
HINCKEL

CASE B2B SALES SYSTEM MANAGEMENT

■ PRELIMINARY NOTE

This is a theoretical case; any similarity to actually living persons or existing enterprises is purely coincidental and completely unintentional.

We use account to mean one of Hinckel's customers. A key account is an important customer for Hinckel.

■ COMPANY HINCKEL HAS PROBLEMS IN SALES.

The B2B sales are a particularly concern. You were called in by DR.HUBER, CEO. This is your report of the interviews which you held with 6 people in the company.

■ PERSONS YOU INTERVIEWED

- Dr. Helen HUBER, CEO
- DR. FRANZ PENNY, CFO
- Mr. PICHLER, VP Sales and Marketing
- DR. ADRIAN MAHLER, VP product development
- Mr. ROLAND, Account Manager, key account AAA
- Mrs. Karin ENGLISH, Account Manager, key account BBB

■ INTERVIEW WITH DR.HELEN HUBER, CEO

"My father established and built up our company after the 2nd World War. First, I did my MBA in the USA and then I worked as his assistant. Later I worked as the finance executive. After his death I took over the CEO role. We see ourselves as suppliers of complex technical sub-systems for international manufacturing companies. We are specialists in small series for special models. We see ourselves as "relationship supplier" and not as "transactional supplier". We want a strong position against the competition from China and the East European countries."

She shows you a study, "Transactional and Relationship Suppliers to Large System Integrators". It shows suppliers from China taking the dominant position of Transactional Suppliers. "While our competitor VAHLE (headquarters in the same country as HINCKEL) has grown approximately 25% per annum for the last 5 years straight, we are stagnate growing 5% per year at best". (Your check of the business reports of the company VAHLE after the interviews shows they are growing and profitable every year).

Dr. Huber stresses "our strategy is clear: we want to be an important worldwide supplier for internationally active companies."

"What worries me is that we are not winning market share at our customers and target customers. We are under a dreadful downward pressure on prices. There isn't a day goes by where I do not get a request for more discount."

"We are now in the 6th month of our financial year and once again I foresee that our business won't grow with our big customers."

"I expect you to advise me clearly and simply what we must do to sell more and quickly."

■ INTERVIEW WITH MR DR. FRANZ PENNY, CFO

"The only problem of our company is we are too expensive. You only need to read the management magazines. If we cannot lower the costs further, we must follow the general trend and transfer our production to Asia".

"This is so crystal-clear that we don't need you or other advisers. If you still find possibilities to cut costs, thank you very much. But otherwise you waste your time here. Actually we cannot afford an expensive adviser like you at all in today's climate"

"We will have to lay off staff further. The sales people are overpaid anyway and drive big cars. They need to work harder rather than sitting with customers in bars. I see the expense reports. They are definitely wasting company money. It's simple. Sales is a question of costs and therefore should really report to the finance executive."

"We have already taken a decision. The financial year isn't half over and it does not look very good. Therefore we will terminate the contracts of the some of sales people and reduce their commission for the second half-year. We simply have to put more pressure, to force these people to do their duty".

"We will increase tight control of what they actually do. They must report their pipeline in the new CRM system to the penny. I am quite proud that I pressed this through. We can finally put some pressure on these lazy people. We sent an important clear message last month: Sales people get commission now only if they have entered the order in the system 8 weeks in advance. This will stop the fiddling. One must have clarity!"

"How did our competitor VAHLE achieve their results? Just between you and I *think* they must have polished their numbers. In this business one cannot gain such results. They can't continue to grow. Believe me they will be under in two years latest."

■ INTERVIEW WITH MR. PICHLER, V.P. SALES AND MARKETING

"Yes, I know, naturally, DR.HUBER would want us to sell more. We also want to sell more."

"In the B2B area our primary focus is on our key accounts. We learned from our IT suppliers. They have had an excellent key account program for years. We copied their organization. We have appointed key account managers who are responsible for these key accounts. They lead a team of one or more assigned sales people that look after the key account. At present we have 21 such one key account teams in our B2B business. This really has proved itself."

"My B2B people are all experienced sales professionals. They are very realistic when they assess sales opportunities. The message is clear: In today's economic situation our customers hold on to every cent. Some of our customer's have the motto no cash out. How can you sell something to a customer who doesn't have money?"

"One can now understand why the sales teams are very conservative with their forecasts and have become very careful when they accept their sales goals."

“We have tried everything to sell more. We have modified the commission system completely. We have invested in advertising. We have invested a lot of money in CRM to sell more through better customer loyalty. Still our sales nevertheless haven't increased.”

“But once again I am going through a round of lay offs. DR. PFENNING presses for it in every management meeting. I am only afraid that we now cutting meat not just fat. We will end up selling less by reducing the number of sales people. But I cannot prove this assumption to either DR.HUBER or DR. PFENNING. I feel trapped”.

