

A man in a purple long-sleeved shirt and a woman with blonde hair are seen from behind, reaching their hands up towards several silhouettes of birds in flight against a white background. The birds are in various positions, some higher and some lower, creating a sense of aspiration and reaching for goals.

# Fagerhult Sales Excellence

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**IBMS Graduation Assignment**

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## Fagerhult Sales Excellence

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## Foreword

This report represents my thesis for Fagerhult the Netherlands, and covers the sales effectiveness and efficiency of the organization. The research project has been derived from the Sales Excellence Model that was implemented during the different stages of my internship, for which I, together with my supervisor, was in charge.

I would like to express my genuine gratitude towards all colleague's at Fagerhult, for all their support and enthusiasm, and foremost, for welcoming me so kindly in to the organization.

My special thanks go to Mr. L. Luiken (company supervisor) who has guided and supported me throughout the whole internship, and whose kindness and encouragement has been of utmost importance in completing the thesis. Furthermore, I would like to thank the management of Fagerhult, for their much appreciated guidance with the project, as well as their willingness to provide useful information.

Additionally, I want to express my appreciation towards my Hogeschool supervisor, Mr. F. Knibbe, for his compassion, willingness to give advice and support during the different stages of the internship.

All facts as well as data shown in this report are derived from theoretical and secondary research. As the author, I assume the full responsibility for the validity and reliability of the information provided herein.

Benthe Berger

June 2012

## Executive summary

This research is conducted for Fagerhult BV, a lighting firm active in the Dutch market for 40 years. The company is sales-intensive and faces difficulties finding the appropriate strategy in sales in terms of effectiveness and efficiency. The management does not have a clear view of how and where it is going. Therefore, the objective of this report is to conduct research on this manner and support Fagerhult with recommendations. The main research question is: “How should Fagerhult BV improve its sales approach in terms of efficiency and effectiveness in order to achieve higher organic growth in the Netherlands?”

The research consists of desk and field research, which are respectively interviews and questionnaires. The interviews are conducted among the total sales force of Fagerhult, whereas the questionnaires are designed to form an overall view of the services of Fagerhult from the perception of 68 A-customers. All sub-questions are answered through various research methods. This stimulates reliability and validity of research.

Each sub-question covers different problems in the sales strategy. Sales and new projects have decreased the past years for Fagerhult. In their current sales strategy, each sales team consists of a customer support employee and account manager. The sales teams struggle to get their targets, and direct selling is too low. Sales time is often spent on other tasks than customer contact. Furthermore, communication and team play is perceived to be weak.

The findings also show that customers are not segmented adequately and CRM is still not implemented correctly into the organization. A cost-to-serve analysis covers the inefficiencies in the sales process. Costs of activities are often high, and there are many time-thieves present as well. The questionnaires show the impact of sales activities on the customer’s perception of the level of services. Finally, company data illustrates that the win-ratio of the sales force is too low.

After the findings, the report covers academic literature. The discussion shows that the research is in line with the hypotheses and the literature. Finally, this report closes with the appropriate recommendations for Fagerhult. Improving team-work and CRM, cutting costs, and employee training and rewarding form the main advises for the company.

## Glossary of terms

**Organic growth:** Expansion of a firm's profit with sales efforts; an increase in customer base, customer output, or output per sales representative. Organic growth is an increase in profit caused by an increase in revenue (output).

**Win-ratio:** The win-ratio of the Fagerhult sales force represents the number of offers necessary to attain clients, divided by the number of current clients of the company. Often, multiple offers are necessary to get a client, and often offers are sent to a prospect that later on, chooses to do business with a competitor. The win-ratio defines how successful Fagerhult is in getting clients to choose for the business proposal (services) of Fagerhult.

**WinRis:** A CRM system used at Fagerhult, to access all important information regarding customers, projects and internal processes. The CRM system has a central database where all information can be stored and retrieved when necessary.

**KAM: Key Account Management:** The management of customer relationships that are most important to the company.<sup>1</sup>

**CRM: Customer Relationship Management:** A management philosophy according to which a company's goals can be best achieved through identification and satisfaction of the customers' stated and unstated needs and wants. Represents a computerized system for identifying, targeting, acquiring, and retaining the best mix of customers.<sup>2</sup>

**Sales effectiveness:** The ability of a company's sales professionals to "win" at each stage of the customer's buying process, and ultimately earn the business on the right terms and in the right timeframe.<sup>3</sup>

**Sales efficiency:** The ability of a company's sales force to create the highest (sales) output with minimum resources (time and costs) necessary.

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<sup>1</sup> QFinance (2011). Dictionary, *Key Account Management*.

<sup>2</sup> Business dictionary (2011). Definitions, *Customer Relationship Management*.

<sup>3</sup> Sense agent (2011). Definitions, *Sales force effectiveness*.

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## 1. Introduction

Fagerhult BV, a Dutch lighting company, active for 40 years in the Dutch lighting industry, has experienced many problems recent years with determining its best approach in sales. The company, part of The Fagerhult Group from Sweden, wants to increase its efficiency and effectiveness in their sales strategy, and implement a model for better usage of company resources, automation of company processes and a stronger sales output.

The company which is located in Houten, is part of the Fagerhult Group: the no. 1 lighting company in Sweden, and the number 6 in continental Europe (The Fagerhult Group, 2011). The company creates modern lighting installations that are energy-efficient and environmentally adapted. The products can be divided into three groups: Retail, indoor and outdoor light installations. Fagerhult the Netherlands consists of 39 employees mainly dedicated to light design and sales.

The sales force of Fagerhult faces ongoing problems finding the right direction: it does not have a clear view of what its sales force is actually doing and where it is going. For example, it is likely that Fagerhult uses many resources for a client that contributes little to profit: a C-client. Furthermore, the company has failed to measure performance over the past years, and therefore, it cannot determine if their direction is positive or not. The sources of these problems and how to solve these problems is unknown and represents this research.

So, the main interest of the company is to gain insight into their sales approach, to find out which problems arise with the execution of sales in the Netherlands. The primary focus will be on the efficiency of this process in terms of resources (time, personnel and costs) as well as effectiveness (win-ratio). Conducting research on these two notions will help the organization with improving their sales approach on both strategic and operational level. The problem definition for this research is:

*“How should Fagerhult BV improve its sales approach in terms of efficiency and effectiveness in order to achieve higher organic growth in the Netherlands?”*

The sub-questions for this research, also representing the problems at Fagerhult BV, are:

- 1. What is the current position of Fagerhult in the Netherlands?*
- 2. What are the selling activities per region of Fagerhult? (Time activity analysis)*
- 3. What are the sales per customer class and business type?*

*4. How good does customer classification represent value and efforts (activities performed) for Fagerhult?*

*5. What is the total cost to serve for Fagerhult?*

*6. What is the impact of the selling activities?*

*7. What is the win- ratio of the Fagerhult sales force?*

Since Fagerhult experiences a lack of clarity in their direction and strategy, and no knowledge of how many resources are actually spent on a year basis, to perform this research is of utmost importance. An effective as well as efficient approach is likely to result in higher organic growth, e.g. company growth achieved through higher revenues.

The objective of the target audience is to gain an overall understanding on how Fagerhult can downsize costs of sales, as well as increase output. For future observations, is it important that this research shows appropriate Key Performance Indicators (KPI's), so that Fagerhult can observe the progress of its sales department in the future.

The first stage of the research will represent a qualitative analysis. From the Internet, literature and internal company reports, the theory will define the appropriate boundaries of the project, as well as that it will explain the current situation of Fagerhult the Netherlands. Furthermore, there will also be open interviews conducted with the total sales force of Fagerhult, consisting of 24 employees. The quantitative analysis will embody data gathering from the company CRM system, as well as a survey with likert-scale for the A-customers of Fagerhult. To ensure validity and reliability, the research will make use of triangulation during this research project: each sub question will be answered through various research methods (Verhoeven, 2011, p. 158).

The advice recommended in this research is limited to the sales department. Furthermore, the geographical restriction of this research is the Netherlands. Within these boundaries, the research can function as an instrumental tool in advising Fagerhult the Netherlands on how its sales department should function in regard to resources as well as efforts.

The report is created as such, that the most important information is displayed in the findings and discussion. Other figures can be found in the Appendix, which is highlighted in the text throughout. Sources can be found in the footnotes and between brackets in the text. The glossary of terms explains difficult terms that can be found in the text as well.



## 2. Methodology

The methods used for this research were both of quantitative and qualitative nature. To ensure validity and reliability, triangulation was used, so that each sub-question could be answered through various research methods.

### *Research methods*

The research started with a literature review to discuss existing theories. Often, companies struggle to find the right approach with sales and CRM so much research has already been conducted on the topic (Moutot & Bascoul, 2008). Furthermore, an analysis of internal company reports was carried out to determine what the current position of Fagerhult is. This research highlighted the boundaries of the quantitative research that followed: first, the company CRM system was analyzed to find appropriate data for the research. Second, there was a time-activity scale designed, to research on the most frequent activities of the sales personnel as well as time-thieves. A follow-up interview with the sales force was conducted to discuss personal opinions on the tasks, as well as factors that could stimulate productivity. This interview contained pre-determined open-questions to stimulate objectivity (Verhoeven, 2011, p. 119).

Alternative field research was performed with the use of a questionnaire. This questionnaire was conducted among the A-customers of Fagerhult, to research how these customers perceive Fagerhult and their services. Topics for this survey were operationalized beforehand, to make the results measurable (Verhoeven, p. 136).

In order to be certain on the validity and usefulness of the research performed, meetings with supervisors were frequently planned to discuss the progress and outcomes of the research.

### *Sample*

The sample size of the questionnaire was defined through the population and level of confidence of 95% for the results to be without bias. The random sampling technique was used to define the sample. The total population represented 80 companies: the A-customers of Fagerhult. According to Nowack (1990), this should result in 66 companies from which the opinion was necessary.

For the interviews, it was determined that each sales representative would form part of the target audience: this sends the message that everyone's feedback is important and will be considered in organizational change efforts (Nowack, 2011).

### *Data collection and analysis*

Data collection from the research was able through IT programs, to assess the results and configure those results into reliable and representative figures. The two main subjects that were assessed through research were the effectiveness and efficiency of Fagerhult's sales force. The effectiveness of the sales approach was analyzed through the open-interviews with the employees, as well as the survey with the company's clients. Additional company reports and the CRM system also contributed with valid and usable data. In terms of company efficiency, data gathered from the open-interviews, internal company reports, as well as a literature research formed an appropriate recommendation.

### *Limitations*

Limitations of the research project include time and money. Time, being the dominant factor, limits the research in such a way, that only part of the existing clients of Fagerhult can be interviewed, as well as the depth of other parts of the quantitative analysis. Furthermore, an organization subject to change is likely to show some resistance from its individual employees. This could affect the results, but therefore, the research makes use of triangulation to test whether each theory holds.

In short, the research is performed according to various methods to stimulate validity and reliability. Interviews were conducted among the total sales force of Fagerhult, whereas A-customers of the company shared their opinion with the use of a questionnaire. All this research was supported with a proper literature review as well as company reports and quantitative data.

## 3. Findings

The following paragraphs represent all seven sub-questions containing the gathered research according to the different research methods. The questions highlight the existing problems with the sales approach of Fagerhult BV.

### 3.1 The current position of Fagerhult

The current position of Fagerhult has been derived from internal company reports, as well as external market information. This question shows the performance with regard to sales, and illustrates current problems in output of the company.

#### *Performance*

The Dutch business unit of the Fagerhult Group, Fagerhult BV is currently the number 2 lighting firm in the Dutch market (Fagerhult Netherlands, 2011). The market is highly dominated by Philips Licht, with a market share of 36.6%, in comparison to 7.7% of Fagerhult (NLA, 2011). The company opts for successful marketing entry with a high level of service as well as qualified account managers (SWOT analysis, 2011).

