Chapter 13:
Customer Relationship Management in the Business-To-Business Context
Overview

Topics discussed:

- Characteristics of business-to-business (B2B) markets
- Premise of CRM in the B2B context
- Sales force management (SFM) and its subtopics as most important topics to realize the CRM premise in the B2B context
- CRM and sales force automation (SFA)
- CRM and key account management (KAM)
- CRM and the goods to services shift
Characteristics of Business-to-Business (B2B) Markets

- Organization (company or institution) as customer
- Large purchase amounts
- Complex organizational buying process with professional (group) buying and decision making units
- Collaborative rather than transactional relationships between buyer and seller to build strong ties over time
Premise of CRM in the B2B Context

“B2B CRM is the strategic process of strengthening relationships with business customers, especially important clients, beyond transactional relationships to better manage the value of these buyer-seller relationships.”
SFM and its Subtopics as most Important Topics to Realize the CRM Premise in the B2B Context

- Why is SFM one of the most important topic in the B2B CRM context?
  - The sales force is entrusted with the seller's most important asset: the customers
  - Due to the sales force long-lasting and strong relationships can be established

- What is the task of the sales force?
  - Effectively and efficiently manage the relationships with the organization’s buyers to fulfill the B2B CRM premise
  - *But how can that be realized?*
SFM and its Subtopics as most Important Topics to Realize the CRM Premise in the B2B Context

There exist three subtopics of SFM to realize the B2B CRM premise

B2B CRM Premise:
- Build stronger buyer-seller relationships
- Better manage the value of buyer-seller relationships

SFM

SFA
- Efficiently and effectively manage buyer-seller relationships

KAM
- Allocate right activities to right customers

Goods to services shift
- Build long-term buyer-seller relationships via services propositions

Internal Perspective

External Perspective

Source: Kumar and Reinartz (2012)
CRM and Sales Force Automation (SFA) – What Is SFA?

SFA describes any information technology applied to a sales situation that is intended to facilitate a repetitive, administrative task and to make it more efficient, especially from the internal perspective of the seller. By completing tasks more efficiently, salespeople can reallocate their time to more personal contacts and more value-adding activities for customers and thus build more effective, long-lasting buyer-seller relationships.
There exist **two main benefit dimensions** leading to different benefits for salespeople, sales managers, and senior management.
CRM and Sales Force Automation (SFA) – Conditions for Realizing Benefits

- Sales managers and senior management must ensure that the entire sales force adopts and uses the SFA technology.

- **Drivers of SFA adoption**
  - Commitment of top management and immediate supervisors to the technology
  - Personal innovativeness
  - Positive attitude toward the new system
  - Perceived usefulness of the new system
  - Compatibility with the existing system
  - Individual salespeople’s characteristics (e.g., age, gender, computer self-efficacy and playfulness)
  - Organizational characteristics (e.g., perceived voluntariness of use, early involvement and participation of the user population)
CRM and Sales Force Automation (SFA) – Conditions for Realizing Benefits

**Drivers of SFA usage**

- Personal innovativeness
- Positive attitude toward the new system
- Usage-facilitating conditions (e.g., provision of sufficient resources and external support to use the system)
- Degree of market information processing
CRM and Sales Force Automation (SFA) – Conditions for Realizing Benefits

What should the seller’s organization apply to guarantee SFA technology adoption and usage?

- Ensure and communicate the commitment and support of top management and supervisors
- Hire salespeople who demonstrate personal innovativeness during the interview process
- Hire young salespeople with computer playfulness and computer self-efficacy
- Inform salespeople about the system’s features and benefits
- Provide continuous support and training
- Involve salespeople before purchasing and implementing SFA tools
- Provide the sales force with necessary market information
InvisibleCRM: Bridging the Gap between Business Apps and Productivity Tools

- InvisibleCRM is headquartered in San Mateo, California, where its sales and support offices also are located. Development centers operate in Moscow, Russia and in Kiev, Ukraine. InvisibleCRM is a small enterprise with 30 employees; its main application is a suite of products that seamlessly merge back-end applications with Outlook and Windows usages. Thus InvisibleCRM provides a fast gateway to a user’s CRM system through MS Outlook. As a synchronization tool for business users, it comprises three products.

