



# Commercial excellence: Perfect compound of intuition and facts

Results of study

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Strategy Consultants

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A.	<b>Sample size and characteristics</b>	9
B.	<b>Importance of Commercial Excellence</b> for Specialty Chemicals, and other specialized B2B companies	15
C.	<b>Deep dive on Marketing, Channel and Sales excellence</b> from the perspective of Specialty Chemicals and other specialized B2B companies:	20
1.	<b>Marketing Excellence:</b> Typical approaches, and purpose of customer segmentation	21
2.	<b>Channel Excellence:</b> Most important sales channels today and in three years time	27
3.	<b>Sales Excellence:</b> Most important capabilities for sales employees, and typical approaches on how to steer sales teams	33
D.	Commercial Excellence is not the same: <b>Europe vs. North America</b>	39
E.	Commercial Excellence is not the same: Differences between <b>Asia</b> and the <b>rest of the world</b>	45

## Management summary (1/6)

- > Roland Berger recently conducted a **study on Commercial Excellence**, which focuses on several topics:
  - Marketing Excellence: Methodology and purpose of customer segmentation
  - Channel Excellence: Importance of sales channels today, and in future
  - Sales Excellence: Typical sales steering processes, and sales capabilities today, and in future
  - Regional differences in the understanding of, and on Commercial Excellence
- > **62%** of the participants in this study come from the **Specialty Chemicals industry**, and the remaining **38%** belong to **other specialized B2B markets** (e.g. electronics, machinery). The participants of this study cover all major regions: **68%** from **Europe**, **17%** from **North America**, and 15% from the rest of the world
- > Participants ranked **Commercial Excellence as the most important lever for organic growth**
- > **Participants across all regions** believe that Commercial Excellence may help generate **additional sales and profit for their business**
  - 38% of the specialized Chemical companies surveyed expect a sales effect of more than 10% **by maximizing Commercial Excellence**, 31% expect a **profit effect of more than 10%**
  - **US-based companies** expect an even **higher sales/profit effect** than the European-based companies

## Management summary (2/6)

- > For all Specialty Chemical participants, the **most important levers to achieve Commercial Excellence** are:
  - **Steering of sales resources with regard to target clients** and product and service portfolio,
  - **Continuous adaptation of product and service offering** to target client needs and
  - **Strengthening of sales force with regard to competencies**, methodology, and leadership capabilities
- > The most important lever for **North-American Specialty Chemicals companies** is the **improvement of marketing and sales interactions** with regard to key processes
- > The most important lever for **Asian Specialty Chemicals** companies is the **frequent adaption of pricing schemes** and processes to target clients
- > **Digital sales and marketing is not yet seen as an important lever** to achieve Commercial Excellence in Specialty Chemicals
- > Across all B2B industries, participants indicated **Technical Sales, Sales Representatives & Key Account Management** to be the **most important sales channels** today, and in three years' time<sup>1)</sup>. Participants from the Specialty Chemicals industry also sell products/services through technical sales employees

1) Ranking of 4.3 to 4.6 out of a maximum of 5 for Specialty Chemicals

## Management summary (3/6)

- > The most important sales channels selected by participants across all industries are **also the same with the largest improvement potential**: 27% of all participating specialized chemical companies are not satisfied with their approach to managing key accounts, 21% are not satisfied by the performance of the "technical sales" channel
- > **European-based companies manage key accounts in a very traditional way**: 28% show "One face to the customer", and 20% offer frame contracts. Innovative approaches like partnering in R&D, partnering in Marketing and Sales are only used on average by 13%
- > As direct sales is of utmost importance for the Specialty Chemicals companies, we have also identified the **most important capabilities** of the employees working in sales functions:
  - **Pricing, Relationship Building, and Value-Based Marketing** have been identified as the **most important capabilities** today, and in three years' time.
  - In relation to the importance, the level of **fulfillment of these three capabilities is perceived as too low**. American Specialty Chemical companies add technical skills as fourth important capability with significant improvement potential

## Management summary (4/6)

- > There are significant differences between Europe and North America on the **understanding on Commercial Excellence** with regard to
  - the used methodologies for customer segmentation and its purpose,
  - the mapping of decision makers,
  - the way Key Account Management is performed, and
  - the approach on how to steer sales teams
- > **Cultural differences** between America and Europe are the key cause for this different perception of Commercial Excellence. In addition, **America is focusing more on customer relationship and partnering whereas Europe puts emphasis on sales process and technology**
- > **Asian Specialty Chemicals companies are characterized by a relatively strong belief in Commercial Excellence** as the most important lever for organic growth (41%) and have even higher expectations in its sales and profit increasing effects than the North-American Specialty Chemical companies

## Management summary (5/6)

- > **Ignoring differences** between geographical areas **may increase the challenges** occurring when initiating centrally-steered Commercial Excellence initiatives
- > When implementing a **centrally-steered initiative**, the following **lessons learned** of Commercial Excellence experienced companies should also be kept in mind:
  - **Define a common language** and understanding of Commercial Excellence terms
  - Do not get lost in detailed comparisons of existing tools and processes across different countries – **Try to get the big picture, and to establish a common mind-set**
  - Fully leverage the initiative by **looking for good practices and successful approaches** to derive different solutions for similar problems across all regions/countries involved

## Management summary: As add-on for Marketing and Sales mgr. (6/6)

- > There are significant **differences** between the **industries** and **geographies** in scope regarding key **Marketing Excellence** topics:
  - **Specialty Chemical** companies mainly segment **customers** based on their **value** and the **end-markets they participate in**
  - The majority of other specialized B2B companies focus on the **segmentation of customers** based on **customer needs**
  - **North American companies** segment their customers based on the **end-markets their customers participate in** while **European companies** tend to follow a segmentation approach of **customer value** and **customer needs**
  - Consistently, **mapping of decision makers** in the buying process plays a **significant** role for **North American B2Bs**
  - When it comes to the **purpose of customer segmentation**, the **Specialty Chemical industry** segments customers to **define a suitable product & service pricing** and an **appropriate portfolio**
  - **North American** companies aim to resource **cost-intensive sales channels**

Six test tubes are arranged in a row, each containing a different colored liquid. From left to right, the liquids are: light purple, light yellow, light blue, light orange, dark blue, and medium blue. The test tubes are set against a white background.

## A. Sample size and characteristics

This study examines Commercial Excellence across several B2B industries, with a clear focus on the Specialty Chemicals industry

Facts and figures

"**Commercial Excellence**" has been identified as a key driver for organic growth and thus has become a **hot topic** for many specialized B2B companies

We focus on **five Commercial Excellence topics**:

Customer segmentation, Sales Steering, Sales capabilities, Reporting & KPI-/ROI-Reporting, and Channel Selection & Targeting

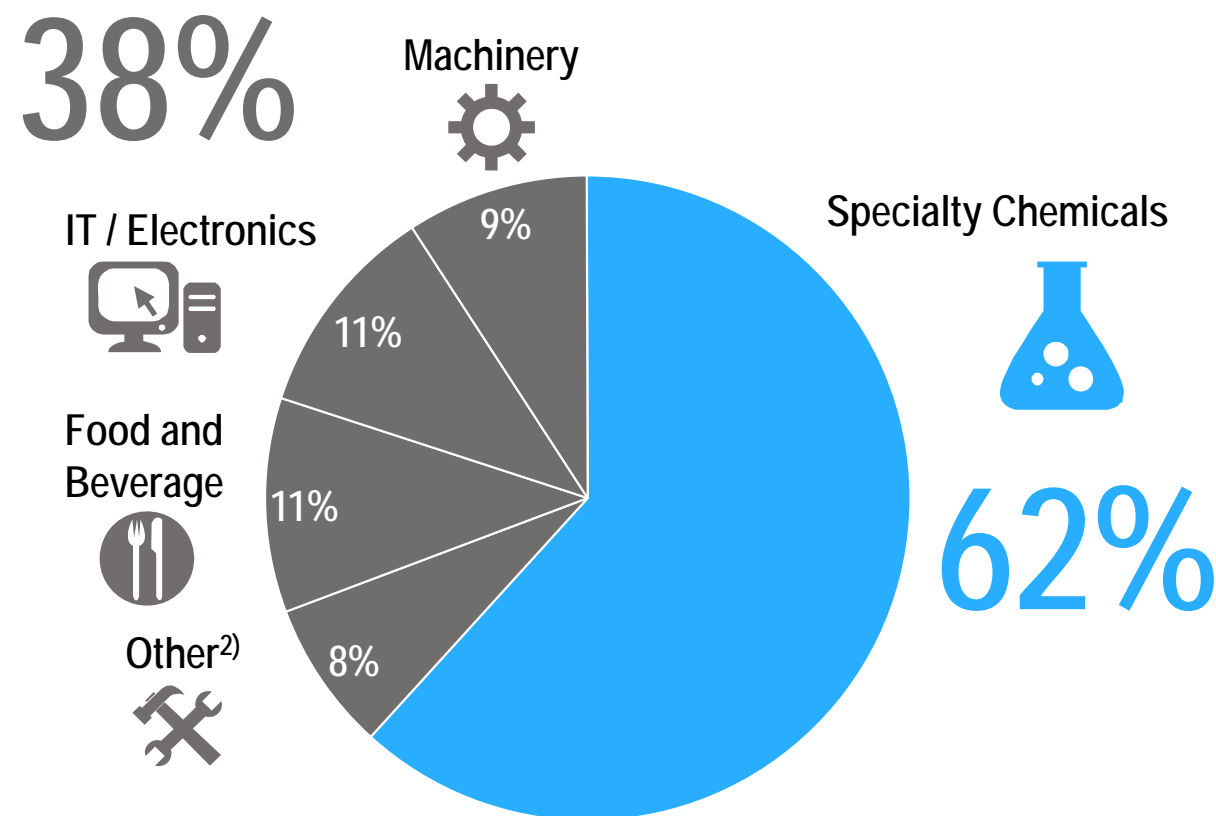


Respondents from Europe, North America, and Rest of World (Asia and Latin America) participated in a **web-based survey**. Selected 1-on-1 interviews were conducted in person.

**90%** closed questions, **10%** open questions

62% of the participants come from the Specialty Chemicals industry, 38% come from other specialized B2B industries

Study respondents by industry [%]



- > The focus of the study was on Specialty Chemicals<sup>1)</sup>, and other specialized B2B companies
- > The specialized B2B companies offer innovative products, and services based on a multi-channel sales approach
- > The following industries are considered specialized B2B:
  - Machinery
  - IT/Electronics
  - Food and Beverage
  - Telecommunication
  - Metal Processing & Mining
  - Aviation

■ Specialty Chemicals    ■ Other specialized B2B industries

1) Mainly active in Health, Nutrition, Personal Care and Agrochemical Industry

2) 'Other' includes Telecoms, Metal Processing and Mining, and Aviation

# The Roland Berger study focuses on hot topics for the Specialty Chemical industry in the area of Commercial Excellence

## Covered areas and major questions

### General

The majority of Specialty Chemical companies are running Commercial Excellence initiatives

How important is Commercial Excellence for **organic growth of the Specialty Chemical industry**? What is the expected **sales and profit effect**? Are regional differences important by improving on Commercial Excellence?

### Marketing Excellence

Everyone speaks about Big Data

How important is **Digital Sales and Marketing** for the Specialty Chemical industry?

### Channel Excellence

Everyone uses Key Account Management

How **innovative** is the Specialty Chemical industry in its approach?

### Sales Excellence

People make the difference

Which **capabilities** are of utmost importance for the Specialty Chemical industry? Where are the **areas for improvement** within the Specialty Chemical industry? And to how to best steer **good sales teams**?