#### *Financial results*

Revenues over the past years have been affected by the financial crisis and the decrease of the construction market. Even though the Dutch construction market shows minor growth after the financial crisis, growth for 2012 will only be a meager 1,5% (Euroconstruct, 2011). Figure 1 shows that total sales have decreased over the past 5 years.

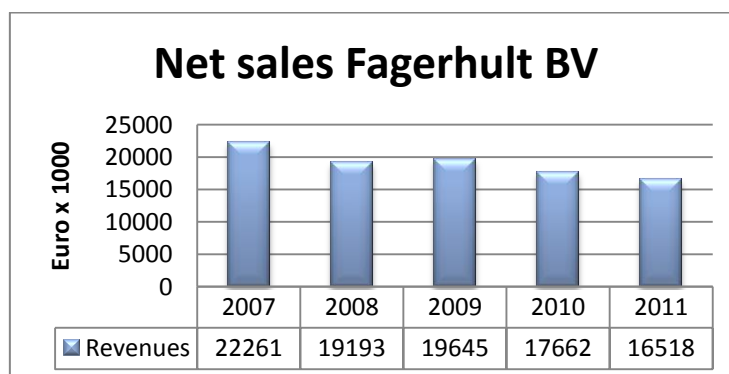


Figure 1: Net sales Fagerhult BV 2007 -2011

The decrease in net sales also affected profits for the company. From the year 2007 to the previous year 2011, net profit decreased with 18% (Year report, 2011).

## Sales

The largest product group of Fagerhult is Indoor lighting solutions, followed by retail and outdoor. Health & Care is the largest segment of Fagerhult, generating the highest sales.

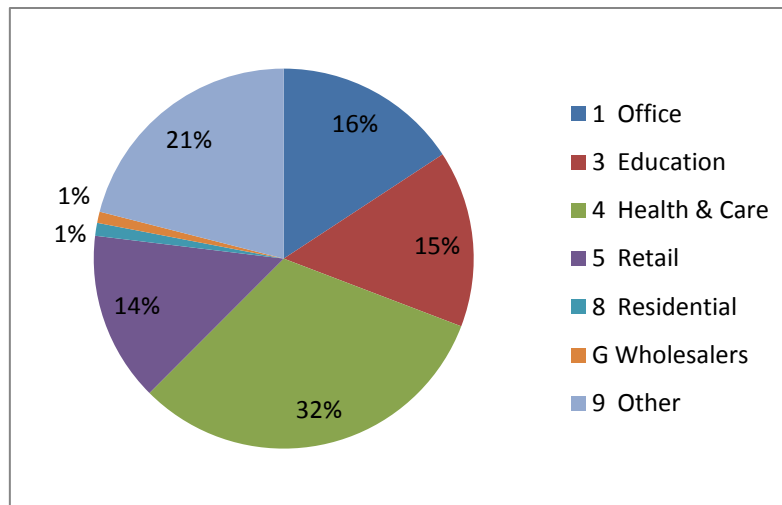


Figure 2: Sales per segment 2011

Because of the shrink in size of the construction market, Fagerhult has not been able to increase its new projects over the past years (NLA year report, 2011). The company mainly works on project basis, where good delivery precision and a broad product portfolio are central. The number of new projects that the Sales force has attained per year is showed below:

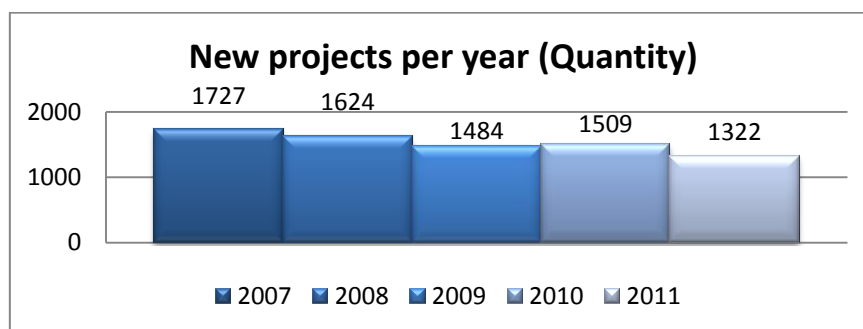


Figure 3: New project per year 2007 -2011<sup>4</sup>

The total value of all projects has diminished in the last 5 years. Nevertheless, the average value per lighting project has remained stable over the past years, indicating larger projects.

	2007	2008	2009	2010	2011
<b>Total value</b>	€ 42.428.582	€ 65.744.652	€ 46.257.868	€ 46.134.005	€ 41.805.170
<b>Average value</b>	€ 24.567	€ 40.483	€ 31.171	€ 30.572	€ 31.622

<sup>4</sup>Projects per year (2012) CRM database WinRis.

### 3.2 Sales activities per region

The information gathered for this sub-question has been the result from extensive field research. A time-activity sheet was designed to track the time-thieves of the sales force. In addition, the entire sales force of Fagerhult was interviewed to derive personal opinions on the current sales strategy, which is shown in Appendix 1. This question justifies how well the internal and external sales activities achieve desired outputs and if teamwork and communication contribute to the sales approach.

#### *Current sales strategy.*

Fagerhult BV has 3 main product groups: Indoor Lighting, Outdoor Lighting and Retail. The organization is sales-intensive with a focus on large projects. The Indoor lighting segment is by far the largest contributor to the profits of the company (Annual results, 2011). Because the company is sales-oriented, it has introduced a clear organizational structure for the sales team (Appendix 2).

The total sales force has been divided in teams; each team represents an account manager and a customer support employee. Light design and order handling are supportive functions. The account managers are responsible for visiting the (new) clients, whereas customer support is responsible for supporting the entire sales process; quotations, offers, customer contact etc. Although the most important tasks of each sales employee are clear, because there are no function descriptions, there is a lack of true understanding of the responsibilities.

Furthermore, team play is often missing between all sales teams, and employees are becoming to “comfortable”: there should be more motivation, productivity and better internal team play. Also, the frequency of visits is often too low to reach the proposed targets of sales management. In figure 4 below, it is shown that the actual sales are much lower than the budgets estimated. Due to a lower frequency of visits, it was difficult for the sales teams to meet their targets.

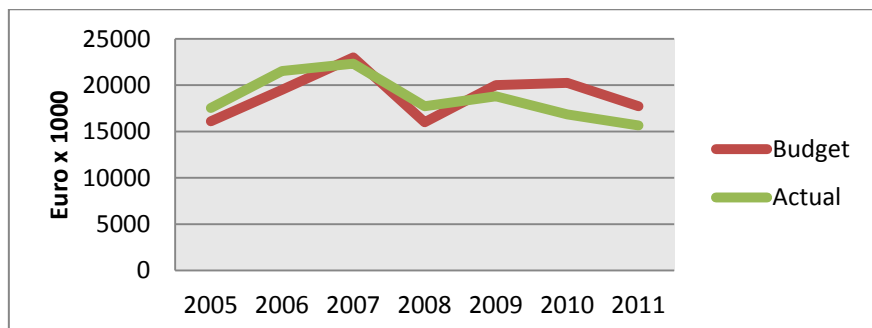


Figure 4: Sales: actual vs. budget<sup>5</sup>

<sup>5</sup> Sales: actual vs. Budget (2011). Retrieved from Financial results 2005-2011, and visit reports.

## Sales activities and output per region

The disappointing sales output is also visible in visits and sales per region: each Indoor lighting sales team represents a region, whereas Outdoor and Retail cover the whole of Netherlands. In addition to the large variation between the visits and output of each sales team, the visits performed on average each year, also shows a decrease the last years (Appendix 3).

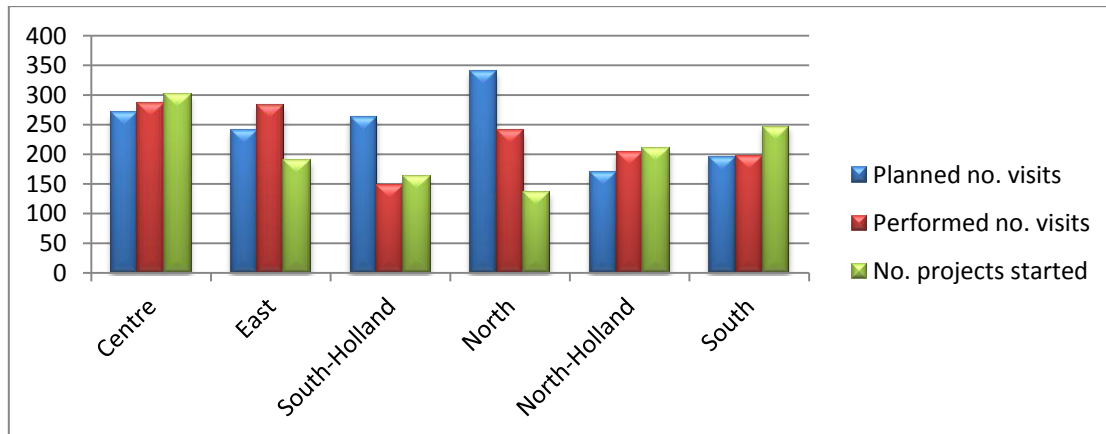


Figure 5: Planned and performed no. of visits, 2011. <sup>6</sup>

Figure 5 shows that performed visits that are below planned visits, often result in less new projects started, which eventually, result in lower sales. Furthermore, there is no consistency between the performance of each sales team (area) and the output is much dispersed. The table below shows the size of each Indoor sales region.

Annual domestic sales by region (excluding Outdoor en Retail) <sup>7</sup>			
In million of Euros			
Centre	2,4	North	2,3
East	2,9	North-Holland	1,8
South-Holland	2,1	South	2,3

The size of each sales region for Indoor lighting differs greatly, and is not in line with the actual potential of each region. According to the Dutch Lighting Association (2011), some regions have more potential for higher sales, than market share per region suggests (appendix 4).

<sup>6</sup> Planned vs. performed visits (2011). Retrieved from visit reports.

<sup>7</sup> Fagerhult sales (2012). Per region analysis: output and shares.

## Time vs. activities

The most important activity for the account managers is customer visits with prospects or existing clients. For customer support, this is contact with customers and offer creation. The time-activity analysis shows, that in reality, time spent on these tasks is much less.

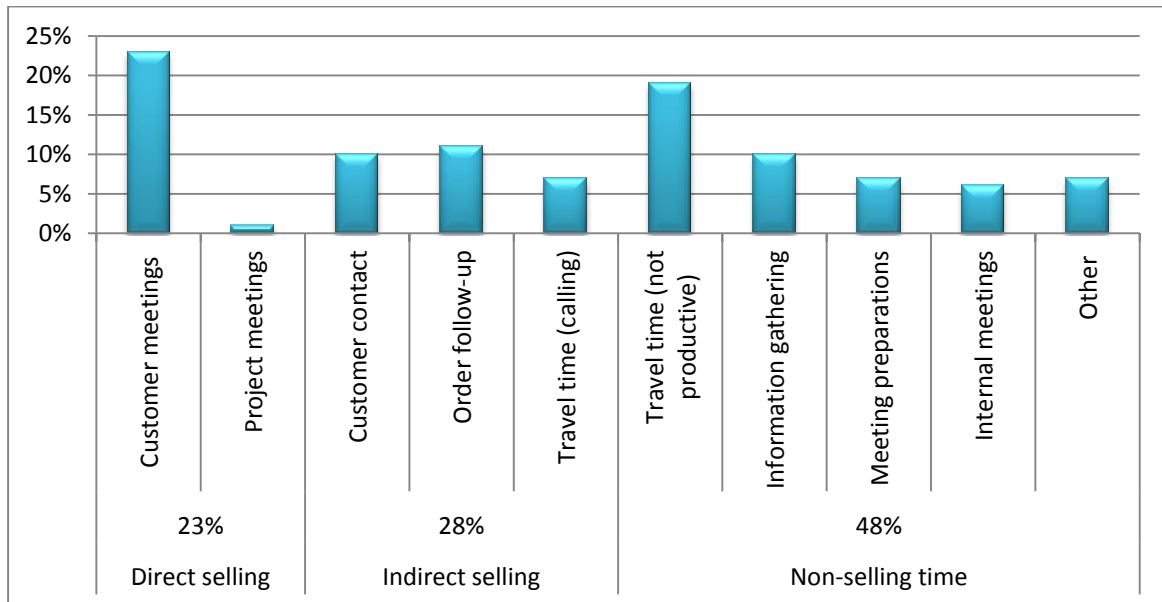


Figure 6: Time-activity of field sales (account managers).