  - First, SalesDesktop, offers a CRM Outlook integration. Second, SalesFolder is a document sharing and delivery tool that synchronizes files between a corporate repository and a local subfolder on the user’s desktop. Third, SalesAlerts delivers real-time notifications on important changes made in the corporate system.

CRM and Key Account Management (KAM) – What Is KAM?

*KAM can be defined* “as the performance of additional activities and or/designation of special personnel directed at an organization’s most important customers.”

CRM and Key Account Management (KAM) – Implementation of the KAM Program: A Stepwise Process

There exist **three key steps** for implementing a successful KAM program

- **Step 1:** Selection of key accounts
  - Selection criteria
  - Selection process

- **Step 2:** Design elements of the KAM program
  - Activities
  - Actors
  - Resources
  - Formalization

- **Step 3:** Advancement of the KAM program
  - Optimizing
  - Improvement
Implementation of the KAM Program: Step 1 – Selection Criteria

Selection criteria serve to decide which customer is a key account

**Quantitative criteria:**

- Sales volume
- Market share
- Revenues/contribution/profit

Most commonly applied financial “rules”:

- Key accounts must generate 50-60% of the sales volume
- The Pareto rule identifies key accounts (20% of customers that account for 80% of sales)
- Key accounts are the top 10 customers

**Qualitative criteria:**

- Image of key account
- Reference potential of key account
- Technology potential and know-how of key account
- Interorganizational and cultural fit
Advantages and disadvantages of quantitative and qualitative selection criteria

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td><strong>Quantitative</strong></td>
<td>Relatively easy to measure</td>
<td>Monetary and short term focused</td>
</tr>
<tr>
<td>criteria</td>
<td>Coverage of fixed costs</td>
<td></td>
</tr>
<tr>
<td><strong>Qualitative</strong></td>
<td>Positive spillover effects</td>
<td>Not very easy to measure</td>
</tr>
<tr>
<td>criteria</td>
<td>Multiplier function of the buyer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional knowledge</td>
<td>No coverage of fixed costs</td>
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<tr>
<td></td>
<td>Long-term and interorganizational</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategic focused</td>
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Implementation of the KAM Program: Step 1 – Selection Criteria
Implementation of the KAM Program: Step 1 – Selection Process

Example of a selection process

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Sales volume</td>
<td>40</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Market share</td>
<td>5</td>
<td>1</td>
<td>0.05</td>
</tr>
<tr>
<td>Image</td>
<td>30</td>
<td>8</td>
<td>2.4</td>
</tr>
<tr>
<td>Interorganizational and cultural fit</td>
<td>25</td>
<td>9</td>
<td>2.25</td>
</tr>
<tr>
<td><strong>5. Sum (Final Score)</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>6.7</strong></td>
</tr>
</tbody>
</table>

The evaluation points range from 1 (low) to 10 (high)

The higher the final score of a buyer, the more attractive that customer is in terms of key account status
FestoAG: Selecting Key Accounts

Festo is a leading, world-wide supplier of automation technology and the performance leader in industrial training and education programs. Its 15,500 employees globally maintain its portfolio of approximately 30,000 catalogue products, with several hundred thousand variants.

Festo’s key account selection process contains the following steps:

1. Definition of the most interesting industries (potential).
2. Searching for the world’s biggest companies within the different industries (sales volume).
3. Preparation of a list with the 200 biggest companies with the highest potential.
4. Analysis of attractiveness (sales volume, competitive situation, image, etc.), chances of acquisition, and segmentation (products, industry, etc.) of these 200 companies.
5. Selection and clustering of potential key accounts.
6. Definition of most interesting key accounts.

Implementation of the KAM Program: Step 2 – Design Elements of the KAM Program

<table>
<thead>
<tr>
<th>Key Question</th>
<th>Activities</th>
<th>Actors</th>
<th>Resources</th>
<th>Formalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td>Key Accounts</td>
<td>Seller</td>
<td>Sales</td>
<td>Information Technology</td>
</tr>
<tr>
<td></td>
<td>Average Accounts</td>
<td>Marketing</td>
<td>Manufacturing</td>
<td>Research &amp; Development</td>
</tr>
</tbody>
</table>

Implementation of the KAM Program: Step 2 – Design Elements of the KAM Program

Activities – What is done?

- Suppliers can offer special activities for key accounts, for example, special prizing, product customization, joint coordination of the workflow, information sharing, and taking over outsourced business processes.