■ INTERVIEW WITH DR. ADRIAN MAHLER, V.P. PRODUCT DEVELOPMENT

“We have only one single problem: our sales people cannot sell. We are absolutely top with our products. We are the technical leader by years. But our sales people have never learned to sell the complicated products as we have today. Yes, they can sell boxes but not complex solutions.”

“Our products used to be simple boxes with buttons. Today they are complex systems. We are selling equipment and lasting performance. Our sales people can't explain this well to the customer. Frankly, they are under qualified. We have tried everything. We invested in intensive product training but to no avail. We haven't sold any more. They are not capable of understanding a complex system.”

“I know what I would do to solve the problem: I would get myself a group of specialists who work directly to the customer. The problem is then solved. We could then dismantle the sales force. Since we want to do this anyway, in my opinion, we kill two birds with one stone.”

“Key products? All our products are key products. Every product is important to our company.”

“You may want to mention in your report that the R&D offices are cramped and look the same as they did when the company started. We need to invest in new furniture and equipment. This looks like the stone age!”

■ INTERVIEWS WITH KEY ACCOUNT MANAGERS

The two key account managers have been selected by DR.HUBER as typical examples of the sales situation. You use the following format in your interviews with the 2 account managers:

First you asked the key account manager to describe their account and the sales situation in their own words. Then you asked some precise questions:

1. What is the sales goal you have at this account? By account and for Hinckel's key products?
2. What is your progress toward the goal?
3. What are the problems of your account? How can you help with your products and services to solve these problems?
4. Which opportunities do you see at your account?
5. How do you select the opportunities you concentrate on?
6. How does the management help you to sell more?
7. Which obstacles do you face?
8. Who helps you to remove these obstacles?
9. Do you have meetings with the top management about the situation at your account? Describe the meeting format. What is decided? What happens after the meeting?
10. What are the most important things management could do to help you sell more at your account?

■ INTERVIEW WITH MR. ROLAND, ACCOUNT MANAGER, KEY ACCOUNT AAA

Mr. Roland, account manager, key account AAA is quite prepared. He has a big binder full of documentation about his account, his sales plans and the current situation with many colored diagrams, tables etc. It takes him 45 minutes with 67 diagrams. (e.g.: Development of the own industry, the industry of the customers, economic development of the OECD countries, pictures of the competing products, organization chart of the account)

Answers for the special questions:

1	<p>What is the sales goal you have at this account? By account and for Hinckel's key products?</p>	<p>My goal is to sell as much as possible. I don't have a goal in numbers. Question: it is the 6th month of the current financial year now and you don't have any goal in numbers? Mr. Roland answers; "there was a goal at the beginning of the year but this was changed three times and we are waiting for a new goal now which is probably linked to the new commission scheme."</p> <p>Key products? "Yes we have a list but frankly it's not important. My sales people and I are paid commissions on order value. We just try to sell all the products.</p> <p>There are some products the CEO says are important for Hinckel but we are not paid any commission on these. The margins are supposedly so low the company claims they cannot afford commission.</p> <p>"Just between you and I, this is crazy. If you don't pay the sales people any commission for a product one shouldn't be surprised that it doesn't become a winner in the market."</p>
2	<p>What is your progress toward the goal?</p>	<p>We sell a lot and will probably sell as much as last year. Given the budget situation of the customer this will be an excellent performance. Considering management insisted I dismiss one of my sales people three months ago to save costs. We have been lucky to maintain the sales level with the reduced number of staff.</p>
3	<p>What are the problems of your account? How can you help with your products and services to solve these problems?</p>	<p>My account doesn't have money. This is the problem. We can help by giving large discounts.</p>
4&5	<p>Which opportunities do you see at your account?</p> <p>How do you select the opportunities you concentrate on?</p>	<p>We work on three opportunities now. If we win two of them it will be easier to sell more.</p> <p>We keep a list of our opportunities in our CRM system. I only enter opportunities into the CRM that I am sure I'll close. If I enter opportunities that are "maybe" all I get are constant calls from staff people asking me questions. I don't have time for that.</p> <p>Question: Other opportunities? Mr. Roland; "No, just these three".</p>
6	<p>How does the</p>	<p>The management helps during the discount negotiations. Both our CEO</p>

	management help you to sell more?	and our sales director are excellent hagglers.
7	Which obstacles do you face?	We do not have enough people in the team. We work 60-80 hours per week and even then this is not sufficient to handle all the work.
8	Who helps you to remove these obstacles?	Our company was founded on the principle that everyone solves their own problems. Our management does not like if one brings them problems. They only want to hear good news; not reports on obstacles.
9	Do you have meetings with the top management about the situation at your account? Describe the meeting format. What is decided? What happens after the meeting?	<p>Yes, we do key account Reviews. I show all the pictures which you see here and everybody in the audience asks questions.</p> <p>Sometimes I stand there while everyone gives me all kinds of advice and action items. I end up leaving the meeting with more my plate than I had before I made the presentation. No one ever takes an action to help me at the account.</p> <p>After the meeting? Nothing, only I have more work.</p>
10	What are the most important things management could do to help you sell more at your account?	Give me more people so that we can work normal hours.