Almost 50% of field sales is spent on non-selling activities, of which large shares are travel, gathering information on clients, and offer creation. With regard to traveling, the account managers find it hard to find an efficient method with travel times. Furthermore, customer support's time is spent on creating offers. Client contact is minimal, and often this is done via email. Fagerhult's buddy-system puts a large share of responsibility for business development on customer support. The internal unit has many tasks, but limited time to do so.

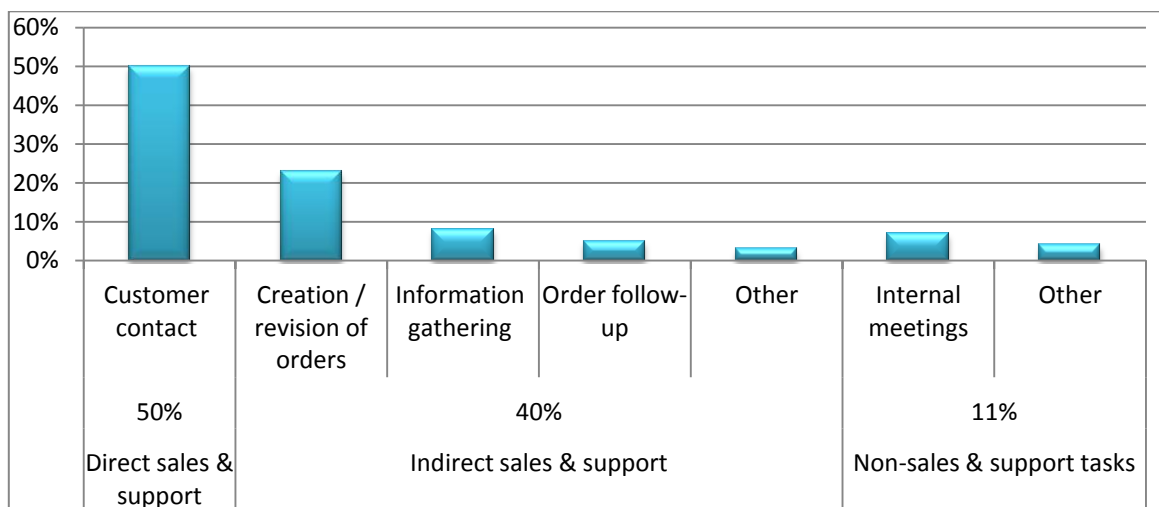


Figure 7: Time-activity of customer support.

*Sales team-play*

The interviews with each sales member of Fagerhult's sales force indicated that there are a couple of bottlenecks in the sales process, preventing each individual from optimal performance. There are a couple of "time-thieves", such as customer visit reports, as well as quotations: this prohibits customer support from an effective follow-up on projects, as well as after-service and claim handling. Account managers are not able to focus on customer visits accordingly. In addition, the communication is perceived as a weak factor in the sales organization, even with the use of adequate IT-systems. This also results in a lack of adequate and clear division of tasks (appendix 5). Many respondents find that team-play, as well as communication needs to be improved. Also, it is suggested that the sales force would improve with the use of sales trainings.



### 3.3 Sales per customer class and business type

The results are retrieved from the company CRM database and internal company reports and used for an in-depth industry analysis. The importance of this question lies on how complete and useful the targeting and CRM approach of Fagerhult is, and if it creates the desired customer base.

Fagerhult is a customer-oriented organization with a heavy focus on customer relationships. The company therefore divides its existing customers in different customer classes. It also serves different businesses, which vary in importance to the company.

#### *A, B, C segmentation*

Customer segmentation is very important for Fagerhult, because it shows how effective the sales force is in targeting the right customers for the desired output. The customers are divided according to size (A, B, C) and potential / loyalty (1, 2, 3), (Fagerhult CRM grid, 2011). Below is shown the division of customers according to CRM classification.

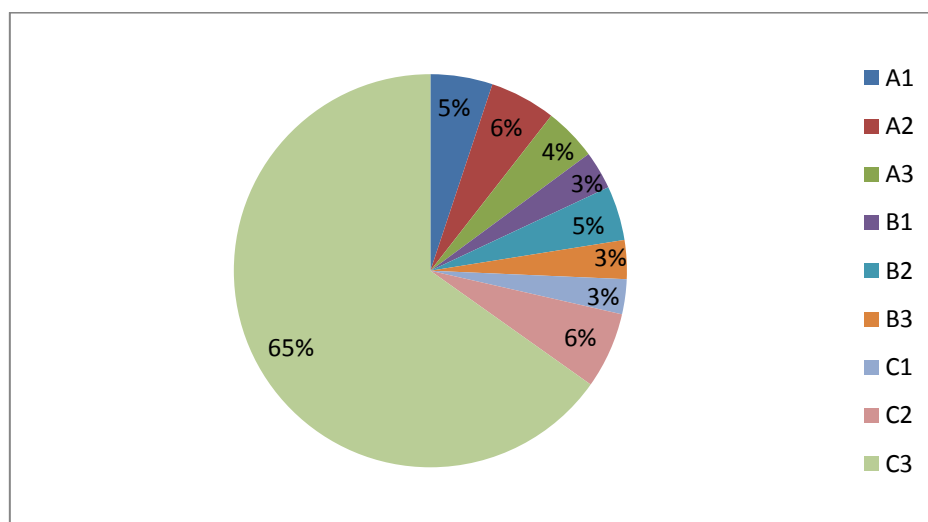


Figure 8: Customers according to CRM classification.<sup>8</sup>

Figure 8 shows that a large share of customers from Fagerhult is perceived as a C customer, especially C3, which generates the lowest revenues, and is perceived as not a loyal customer. “A” customers, on the other hand, are scarce. Appendix 6 shows the customer classification according to the individual sales areas. Between all product groups and sales areas, the amounts of A, B and C customers vary significantly, and not all sales representatives of each region have segmented their existing clients: this is perceived as one of their most important tasks to do.

<sup>8</sup> CRM Database WinRis (2012). *Total customers and classifications.*

### *Sales per business type*

Throughout the supply chain, there are various sorts of customers, all of which represent a different decision making unit (DMU), and who exercise different levels of pressure. The company targets mostly direct-buying consumers, which are mainly installers, to stay close to the end-product (Appendix 7). The number of projects and the main specifiers differ per region. Therefore, each sales area targets their customers differently.

The interviews indicated that the estimated influences (percentages) between all types of customers show a discrepancy. Installers are mostly visited with 61% of total visits. This results only in 34% of total projects value won (Year report, 2011). Consultants on the other hand, have more potential, since only 16% of all visits are performed with consultants, but fewer activities are directed towards them.

<b>Estimated influence per business type vs. meetings performed.<sup>9</sup></b>		
<i>Type of business</i>	<i>Visits performed %</i>	<i>Estimated influence</i>
Architect	6%	5 - 10%
Consultants	16%	20 - 30%
Wholesaler	2%	0 - 5%
Installer	61%	20 - 80%
Main builder	8%	0 - 10%
End customer	1%	5 - 20%

<sup>9</sup> CRM database WinRis (2012). *Visits per business type.*

## 3.4 Customer classification analysis

For the fourth sub-question: How good does customer classification represent value and efforts (activities performed) for Fagerhult, internal company reports, and the use of data from the CRM system contributed to the findings listed below. The question indicates whether performed activities are aligned with important client groups, and whether the company should consider refocusing.

### *Customer Relationship Management*

For their CRM efforts, the company introduced a matrix, shown in appendix 8, indicating the methods used for segmenting the existing clients. Even with the use of this matrix, customer segmentation has been the result of gut feeling, rather than hard facts. The potential or loyalty of a customer is perceived as difficult to determine: the sales employees cannot justify their customer segmentation choices. Furthermore, only 60% of the current client base has been segmented, whilst the other 40% are unclear of which opportunities they represent as clients.

Figure 9 illustrates that the high tier customers generate the most profit (about 60% of total profits) whereas the lower tier customers have the highest gross profits. The B and C customers have a lower impact on sales costs, and thus higher gross profits.

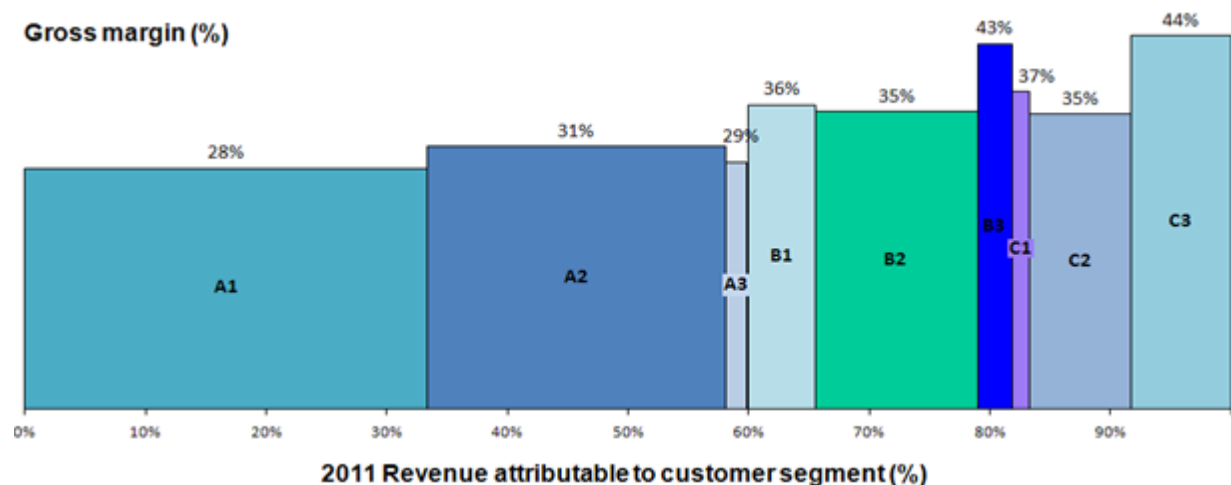


Figure 9: CRM classification: Revenues vs. Gross profit. <sup>10 11</sup>

### *Organizational culture vs. CRM*

The Fagerhult Group makes use of an atomized IT CRM system, WinRis, to improve their efforts towards customer relationships. While this should improve fast communication and the frequency of calls and visits to customers, the organizational culture of Fagerhult has not fully accepted the use of WinRis.

<sup>10</sup> Year report (2011). *Financial figures*.

<sup>11</sup> CRM database WinRis (2012) *CRM segmentation according to gross profit*.

The interview results show, that there is still resistance against the organizational changes towards CRM that are made in the past. The sales team does not fully distinguish the different customers of the client base. Furthermore, the CRM system currently is not updated adequately. The sales force argues that this is not a top priority, whilst management argues differently: CRM is one of the most important sales strategies. This results in incomplete and missing project information, which is vital for the CRM strategy to function properly.

## *Activities per customer segment*

Customer segments and their revenues and profits are divided logically. But, it is uncertain that the activities performed, and the efforts shown, are well adapted towards the different customer segments. As shown in the table below, activities performed, such as visits and offers made, are high in percentage for the A customers. Nevertheless, there are many activities performed in the B and C segments as well, which suggests that there might be potential for refocusing.