- Intensity and proactiveness of these activities distinguish them from those offered to an average account.

- An intensive and proactive KAM shows the buyer that the supplier is willing to invest in the relationship leading to deepening trust in the key account and strengthening the buyer-seller relationship.

3M: Activities for Key Accounts

- Especially for its key accounts, 3M offers a 2-day-event “Fascination Glue,” which features lectures, discussions, shows, and evening events. Thus 3M not only provides its most important customers with up-to-date information about special topics, trends, innovations, and solutions that 3M can provide but also offers them the promise of building or strengthening networks with other companies, suppliers and processing plants, as well as with researchers. But only for its important customers.

Source: http://solutions.3mdeutschland.de/wps/portal/3M/de_DE/Corporate/About/Info/News/?PC_7_RJH9U5230O8JD0IJB82B22072_assetId=1273674110641, 3M, April 7, 2011.
Actors – Who does it?

- Special actors represent the personal coordination mode of KAM entailing top management involvement, the use of teams, and key account managers

- With senior-level involvement in KAM, the firm can display its commitment to key accounts leading to greater involvement and strengthening of the buyer-seller relationship

- The use of team can ensure a broader set of skills and resources and thus, dedicated teams preferably should be composed of members from various functions and backgrounds

- Key account managers are the main point of contact for the key account

- These managers need specific skills, including integrity, extensive product/service knowledge, communication skills, selling and negotiating skills, and a deep understanding of the buying company’s business and environment

- Exhaustive training of key account managers is necessary

Implementation of the KAM Program: Step 2 – Design Elements of the KAM Program

Resources – With whom is it done?

- Successful KAM requires the coordination of activities within the organization.

- Important assets for building strong, collaborative buyer-seller relationships: access to (non)marketing and (non)sales resources and esprit de corps of the selling center.

- Esprit de corps of the selling center is the extent to which members of the selling center feel linked to common goals and to other members.

Implementation of the KAM Program: Step 2 – Design Elements of the KAM Program

Formalization – How formalized is it?

- Formalization refers to the extent to which key account handling has been formalized through rules and standard procedures established in the seller’s organization.

- A high degree of formalization leads to bureaucracy and a lack of flexibility in responding to the different needs of heterogeneous key accounts.

Implementation of the KAM Program: Step 3 – Advancement of the KAM Program

Optimizing phase

- Financial investments necessary to integrate the KAM program throughout the entire organization
- All members gain education in and become engaged with KAM
- The whole culture of the organization adopts a strong KAM orientation
- Internal performance measurements fade away, replaced by benchmarking against competitors and reliance on customer feedback
- Necessity of adaption of internal processes, policies, and IT systems

Improvement phase

- The seller’s organization has to become increasingly focused and targeted, with fewer and fewer key accounts
- To reduce the cost or waste of expensive resources, top management becomes less involved
- The main element is the focus on cost management

Keep in mind:

KAM is never fully implemented but is always an ongoing, continuous, very long-term commitment to improving among the best practice KAM companies!

Hilti: Best Practice in KAM

- Hilti is a global leader that provides value-added, top-quality products for professional customers in the construction and building maintenance industries. Hilti’s top management is involved in the management of key accounts, and KAM is integrated throughout the company’s overall strategy. In terms of its activities for key accounts, Hilti offers “VIP” solutions that solve specific customer problems in fleet management; the solutions support and maintain a broad composition of electronic tools.

- Hilti expects much of its key account managers, including extensive experience in international, multicultural environments; absolute fluency in English; demonstrated global, corporate thinking and acting; leadership; motivational abilities; excellent communication; superior negotiation skills; and analytical and interpersonal skills.

- To achieve its best results, Hilti provides special training to all key account executives, such as presentation and negotiation techniques, teamwork, and the use of analytical and strategic tools.

Necessity to develop **innovative offerings to defend positions** in increasingly competitive product markets and increase revenue and cash flows.

Attract new customer segments and increase demand among existing customers by providing additional, superior value and hence **increase customer loyalty and retention**.
CRM and the Goods to Services Shift – What Are Hybrid Offerings?

Hybrid offerings can be defined as a combination of “one or more goods and one or more services, creating more customer benefits than if the good and service were available separately”.

