertainty and annoyance among its customer base. It therefore urgently needed to actively build up new customer groups while also maintaining existing ones.

When it came to the task of refining the business model and identifying new areas of growth, the company's poor customer contact proved to be a weak point. It was still unclear how the company was addressing active, lost, and potential customers—but it was clear that, without new customers, there would be no quick wins.

Fig. 1 Business development strategies (©p4c consulting GmbH; author’s own diagram)



The diagram below (Fig. 1) outlines the role played by new customers within possible business development strategies.

3 Methods and Tools

In order to find a suitable approach, you can use this five-step method, which uses various tools and has proven very effective in practice. The steps are briefly summarized below.

Step 1: Analyzing the Current Situation

Whether we’re talking about a market, a customer, a product, a service, or a competitor, everyone has a subjective point of view. This is what determines our actions. It’s a good idea to clearly formulate this point of view as this is the only way to check—further down the line—what is real and what is just your perception.

The first stage is to systematically analyze the current situation—specifically, your existing business model along with the market conditions and competitive situation. Templates such as the Context Canvas[®] or the classic PESTEL analysis can help to address a broader context and define specific market conditions and trends, as well as their (probable) effects. This process will focus particularly on the following influencing factors in the business environment:

- Political factors
- Economic factors
- Sociocultural factors

- Technological factors
- Environmental factors
- Legal factors

You will also identify other aspects after completing an analysis of the competition and changing customer needs.

Step 2: Analyzing the Customer Problem

Customers often find it difficult to imagine solutions beyond what they already know. However, they can certainly tell you about their tasks and goals or about the difficulties (pain points) that get in their way. Observing users and cultivating a dialog with customers can provide clarity and new insights. It's also a good idea to speak to users of competing solutions, as well as those who reject existing solutions altogether.

One useful method for identifying customer problems is JTBD, which stands for “jobs to be done.” This method focuses on three key questions: Why would someone buy this product and what goal do they want to achieve with it? Why would certain people not buy this product? How could a product help the customer to achieve their goal even more effectively? But these are tough questions. They cannot be answered in the course of a few meetings because, according to the JTBD method, the completion of a “job” is based on direct and indirect goals. The JTBD framework also serves as a reminder that there are often hidden reasons why a customer might use a service, beyond purely functional value. There is little point in continuing on the path toward potential new solutions until you have an in-depth understanding of your customers' needs.

Step 3: Finding Solutions

So, how do you develop new products and services? One simple yet powerful tool for documenting customer insights (job, problem, value) and developing suitable services is the Value Proposition Canvas (Fig. 2). The value proposition is the most important component of a business model. The Value Proposition Canvas is also an excellent tool for systematically establishing the value proposition. It can be used to develop products and services that customers actually want, enabling team members to focus on customer needs in the early phases of agile development processes, instead of rushing straight to specific solutions.

When it comes to visualizing the business model, the Lean Business Model Canvas (Fig. 3) has proven particularly useful in practice, as has the classic Business Model Canvas (BMC) developed by Alexander Osterwalder. This approach was developed by Ash Maurya, author of the bestselling book *Running Lean*. It involves integrating potential customers into the development process early on, consistently, and during every project stage, as well as repeatedly reviewing your own business model. This model focuses more closely on the problems affecting customers/users and on suitable metrics for formulating an optimal solution than the traditional BMC does.

Making the leap from the paper of the “canvas” to the reality of the markets takes strength. It will only succeed if the company has all the resources it needs to tap into the targeted market segments.



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Fig. 2 Value Proposition Canvas (©p4c consulting GmbH; author’s own diagram based on Alexander Osterwalder)

Step 4: Using Resources

The next step is to determine which resources the company will need in order to develop the relevant products and services. For example, these could be funds, production facilities and operating equipment, human resources, or key competencies.

One key challenge is to anticipate how the market segments and their requirements might develop, so that you can coordinate these with the availability of internal and external resources. The limited resources must then be profitably integrated into a forward-looking business development strategy. The aim here is to assess the usefulness of existing resources and to estimate which resources will be required in the future.

Step 5: Tapping into the Market

There aren’t many markets that are in desperate need of new players. Despite—or perhaps because of—increasing digitalization and the trend toward inbound marketing, it is essential to proactively work the market. “Inbound marketing” is when companies attract potential customers’ attention with relevant and useful content. The aim here is to generate added value throughout the customer experience. This value is a key aspect that will help you set yourself apart, but it’s not enough on its own. Marketing also requires a great deal of stamina for nonstop social media activity. Especially in the B2B sector, conventions and trade fairs also offer an excellent opportunity to meet new contacts in person—provided that you manage to pick out the most promising events from the overwhelming range on offer and prepare for them professionally. This is definitely a worthwhile endeavor, as our case study will show.

Lean Business Model Canvas

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<p>Problem</p> <p><i>Jobs to be done</i></p> <p><i>What functional, social, or emotional job is the target customer trying to complete?</i></p>	<p>Solution</p> <p><i>What are we doing to address and resolve our customers' frustrations and problems?</i></p>	<p><i>What makes our solution different and special?</i></p>	<p>Unfair advantage</p> <p><i>How are we making it difficult for others to copy our solution? (Patents, economy of scale, etc.)</i></p>	<p>Customer segment</p> <p><i>What are our main target and user groups?</i></p>
<p>Existing alternatives</p> <p><i>How have these problems been solved up to now?</i></p>	<p>Concept pitch</p> <p><i>Is there a simple analogy? (Grover = SIXT for tech products)</i></p>	<p>Sales & marketing channels</p> <p><i>Which channels can we use to reach our customer segments?</i></p>	<p>Early adopters</p> <p><i>Which user groups can provide feedback to help eliminate existing weaknesses?</i></p>	
<p>Cost structure</p> <p><i>What are the costs of this business model?</i></p>	<p>Key Indicators</p> <p>Objectives: <i>What are we trying to achieve?</i></p> <p>Key results: <i>How do we know whether we're on the right track?</i></p>	<p>Revenue streams</p> <p><i>How do we generate revenue and earnings?</i></p>		

Fig. 3 Lean Business Model Canvas (©p4c consulting GmbH; author's own diagram based on Ash Maurya)

4 Implementation and Results

So, how did the company in our case study find and win new customer segments?