— — -Questions covered by this study- — —

# Five topics of high interest are analysed in our Commercial Excellence survey

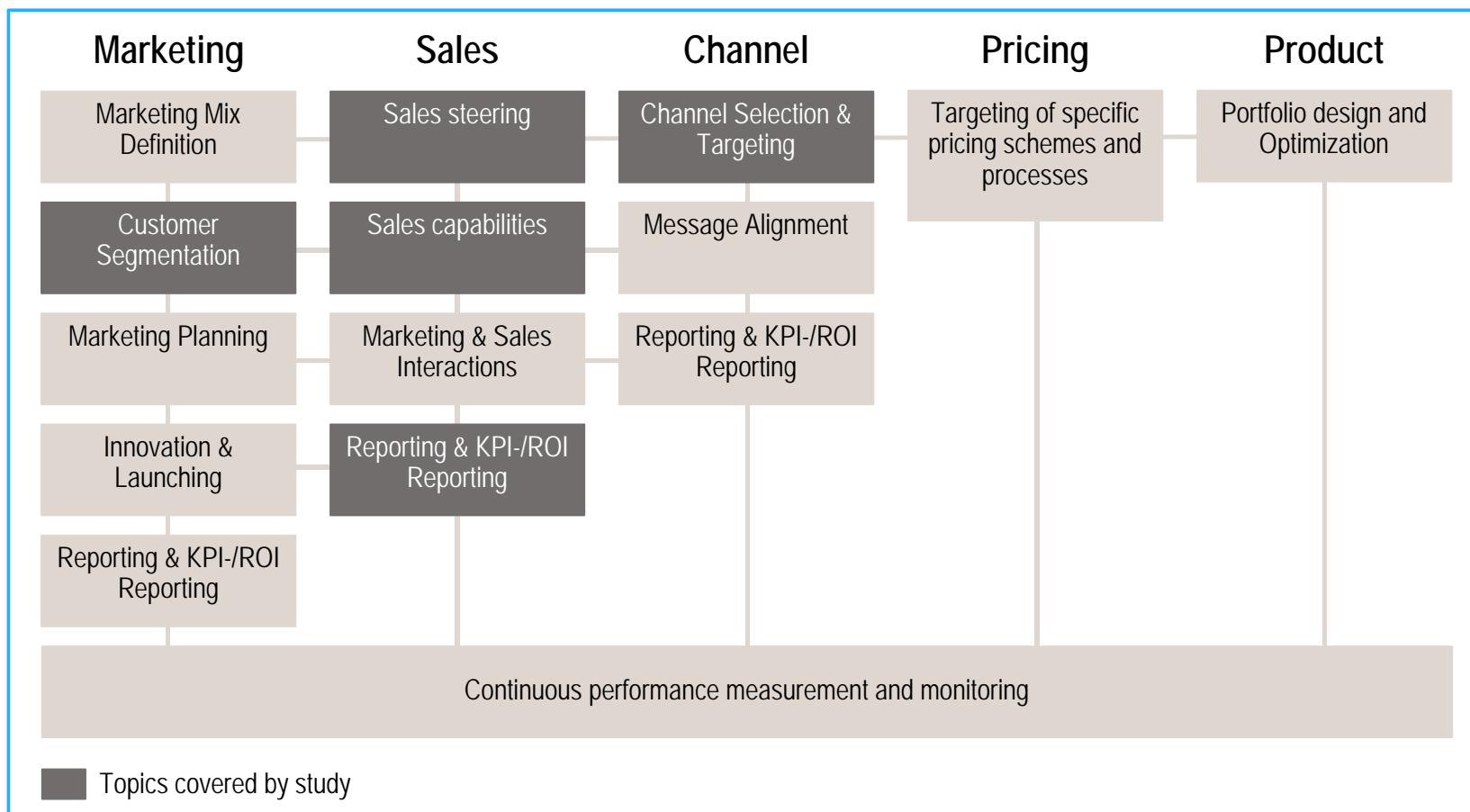
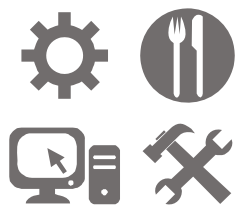
Scope of the study

## Commercial Excellence Framework

Specialty  
Chemicals



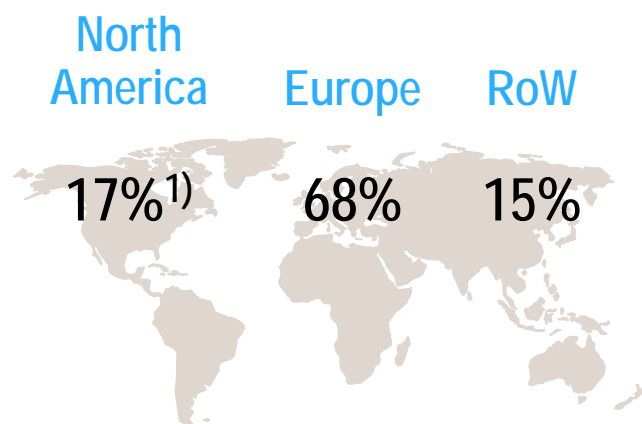
Other  
specialized B2B



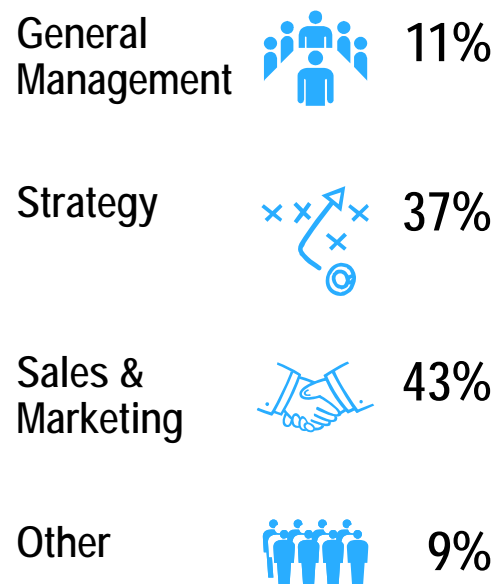
# Participants from different geographies and organizational roles were surveyed – Focus was on very large companies

Study respondents by region, functional role and company size [%]

## Global reach / scope

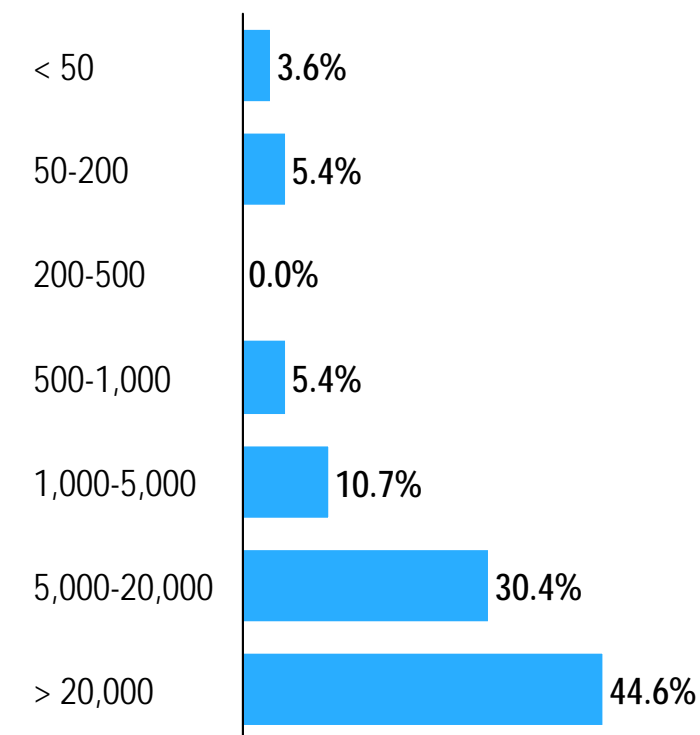


## Function of participants



## Company size

Total Revenue in 2013 [EUR m]



1) Majority of participants stem from Specialty Chemical industry

B. Importance of  
Commercial  
Excellence for  
Specialty Chemicals,  
and other  
specialized B2B  
companies

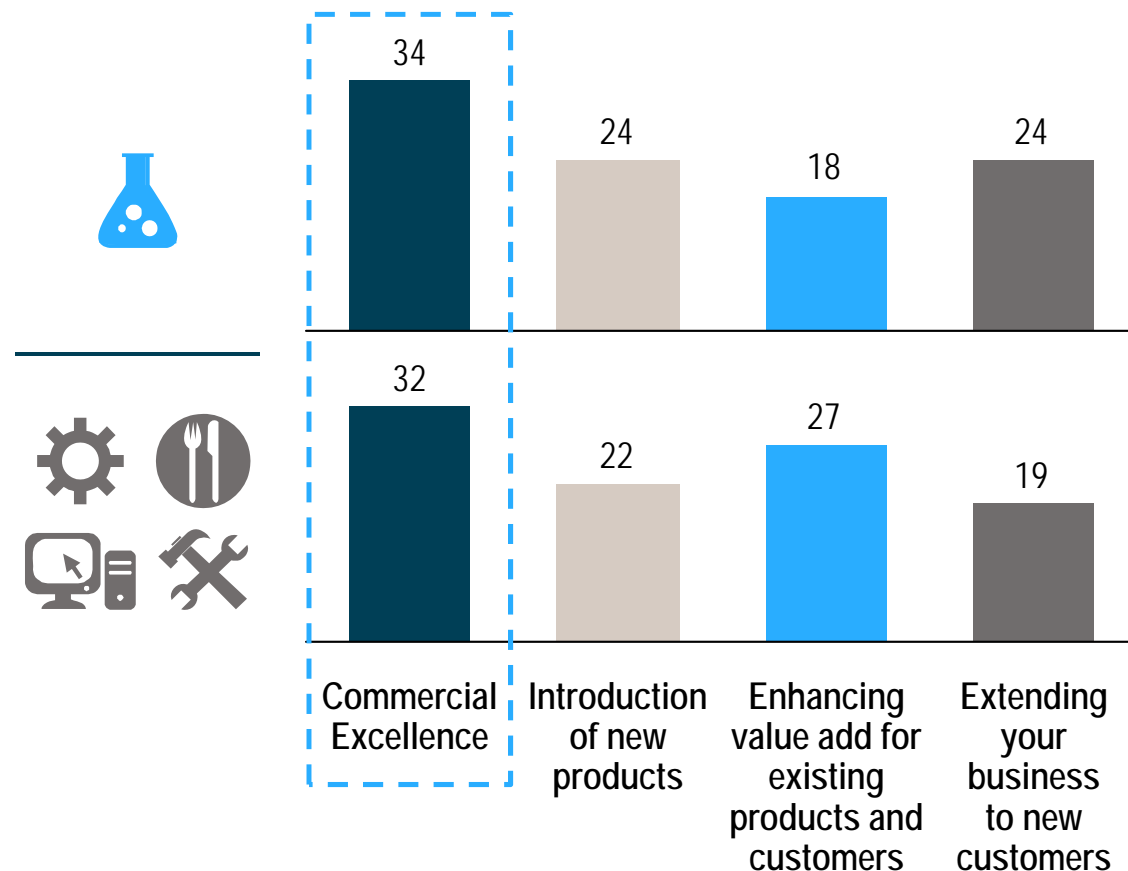
**Roland Berger**  
Strategy Consultants



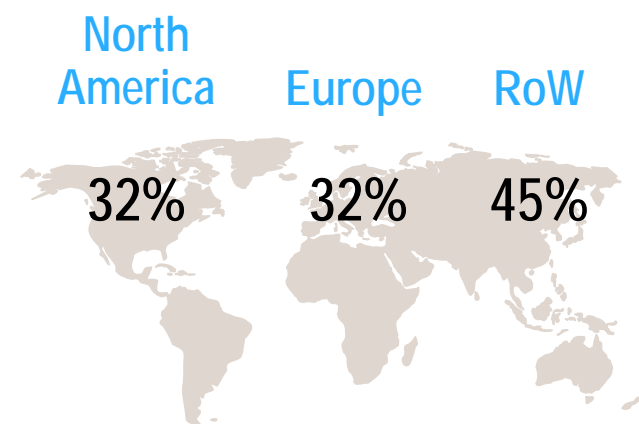
# Commercial Excellence is the most important lever for organic growth in Specialty Chemicals and all other B2B industries

Ranking of levers for profitable organic growth

By industry type [%]