CRM and the Goods to Services Shift – What Are Hybrid Offerings?

Two dimensions to classify industrial services for hybrid offerings:

1) **Service recipient** – service oriented toward the supplier's good or the customer's process

2) **Nature of the value proposition** – supplier's promise to perform a deed (input-based) or to achieve performance (output-based)

<table>
<thead>
<tr>
<th>Nature of the value proposition</th>
<th>Service recipient</th>
</tr>
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<tbody>
<tr>
<td>Supplier's promise to perform a deed (input-based)</td>
<td>Service oriented toward the supplier's good</td>
</tr>
<tr>
<td>Example: Installation of high-voltage circuit breaker</td>
<td>Process support services (PSS)</td>
</tr>
<tr>
<td>Example: Energy efficiency audit for a commercial building</td>
<td></td>
</tr>
<tr>
<td>Supplier's promise to achieve performance (output-based)</td>
<td>Service oriented toward the customer's process</td>
</tr>
<tr>
<td>Asset efficiency services (AES)</td>
<td>Process delegation services (PDS)</td>
</tr>
<tr>
<td>Example: Welding robot software customization</td>
<td>Example: Tire fleet management on behalf of a trucking company</td>
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CRM and the Goods to Services Shift – Advantages and Disadvantages

There exist several **benefits** but also several **risks** in the shift from goods to services.

**Advantages**

I. Increased buyer loyalty and lifetime value
II. Leverage of resources and knowledge

**Disadvantages**

I. Capability risk
II. Financial risk
III. Market risk
CRM and the Goods to Services Shift – Rules for Successful Shifts

Three essential rules for successful shifts exist that should be followed by managers:

1. Reduce or eliminate the capability risk
2. Reduce or eliminate the financial risk
3. Reduce or eliminate the market risk

Successful shift
CRM and the Goods to Services Shift – Rules for Successful Shifts

Rules to reduce or eliminate the capability risk:

- Mandate a centralized administration of services
  - putting different services in one location or separate organization
- Design services that build on existing product platforms
- To build required capabilities ensure access to resources, such as data about
  - Installed base product usage and process
  - Product development and manufacturing assets
  - Sales force and distribution networks
  - Field service organization
- Partner with a service-cultured company that has key resources, capabilities, and competencies

CRM and the Goods to Services Shift – Rules for Successful Shifts

Rules to reduce or eliminate the financial risk:

- Identify the most profitable product/service and combine it with the most commonly bought product/service

- Use the Internet to link goods and services and thereby lower the total unit costs of the offering

- Find opportunities to balance the timing and magnitude of cash flows from products and services

- Perform robust, early, and frequent economic value analyses

CRM and the Goods to Services Shift – Rules for Successful Shifts

Rules to reduce or eliminate the market risk:

- Create a service-savvy sales force
- Offer trial periods, prototypes, and iterations
- Blueprint according to customer specifications
- Focus on existing customers and processes and meet their needs and requirements through effective hybrid offerings

Xerox: Best Practice in Document Solutions and Service Outsourcing

- Xerox is an industry leader in document solutions and outsourcing services, with decades of experience and 15,000 business professionals spread across 160 countries. It helps companies optimize their printing infrastructures and streamline their marketing communications and business processes to grow revenue, reduce costs, and operate more efficiently.
- Xerox specializes in the planning and delivery of the following document management services:
  - Managing print services for office, production, and virtual worker sites
  - Consolidating in-house production and commercial printing under a single point of control
  - Improving communication processes and back-office functions associated with creating, capturing, managing, and routing customer, employee, and supplier information
  - Designing, authoring, and translating technical and user documentation
  - Creating personalized, multichannel marketing communications
  - Developing defensible best practices in electronic discovery

Summary

- The CRM premise in the B2B context is to build stronger buyer-seller relationships and to better manage the value of these relationships.

- Important CRM-related issues in the B2B context to realize this premise are SFA, KAM, and the shift from goods to services.

- SFA is a tool to efficiently and effectively manage buyer-seller relationships by realizing benefits for salespeople, sales manager, and senior management.

- KAM is a tool to allocate the right activities to the right customers by following a three step approach including the selection of key accounts, design elements of the KAM program, and advancement of the KAM program.

- By selling hybrid offerings the right activities can be offered through selling combinations of goods and services that offer increasing value for the customer.