With the help of a pragmatic forward strategy, the company planned to reestablish contact with original equipment manufacturers (OEMs) and tier 1 suppliers. There was a convention coming up in a few weeks in the target (automotive) market, with the opportunity to present products at a small booth, and the interim manager immediately set about coordinating the company's appearance at the convention/trade fair. In addition to organizing the operational and administrative tasks, the manager also worked with the development department to create appealing and informative roll-up displays for the exhibition booth, based on a specific concept. During these preparations, the teams also analyzed the composition and participation of the other 40 exhibitors, as well as the announced presentations, in order to identify relevant focus points and developments in advance.

By means of online research and discussions with experts, the interim manager was able to identify potential fields of application for the company's products and services, with a focus on megatrends such as autonomous driving, emissions reduction, and new drive concepts. In addition to existing products and solutions, the booth also featured concept ideas in the form of 3D-printed prototypes. These minimum viable products (MVP) sparked lots of exciting discussions with booth visitors, which in turn provided the company with valuable insights for the further development of new growth areas.

The numerous contacts (leads) generated through conversations at the trade fair were then processed in accordance with the company's newly introduced sales funnel. This step forms a structured and systematic part of the action plan, which ideally aims for project nominations, as well as long-term partnerships with potential customers. This action plan is pursued as part of the operational implementation of the existing key account management (KAM) strategy. The KAM strategy is successively expanded and refined as part of the customer contact process.

In order to consolidate the interest generated at the trade fair, the leads were contacted by e-mail within the next few days. Each lead also received a specially tailored company presentation. In addition to the usual information about the product and service portfolio, these presentations also outlined basic technological approaches for the areas of application discussed at the trade fair.

Next, in order to get better acquainted, the company proposed a virtual Skype meeting with representatives of the development department. The majority of these meetings were also attended by various specialist departments from the customer's company and led to regular, in-depth professional discussions. In addition to addressing technical questions, these discussions also provided insights into the potential customer's buying center and the various expectations.

The meetings resulted in the conclusion of numerous nondisclosure agreements (NDAs), each followed by the provision of the relevant technical specifications. One major success at the end of the interim manager's assignment period was the receipt of a request for quotation (RFQ) from a key target client.

5 Conclusion

The profitable businesses of tomorrow require continuous development today. The importance of this task becomes particularly clear in times of crisis, when companies need to make up for lost ground and establish systematic methods for monitoring the market and competition. This monitoring yields insights that can be used to identify opportunities and systematically exploit them. If problems persist, it might be time to call in an interim manager to get the sales team or company back on track. With their experience and external perspective, interim managers are quick to identify new product/market combinations. At the same time, they can empower a company's employees to strategically analyze and cultivate the market. These temporary partnerships can help even small and medium-sized companies to convert potential into success.

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Rainer Simmoleit, Dipl.-Ing.(FH), MBA, has been helping international technology companies improve their competitiveness for over 25 years. As an interim manager, he temporarily takes on C-level roles in product management and sales, focusing on reorganization, turnaround, and sustainable growth.

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Customer Centricity Leads to Customer-Focused Product Development



Rainer Simmoleit

Abstract What do you do when your figures are stagnating? SMEs often neglect their strategy work in favor of day-to-day business. However, successful innovation requires a fundamental understanding of end customers' needs, processes, challenges, and expectations. This chapter presents some of the “voice-of-customer” methods that companies can use to identify their customers' needs, based on several real-world examples.

1 What Do You Do When Your Figures Are Stagnating?

Following the expiration of an essential patent, one traditional SME in the power tool industry was faced with the fact that, along with the patent, it had also lost its major competitive edge. Having previously enjoyed a successful position, thanks to its former cash cow, with a market share of 100%, the company suddenly saw its performance collapse and stagnate at a low level.

Read on to discover how the company was able to develop an innovative product portfolio and, with it, regain its relevance on the market—a case study.

2 Situation Analysis

In many cases, companies already have all the essential groundwork and information they need. However, there is often a tendency among teams—especially at long-established companies—to take a traditional approach that obscures their view of the essentials. When I started my assignment as interim head of product management at the company mentioned above, I began by holding extensive discussions with everyone involved, organizing workshops, and accompanying the field staff on

R. Simmoleit (✉)
p4c consulting GmbH, Freiburg, Germany
e-mail: rsi@p4c-consulting.com

their customer visits. These activities quickly revealed some initial potential for improvement. For example, when it came to product development, the company had a tendency toward overengineering, something of a typical issue. The product management and development teams were focused primarily on technical feasibility, constantly striving to make products go “higher, faster, further.” Meanwhile, however, customers were being neglected. Though technical features were ostensibly being improved, they did not offer any significant practical added value for product users in their daily work.

At the same time, due to its multilevel sales channel, the company was also missing key customer perspectives. There was a lack of systematic contact with end customers—that is, the actual users of the product (professional tradespeople)—because the company’s sales activities were focused primarily on specialist retailers and wholesalers.

The product managers would make sporadic customer visits, usually concentrated in certain regions, in order to verify the new technical “achievements”; however, they only ever visited a few customers who were already long-standing fans of the brand. Fans are happy to give feedback that can help to improve products or services (Becker & Daschmann, 2016). But unfortunately, they are also willing to forgive one or two weaknesses, meaning that the company ends up missing some critical early warning signs.

3 The Innovation Process

SMEs often neglect their strategy work in favor of day-to-day business and, furthermore, tend to fall for the myth that technology and specifications should be prioritized above all else (Gassmann & Granig, 2013).

To ensure a holistic innovation process, however, it is advisable to consider a wide range of perspectives during brainstorming stages. These aspects include the following:

- Megatrends
- Technology trends
- Competitor activity
- Analysis of markets, processes, and customer applications

The company was actually very well positioned in terms of trend scouting, technology scouting, and systematic patent monitoring. However, successful innovation also requires a fundamental understanding of end customers’ needs, processes, challenges, and expectations.