By region

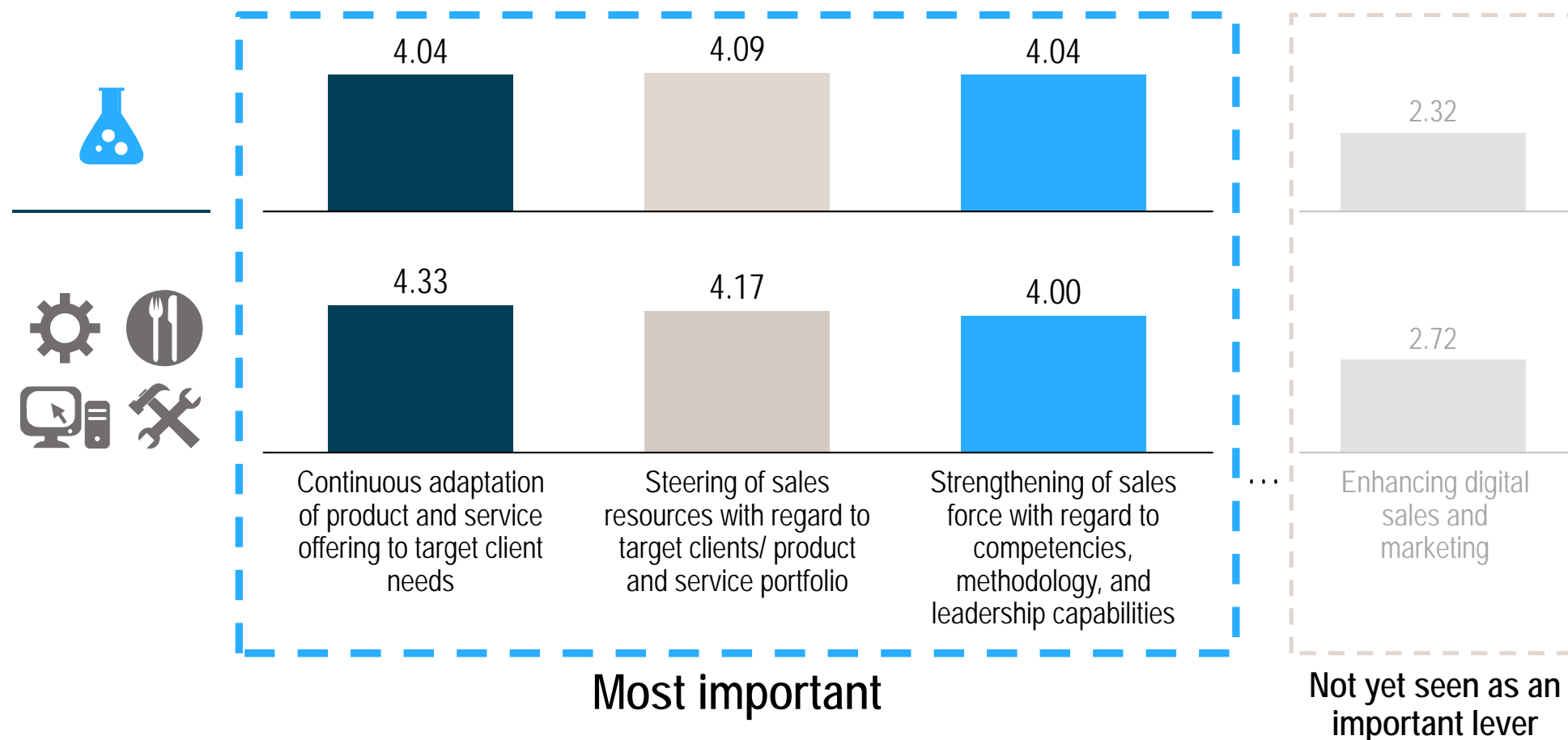


Note: 82% of all participants rank Commercial Excellence as at least one lever for organic growth

Source: Roland Berger

# We identified the three most important levers for both industrial clusters – Digital sales & marketing is not considered as important

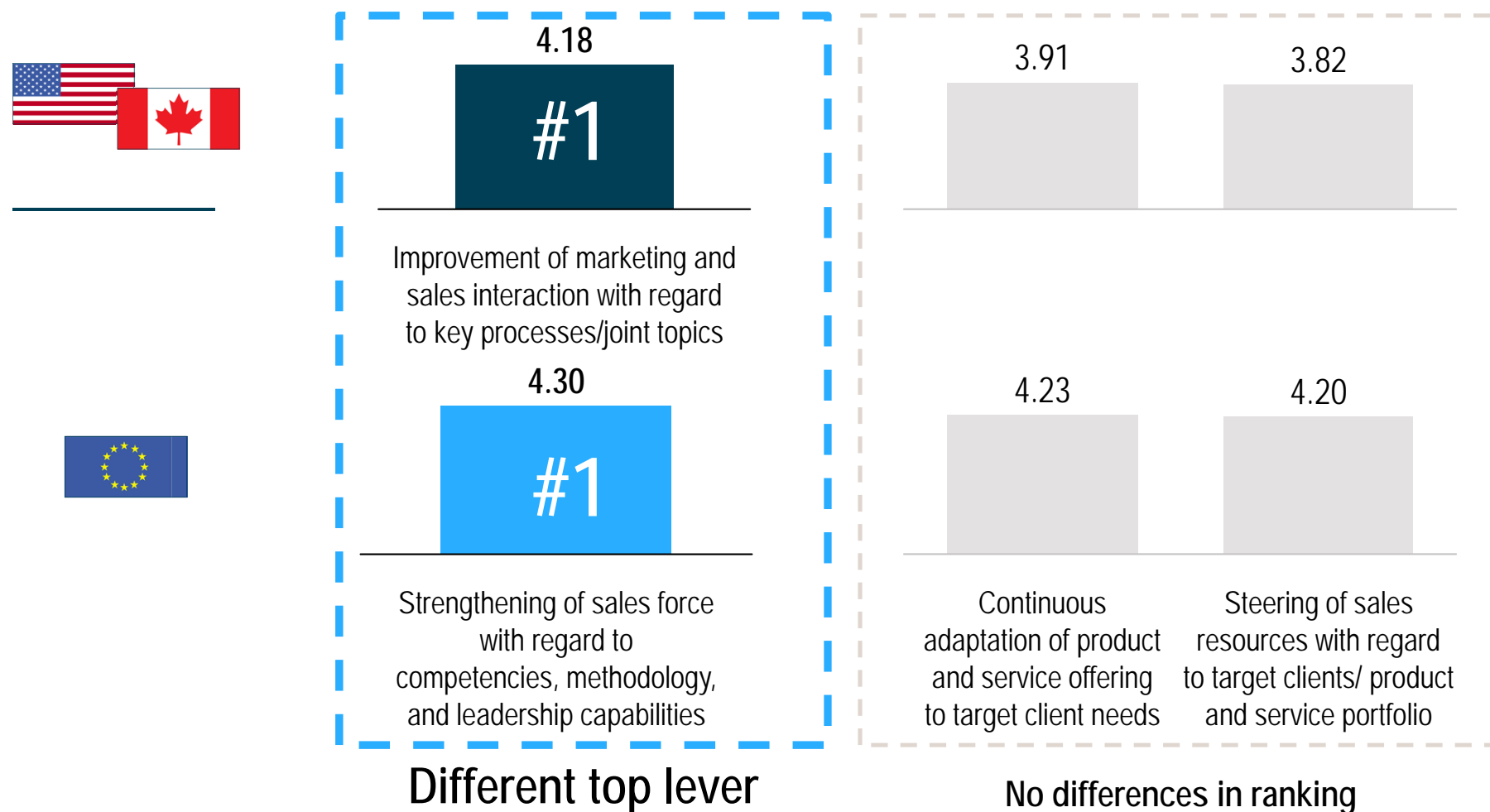
Ranking of levers for achieving Commercial Excellence by industry<sup>1)</sup>



1) Ranking from 1 to 5 with 5 being the highest possible answer

# In North America, improvement of marketing & sales interaction is the most important lever for achieving Commercial Excellence

Ranking of levers for achieving Commercial Excellence by region<sup>1)</sup>



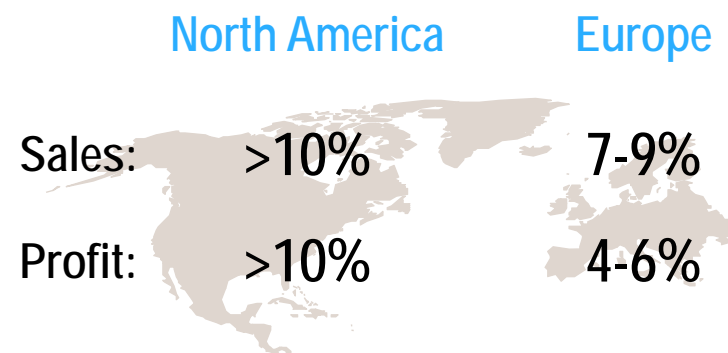
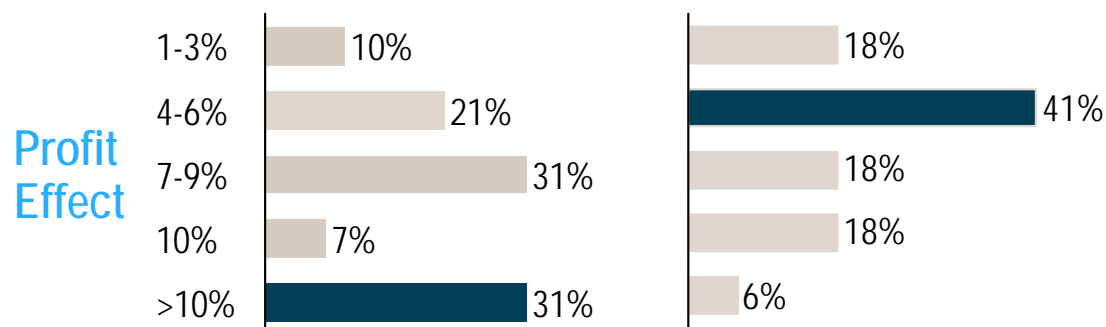
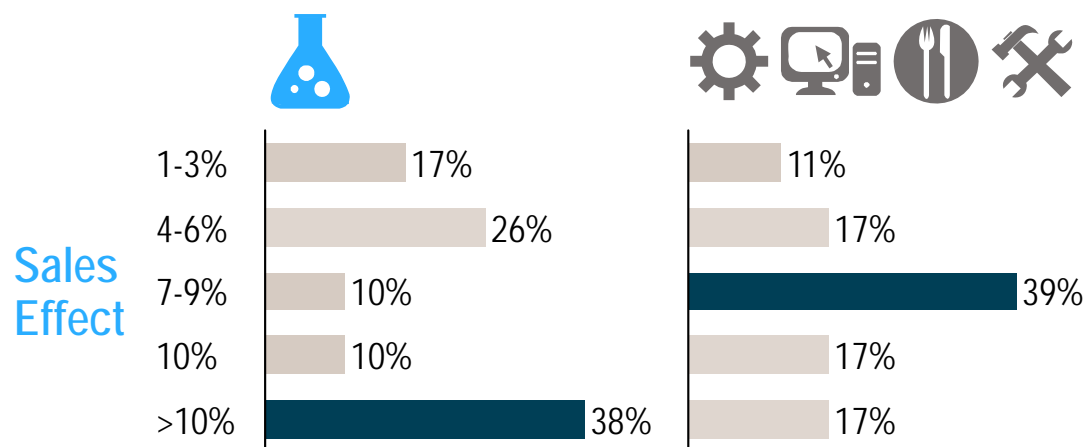
1) Ranking from 1 to 5 with 5 being the highest possible answer

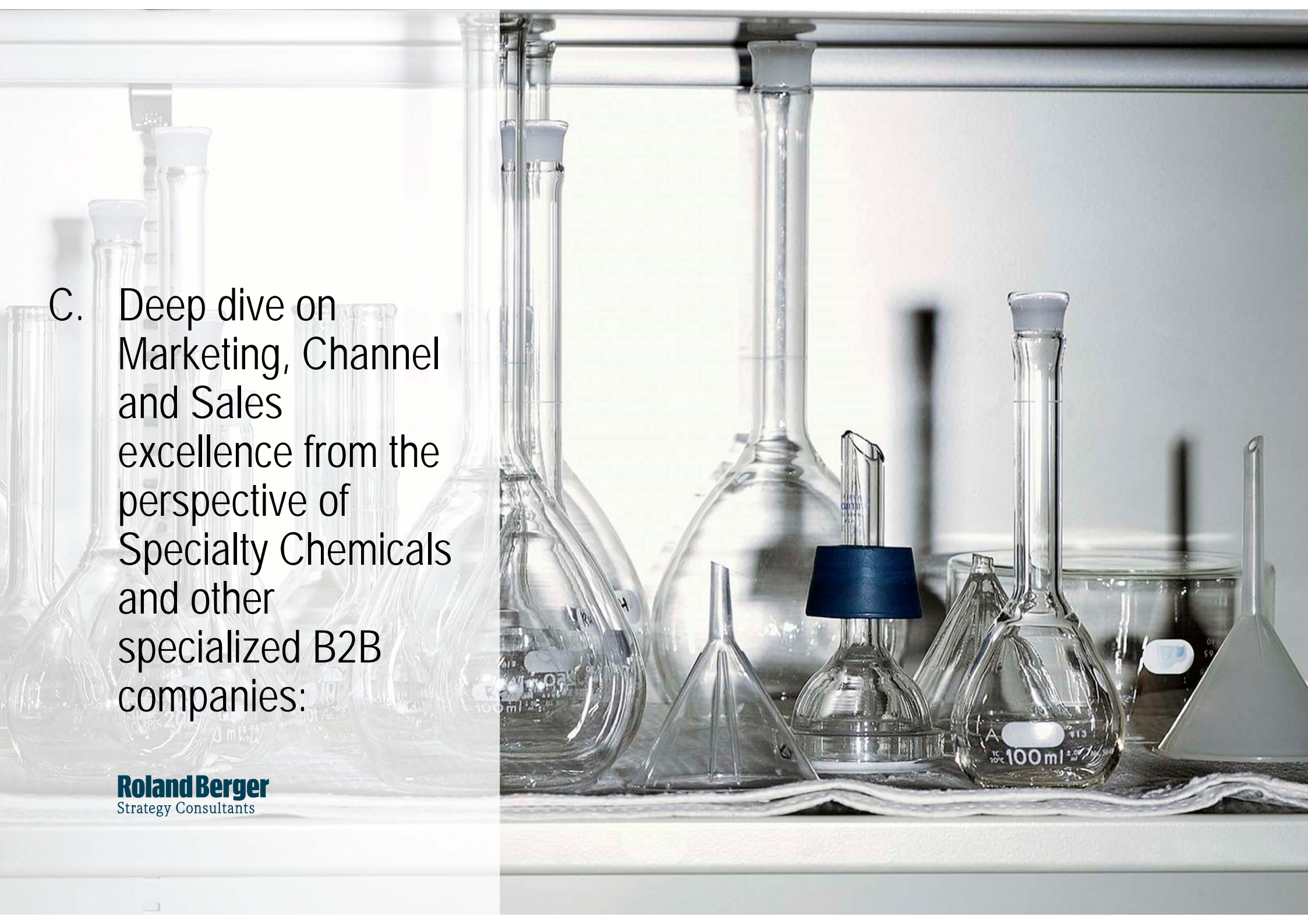
# All participants see significant potential for achieving Commercial Excellence – High expectations within Specialty Chemicals industry

