



Unleashing the Power of Commercial Excellence in B2B

Dominik Endler, March 2024

The foundations of Commercial Excellence are currently experiencing a transformative wave, extending not only to large multinational organizations but also permeating the entire world of Business-to-Business (B2B). In stark contrast, Commercial Excellence has been a longstanding fixture in Business-to-Consumer (B2C) settings, characterized by well-established departments like Revenue Management, Marketing, Market Intelligence, Product Management, and Communication. It is only in recent years that the awareness of untapped potential in B2B has gained momentum.

This divergence becomes evident when comparing it to the enduring presence of Manufacturing Excellence, introduced through various transformation initiatives dating back to the nineties with Lean, Kaizen, Six-Sigma, and subsequent advancements such as Supply Chain Excellence, Industry 3.0, and the more recent Industry 4.0 with the introduction of the “smart factory”.

In general, there exists a shared understanding among industry leaders regarding what Manufacturing Excellence encompasses. However, Commercial Excellence presents a contrast, lacking a common understanding, resulting in diverse interpretations, beliefs, and definitions.

The primary focus of this article is to shed light on the concept and outline the various building blocks of Commercial Excellence in B2B.

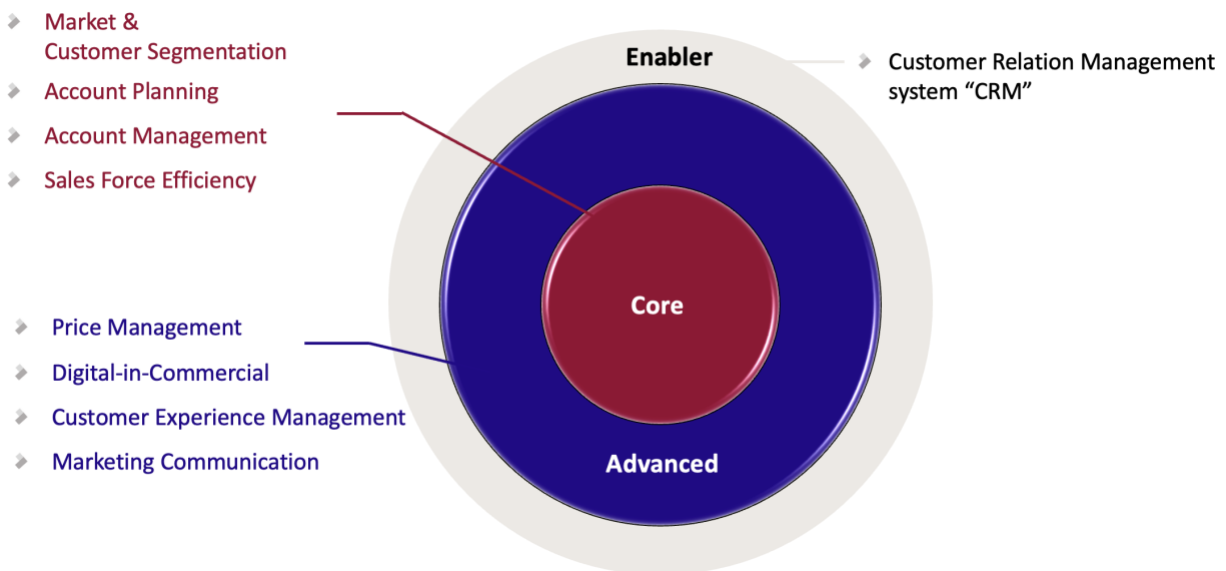
So, what includes now Commercial Excellence? A lot of company leaders currently think immediately about Price Management, which is indeed a very important part with a potential of very fast impact on the bottom-line improvement. But Commercial Excellence includes much more and starts very much with a commercial focus strategy to use the existing commercial resources in the most efficient way.