Now, the company faced the task of building up this valuable understanding of customer needs and integrating it firmly into its innovation and product development processes:

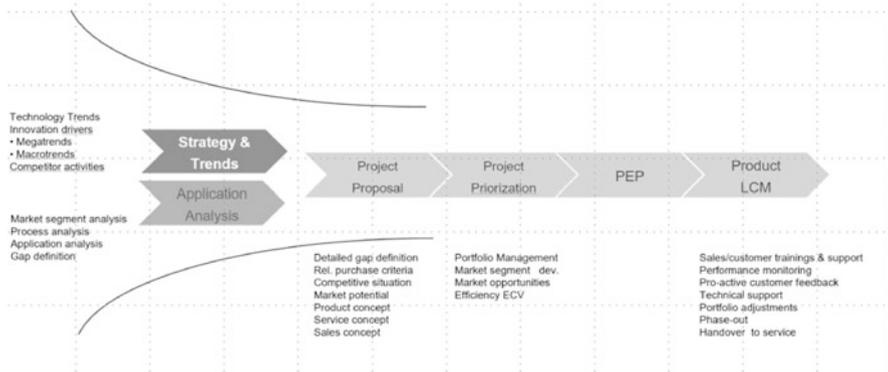


Fig. 1 The application analysis in the context of a process (simplified diagram)

We want to develop user-oriented products and, to do so, we need to understand what is actually useful to our customers.

The next step I took, together with the team I was guiding through this transformation, was to transfer these plans to the overall process. The existing product development process (PDP) was extended to include another key component, the “application analysis” (Fig. 1).

4 Application Analysis

The purpose of an application analysis is to systematically determine the current and future requirements of end customers (users). There are various voice-of-customer methods that can be used to identify these needs, including the following:

- Surveys (online)
- Interviews
- Workshops/focus groups with lead users
- Systematic customer observation
- Contextual inquiries
- Conjoint analysis

Ideally, companies should be using a combination of several methods, as recommended by Keith Goffin and Ursula Koners in their book *Hidden Needs* (Goffin & Koners, 2011).

The issue here is that customers find it difficult to imagine a product that would solve their problems. The trick is to figure out how to get the right information without actually asking people what they want. This process was explored in-depth during the early 2000s by Clayton Christensen (known for his bestselling book *The Innovator’s Dilemma*) and Anthony W. Ulwick. Both of them developed what is

known as the “jobs to be done” method at around the same time (Christensen, 2017; Ulwick, 2005).

By understanding the jobs your customers are trying to complete and the obstacles they face, you will lay the ideal foundations for developing new solutions:

When companies focus on helping the customer get a job done faster, more conveniently and less expensively than before, they are more likely to create products and services that the customer wants. (Ulwick, 2005)

This approach centers on the customer’s perspective at all times. Now, in order to ensure future viability and consolidate its market position in the long term, the company had to integrate this paradigm shift into its new corporate strategy.

However, the company had developed some inflexible “silo structures” at its headquarters and within certain departments, which were preventing it from optimizing its capacity to act. It’s an issue I’m well familiar with. The best way to break out of silo structures is to focus on specific tasks. With this in mind, we also restructured the field staff’s customer interactions and adapted the CRM system accordingly.

5 Encouraging Cooperation

Modern technology is opening up all sorts of opportunities for digitalization. However, the biggest challenge of digital transformation is not posed by the new technology itself, but rather by the cultural change that is required to convert it into real added value. Consistent change management and strong interpersonal (“soft”) skills, transferred from the analog world, will make all the difference here and are essential for the successful implementation of a digitalization project such as this.

6 Systematic Data Collection Using CRM

Now, we had to find a way of bringing the valuable voice of the customer to the relevant teams (product management and development). Communicating via unstructured reports, filed somewhere in the depths of a CRM system, is not an effective means of doing this, as my personal experience has shown many times. To avoid that, we redefined the interactions between customers and sales reps, extended the CRM system accordingly, and adapted the subsequent innovation management processes. The aim here was to provide the respective departments with customer insights in digital form, continuously and in real time.

7 Visualizing Value

Now, in addition to delivering the usual product presentations during customer visits, the field staff were also tasked with building up a fundamental understanding of customers and their needs, based on these new customer insights. Ultimately, the company also had to establish what customers are actually prepared to pay. The company’s approach was defined by an attitude of customer empathy, as promoted by the “design thinking” philosophy and the Value Proposition Canvas (Fig. 2), with a view to developing customer-centric products and services.

This led the field staff to set a new shared target: In the future, the team would aim for 40% of all customer interactions to be with end customers. To help them achieve this target, the team was provided with specially designed training. When it comes to implementing a project like this, it is important to motivate the people involved and get them on board. The first step is to provide clear answers and explain why you’re doing what you’re doing.

A detailed CRM training session was held to communicate the objectives and vision to staff and equip them with the relevant methodological competence. This training was accompanied by a set of guidelines.

Here is an excerpt of these:

We want to develop user-oriented products. To do so, we need to understand what is actually useful to customers. This means learning to understand the customer and their applications (jobs).

- *How are customers using the products?*
- *What makes it easier or more difficult for them to use the product or service?*
- *What is important to them?*



Fig. 2 Value Proposition Canvas (©p4c consulting GmbH; author’s own diagram based on Alexander Osterwalder)

- *What are they satisfied or dissatisfied with?*
- *What challenges do they face?*

This may all sound obvious and trivial. But if your employees have spent decades presenting products and marketing campaigns primarily to retailers, this new approach actually represents a significant paradigm shift. Now it's a question of how best to put it into practice. A company's practical approach is defined by its systems and processes, but also particularly by its culture and the mindset among its staff. In our case study, this meant setting out relevant ground rules for customer interactions (interviews) and training the staff accordingly. Here's a brief excerpt:

- *Adopt a beginner's mindset.*
- *Talk less, listen more.*
- *Ask "why" questions to determine customers' true motivations.*
- *The purpose of customer interviews is to learn and understand what customers are willing to pay for!*

8 Embracing Fear

Any change in a company can create anxiety and stress. To dispel any fears, several employees were selected as "pioneers" to drive the change, and a pilot phase was launched. At the start of this pilot phase, we worked with these experienced employees across several workshops to develop the basic framework for the application analysis.

During the pilot, two teams of volunteers in two very culturally different countries (Germany and France) got to grips with the beta version of the new CRM module and tested its functionality in local customer interactions. This new "application analysis" module enables the field staff to systematically examine customer needs and provide information on them to the relevant teams (PM, R&D) in a structured form. Without the hard work and dedication of the pioneers, this digital transformation process would probably have been much slower and more difficult.