## *Fagerhult BV: activities performed vs. output.* <sup>12</sup>

Activities	A1	A2	A3	B1	B2	B3	C1	C2	C3
No. customers	4%	6%	4%	3%	4%	4%	3%	6%	66%
No. visits	32%	20%	7%	8%	12%	3%	1%	8%	10%
No. offers	20%	19%	7%	7%	14%	4%	2%	10%	18%
Invoiced value	36%	25%	2%	4%	12%	4%	1%	7%	9%

Comparing the activities performed per customer segment with the different business types that Fagerhult targets (Architects, consultants and Installers) there are more discrepancies to be found. Although meetings are towards large and loyal accounts, there is a heavy focus on direct buying customers, which are mainly installers. As mentioned earlier, consultants have a strong influence and high potential: this is not visible in the number of visits towards those businesses (Appendix 10).

These figures highlight that Fagerhult does show strong efforts towards their clients, but often it is not targeted towards the right customer segments or businesses.

<sup>12</sup> Fagerhult NL (2011). CRM listing of visits and orders, only customers with known segmentation.

### 3.5 Cost-to-serve analysis

The fifth sub-question, a cost-to-serve analysis of Fagerhult BV, has been derived from internal company reports, yearly financial results, the CRM database WinRis, as well as the time-activity analysis. The costs analysis is important for the research, because it indicates how efficient the organization operates with regard to sales.

#### *Type of costs*

To determine the correct sales approach, it is important for Fagerhult to know which activities have the highest costs, and take up the most time in the sales process. Labor costs for example, indicate that field sales involves a lot of costs, due to the wages of personnel and lease cars. Plus, field sales has a performance-linked bonus system. Furthermore, preparing lighting plans and advanced offers take up a lot of time. This results in high run times per project. Projects are often not scored at the final stages of negotiation, indicating a lot of time, money and effort is spent on a lost project (CRM database WinRis, run-time per project). The type of costs the sales force has to incur, as well as the time needed for these activities are displayed below:

	No. of activities	Time spent (hours) <sup>13</sup>	Average time per activity (in hours) <sup>14</sup>
<b>Customer meeting</b>	1433	5766	4.0
<b>Offer - simple</b>	2749	1441	0.5
<b>Offer - advanced</b>	1627	5766	3.5
<b>Lighting plan</b>	323	4376	13.6
<b>Order</b>	5800	4221	0.73
<b>Claim</b>	20	154	7.7

As shown in the table above, a lighting plan, as well as an offer to a customer, or a customer meeting are activities spent most time on.

#### *Total costs*

The graph below shows the total costs per activity, estimated from the hours needed as well as the different labor costs of the persons performing the specific activities. The customer meetings include travel time, which accounts for a high percentage of the time needed, as well as high costs. Furthermore, claim handling accounts for significant costs. Nevertheless, it is unclear which persons hold the responsibility of claim handling: too much persons focus on this activity, and this is inefficient in time.

<sup>13</sup> Time-activity analysis (2012) *Hours spent per activity on yearly basis.*

<sup>14</sup> CRM database WinRis (2012) *Activities per project.*

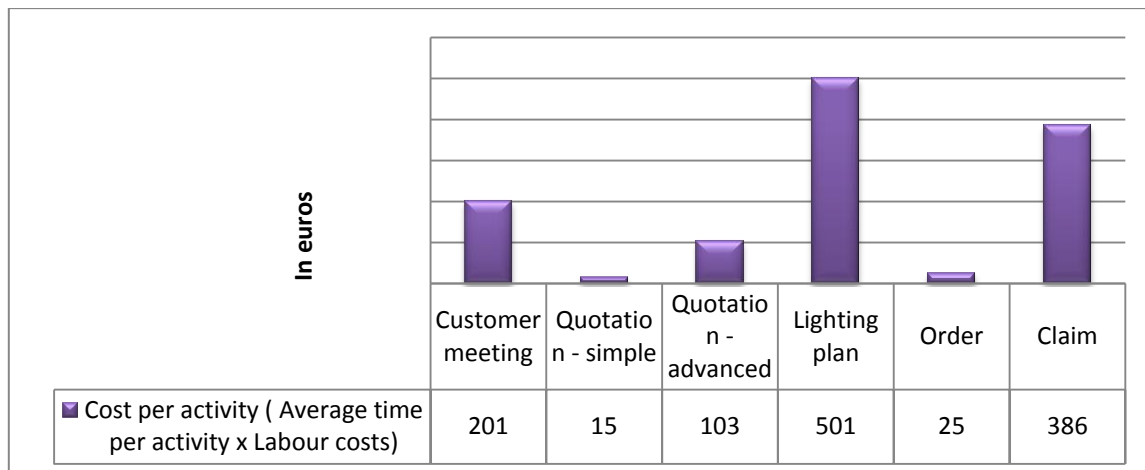


Figure 10: Cost per activity (2011).<sup>15</sup>

## Costs per customer segment

The figure below shows the difference in costs per customer segment. It indicates that even though the A customers represent the highest costs, the “3” segments, as well as C-customers, incur high costs as well.

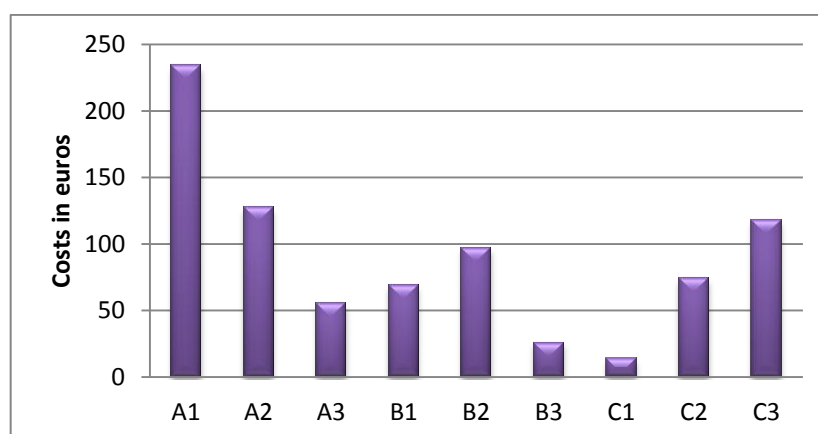


Figure 11: Costs per customer segment (2011).<sup>16</sup>

The investment levels in the B & C segments opt for re-evaluation, since they are rather high. The cost impact on the different segments is also significant: The costs have the highest impact on the gross-profit levels of the “3” segments as well as B and C. These are the least loyal customers, and incur high costs due to more efforts towards relationship building (Appendix 11).

<sup>15</sup> Fagerhult BV (2011) *Financial figures and labor costs*.

<sup>16</sup> CRM database WinRis (2012) *Activities per type of customer*.

## 3.6 Impact of the selling activities

The following sub-question has been the result of 68 questionnaires for the A-customers of Fagerhult. This “image survey” contributes to the research in such a way, in that that it indicates how well Fagerhult performs its services from the perception of their most valuable clients, and if their approach is effective or not.

### *Customer satisfaction*

The questionnaires indicated that the level of satisfaction is positive (appendix 12). Nevertheless, customers do argue that the sales approach always needs improvement. The company finds that their USP's are quality of products, as well as service and knowledge, and one of their weaker points is pricing (SWOT, 2011). But, the survey indicated different answers.

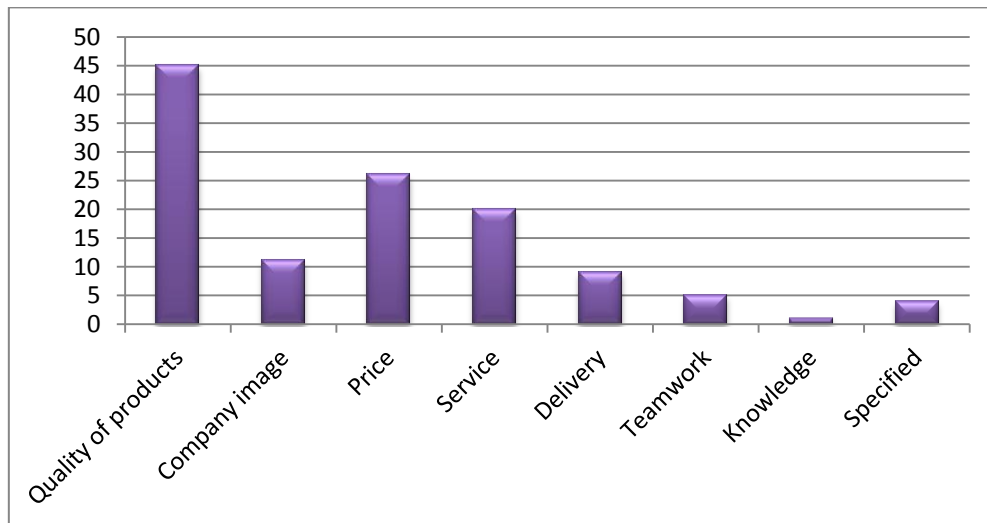


Figure 12: Questionnaire: *We have chosen Fagerhult as a manufacturer instead of competitors because of:*

### *Overall strategy*

Pricing and product delivery have a lower impact on sales output than the direct sales activities. Appendix 13 highlights that customer visits are sufficient enough. Nevertheless, the grade given to product delivery and trustworthiness (appendix 12) is rather low. These figures explain that the direct sales activities have a greater impact on sales than the strategic issues involved such as logistics and marketing.

### *Skills of the sales force*

Technical knowledge and professionalism of the sales force need improvement. Almost 30% of the A-customers argue that the knowledge of the sales force can be better, whereas professionalism scores below a 7 (on a scale to 10). Sales training and improvement of product knowledge is required. Customer visits and phone calls can be improved by training.

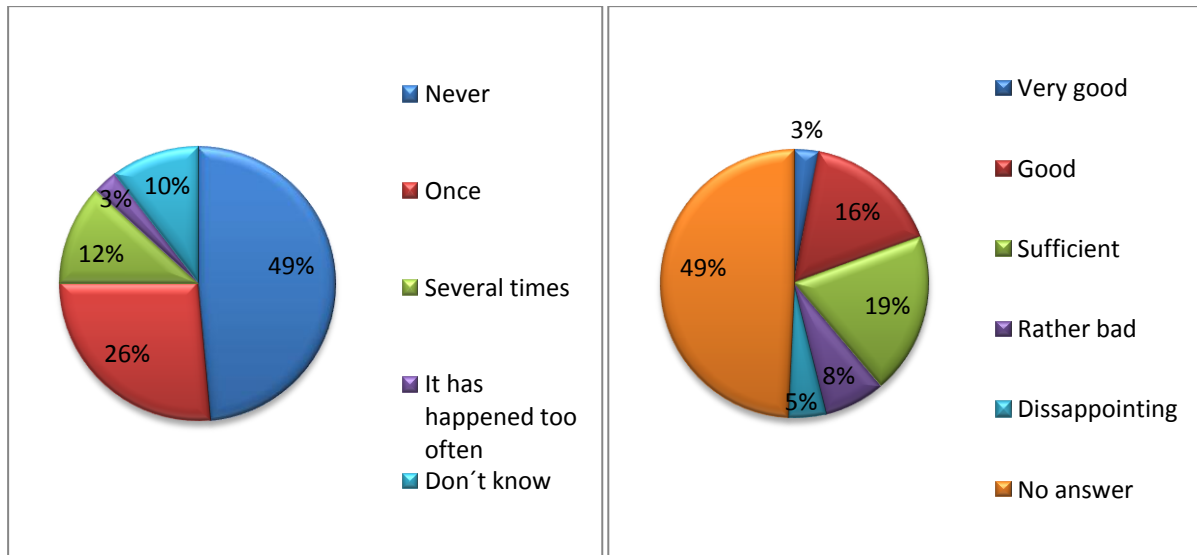


Figure 13 & 14: Questionnaire: *Have you ever had a complaint about the services of Fagerhult? / How did you perceive the claim handling and services provided?*

Even though almost half of the A-customers have never had a complaint so far, more than a quarter of the respondents have had one or more. The level of service with a complaint is in general good or sufficient, but some answers are negative, stating a lack of proper after sales.