Expected sales/profit effect by achieving maximum Commercial Excellence

## By industry type [%]

## By region





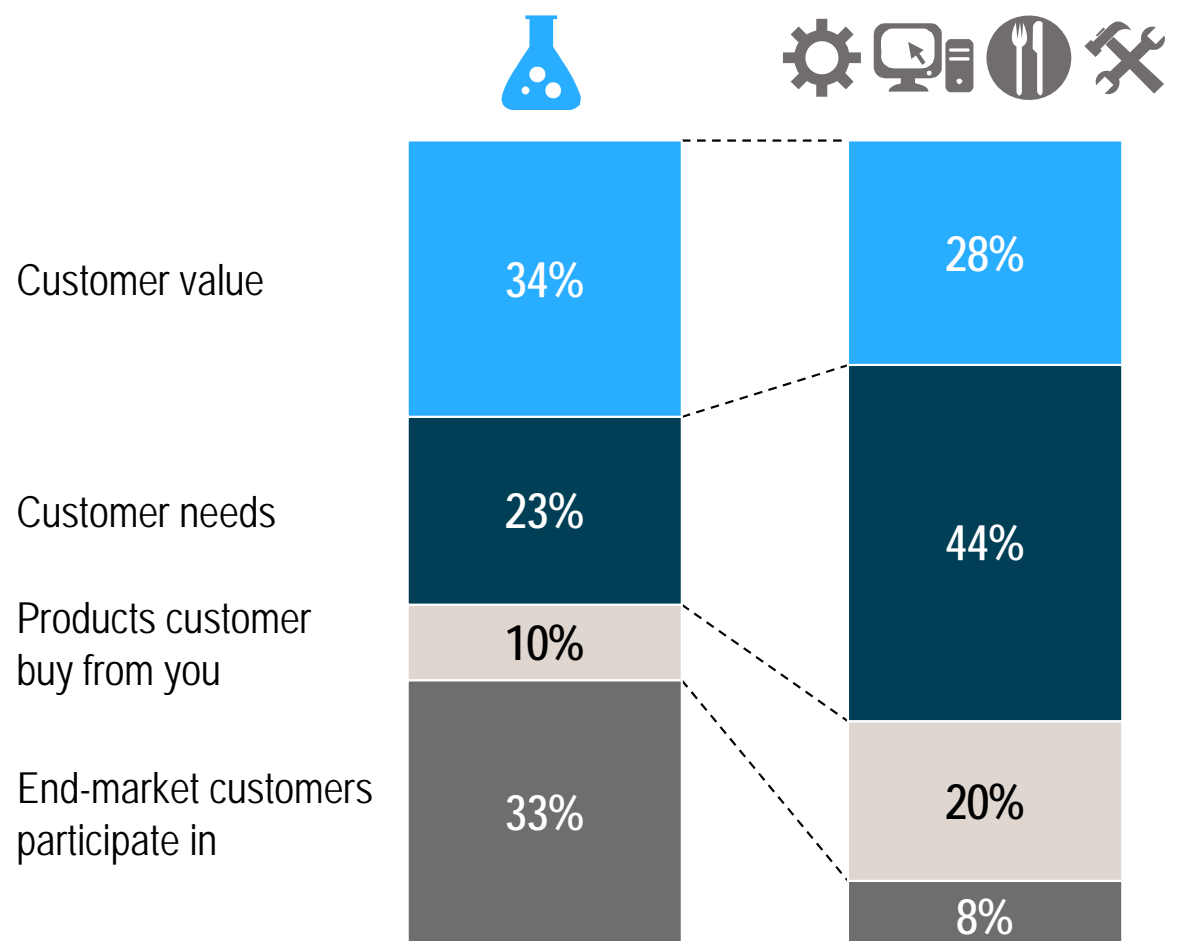
C. Deep dive on  
Marketing, Channel  
and Sales  
excellence from the  
perspective of  
Specialty Chemicals  
and other  
specialized B2B  
companies:



C.1 Marketing  
Excellence: Typical  
approaches, and  
purpose of customer  
segmentation

# Specialty Chemicals companies mainly segment customers based on their value and the end-markets customers participate in

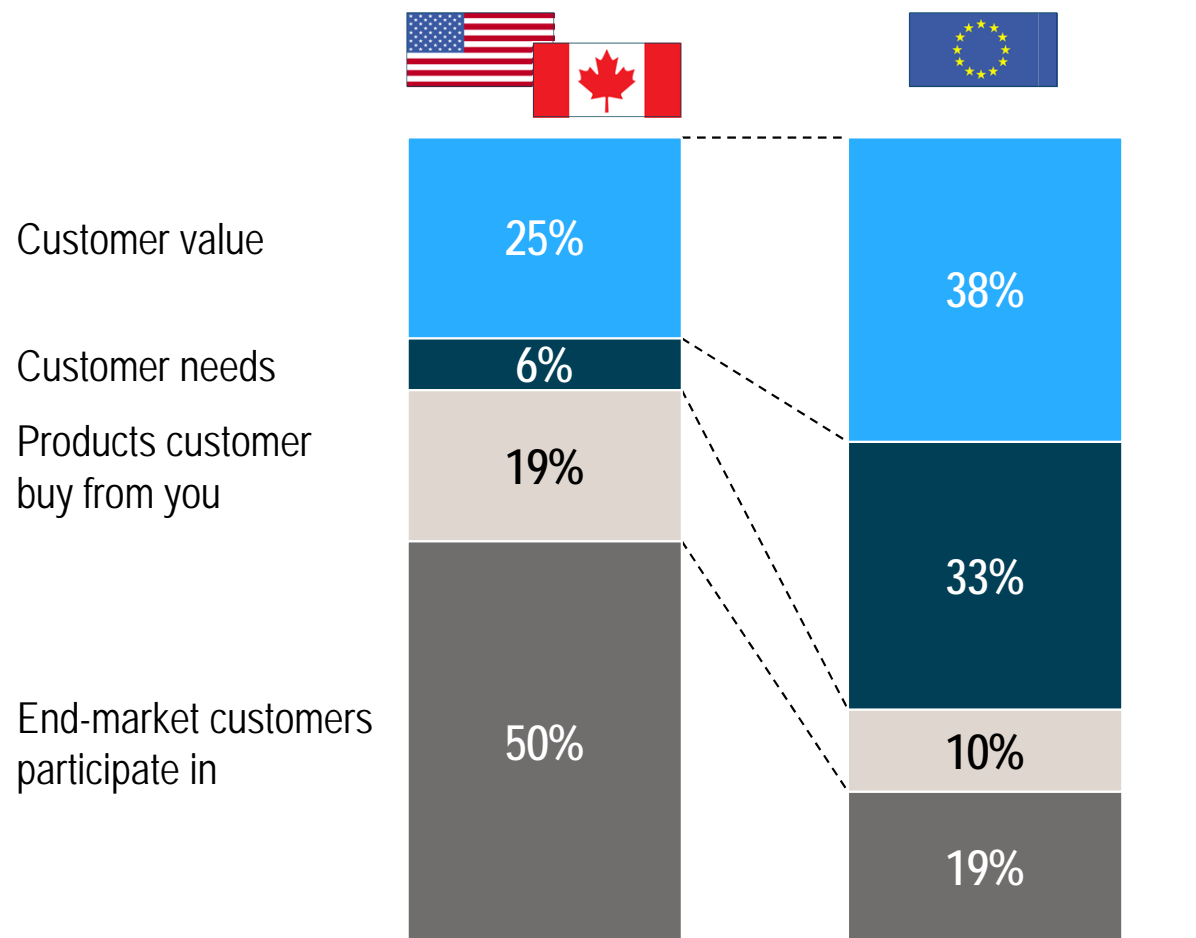
Marketing Excellence: Method of customer segmentation per industry type [%]



- > The customer segmentation as part of Marketing Excellence for Specialty Chemicals is primarily driven by customer value and end-markets customers participate in
- > The customer segmentation for other specialized B2Bs is mainly driven by customer needs and customer value

# North American companies segment their customers based on end-markets – Strong focus on customer value & needs in Europe

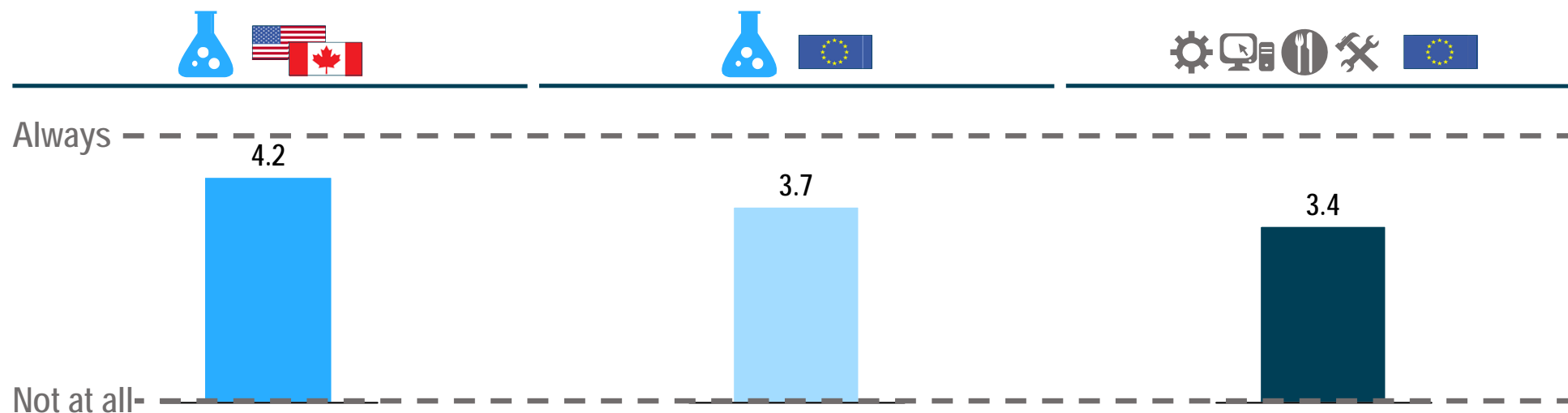
Marketing Excellence: Method of customer segmentation per region [%]



- > European companies segment customers mainly based on customer value and customer needs
- > North American companies (esp. in the Specialty Chemicals industry) primarily use the end-markets customer participate in as criteria to differentiate between customers
- > Segmentation based on customer needs plays only a minor role also in comparison to the segmentation criteria customer value or product customer buy from

# Consistently, mapping of decision makers in the buying process plays a more important role for North American chemical companies

Marketing Excellence: Mapping of decision makers by region and industry<sup>1)</sup>