9 A Collaborative Approach

The valuable practical experience gained during the test phase was then incorporated into the revision phase and global rollout of the internally developed CRM module. Those involved in the test phase became key users for the rest of the sales team, serving as ambassadors for the new process in customer interactions and ensuring that the question "What do customers really want?" was asked. The rollout process also included a feedback loop in the form of an online staff survey.

This survey focused on the acceptance of the new process among end customers (systematic analysis of customers' tasks), functionality, possible optimization

Market "Desirability"			
Market opportunities	50%	weighting	Assessment
Customer Benefit	4,5	50	9
Target Customers	0,45	5	9
Sales competence	0,45	5	9
Market growth CAGR%	0,9	10	9
Internationality	0,9	10	9
Intensity of competition	0,9	10	9
Time to Market	0,9	10	9
sum	9		

Fig. 3 Evaluation criteria for market desirability (© p4c consulting GmbH)

potential, and the extent to which the new process improves the company’s competitiveness. One especially positive outcome was that the majority of respondents awarded the company high scores for the “improvement in competitiveness” point. Later, the innovation processes in product management and development were also adapted and optimized to align with this new source of information. The first 700 customer surveys revealed some very promising customer insights, which were then evaluated and followed up.

10 Evaluating Product Ideas

It became immediately apparent that the product portfolio, although very well developed, had some drastic shortcomings from the customers’ point of view. Existing ideas had to be reevaluated. This was a matter of separating the wheat from the chaff and using the available resources as efficiently as possible. Even with all the customer centricity in the world, a product innovation will only succeed if it meets three essential criteria: (technological) feasibility, (economic) viability, and (market-related) benefits. These criteria also form the basis for the design thinking approach, which uses the human perspective as a starting point for designing innovative products, services, or experiences that are not only appealing but also feasible and marketable.¹

In order to assess product ideas with regard to these three aspects, the evaluation was expanded to include essential practice-related points, such as “market desirability” (Fig. 3).

The various aspects were weighted and evaluated by the product team using a predefined formula. The product team consisted of the product manager and a technical project manager.

Next, the two criteria of *technological feasibility* and *market desirability* were added with a company-specific factor, enabling the team to estimate the project’s

¹See <https://hpi-academy.de/design-thinking/design-thinking-glossar.html>; Accessed October 24, 2021

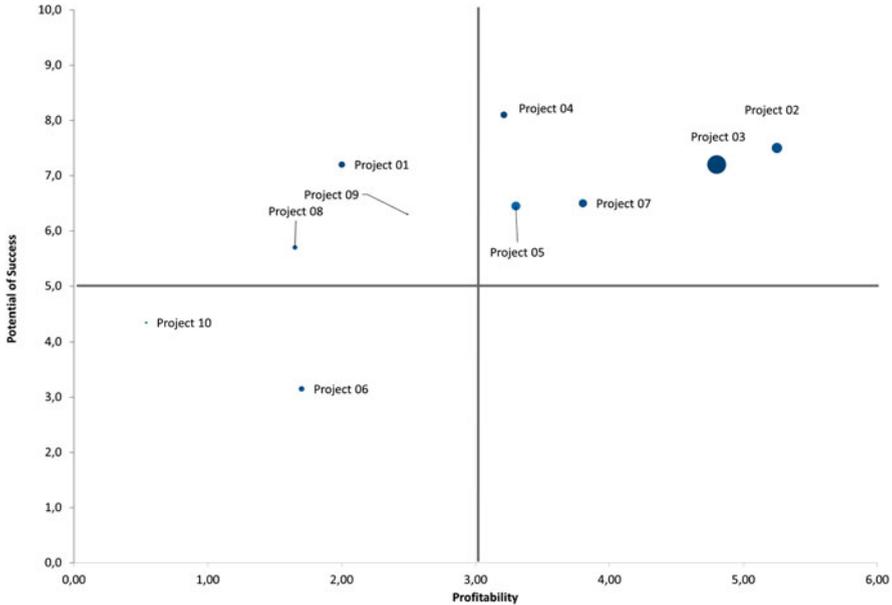


Fig. 4 Example visualization of a project portfolio (© p4c consulting GmbH)

probability of success. We then plotted the *probability of success* on the Y axis and *profitability* on the X axis, creating a clear visualization of the project portfolio (Fig. 4). The aim here was to generate a product roadmap with a balanced portfolio.

As part of the upcoming budget planning process, we coordinated a market-oriented development project roadmap together with R&D and management, based on the reevaluated project portfolio. In accordance with this roadmap, the company also had to cancel another project that was already underway (overengineered). As a result, the company had taken its first key steps toward defining a customer-centric and robust value proposition (Michailov and Düsberg 2021).

11 The Optimization Potential of Artificial Intelligence

The project described in this chapter was completed several years ago. Back then, the application analyses still had to be evaluated manually by a member of staff. Today, in 2023, we use artificial intelligence (AI) all the time—whether consciously or unconsciously—in many different areas of our everyday, personal lives. We probably already encounter AI on a daily basis, in the form of recommendations on Amazon, Netflix, or Spotify, as well as voice recognition assistants such as Alexa or Siri. Meanwhile, text recognition software—based on natural language processing systems—goes one step further. Instead of having to evaluate Excel tables manually, employees can retrieve real-time data directly from the CRM system and extract it

using text analysis. This information can then be linked with other data points to generate new and essential key customer insights on a regular basis.

12 The Role of Interim Managers

In this “VUCA” world, with its ever shorter cycles, long-term business success is no longer guaranteed. What companies need now is the ability to adapt flexibly to new conditions and seize opportunities swiftly. In order to rapidly adjust strategies and operations to new situations, companies need impetus and ideas, concepts, and competence. They need suitable methods that can also be used in SMEs.

The methods described in the case study above were launched and implemented by an interim manager as part of an effort to reorganize product management in a medium-sized company. The company’s new, holistic business approach was made possible, thanks to the manager’s many years of strategic and operational management experience in the fields of sales and product management, as well as state-of-the-art methods. Digital transformation and cultural shifts are processes of change that most companies cannot manage with their own resources—in many cases, they will require some external expertise. In order to provide a company with truly long-term support, it is essential to have an in-depth understanding of both the analog and digital world. In these situations, an external interim manager is the perfect person for the job.