Just to clarify some wording. The most common term to cover this area is Commercial Excellence, which will also be utilized throughout the subsequent article. Nevertheless, it is important to be aware that, different from Manufacturing Excellence, which mainly focuses on the improvement of internal processes, Commercial Excellence includes a strong outside view of focusing on the customer. This goes beyond the commercial teams and needs to be established in the entire organization. This part can be summarized under Customer Experience Management and includes the measurement of customer satisfaction and putting actions for improvement in place, but can go much further with the introduction of a companywide customer-centricity transformation and the commitment to a market-in strategy.

That is also the reason why I prefer to extend the term “Commercial Excellence” to “Customer & Commercial Excellence”, to point out that there is a very important piece dedicated to the customer.

The result of Commercial Excellence is an increase in “Commercial Performance” which is measurable in the gain of top-line and bottom-line deliverables. It is obvious that a clear definition of targets and KPI’s is an important part of every excellence program.

To reduce complexity, my experience is that it makes sense to separate between the “Core” and the “Advanced” elements of Commercial Excellence.



The **CORE** elements can be differentiated in Market & Customer Segmentation, Account Planning, Account Management, and Sales Force Efficiency.

All those terms are not self-explanatory....so let me explain.

Market & Customer Segmentation is a focus strategy with the intention to focus the existing commercial resources on those markets and customers with the most future potential. That does not mean that other customers are ignored but different ways of serving those customers will be applied. For Customer Segmentation based on defined criteria (e.g. future contribution margin, buying behavior), a segmentation model will be developed. All customers will be grouped into those segments. For the various segments, detailed interaction guidelines and service guidelines will be defined. Depending on the findings during an assessment eventually a market segmentation will be done first to make sure that there is not only the focus on the right customers but also on the market segments which have strategic potential for growth and profitability in the future.

If Customer Segmentation is in place **Account Planning** should be applied. Besides making sure that all relevant customer information is available and accessible to the organization in a structured way, this includes the definition of specific objectives for the important customers including the strategy and underlying actions to achieve those. For this the introduction of formal Account Plans is required. This sounds logical and easy but to make this as the mandatory way of working, especially for mature commercial organizations with long-lasting customer relations, it is an effort. Important is that this becomes the new way of working not only on the account manager level but follow-up on the Account Plans is happening on all levels of the organization and becomes part of all business follow-up meetings.

Account Planning is very much related to **Account Management** which is more the agreed format and process to follow up on Segmentation and Account Planning and to make it happen. The installation of a formal “Sales Steering and Coaching Dialog” between the commercial leader and his commercial team can be a very powerful tool for target achievement and, as the word already expresses, establishes a much closer but also more coaching based leadership principle.

Account Management includes all processes, way of working and governance of the sales process. The commercial operating model including the responsibilities of customer facing and non-customer facing commercial teams and there way of interacting are part of it as well.

Account Management is very much related to the introduction of a **Customer Relationship Management** system (CRM) which is becoming state of the art also in B2B and needs to be understood as an Enabler, not only as the central tool to store and easy document all customer information and communication, but also as a sales generator by e.g. quoting out of CRM, lead and project follow up, running marketing campaigns and customer satisfaction surveys. The CRM system needs to be seen as a fundamental enabler for all aspects of Commercial Excellence and with AI-driven features will become very powerful.

Sales Force Efficiency includes everything about making sure that the commercial team, especially the customer-facing organization, is equipped with the right tools, knowledge, and skills. Normally it starts with a survey to get a better understanding of the “week of the salesperson” including the time spent on various activities, pain points, needed support, and training. An action plan per salesperson and sales team is part of

driving Sales Force Efficiency, as well as installing a clear target setting and follow-up system with an underlining incentive program.

Let's now move to the **ADVANCED** elements of Commercial Excellence, which includes in my definition Price Management, Digital-in-Commerce, Customer Experience Management, and Marketing Communication.