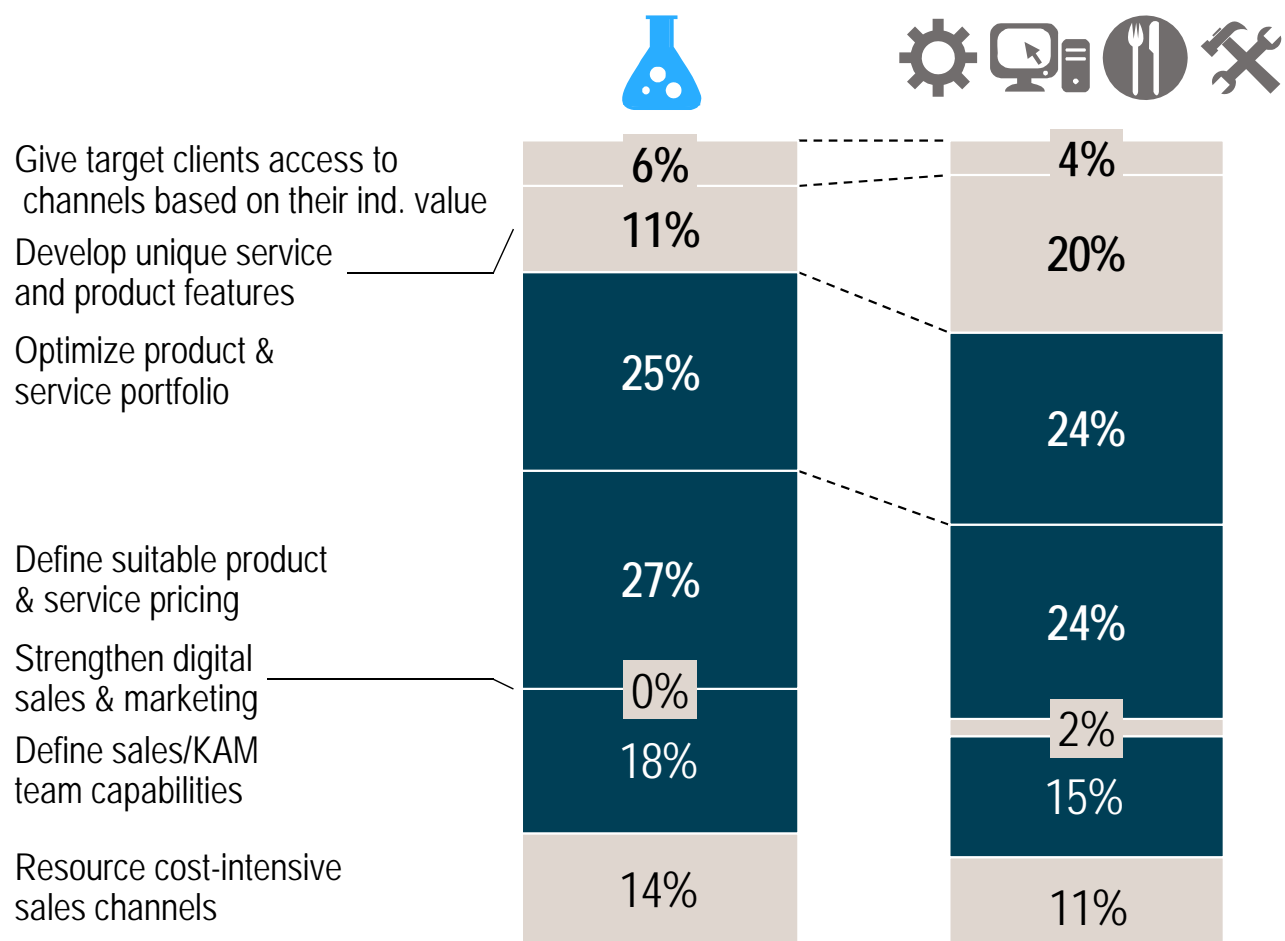


- > Mapping of decision makers , i.e. taking into account direct buyers and buying influencers, has a significantly more important role in the North American Specialty Chemicals industry
- > Consequently, North America is more advanced in its ability to identify decision makers in its value chain particularly by also using end-markets customer participate in as segmentation criteria
- > For all for European based B2B participants of our study, mapping of decision makers plays the least important role, yet they take into account direct buyers, and buying influencers on an irregular basis

1) Ranking from 1 to 5; 1: Not at all; 5: Always

# The Specialty Chemical industry segments customers to define a suitable product & service pricing and an appropriate portfolio

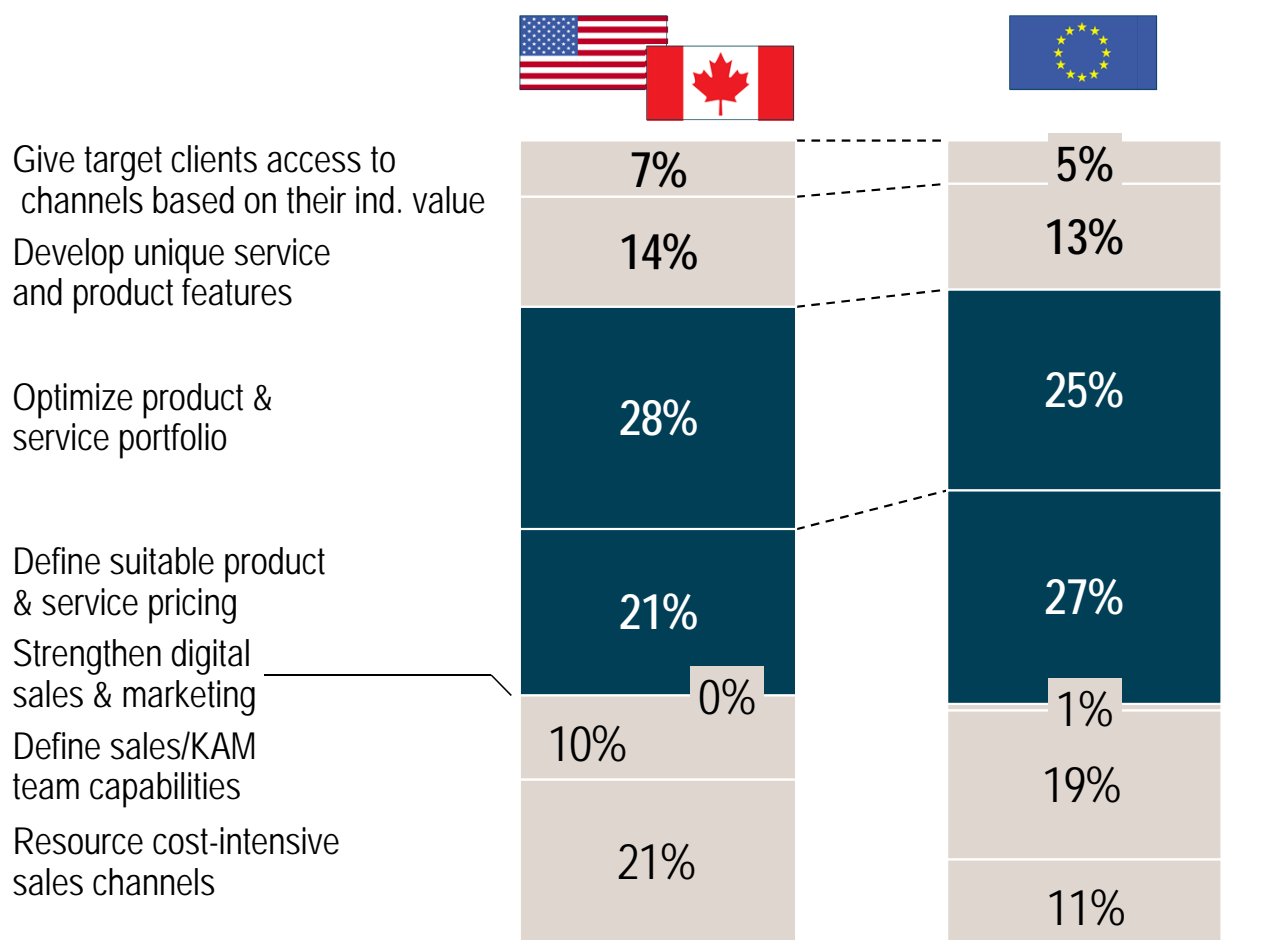
## Marketing Excellence: Purpose of customer segmentation per industry



- > Across all industries, "Defining suitable product & service pricing", "Optimizing product & service portfolio" and "Defining sales/KAM team capabilities" are highly important
- > High importance given to "developing unique service & product features" is a significant difference between Specialty Chemicals and other specialized B2B industries

# North American Specialty Chemicals companies aim to resource cost-intensive sales channels using customer segmentation

## Marketing Excellence: Purpose of customer segmentation per region



- > The main purposes for surveyed companies are **"defining suitable product & service pricing"** and **"optimizing product and service portfolio"**
- > The **major difference** between Europe and North America is in **"resourcing cost-intensive sales channels"** and **"defining sales/KAM team capabilities"**
- > Customer segmentation is **not used to strengthen digital sales and marketing** in Europe or North America

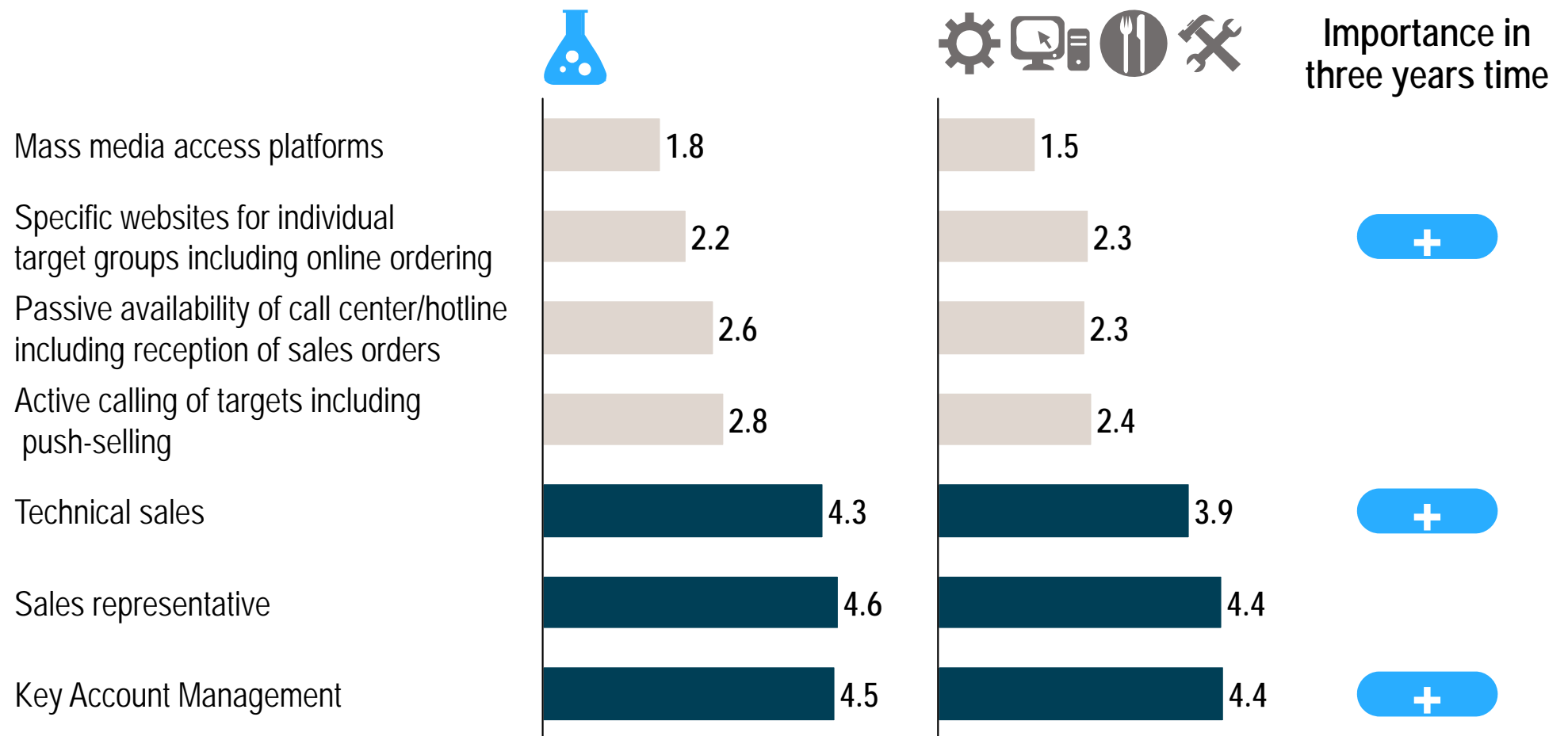


C.2 Channel Excellence:  
Most important sales  
channels today and  
in three years time

**Roland Berger**  
Strategy Consultants

# Participants agreed on Technical Sales, Sales representatives & KAM to be the most important sales channels across all industries

Channel excellence: Overview of importance of different sales channels by industry<sup>1)</sup>



1) Ranking from 1 to 5 with 5 being the highest possible answer

# All TOP 3 sales channels are expected to bear large improvement potential – Specific target websites on the rise

Channel excellence: Channels exhibiting the largest improvement areas by industry