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Aftermarket Business Is Superseding Traditional Sales



Stefan Zeiss

Abstract This chapter is based on many years of practical and relevant experience. In it, you'll find some inspiring insights and tips that you can put into your own practice. There's no need to go into academic theories—after all, there are many others who get along very well without them. Even companies like Amazon, for example, rely primarily on key business virtues, such as the consistent pursuit of timeliness, continuous improvement in all areas, and so on—one of the reasons they are so successful. Read on to learn how an optimized aftermarket business can generate new orders and higher margins for your company, almost single-handedly—resulting in more business from satisfied existing customers, but also from a few new ones.

1 Modern Sales Consists of Aftermarket Business and Digital Sales

Sales is the spearhead of any company. Since B2B sales is very expensive, it is worth conducting sales activities with a state-of-the-art approach: in other words, one that focuses on customers and costs. For an example of optimized sales activities, we need only look to any bakery, whose customers happily return to them again and again. Modern B2B sales activities operate in a similar way, and even better—in fact, sales platforms are available 24 h a day, 7 days a week (24/7), even in the mechanical and plant engineering sector (and not just at companies like Amazon). Nowadays, every company must be organized in such a way that customers feel confident in returning to just one reliable supplier (e.g., your company) again and again. The focus of modern B2B sales is aftermarket business. Face-to-face support is only provided to a small number of top key customers, who serve as multipliers for a company's business. In the world of modern B2B sales, companies offer highly user-friendly customer interfaces (e-commerce/online stores) that are available 24/7

S. Zeiss (✉)

Stefan Zeiss Management + Consulting, Bad Hersfeld, Germany

e-mail: s.zeiss@stefan-zeiss-management.de

which include all available products and services. The process of selling is set to become as modern and autonomous as driving—and in some cases, it already is. In the case of major online retailers, for example, sales teams rarely have any personal contact with customers anymore. But at the same time, they continue to quietly cultivate their top key customers, though not always in person. Just remember—nowadays, your customers’ purchasing teams are generally looking for lucrative offers online. Read on to find out how modern sales activities and a user-friendly online store can generate orders almost single-handedly and also lead new customers to find and choose your company independently.

With a strong aftermarket business (i.e., sales *and* services), your company can cultivate and nurture customer relationships, generate more business with them, and gain their trust—and all this will be many times cheaper than acquiring new customers. In contrast, poor aftermarket business results in extremely costly disruptions for customers and could possibly even bring their business activities to a standstill due to missing spare parts or delayed service. All customers therefore expect a high level of reliability, quality, and speed from suppliers, while price is only considered as an afterthought. Once a company has built up trust over an extended period, existing customers will see no reason to seek out alternative suppliers for every order or, if applicable, to register new suppliers. The process of auditing and qualifying (i.e., onboarding) a new supplier costs customers (and suppliers) a great deal of time and money. Don’t wait around for that to happen! If you “invest” more than usual in building a long-term, trusting customer/supplier relationship, your investment will more than pay for itself over time. What’s more, if all your customers are satisfied with your aftermarket sales and services, the reliability, quality, and speed of delivery, as well as your prices and online services, word will get around and attract new customers to your business. If public awareness of your company is spreading too slowly, or not spreading at all, read the next section to find out what options are available nowadays to cost-effectively create more positive and far-reaching publicity for your reliable business.

2 What Should Sales Teams Be Doing Today?

Sales teams must be proactive in offering and marketing their aftermarket sales and services. Simply selling and providing new products and services is a thing of the past. Let’s consider the B2B sales activities of a manufacturing company: Imagine you are the sole supplier of a component, perhaps even a core component, which your customer needs in order to deliver its end products. It might even be an essential piece of production equipment that your customer uses to manufacture its products—for example, an air compressor without which production would come to a standstill. Or perhaps it’s a telephone system or a router that your customer needs to operate its phones, servers, or online stores or access the Internet.

Have you ever just estimated the costs per hour your customers would incur if they had to stop their production operations or if their online stores or services were

not accessible because of a faulty telephone connection or IT network? For how many hours or days would your customers be able to accept or tolerate this disruption, and for how long would they continue to trust your company if it takes some time to replace or service the component? A DAX company once explained to me that if the telecommunications/IT systems at its headquarters went down for just one working day, it would cost the company millions, because the various departments, such as management, finance, and central purchasing, would only be able to communicate via cell phones and would otherwise be powerless to act. Similarly, if one node of a telecommunications company's public network were to go down for just a few hours, the company would lose millions in revenue. It's important to gain an understanding of your customers' business and end users—this will enable your professional and customer-centric sales team to offer nondisruptive solutions, product backups, and services, including on a rental basis. A customer-centric sales team can develop scenarios for customers and, based on these, offer them a quote for some kind of business income protection. At the same time, it is important to ensure that all your customers have 24/7, uninterrupted access to your company's user-friendly online store, so that they can order new products, services, and spare parts whenever they want and not just when your sales team is available in person.

3 Sales, Service, and e-Commerce/Online Stores

Let's say that your *field sales force* and sales representatives carry out regular customer visits, during which products/projects are presented and negotiated. Are there parallel services available that are at least as good as the presented products, and do the field staff and sales representatives always offer them at the same time?

Let's say that your *service staff*, along with the service partners of your sales representatives, carry out regular customer visits, during which services are provided. Do these service staff also offer specially selected products and additional services, and do they report the customer's needs to the back office/team leader on a regular basis? After all, who understands potential customer needs and optional, complementary services better than the service team? If your sales and service departments are not already organized into customer-focused teams, it is essential to organize regular discussions with the sales team.

Now, let's say that your *e-commerce/online store* provides a digital interface to all customers 24/7, where they can customize products/systems and order them instantly. Does this website also provide information about all optional services, including for third-party products, and offer a way for customers to order them? In most cases, if a customer finds what they are looking for very quickly on a user-friendly website complete with clear product information, they will place an order. Some customers may also get in touch with your team to ask about specific prices—maybe even a potential new customer you hadn't heard of before! And a new customer who is approaching your company, no less—not the other way around,

as is usually the case. You may choose to add an unobtrusive pop-up to your website: “Need any help? Click here and we’ll be happy to give you a call.”