The questionnaires among the top-clients of Fagerhult resulted in both positive and negative outcomes, explaining there can be made some adjustments to improve the impact of the sales activities.



### 3.7 The Win-Ratio.

The last sub-question is derived from internal company reports as well as quantitative data from the CRM system. It shows how effective the sales approach is of Fagerhult in terms of desired outputs.

The win-ratio indicates how successful Fagerhult is with their sales approach in terms of won projects against competition. The company opts for success through quality of products, service and flexibility (SWOT, 2011). Focus on customers and frequency of visits should help with this strategy.

#### *Win-ratio*

The win-ratio in total and per region is disappointing. It also varies significantly per sales area. Indoor east and outdoor win the least projects on a yearly basis. Appendix 14 shows the average value per projects won. The regions with a lower win-ratio have a higher average value, indicating a more stable variation between the total values of won projects of all regions. Nevertheless, the difference in average value could reflect different sales approaches per representative.

Region	Lost	Open	Scored
Indoor North	45,05%	21,79%	33,16%
Indoor North-Holland	33,41%	33,15%	33,44%
Indoor Centre	47,38%	18,04%	34,58%
Indoor East	52,85%	20,42%	26,73%
Indoor South	42,94%	20,31%	36,76%
Indoor South-Holland	50,19%	18,82%	30,99%
Outdoor	81,92%	1,93%	16,15%
Retail	2,90%	14,28%	82,82%
<b>Average</b>			<b>36,83%</b>

Table: Win-Ratio total and per region accumulated from 2007-2011. <sup>17</sup>

Appendix 14 also shows that of the lost projects, the offer mostly goes to competition due to a better price or offering of products. Sometimes orders are cancelled, resulting in many wasted costs. When orders are won, it is mostly on behalf of the products.

#### *Activities vs. win-ratio*

Figure 15 below shows more discrepancies in the successfulness of Fagerhult across different regions. The company should investigate whether its activities are aimed at the right projects, especially in region East. In region East, the win-ratio of 2011 is only 16% of the total projects started. Also the regions South and North have put tremendous effort in quotations and offers, which often resulted in waste of money.

<sup>17</sup> CRM database WinRis (2012) Won projects per region of Total.

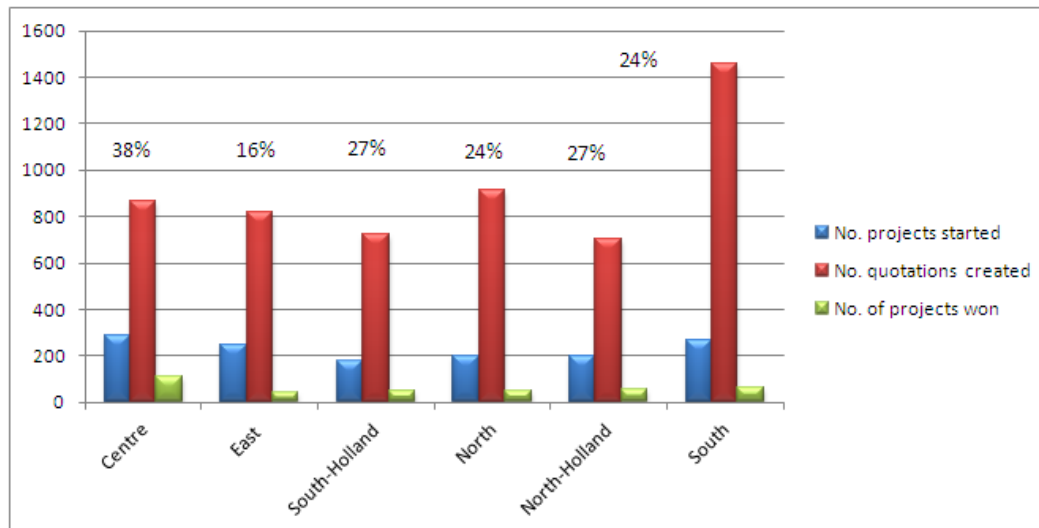


Figure 15: Quotations vs. Projects won 2011. <sup>18</sup>

Furthermore, looking at meetings performed versus the outcomes, the win-ratio of the different types of business is also worrying. Fagerhult BV has a good allocation of its sales activities, but there is potential to approach consultants more. Meanwhile, the high percentage of meetings towards installers result in only a half of won projects.

Meetings performed vs. value of projects won		
Type of business	Meetings performed %	Project value won
Installer & main builder	69%	34%
Consultants	16%	22%
Architects	6%	3%
Others	9%	40%

Table: Meetings performed versus project value won (2011). <sup>19</sup>

The win-ratio varies significantly per region and different business types. It also shows that the activities are not always aimed towards the right persons; customer groups or business segments. This highlights opportunities and points of refocusing for Fagerhult.

<sup>18</sup> CRM database WinRis (2012) Quotations send per type of project.

<sup>19</sup> CRM database WinRis (2012) Meetings per business type and projects won.

## *Summary of findings*

- Fagerhult's sales have decreased the past 5 years. Net profit reduced with 18%, and new projects attained diminished as well.
- The buddy system has been introduced at Fagerhult, where each sales team represents an account manager and customer support employee. Tasks, responsibilities and territories are unclear between employees, and team play is often missing. Furthermore, communication is perceived as a weak link.
- Sales targets are often not met, and customer visits are too low. Potential between all sales areas is very different, but so are the output and visits per region, indicating varying strategies.
- The most important activities, visits and customer contact / offer creation, are not enough performed.
- A and B customers only represent a small part of the total client base, and the perceived importance of CRM varies significantly between the different departments of Fagerhult.
- Activities performed are mostly towards A-customers. But, there are many activities performed in the B and C segments as well, which suggests that there might be potential for refocusing.
- There is a heavy focus on direct buying customers, which are mainly installers. But, consultants have a strong influence and high potential.
- Customer visits and lighting plans have the highest costs and time frame. Even though the A customers represent the highest costs, the "3" segments, as well as C-customers, incur high costs as well.
- The sales approach opts for improvement. The company's USP's are not in line with the perceived qualities by the customers. Product delivery and technical knowledge and skills of the sales force is lacking.
- The win-ratio is rather disappointing. Each region has low percentages, with also great variances.

## 4. Discussion

The discussion section shows the main findings and interprets and compares them to the academic literature and hypotheses. Conclusions are drawn from the results of the research listed above. This section is divided according to the main topics of the report, and main problems from the research question: Efficiency, effectiveness, CRM and teamwork.

### *Efficiency*

The findings showed that Fagerhult BV has problems allocating resources in their sales process. The time-activity analysis and interviews stated that administrative tasks and travel time are time-consuming. It indicates that much time is lost on indirect selling for both internal and external sales. Because processes are not automated and sales activities vary greatly between sales representatives, productivity is lower. As Hunter and Perrault (2007) suggest, a company that does not automate sales processes loses time on direct selling with routine administrative tasks.

Already suggested with the hypotheses, customer support does not perform their most important visits such as offer creation and customer contact enough. It is common in sales-oriented companies, that direct selling is often too low. Using IT should overcome obstacles with underlying efficiency gains and information benefits (Ahearne, 2007).

As for cost-efficiency, results show that costs are often dedicated towards a client that represents low value and loyalty. It signifies that there is no prioritization of activities: Which client is best to be served first? Costs are often wasted towards clients or activities not adding any value towards the organization. Investments levels per A, B and C customer also indicated that there are no clear rules on how much to invest per client segment. Tanner (2005) states that, to efficiently accomplish resource allocation, a firm must be able to evaluate the value or profitability of individual customer segments. Research shows that, resource allocation often leads to cost reduction and better tackling of customer segments, thus cost efficiency.

### *Effectiveness*

Fagerhult is an example of many companies in which effectiveness of sales is not only achieved through won projects and revenues. Zalloco (2009) and Ahearne (2007) point out that sales effectiveness is a dimension of salesperson outcomes as well as salesperson behaviors and capabilities. Visits are performed less frequently, and field sales does not reach targets. Overall, this results in lower revenues for the sales force. By setting aggressive targets only manageable through behavioral changes, sales reps are forced to trust the sales processes (Nottebohm, 2011).

Furthermore, each sales area represents different outcomes, potential and customers targeted. This stresses that there is not a universal sales approach for all regions and product classes. Customer segments with high potential and loyalty are not always targeted accurately. Increasing customer orientation is common to resolve this issue, because it enables a sales force to serve customers with greater effectiveness (Krasnikov, Jayachadran & Kumar, 2009).

The company's Unique Selling Points (USP's) are not in line with the qualities of sales perceived by the clients. This indicates that the company does not communicate their USP's effectively to their main audience. When a firm is unable to effectively communicate this with its customers, relationships with flounder (Zoltners, 2008). Furthermore, customer visiting is perceived to be sufficient by the clients, but delivery and knowledge of the sales force are not. It explains that the direct sales activities have a higher contribution to sales output than indirect factors.

Aiming sales activities towards the right people is often not done sufficient. Fagerhult as well, does not always target the right activities to clients with high potential. This highlights opportunities and points of refocusing. According to Zalloco (2009), another problem sales managers face is the inability to accurately measure sales performance. This is the same for Fagerhult who does not use their IT enough to capture sales trends of the company. It suggests that Fagerhult has comprehensive tracking of selling activities but could leverage this information more to steer sales approach.

## *Customer Relationship Management*

Fagerhult is a customer-oriented firm, using IT to serve their different customers best by improving communication. Many researchers argue that CRM can improve the effectiveness of sales intensive organizations. Nevertheless, to achieve this, CRM must be seen as an enterprise-wide endeavor (Shen, Yen, Li & Ching, 2009). But from the results, it is shown that there is still resistance from the sales force against CRM, and the employees do not fully corporate with the model. Customer information is updated inadequately, and a large share of clients has not been segmented. Tanner (2005) points out that customer data is the lifeblood of CRM, and without this, the system cannot fully function.

Furthermore, the A and B customers represent only a small part of the total client base, indicating that prospects need better targeting. Activities and investment levels between all customer segments opts for refocusing as well, since many activities are not performed towards A-clients. Research indicates that salespeople wanting to increase their customer orientation need to reallocate how they spend their time: it reduces the total customers they can serve at all. Customers with higher profitability and loyalty deserve better care.

### *Teamwork*

Fagerhult has introduced a clear and useful structure for the account managers and customer support. Nevertheless, the boundaries of sales positions are unclear. Zoltners (2008) and Jayachandran (2004) argue that in sales organizations, too much time is often spent on administrative tasks. Division of tasks is often unclear, and there are no clear territories and boundaries for sales reps. Furthermore, sales employees do not participate in the setting of goals by the management, which also indicates a lower motivation among the sales reps. Research suggests that including the sales force in the formulation of goals and targets stimulates motivation (Zallico, 2009; Nottebohm, 2011). In addition, Giacobbe (2006) points out that without clear tasks, boundaries, and a stimulating and motivating environment, as sales force can't perform well. Especially with customer support, motivation is low. Results show that the sales force needs sales training. Plus, a proper bonus structure to stimulate motivation is missing. Researchers argue that in customer-oriented organizations the need for sales trainings is high. It implies that, through better knowledge and trained skills, a sales organization can improve its effectiveness as well. Even though customer support shares the responsibility of sales outcomes, they are not rewarded like the account management: this results in a gap of responsibility between field sales and customer support. Furthermore, this disrupts the team-play of sales, and the sharing of successes together.