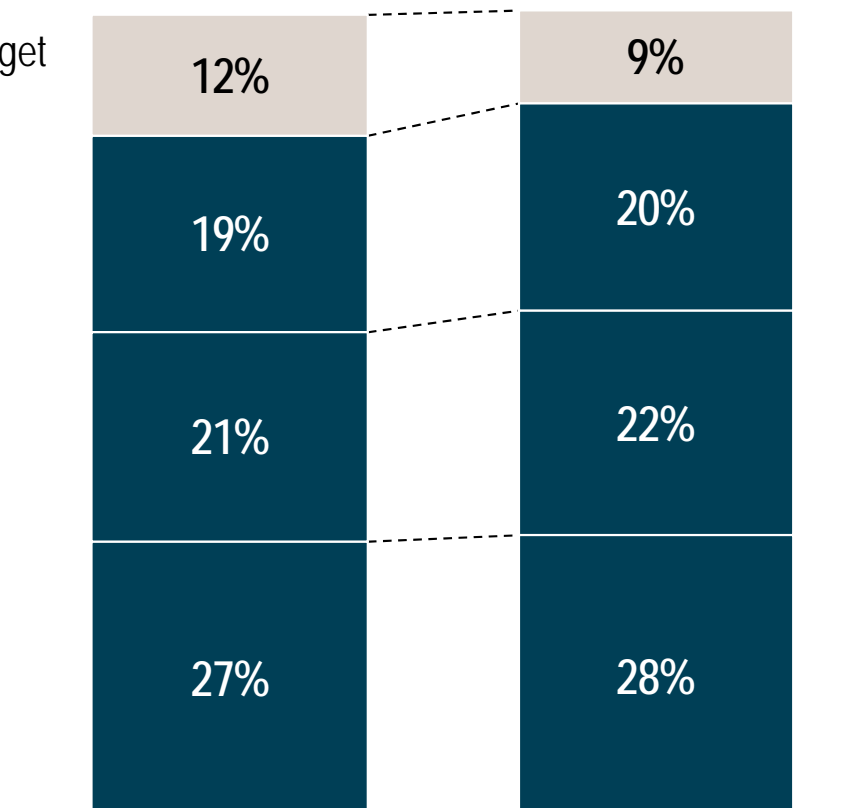


Specific websites for individual target groups including online ordering

Sales representative

Technical sales

Key Account Management



> **Key Account Management, Technical Sales and Sales representatives** are ranked highest of the sales channels exhibiting the largest improvement areas by a margin

# Technical Sales, Sales Representatives & KAM are the three most important channels, independent of geography

Channel excellence: Overview of importance of different sales channels by region<sup>1)</sup>

## Europe



Trend



4.5      4.4      4.1      ...      2.1

Sales represent.      Key Account Mgt.      Technical sales      Specific websites

- > Sales representatives, Key Account Management and Technical sales are the most important sales channels irrespective of geography
- > In Europe, specific websites are ranked relatively low

## North America



Trend



4.7      4.7      4.6      ...      2.5

Sales represent.      Key Account Mgt.      Technical sales      Specific websites

- > No significant geographical differences can be seen, nevertheless the overall importance of the TOP3 channels is even higher in North America than in Europe
- > Again, specific websites are ranked relatively low

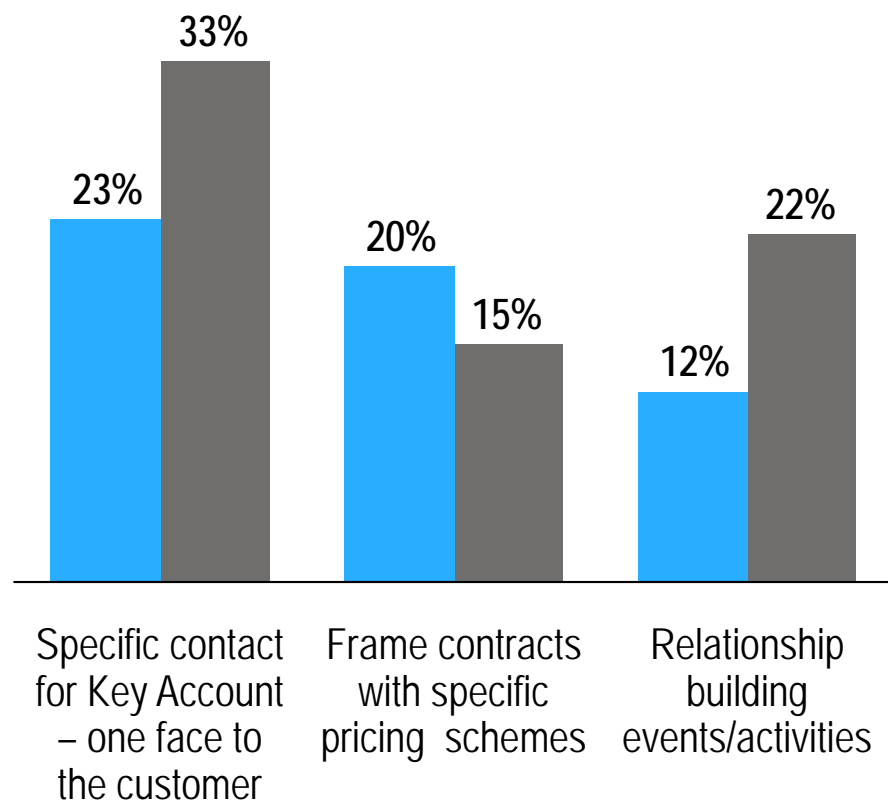
Note: Not shown sales channels included in the questionnaire are: Mass media, Passive availability of call centers and active calling of targets

1) Ranking from 1 to 5 with 5 being the highest possible answer

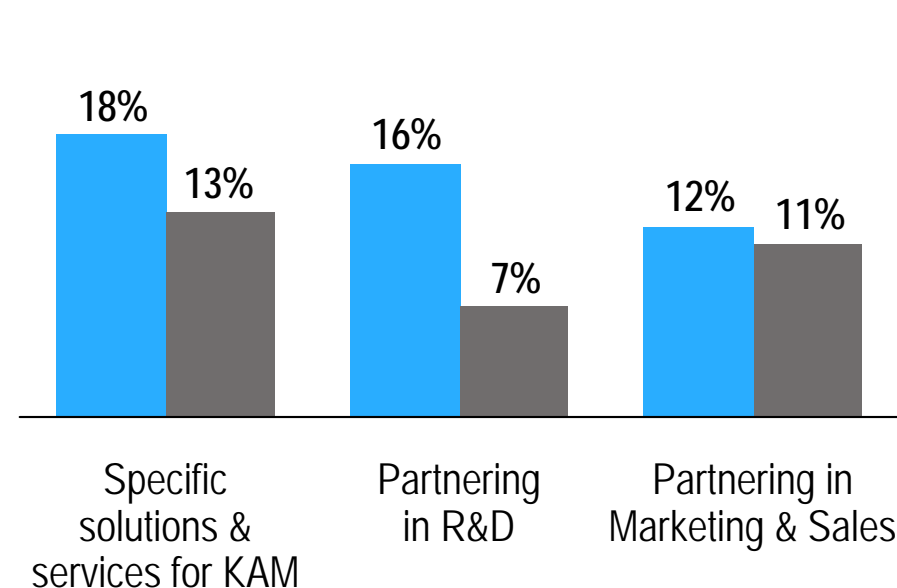
# All industries rely heavily on traditional ways of KAM – More innovative approaches are seen in the Specialty Chemicals industry

Channel excellence: Methods for performing Key Account Management by industry

## Traditional ways of Key Account Mgmt.



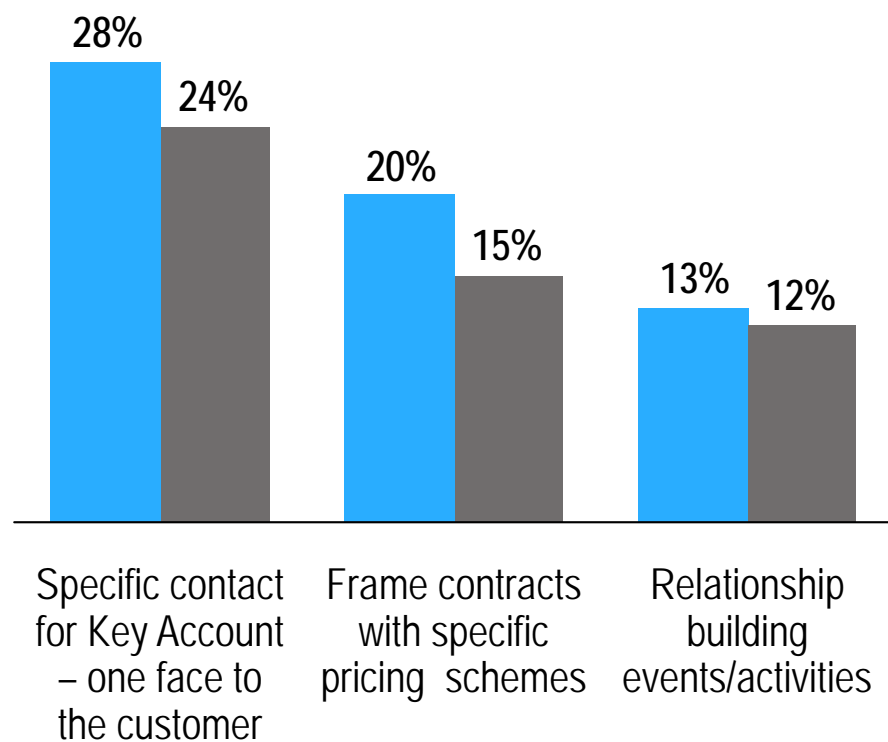
## Innovative ways of Key Account Mgmt.



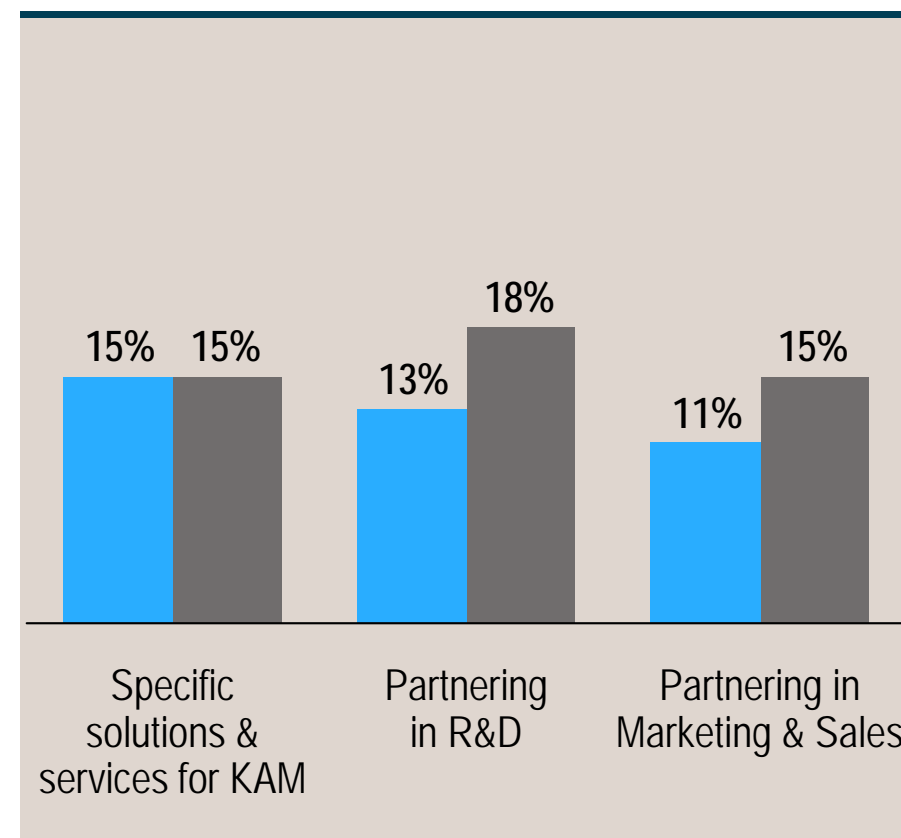
# North American companies tend to be more innovative than their European counterparts – R&D partnering is most novel KAM technique