4 Cross-Selling and Upselling

Any sales team must be able to sell all of its company’s supplies and services, including all high-value replacement and additional products, as well as all high-value additional services. Cross-selling and upselling strategies involve all the essential skill, knowledge, and self-motivation required for any sales activity, but at a much higher level. The options for all available products and services should be defined in advance and communicated to the entire sales team, and all the necessary conditions must be in place beforehand. A team commission, calculated based on pre-agreed cross-selling and upselling targets, can help to boost motivation and therefore increase sales. One forward-looking approach that’s even more sustainable, however, is to create an online store where customers can find all cross-selling and upselling options 24/7.

5 Team Selling or Just a Sales Team?

All your goods and services are provided to your business customers by a sales team. If, after making a sale and working together to put the customer first, the members of this team are then rewarded with a team-based commission, you can expect a higher level of commitment from them. This is especially the case if your team doesn’t have to wait until the end of the business year to get this “reward” but rather receives it on a monthly basis, for example. After all, thanks to modern monitoring systems, it is now possible to calculate sales, order income, EBITDA, and so on at least every 30 days. In this case, too, a team commission based on pre-agreed targets can further boost team performance, and therefore the company’s success as a whole.

At the beginning of this chapter, I said that sales is the spearhead of every company and that B2B sales is usually very expensive. It is possible to cut costs, but this often has very poor results, especially when it comes to sales—as the saying goes, “Pay peanuts, you get monkeys.” There are better ways to reduce sales costs and boost performance, such as e-commerce/an online store.

6 e-Commerce/Online Stores

Even if your customers already place orders via your online store, it’s worth taking a look at the websites of other major retailers (both within your domestic market and abroad) that have been using cross-selling and upselling strategies for many years.

To generate additional sales, these retailers' websites will often include prompts such as the following:

- “Customers who bought [...] also ordered [...]”
- “Order 5 instead of 4 and save [€.../... %]!”
- “Add special packaging for land/sea/air freight for [€...]?”
- “Collect your order on [...] from our location in [...] free of charge!”
- “Get your order delivered within 24 hours for [€...] or by [...] for [€...]!”
- “Book an installation service for the day after delivery!”
- “Extend your warranty by [1/2/...] years for [€...] per year!”
- “Add a [1/2/...] -year service/maintenance package for your plant!”

Your online store should always present these kinds of succinct, clearly comprehensible offers automatically. Customers will often visit your online store looking for one product/service and then unexpectedly see another that appeals to them and end up paying for that instead. How are customers supposed to know, at the last possible moment before placing an order, that your product is also available in seawater-resistant V4A steel, for example, or that you also offer 24-h delivery, or that they can get a discount of x% on their maintenance package if they order it “today”? If your B2B customers can rely on you to deliver orders within 24 h, for example, they can then formulate a promise to their own customers to deliver within x hours and therefore generate additional sales—so why shouldn't they also pay a little more for their order from you? If the whole process works smoothly (and includes regular shipping updates)—or, where necessary, if the whole process works several times—it will create trust. After that, new and follow-up orders will practically generate themselves!

7 Creating Offers and Service Packages Based on Your Sales and Service Activities

Companies should be proactive in offering service packages to all potential customers. With just three different service packages, for example, you can win over customers, build a good reputation, and generate additional sales. Once the “service package” aspect of your business model is up and running, it will start generating substantial and regularly recurring revenue. This aftermarket business will also help to generate additional new business for many years to come. Here are a few illustrative examples:

1. A *standard service package* could, for example, include all maintenance work. This work is carried out at agreed intervals (e.g., annually) on an agreed date. The maintenance work is carried out during the day and during normal working hours. Repair parts, essential wear parts, and software updates and upgrades are invoiced separately; spare parts are stored at your warehouse (shipped EXW, next working day at the latest), and so on.

2. A *comfort service package* could, for example, include all maintenance work, all wear parts up to €x, and software updates. This work is carried out at agreed times (e.g., always during the summer break). The maintenance work is carried out during the day and during normal working hours. Repair parts, additional wear parts, and software upgrades are invoiced separately; spare parts are stored at your warehouse (shipped EXW, next working day at the latest), and so on.
3. A *premium service package* could include, for example, all maintenance work, all wear parts up to €x, an additional x every x years, as well as software updates. The work is arranged to be carried out during quiet times (e.g., nights/weekends only). Repair parts and software upgrades are invoiced separately. Spare parts are stored at the customer's site on a case-by-case basis. Furthermore, you can agree on maximum downtimes, including response teams, maximum delivery times for additional spare parts, etc. Your premium package could also include a complete replacement system, since it may be more expensive for the customer to interrupt operations over a period of days.

Some services may therefore offer a very high level of availability and are clearly not cheap. Not all of your B2B customers will purchase your premium (i.e., all-inclusive) package, but perhaps more would than you'd expect. Customers who understand and are willing to pay for the benefits of an all-inclusive package, and who therefore pay more for their service than other customers with smaller service packages or none at all, are premium customers and generally also receive priority treatment (in a similar way to airlines that offer economy class, business class, and first class).

Figure 1 shows services without a service contract on the far left-hand side. The three packages are presented from left to right. With each type of service contract, the customer's plant becomes more reliable, and their service costs become more calculable. Service contracts can simply be added to the normal warranty and will ensure a win-win situation in all cases. You should be proactive in offering your potential customers additional framework agreements for aftermarket business, in both project-based and product-based business. Each of your key customers will have certain needs that deviate from the standard, and any responsible sales and service team will be able to adapt a framework agreement to suit those needs. In addition, some customers won't want to buy a new machine at all. In such cases, you can simply offer the customer an upgrade for their old machine, even if it's ancient—that is, provided that your service team has the technical capacity to complete the upgrade, the overall conditions permit it, and the customer can be persuaded to go ahead with it. From my own experience, I can confirm that some customers are happy to pay more for an upgrade, and at times even a little more than they would for a comparable new machine. This may be because your customer's hall layout does not allow for a more economical alternative, but the machine needs to be integrated into a PPS system and therefore into the ERP system.