As I mentioned, because there is nearly no other area where improvements in profit can be so fast achieved as in **Price Management**, a lot of companies start their Commercial Excellence program with Price Management. A potential enhancement in EBIT of 2-4% relative to sales is not beyond reach when Price Management is boldly established. It is a broad area by itself and can have a short-term focus to realize fast improvements, as said, but has significant potential if it becomes part of a larger transformation connected with the overall company strategy. There are various activities connected with Price Management. Two main dimensions can be separated: Price Orientation which includes the Pricing Objective and the Strategic Pricing Model and the area of Price Execution which includes the more operational fields like Price Realization, the introduction of a Price Performance or Management System, and the very important field of Price Setting Governance. Using Artificial Intelligence to help find the best possible price setting is currently a strongly discussed field in B2B Price Management.

Similar to Price Management, **Digital-in-Commerce** is a wide area with a lot of dimensions and aspects. In B2C, this field has already, in general, a high maturity level, but now also in B2B, it became a hot topic during the last years. It mainly covers a new digital way of interacting with customers and includes the installation of various digital customer interfaces from Landing Pages, open and closed Customer Portals with or without order functionality, E-Commerce, and Digital Marketplaces. Digital-in-Commerce in B2B is still at an early stage and by far not all companies have embarked on this journey but there is no reason to believe that it will not be speed up in the next decade to a level as we are all used to it in private life in the consumer area. As a consequence, this will overall change how we do business in B2B and launch the exciting question of how the Future Operating Model in B2B will look.

The most extensive and most difficult area of Commercial Excellence is the launch of **Customer Experience Management** or a Customer Centricity transformation. It is not easy because it is a "loose end" topic and even more difficult to know where to start and where to end. It is also difficult because even though the initiative needs to come out of the commercial function, it is only successful if it covers all parts of an organization. Nevertheless, one point is clear that there is a very high probability that the value of an organization will significantly increase if it fully commits to customer-centricity or customer delight, as outlined in the last book of Fred Reichheld: "Winning on Purpose". McKinsey & Company gives a good frame to cluster the different aspects of Customer Centricity. They distinguish three building blocks: Build Aspiration and Purpose, Transform the Business, Enable the Transformation. Just the names of those categories make clear how fundamental a true customer centricity transformation needs to be and that it covers the entire organization and starts with the fundamental strategy of an organization.

The last area under Advanced is **Marketing Communication**. Also, in B2B this is an area with increasing attention. It has a growing overlap with Digital-in-Commerce as digital becomes a standard, as said, to connect with existing and potential future customers.

Marketing Communication, often referred to as Marcom, encompasses the various strategies and tools businesses use to convey messages about their products, services, or brand to their target audience. The primary goal of Marketing Communication is to influence the perception, attitude, and behavior of the target market in a way that aligns with the organization's strategy.

Key components of Marketing Communication in B2B include Advertising, Webinars, White Papers, Exhibitions, Direct Marketing, Branding and Digital Marketing as an overarching new channel to interface with the customers. Effective Marketing communication involves careful planning and sufficient resources, coordination of various channels, and a clear understanding of the target audience. It aims to create a cohesive and persuasive message that resonates with customers and ultimately drives desired actions, such as making a purchase or developing brand loyalty.

To summarize:

Commercial Excellence encompasses various elements aimed at optimizing Commercial Performance. These elements can be grouped into core and advanced practices.

Core practices include foundational aspects such as Market & Customer Segmentation, Account Planning, Account Management, and Sales Force Efficiency. These elements form the backbone of commercial operations, ensuring smooth functioning and basic performance optimization.

On the other hand, advanced practices delve into more sophisticated strategies aimed at driving growth and maximizing profitability. These includes Price Management, Digital-in-Commerce, Customer Experience Management, and Marketing Communication. Advanced practices push the boundaries of Commercial Performance in B2B, offering opportunities for significant enhancements in revenue generation and market competitiveness.

By implementing both core and advanced practices effectively, businesses can achieve a comprehensive approach to Commercial Excellence, optimizing performance across all aspects of their commercial operations.

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