■ INTERVIEW KEY ACCOUNT MANAGER KARIN ENGLISCH, ACCOUNT MANAGER, KEY ACCOUNT BBB

Karin ENGLISCH, account manager, key account BBB has summarized her account and the sales situation into only some (12) diagrams. She gives a 10 minute introduction and then asks for your questions.

Answers for the special questions:

1	What is the sales goal you have at this account? For the account and for Hinckel's key products?	<p>I would like to reach my dream goal of 10 M EU at this account this year. This was not top down. I set this target myself. I think the task of a good key account team is to produce growth year on year.</p> <p>I don't care whether top management changes the goals during the year. I simply set my goal high and I am always on plan.</p> <p>There are no key products identified from top down. However, I have selected 3 we (the account team) must focus on for success at the account. I am going to pay my sales people a special commission. Management won't like it but since I always make my numbers they'll accept it.</p>
2	What is your progress toward the goal?	At present I am a little ahead of my plan (a diagram shows goal per month versus actual results).
3	What are the problems	My account has sales problems in France and in the Nordic countries.

	of your account? How can you help with your products and services to solve these problems?	The three products which I have selected are really important for these countries as they help my account sell their products easier. I have arranged for our account to make test installations of its systems by give them special conditions so they have an extended guarantee period. This gives them a competitive advantage.
4&5	Which opportunities do you see at your account? How do you select the opportunities you concentrate on?	The most important opportunities lie in the new product area which the account wants to open for us. I moved fast to meet the newly appointed divisional director. I wanted to understand his problems as quickly as possible so I can plan our work around these new opportunities.
6	How does the management help you to sell more?	To be honest very little. I hear from them when orders are weak and then they apply pressure. But I like to take the CEO along if it is about discount negotiations. This does the CEO good and works well provided we have prepared everything at our level.
7	Which obstacles do you face?	We actually have only one obstacle. The same one every time. Our account exports and they expect us to offer service and support for our products in all countries where they sell. Our problem is we are not represented everywhere. This is a hassle every time. So far we have managed but it is still a problem.
8	Who helps you to remove these obstacles?	No one. I have to do this myself. In Hinckel there is internal resistance from the various departments. I spend a lot of my time convincing them to help my customer.
9	Do you have meetings with the top management about the situation at your account? Describe the meeting format. What is decided? What happens after the meeting?	Yes, we give a report on the situation in our account but it is infrequent. Usually there are 20 people sitting in the room with their laptop computers on the table doing their e mail. Honestly, I don't know what good this meeting is. This doesn't help me at all in working with my customer and wastes my time. There are always lots of brain storming and creative ideas but no one commits to do anything. We are accustomed to nod to everything and then to go back to our work.
10	What are the most important things management could do to help you sell more at your account?	At present the most important obstacle is the question of the international support of our products. Once this is solved (I am not sure whether this will ever happen) the next big obstacle is we have to find a way to integrate the systems nearer to the end customer.

■ YOUR ASSIGNMENT

Work out a recommendation and summarize it on one page (see format next page)

Step 1: Find the constraint of the B2B sales system of the company HINCKEL.

- Assume that all of the people interviewed spoke the truth. They answered your questions in good faith.
- Use the diagnostic tables from the book UNBLOCK THE POWER OF YOUR SALESFORCE! as check lists to collect observations
- Enter your observations on the “3 Column Form” as shown on page 118 of the book. Use WORD or POWERPOINT as tools.
- Then remodel these observations into a CRT.
- Scrutinize the CRT to verify you have found the constraint of this B2B sales system (root cause).

Step 2: Define the state of the sales system after the constraint is resolved

- Formulate three precise, crisp statements describing the condition of the sales system once the constraint is resolved. What will be different, and how, if the constraint is resolved? “

Step 3: Define the actions to be taken

Summarize the actions as follows:

- What has to be done?
- Who has to take the responsibility for this?
- When does the new condition have to be achieved? Actual date

Step 4: Summarize your results in the format of the next page.

RECOMMENDATION TO THE MANAGEMENT OF THE COMPANY HINCKEL

1. Your B2B sales system is limited in its performance by the following constraint:

--

2. After resolving this constraint your sales system will be in the following condition:

--

3. To reach these conditions, you or someone, has to take the following actions:

--