Channel excellence: Methods for performing Key Account Management by region

## Traditional ways of Key Account Mgmt.



## Innovative ways of Key Account Mgmt.



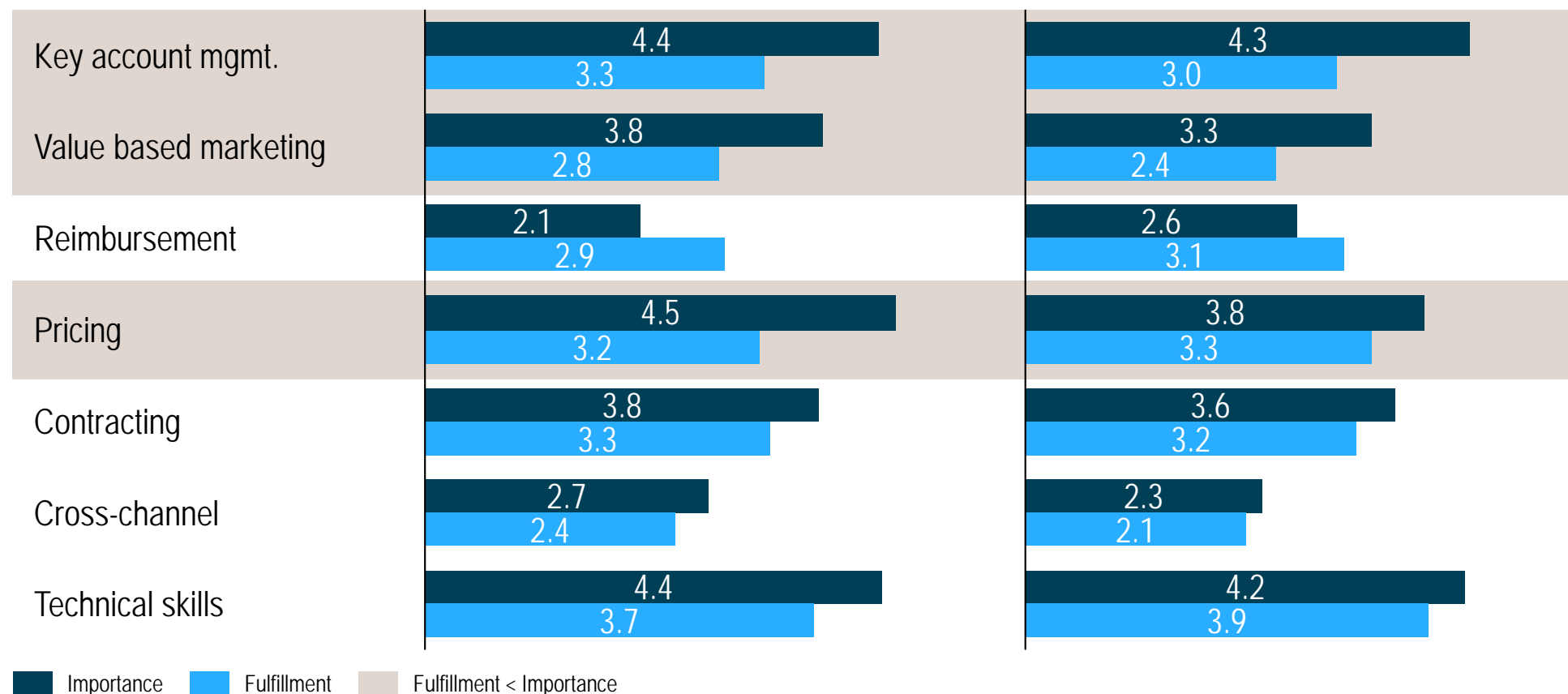
C.3 Sales Excellence:  
Most important  
capabilities for sales  
employees, and  
typical approaches  
on how to steer  
sales teams



# Specialty Chemicals regard KAM, value based marketing, and pricing as most important but also weakest fulfilled capabilities

Sales excellence: Sales force capabilities, current level of fulfillment by industry type<sup>1)</sup>

Ranking from 1 to 5  
(5 is highest possible answer)



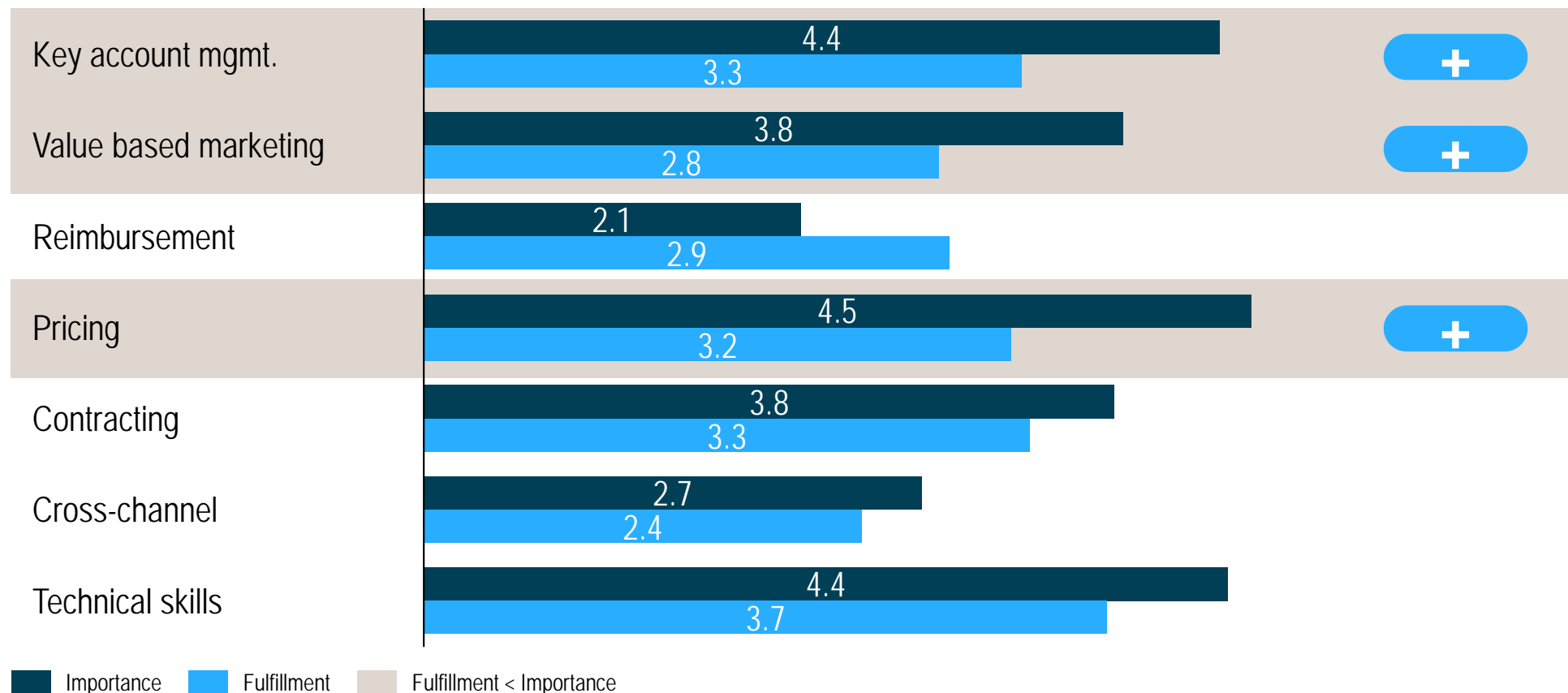
# These three sales force capabilities are expected to gain importance for the Specialty Chemical industry within the next three years

Sales force capabilities, current level of fulfillment and future trends by industry type<sup>1)</sup>

Ranking from 1 to 5  
(5 is highest possible answer)



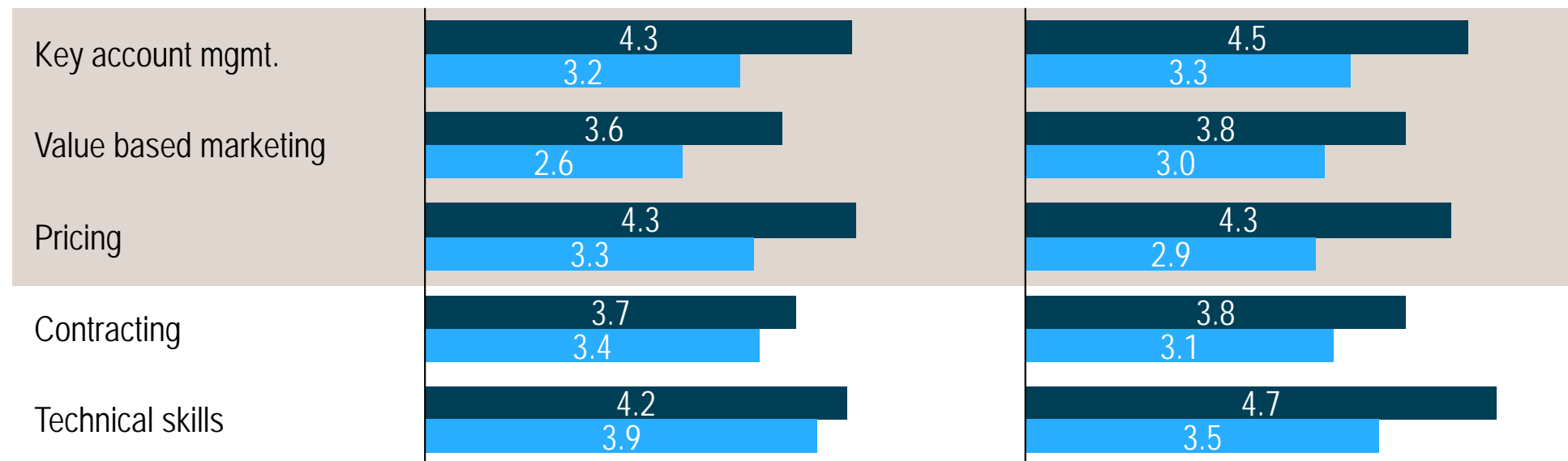
Importance in  
three years time



# Disregarding the area of operations, KAM, Value-Based Marketing and Pricing seem to be most important but least fulfilled

Sales force capabilities, current level of fulfillment and future trends by region<sup>1)</sup>

Ranking from 1 to 5  
(5 is highest possible answer)