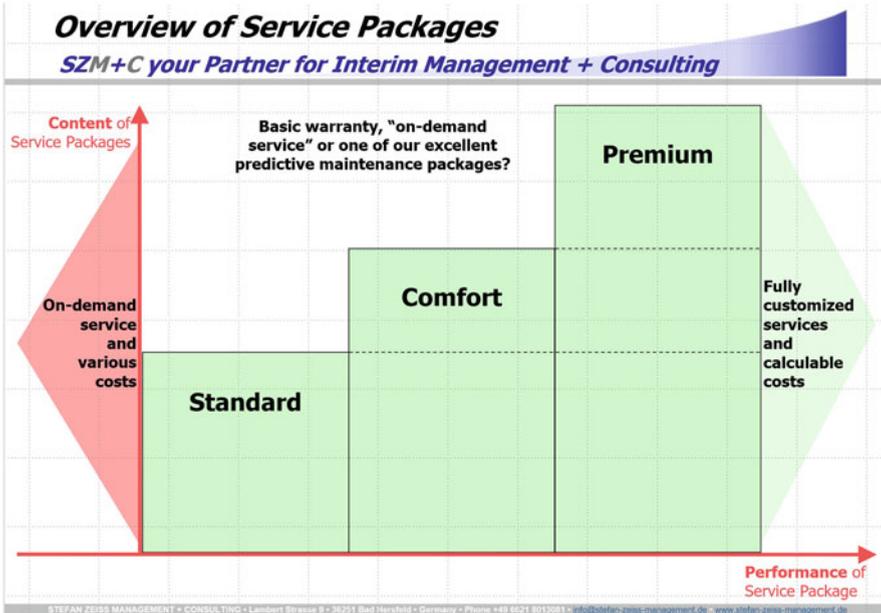


Fig. 1 Service

8 Spread the Word!

Marketing is always important—and today, it’s more important than ever in the face of all the news and fake news circulating on social media. It is important to collect feedback from all customers on your goods and services. With their consent, you should also share their positive experiences, e.g., via pop-ups on your website (“Thank you [company] for your order of [. . .], [company]’s x-th order with us!”). Nowadays, however, it is almost more important to promote your successes on social media. Potential customers are more likely to trial a new supplier if they can read testimonials from third parties. Here are some example statements you could use:

What our customers say about us

- [. . . %] of all orders delivered on time.
- Supply quality of . . . % on all orders.
- [. . . %] of orders delivered within [. . .] days of purchase.
- More than [. . . %] of our customers in [country] have a service contract with us.
- System reliability of over [. . . %] for the first [. . .] years (with/without service contract).
- Delivery on next working day available for over [. . . %] of our spare parts.
- Emergency maintenance available within [. . .] days.
- .

Rate our goods and services and get [..%/€..] off your next order! A little about us

- Trusted by customers in [...] countries since [year].
- We have [...] employees working hard every day to achieve our turnover of [€..] million.
- Audits by [...] customers/TÜVs confirm our warranty claim rate of under 0.x %.
- We've had more than [...] plants running at our customer sites for over [...] years.

If you have some photos on your website to accompany the testimonials, you'll be able to capture customers' interest more quickly and effectively, build more trust, present use cases without too many words, and save money on translation services—and all this is also very cheap advertising compared to running ads in print media, for example.

Your website could also feature a “bestseller list,” containing all immediately available products and spare parts that, according to your CRM system/experience, are ordered especially frequently or often need to be delivered urgently. If you're the only supplier that can deliver a particular product, you might win a new customer, just like that—and you'll have made a great first impression, too! Got some idle production capacity? Simply offer a limited-time deal on some spare parts or selected equipment, and promote it on your website and in your newsletter (“Get [..%/€] off our [...] from [...] to [...]!”).

9 Sales Costs

Can your customers, you yourself, and your sales team use your user-friendly(!) online store to configure all products, find accurate prices, place orders, and check delivery times? Are all services available to order in the same way, and did service technicians send their shift plans (along with material lists, etc.) in advance, perhaps online via their cell phones?

Do you know your overall B2B sales costs, including the costs of face-to-face customer support? Do you know the costs of an/your online store? Have you ever compared the costs and benefits of your sales activities with those of an/your online store?

How many customers could your sales team serve in person each week, and how many customers could you serve at once via an online store, 7 days a week (24/7)?

These are just some ideas. With an online store, you can serve existing customers around the clock and acquire new ones very cost-effectively—provided that the online store is user-friendly and that the information presented in it is comprehensive and reliable.

If I keep using the term “user-friendly,” by the way, it's because of my own experience in B2B sales, and especially my first experiences in the IT/TC sector, where I used to be the product manager for a well-known DECT phone. This device

has been firmly established on international markets for over 20 years now and enjoys a high level of customer acceptance to this day. This product's success is doubtless due primarily to its user-friendliness.

Here's another example. An architecture firm is designing a factory building or industrial park. It is also planning to install facilities such as an industrial power supply and offer these together with the building(s). The architect has neither the time nor the inclination to call in several different companies; if they were to come across an online store explaining the advantages of using a transformer or a solar plant, for example, they could simply configure a transformer or a solar plant and request a quote. In this case, the online store will have helped both the architect and the potential supplier and also saved a great deal in terms of time and travel costs.

Investing in a highly user-friendly online store (along with a mobile app, to keep up with modern times) may not sound cheap at first. But this investment will pay for itself sooner than you might think. Just look at the growth recorded by extremely successful online corporations, which certainly wouldn't be as large and successful if they hadn't provided user-/customer-friendly interfaces right from the start. Furthermore, these online corporations almost always ensure reliable and on-time delivery while also providing intermediate tracking updates for customers ("Your order has been handed over to the carrier. Your tracking number is. . ."). I think it's easy to see nowadays why and how quickly these online corporations have grown. In addition, advance payment is often standard practice among these companies.

By setting up an aftermarket business with a complete, transparent product range presented in a high-quality online store, and offering reasonably priced products that are consistently delivered on time, you will be able to boost your sales and margins in the long term. If you have a good online store up and running already, advance payment could be a very attractive option that would help you save at least some of the costs of your B2B sales activities (including customer visits). One tip is to estimate the monetary benefit for your company if you were able to book incoming payments 6 weeks earlier, for example, thanks to advance payments for orders via the online store. This reduction in sales costs would enable you to invest more in important developments or your online store.