The discussion highlights that, with the conducted research and applied theory, the findings and conclusions can form a proper answer on the research question. The purpose of the report was to research the existing problems within the sales force of Fagerhult in regard to efficiency and effectiveness. The discussion above shows clear and reliable problems, drawn from the extensive research performed. Advises for Fagerhult for these problems are shown in the recommendations section.

## 5. Recommendations

This section covers the advices given to Fagerhult the Netherlands for improving their sales process. All sub-questions indicated problems and bottlenecks within the current sales strategy, and the recommendations given below will help the company overcome these. It will also serve as a clear and descriptive answer to the research question of this report: “How should Fagerhult BV improve its sales approach in terms of efficiency and effectiveness in order to achieve higher organic growth in the Netherlands?” The main advises are shown in separate paragraphs, which are supported by underlying suggestions.

In general, what improves the sales effectiveness and efficiency of Fagerhult’s sales process is restructuring of the management and sales team. The current management should shift to a customer-centric and performance-based sales organization. Sales processes need to be more automated and universal, whereas more emphasis should be put on performance in regard to measurement tools. For this, the management should establish clear strategies and assign this to the different department managers, without the whole management team becoming too unclear in structure and direction.

1. In order to improve the efficiency and effectiveness of the sales approach, Fagerhult should stimulate team work between customer support and the account managers. Several ways can be used for this: customer support needs to be more involved in projects with important clients, so they should participate in meetings on a monthly basis. Furthermore, the company should introduce case studies per sales team in order to learn from each other’s mistakes and successes. Finally, customer support should participate in budgets and targeting for the sales teams. Making them responsible for results as well, improves motivation.

2. Effectiveness can be achieved through more selling time. Fagerhult should increase its direct selling time with customers, for the sales to have more impact. Time must be recognized as a key driver of sales. Each sales team must operate according to a common set of rules and standards on how frequent different customers should be visited.

3. Customer support needs sales trainings for better relationship building. Furthermore, the Unique Selling Points (USP’s) of Fagerhult need to be communicated towards sales employees and customers more through visualization and presentations. An incentive scheme for account management and customer support both is advised to improve productivity, team work and motivation.

4. In order to achieve cost efficiency in sales, time-thieves and operation costs need to be reduced. Road mapping should be implemented for account managers as means to efficiently visit customers, without losing too much time on travelling. Activities that carry high costs can be improved as well. Claim handling should be the responsibility of customer support only. The light design department should receive more systematic feedback on lighting plans. This will make them able to prioritize more on lighting plans and cut back costs.

5. To achieve more effectiveness in the sales approach in term of revenues, Fagerhult should invest more efforts in Customer Relationship Management. The company should introduce stricter classification thresholds to determine A, B, C customers. Meetings need to be designed to discuss performance per segment, and how well the CRM-system is updated by the sales force. On management level, the company needs to consider investment levels per segment, and create clearer boundaries for costs and efforts per segment.

6. The final recommendation for Fagerhult is, in order for the sales strategy to be more successful in the future, that the company should spent more time on performance measures. With the use of their CRM system, the company should develop a KPI (Key Performance Indicator) system to measure performance better. KPI's need to include: new identified projects per month, number of quotations, win-ratio, customer visits per month and customer satisfaction per quarter.

Fagerhult's sales are very likely to improve once these advises are implemented. It will benefit from a performance-based structure, and customers become the focus of the sales strategy. These recommendations carry costs, time and effort with them. The financial implications of these advises are listed in Appendix 15. A feasible plan for these recommendations is listed below.



## Workable plan for the recommendations

This section further carries out the advises given to Fagerhult, together with the cost and time implications from the appendix. It suggests a feasible plan, ready for the company to be implemented, once the advises are discussed. The plan consist of four phases. Each step shows which type of decision making it represents: Operational, Tactical, Strategic / Corporate level.

### *Phase 1: Creation of performance-based sales models*

*July 2012*

- Involve customer support in sales process: employees should join important sales meetings outside the office 1 time per month. (Operational)
- Create incentive scheme for account managers and customer support together. (Operational)
- Develop stricter CRM thresholds for the segmentation of current clients. (Tactical)
- Create KPI system. (Strategic / Corporate)
- Formulate Unique Selling Points. (Strategic / Corporate)
- Create template in CRM system used to report systematic feedback towards Light Design. Schedule monthly meetings with team. (Operational)
- Introduce a road-mapping system for account management. (Operational)

### *Phase 2: Communication and involvement of sale steam.*

*September 2012*

- Introduction of case studies in quarterly meetings: Each sales team should report their most successive projects. (Operational)
- Participation of customer support in monthly meetings to set targets and budgets. (Operational)
- Start communication of USP's each quarter to sales team and customers through visualization. (Strategic / Corporate)
- Schedule quarterly meetings to discuss progress of CRM. (Strategic)
- Launch of KPI system: communicate monthly results to sales force. (Strategic / Corporate)

### *Phase 3: Implementation of long-term plans to improve sales effectiveness.*

*January 2012*

- Increase direct selling time with 10% through lowering administrative tasks. (Tactical)
- Implement sales and product trainings per quarter to stimulate knowledge. (Operational)
- Introduce stricter rules on investment levels per customer segment. (Tactical)

### *Phase 4: Continuous monitoring of performance.*

-

After the implementation of the suggested advises, this phase is important to frequently monitor the performance of the company. Sales output, financial results and external market information are key.

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## Appendices

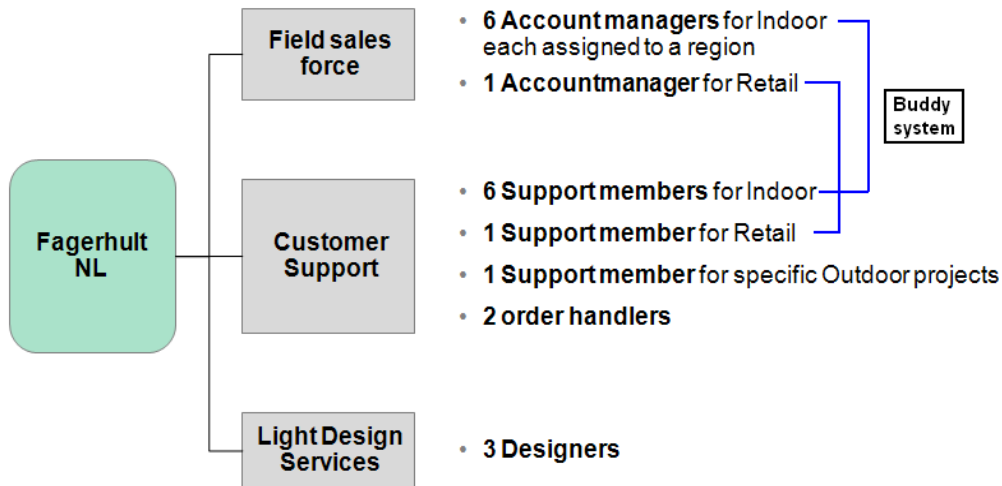
### Appendix 1: Research methods

*All research methods listed with their points of measurement, and assessment techniques used.*

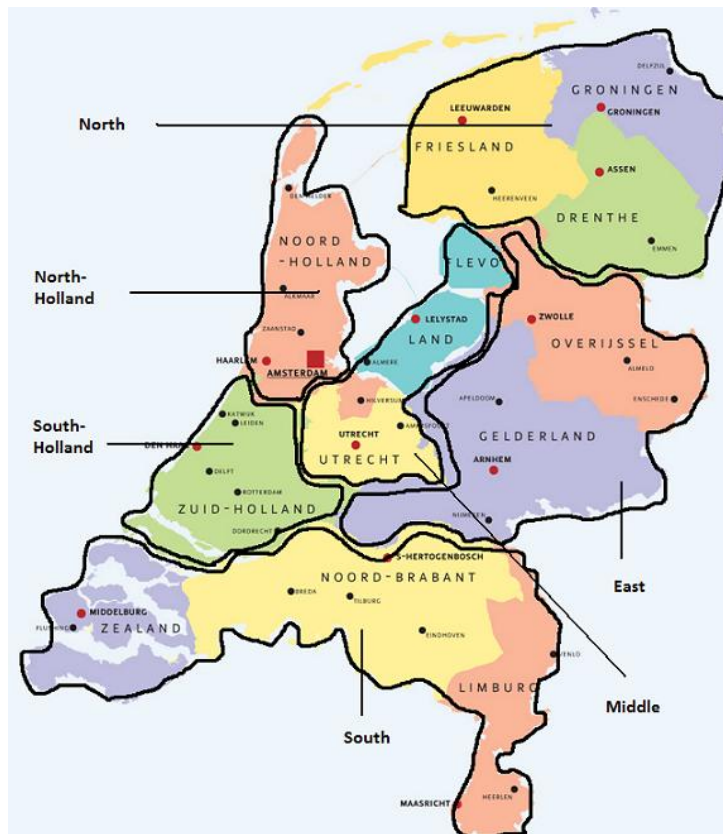
Research Method	What is analyzed?	Measurement items	How is it processed?	Variables
Time - Activity sheet	Effectiveness	Direct and Indirect selling time	Results were processed through excel, and mathematic tools were used to asses these.	Hours spent on different activities. Divided in customer support and account management.
		Time spent on CRM		
		After sales		
	Efficiency	% Of administrative work		
		Level of productivity		
		Internal and external meetings		
		Communication		
Interviews	Effectiveness	Activities	All answers were divided in different groups.	0 – 5 point scale
		Direct sales		
		Motivation		
	Efficiency	Job descriptions and task division	All answers were divided in different groups.	0 – 5 point scale
		Communication		
		Improvement points		
	CRM	CRM acceptance	All answers were divided in different groups.	0 – 5 point scale
		CRM & IT		
	Questionnaire	Customer satisfaction	All questionnaires were processed with the use of a likert - scale	Strongly disagree (1 point) – Strongly agree (5 points)
		Pricing		
		Customer visits		
		Complaints		
		Customer orientation		
		Competition		
		Claim handling /after service		
	Efficiency	Product delivery	All questionnaires were processed with the use of a likert - scale	Very good (5 points) – Disappointing (5 points)
	Team work / skills	Technical knowledge	All questionnaires were processed with the use of a likert - scale	Strongly disagree (1 point) – Strongly agree (5 points)
		Professionalism		

## Appendix 2: Sales organization structure

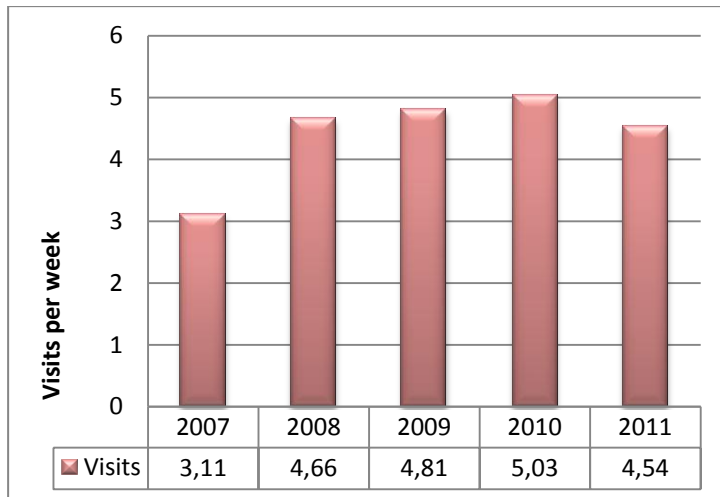
### Fagerhult NL Sales organization



## Appendix 3: Revenues per product group



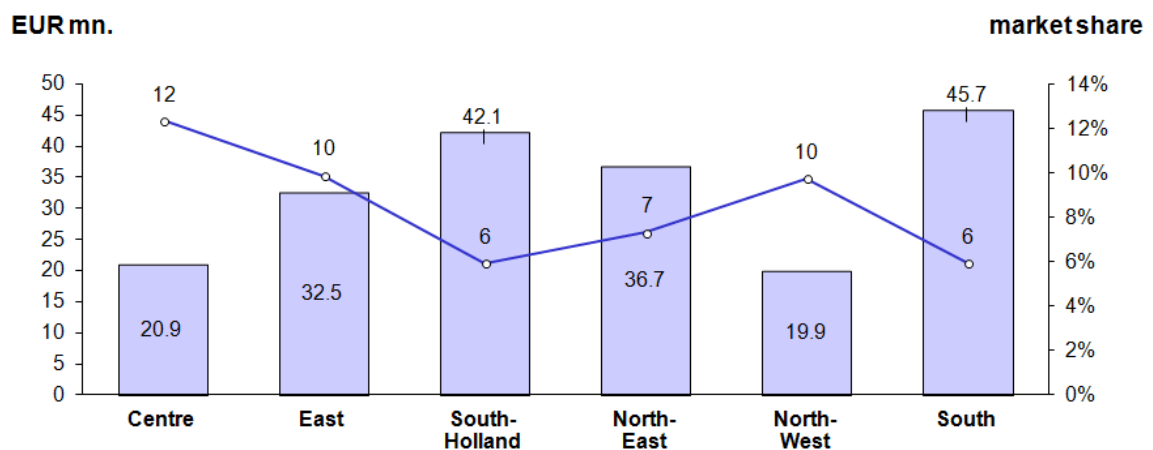
*Average number of visits performed each year (by all sales representatives).*



Source: Fagerhult Sales (2012). Visit reports, account management.