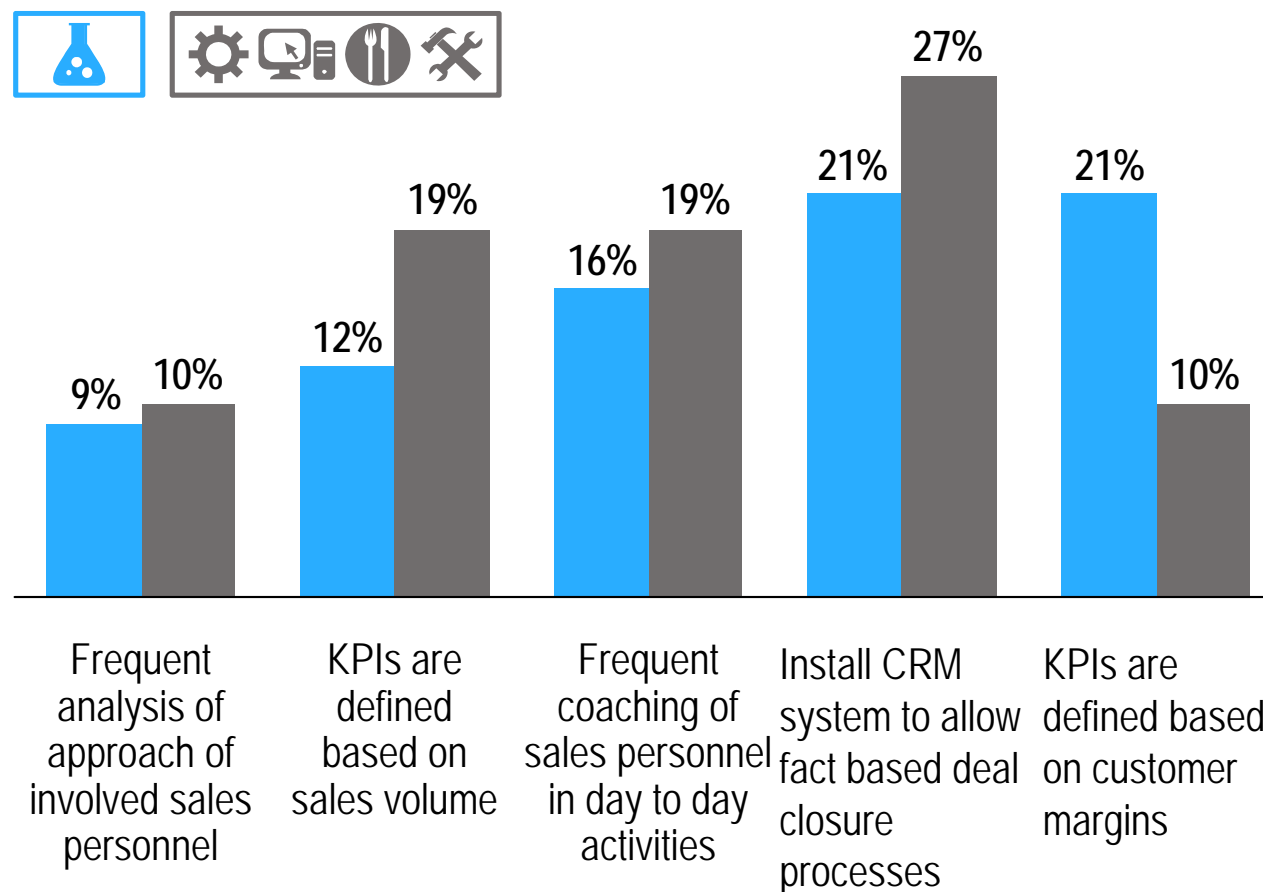


Importance
  Fulfillment
  Fulfillment < Importance

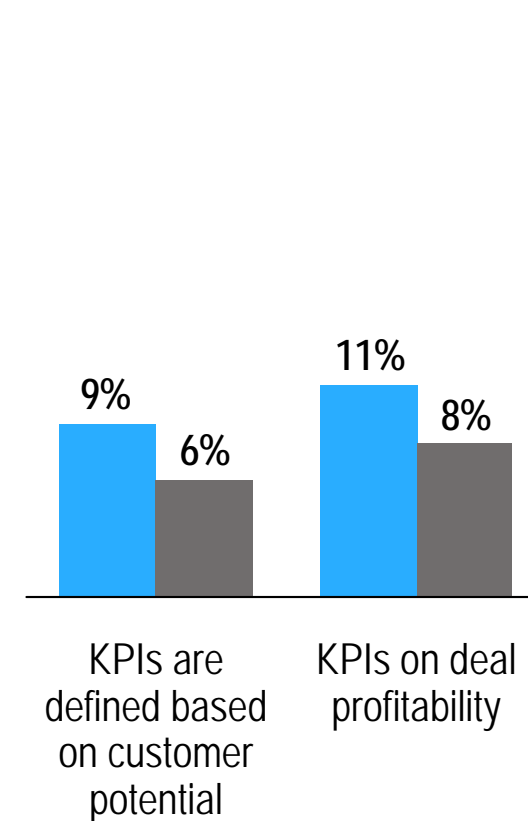
# The Specialty Chemicals industry seems to be slightly more innovative by applying customer potential & deal profitability KPIs

Sales excellence: Methods for performing sales channel steering

## Traditional sales channel steering



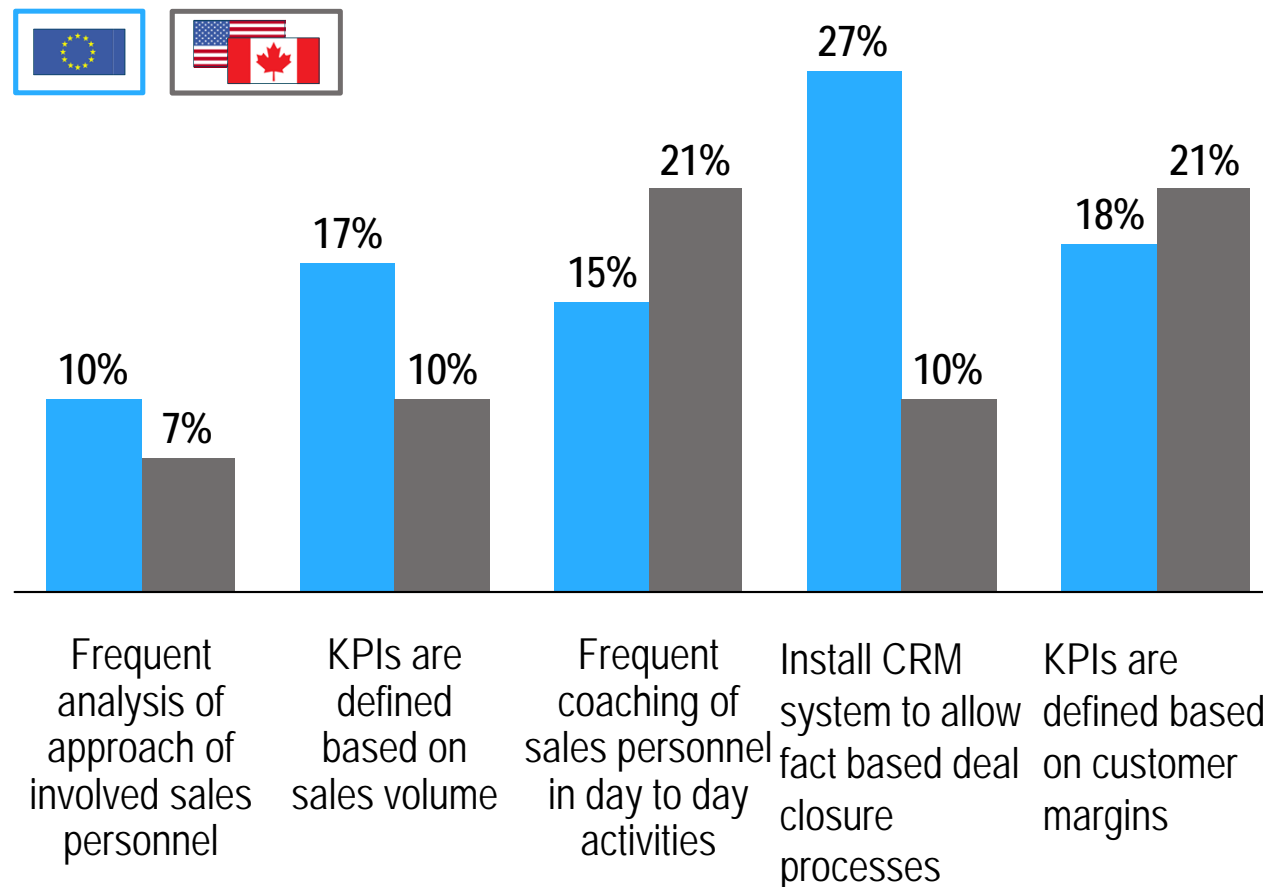
## Innovative sales channel steering



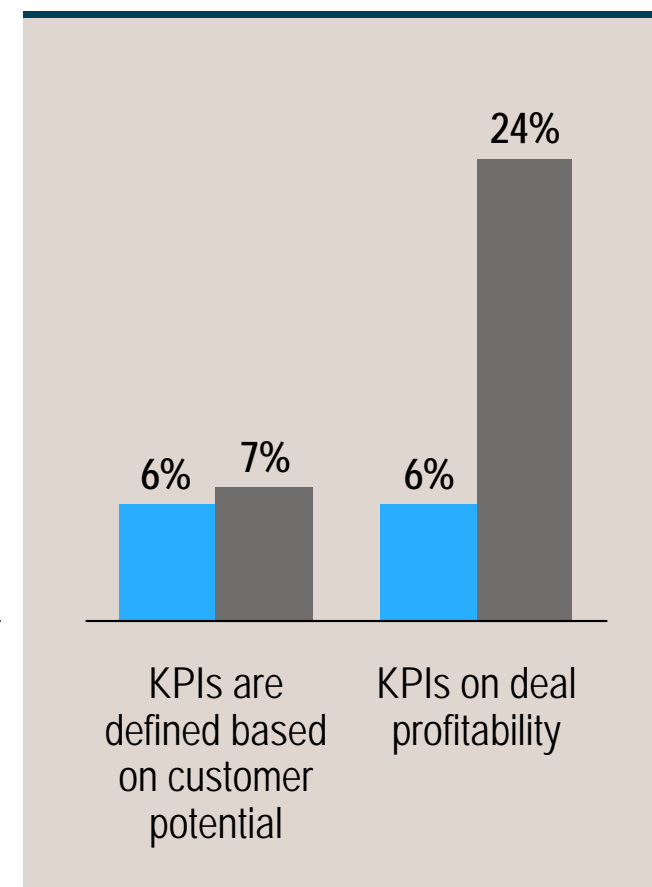
# The usage of innovative sales channel steering methods is mainly driven by North-America – Large focus on deal profitability KPIs

Methods for performing sales channel steering

## Traditional sales channel steering



## Innovative sales channel steering





D. Commercial Excellence is not the same: Europe vs. North America

# The top lever to achieve Commercial Excellence is different in Europe and North America – Same levers for #2 and #3

## Differences across regions

### Europe



- > The **most important lever** for achieving Commercial Excellence in Europe is **strengthening of sales force with regard to competencies, methodology, and leadership capabilities**
- > The **second** and **third important levers** are **continuous adaptation of product and service offering** to target client needs and **steering of sales resources** with regard to target clients/ product and service portfolio

VS.

### North America



- > The **most important lever** for achieving Commercial Excellence in **North America** is **improvement of marketing and sales interaction** with regard to key processes/joint topics
- > The **second** and **third important levers** are **continuous adaptation of product and service offering** to target client needs and **steering of sales resources** with regard to target clients/ product and service portfolio
- > **US-based companies** expect an even **higher sales/profit effect** than the European-based companies

# Significant differences exist in the way companies perceive excellence in marketing in Europe and North America

## Differences in Marketing Excellence

### Europe



- > **Customer segmentation** based on **customer value** (38%) & **customer needs** (33%)
- > **Mapping of decision makers** is performed on an **irregular basis** (3.5; 1: not at all, 5: always)
- > **Defining sales & Key Account Management team capabilities** is an **important** purpose for customer segmentation (19%)

VS.

### North America



- > **Customer segmentation** predominately based on **end-markets customers participate in** (50%)
- > **Mapping of decision makers** plays an **important role** as it is performed regularly (4.2)
- > **Defining sales & KAM team capabilities** plays a minor role (10%) for customer segmentation, **more focused on resource cost-intensive sales channels** (21%)

# North American companies across all industries tend to use more innovative methods for Key Account Mgt. and Sales Steering

## Differences in Channel & Sales Excellence

### Europe



- > **61%** perform **Key Account Management** in **traditional** ways, including among others one face to the customer and relationship building events & activities
- > **Only 39%** being innovative in their Key Account Management
- > **Sales channel steering** widely focuses on **traditional** methods (87%) like CRM systems or sales volume based KPIs
- > **Only 13%** apply more **innovative methods**

VS.

### North America



- > **51%** of North American participants perform **KAM traditionally**
- > **49%** **think more innovatively** by applying methods like partnering in R&D or in Sales & Marketing
- > Even **31%** are **innovative** in the way they **steer** their **sales channels** by using KPIs that are based on customer potential or deal profitability

# Expert interviews confirmed differences in perception and execution of commercial excellence – Deeply routed within respective culture



Study results indicating **differences** in commercial excellence between **North America** and **Europe** was supported through **1:1 interviews with industry experts**

*"Differences in the perception and execution of Commercial Excellence between Europe and the US are deeply routed within cultural differences – It is essential to know the differences upfront to drive a successful business or a cross-regional commercial excellence initiative." Sales expert*

*"In the set up phase of our commercial excellence initiative, we faced serious challenges due to the different understanding on sales, and marketing methodologies. To align on a common language was crucial for us. In addition, we underestimated the cultural differences, which drive e.g. a different sales process, and KAM approach." Head of Global Commercial Excellence project*

# America is focusing more on customer relationship and partnering whereas Europe puts emphasis on sales process and technology

Expert opinion on differences between Europe and North America

	Europe 	North America 
<b>General sales approach</b>	<ul style="list-style-type: none"> <li>&gt; Sales personnel is focusing on <b>technological advantages</b> of products</li> <li>&gt; <b>Pricing</b> is generally a <b>minor term</b> for discussion</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sales personnel is trained to emphasize <b>commercial benefits</b> of sold products</li> <li>&gt; <b>Open discussion</b> attitude towards <b>prices</b></li> </ul>
<b>Marketing Excellence</b>	<ul style="list-style-type: none"> <li>&gt; <b>Segmentation</b> of customers with regard to potential <b>revenues and growth</b> perspectives</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Segmentation with regard to <b>end-market customers</b> and need of customers for applications</li> </ul>
<b>Channel &amp; Sales Excellence</b>	<ul style="list-style-type: none"> <li>&gt; <b>One-face-to-the-customer</b> is a commonly accepted and expected instrument for KAM</li> <li>&gt; KAM is <b>clearly structured</b> with defined responsibilities, and hierarchies</li> </ul>	<ul style="list-style-type: none"> <li>&gt; US companies follow a <b>"tentacle" approach</b> for as many contacts as possible</li> <li>&gt; Key account manager <b>coordinates the deployment of other people</b>, e.g. R&amp;D into customer's organization</li> </ul>



E. Differences between  
Asia and the rest of  
the world

# Asian Specialty Chemicals companies are characterized by a very strong belief in Commercial Excellence and its benefiting effects

Differences between Asia and the rest of the world

## Asia

- > **Highest importance for Commercial Excellence** as a lever for organic growth (41%)
- > **Frequent adaptation of pricing schemes** and processes to target clients as **most important lever for Commercial Excellence**
- > **Strongest belief in Commercial Excellence** and its sales & profit benefiting effects



VS.





It's character that  
creates impact !

**Roland Berger**  
Strategy Consultants