10 Stock and Spare Parts Prices

Last but not least, though it is good and important to achieve a reasonable degree of globalization in production and JIT production, this is not the solution to every problem, nor is it a surefire way to maximize all profits. It is much more important, and generally more lucrative, to focus on ensuring local, systematically relevant production and a well-stocked warehouse. Have you ensured that all your bestsellers are already verified, along with particularly important, rarely used components and spare parts? Are these products always in stock, available to order online 24/7, and ready to deliver right away? If you have the right products in stock and a simple

ordering system in place, you'll improve customer satisfaction and boost sales and margins.

This quote from "Die Presse" (August 1, 2015) illustrates just how profitable warehouse products can be (Source: <https://www.diepresse.com/4791181/ein-auto-aus-ersatzteilen-um-600000-euro>): "In China, a well-equipped Mercedes C-Class car costs the equivalent of around €50,000. If you were to build the very same car, but only using spare parts from Mercedes, it would cost €600,000." These excessively high prices at "Mercedes" (inflated by a factor of 12!) are roughly equivalent to the spare parts prices offered by many other car manufacturers. Furthermore, in my opinion, "China" could also be replaced by many other country names, since cars made from spare parts are always sold at much higher prices than an identical new car.

However, it's not a good idea to overdo it with your prices, as those car companies in China also found out (several of them were forced to pay millions in fines)! As this example shows, you can use achievable spare parts prices to "gold-plate" your stock (at least in the case of spare parts that are rare, systematically relevant, and permanently available). And if "gold-plating" is a matter of management, I recommend focusing on factors such as aftermarket business, services, warehouse stock, etc. and managing them from the top down.

11 Conclusion

Modern sales involves more than just selling. In the past, sales teams sold new products. Sometimes, they'd also promote a service if they were asked about it. These services would then be provided by another group of people. Nowadays, however, sales and service teams have to market everything, and, most importantly, they must be able to do so ad hoc. Your sales teams should also monitor your online store via laptops or cell phones, observe customers' user behavior, offer them support, and then, based on the resulting insights, determine what needs to be optimized next.

Nowadays, customers create their own higher-value products or services. They don't want to "waste" time and money with suppliers who have nothing to do with their own primary business activities. Once you have set up an effective online store and aftermarket business and negotiated and concluded the relevant service contracts with customers, your aftermarket business will be able to operate successfully for many years, with very positive results for both you and your customers—provided that you keep making continuous, customer-centric improvements. Customers will only hear or see your aftermarket sales activities and services if they are already interested. Good service pays! If you deliver excellent customer service, you will build up trust and publicity. And after that, follow-up orders for new products from existing and new customers will practically generate themselves, making active B2B sales operations almost (!) superfluous. Your field sales activities can now be limited to less frequent "courtesy visits" to key customers. During these visits, your team

should be asking customers what they want and what improvements you could make to help them make their business—and therefore yours—even more successful. The only products that will always need experts to sell them are brand-new systems/components that are highly complex and therefore require intensive consultation—that is, until aftermarket business takes off for these systems/components, too.

12 Aftermarket Business Is a Matter of Management

The task of implementing an effective aftermarket business in practice is the responsibility of a professional B2B sales and service team. These teams generate higher margins than new business and also pave the way for satisfied existing customers—and therefore follow-up orders. You only need a handful of people, but they should all be motivated professionals, accompanied by their industry-specific sales and service teams. These teams “just” focus on services, service contracts, cross-selling, and upselling and also (though only when it seems appropriate) actively market new products or systems. A user-friendly online store, where customers can customize products, place orders, and find accurate product information and reliable delivery times, is essential for all customers, your company, and your aftermarket sales activities. Online stores are state of the art.

Motivating your teams to implement aftermarket business strategies, and rewarding their successes in a timely manner, is more sustainable than the revenue generated from marketing new products, which my experience has shown is not always easy. Though the marketing of services is at least as challenging, it is much more sustainable from a strategic perspective, contributes more to the company’s image, and also has an enormous influence on follow-up orders.

The strategic alignment of aftermarket business is a matter for managers/consultants. I know of groups that ended up spinning off their aftermarket business into separate companies. In many cases, those subsidiaries are now the most lucrative parts of the group.



Stefan Zeiss, Dipl.-Wirt.-Ing. (FH), is an interim manager and business consultant operating at the international level. Today, he works primarily with industrial SME customers and is a member of the DDIM working group for sales and marketing. Thanks to his extensive experience, comprising a decade in groups and over 15 years in SMEs, he always succeeds in finding pragmatic solutions.

He mainly takes on roles in executive management, sales and marketing, and aftermarket business. His practical experience is concentrated in the ICT, electrical engineering, automotive, and mechanical/plant engineering industries (particularly the plastics industry and fluid mechanics).

Stefan Zeiss advises and supports companies at management level and guides them through phases of growth and change, such as business development, the expansion of aftermarket business/sales, digitalization, and restructuring. He has already been able to help companies achieve long-term success in various turnaround and business development projects.

<https://stefan-zeiss-management.de>

Appendix A: The Man Behind the *Chefsache* Series

Peter Buchenau is widely regarded as a warrior of Germany's consulting, coaching, and public speaking scene. As a former top-level manager in French, Swiss, and American groups, he is well versed in all the key success factors of management. He knows better than most how to relate to others and how to analyze, understand, and empathize with them. He tracks trends, discovers new methods and approaches, and sets his audiences and clients on the right course.

Peter Buchenau is a loyal companion who can support you on your journey and help you make your mark on the business world—to ensure that you'll be remembered for a long time to come. This multi-award-winning management consultant is a pragmatic man of action (after all, the shortest distance between two points is a straight line), who shares tips based on his own real-world experience. Today, he is a full-blooded businessman and manager, but also a sparring partner, mentor, author, comedian, and university lecturer. In his books, training courses, and lectures, he amazes audiences with his simple and easy-to-follow practical examples. He has an incredible ability to present serious and critical facts in such an efficient yet entertaining and comedic manner that the emotional highlights and punchlines become part of the educational experience.

The *Chefsache* book series that he initiated focuses on important issues encountered in middle-level management. These are primarily the additional, softer success factors beyond sales, finances, and legal circumstances. This series is aimed at small business owners, supervisors, and SME managers, as well as executives in corporate groups.

You can find out more about Peter Buchenau at <https://peterbuchenau.de>.