## Appendix 4: Market potential

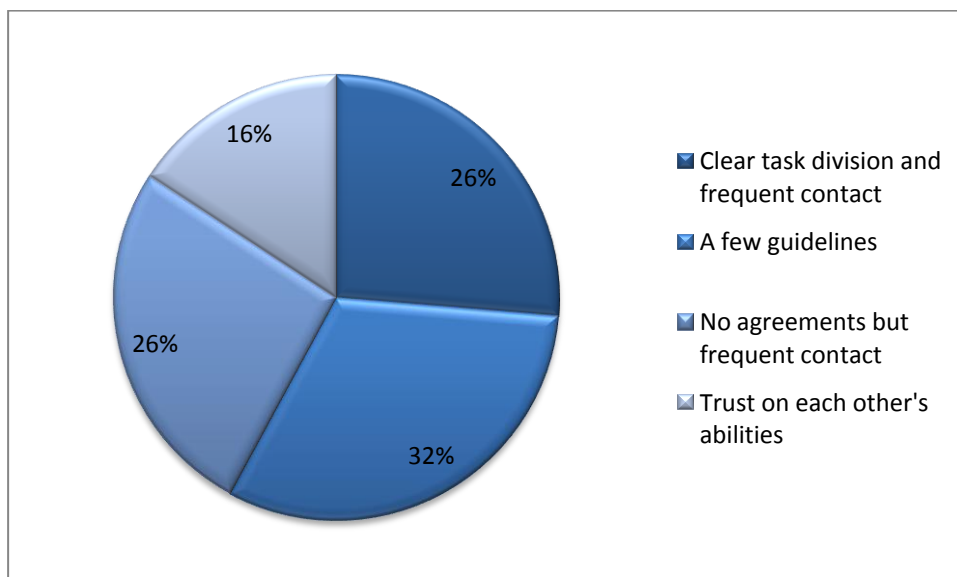
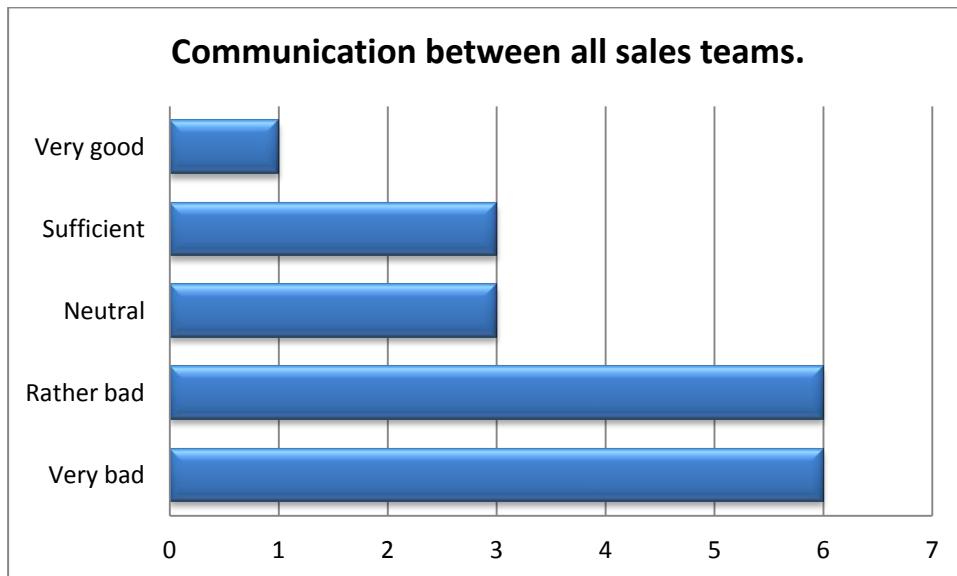
### Market potential by region (Indoor + Outdoor)



Source: NLA (2011). Nederlandse Licht Associatie jaarlijks rapport: *industrie cijfers*.  
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## Appendix 5: Communication

*\* Results retrieved from interviews with total sales force: 18 employees.*



## Appendix 6: CRM per sales area

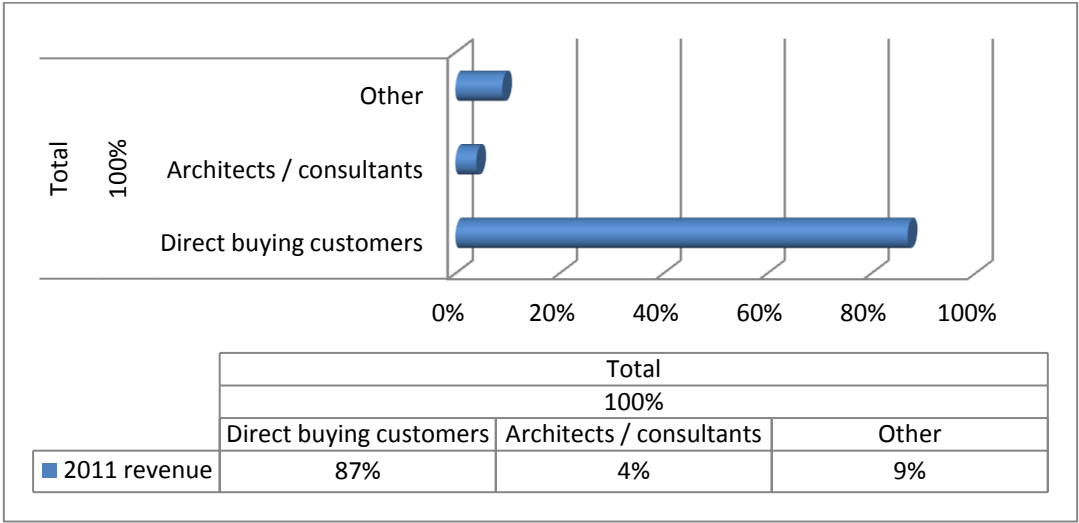
*Customer classification per sales area.*

	A1	A2	A3	B1	B2	B3	C1	C2	C3
<b>Centre</b>	7	11	2	7	16	3	5	27	17
<b>East</b>	42	40	31	3	18	16	1	1	849
<b>South-Holland</b>	6	13	11		5	10	2	2	15
<b>North</b>	8	3	2	13	13	5	14	30	23
<b>North-Holland</b>	6	12	9	17	2	13	16	6	33
<b>Outdoor</b>	2					1		1	4
<b>Retail</b>	2	1					1	2	1
<b>South</b>	7	5	13	9	16	2	6	29	78
<b>Total</b>	<b>80</b>	<b>85</b>	<b>68</b>	<b>49</b>	<b>70</b>	<b>50</b>	<b>45</b>	<b>98</b>	<b>1020</b>

*Source: CRM Database WinRis (2012). Total customers and classifications.*



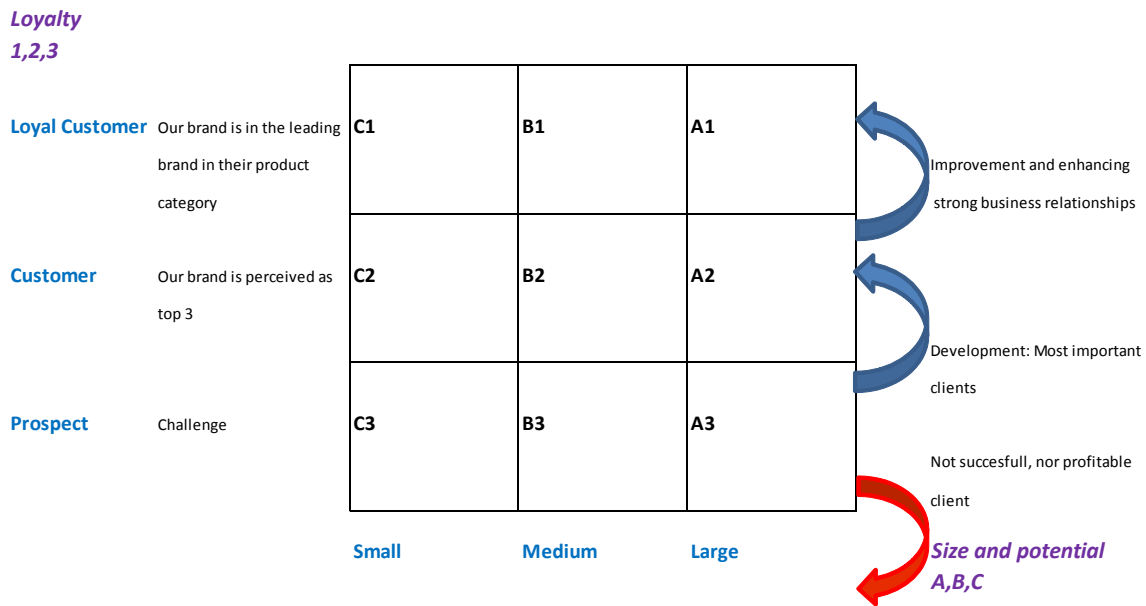
Appendix 7: Sales per business type



\* Sales per business type, source: Fagerhult annual report (2011).

Appendix 8: CRM matrix

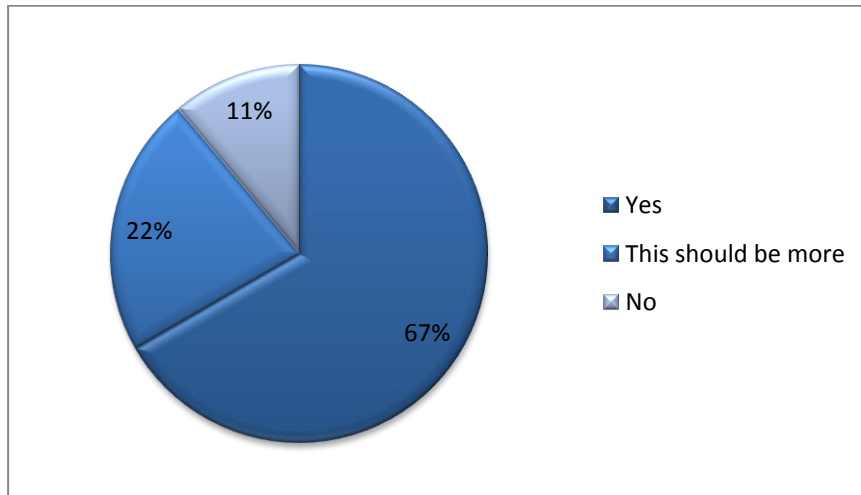
CRM Matrix Fagerhult Netherlands



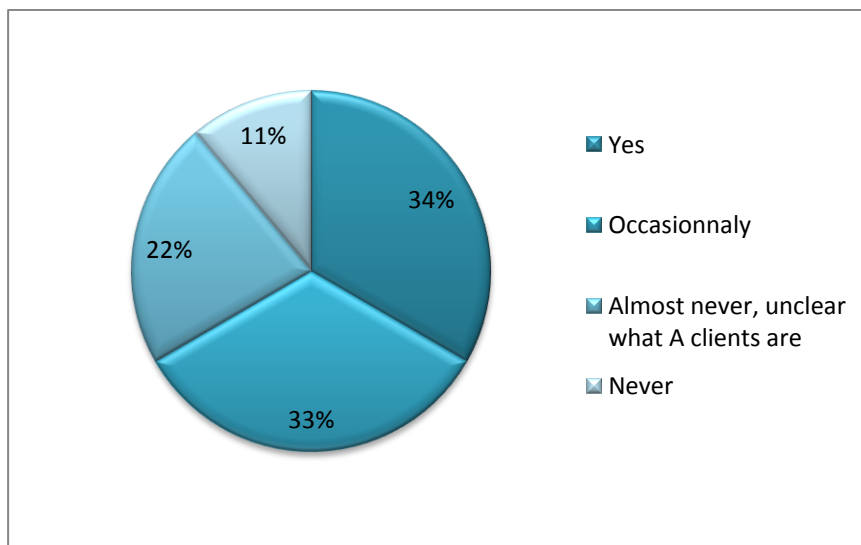
Source: Fagerhult Group CEO report (2009). Internal management conference.

## Appendix 9: CRM system

*Interview Question: "Do you, according to your own opinion, spend sufficient time on updating the CRM system?"*



*Interview Question: "Do you distinguish the different customer segments of Fagerhult adequately?"*



*\* Results retrieved from interviews with total sales force: 18 employees.*

## Appendix 10: Visits per segment and business type

*Fagerhult BV: Visits performed per customer segment and business type.*

Segments	Architects	Consultants	Direct buying customers (installers)
A1	0,3	9,5	22,9
A2	0	3,8	15,5
A3	0,2	3,5	3,2
B1	0	1,8	6
B2	0	1,4	10,2
B3	0	0	2,5
C1	0,2	0,2	0,9
C2	0,5	0,6	7,1
C3	1,1	1,1	7,5
Total:			100%

## Appendix 11: Impact of sales costs

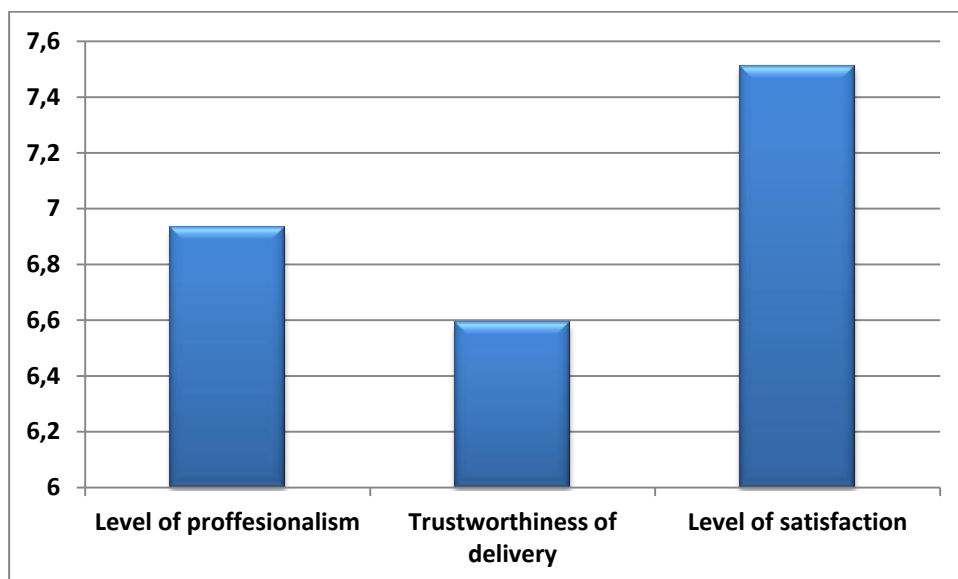
*\* The impact of sales costs on gross-profit per customer segment.*

	Gross margin %	GP after cost-to-serve %	Difference %
A1	28%	24%	-4%
A2	31%	28%	-3%
A3	29%	13%	-19%
B1	36%	28%	-8%
B2	35%	32%	-5%
B3	43%	36%	-6%
C1	37%	31%	-6%
C2	35%	29%	-6%
C3	44%	36%	-9%

*Source: Year report (2011). Financial figures.*

*CRM database WinRis (2012) CRM segmentation according to gross profit.*

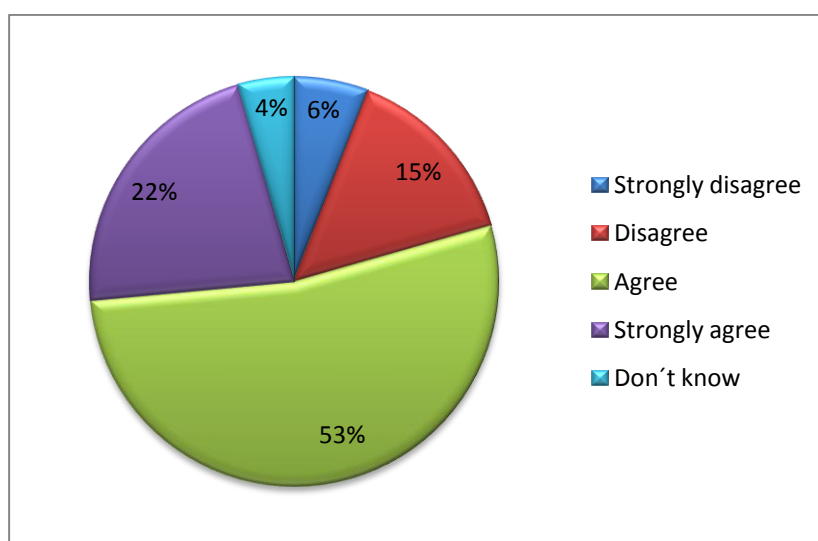
## Appendix 12: Grades from customers



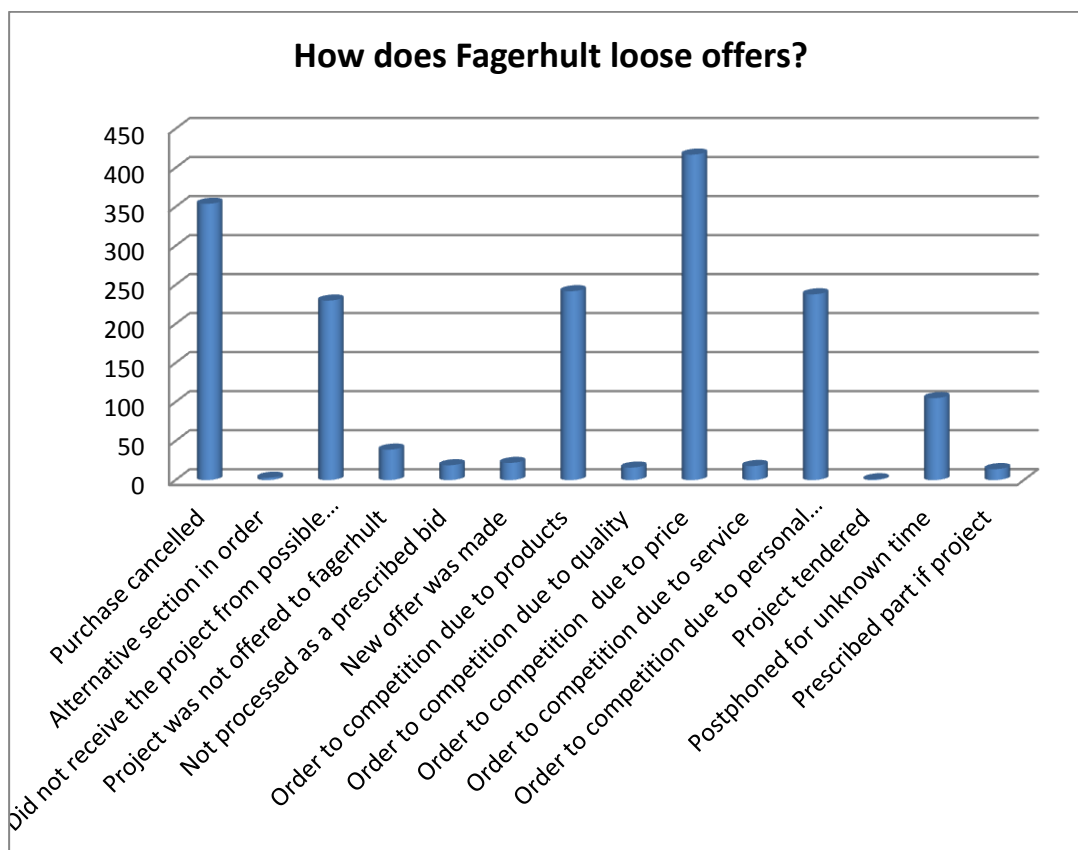
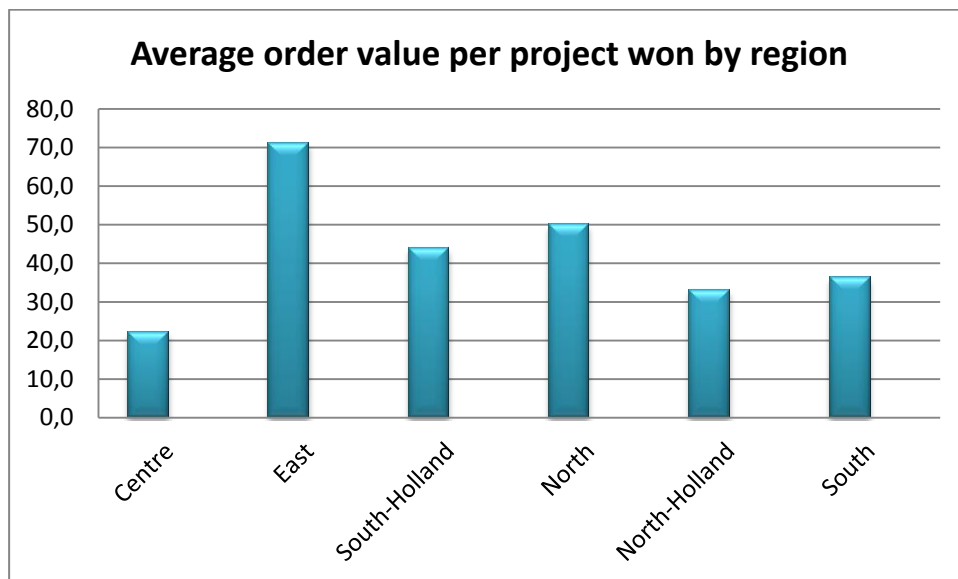
Level of professionalism	6,93
Trustworthiness of delivery	6,59
Level of satisfaction	7,51

## Appendix 13: Customer visits

\* Questionnaire: The number of customer visits of Fagerhult is sufficient enough.



## Appendix 14: Win-Ratio



Source: CRM database WinRis (2012) Won projects per region of Total.

## Appendix 15: Financial implications

<b>Recommendations and financial implications</b>				
<b>Recommendations</b>	<b>Actions necessary</b>	<b>Time indications</b>	<b>Implied costs * Or hours</b>	<b>Cost per year * Or hours</b>
<b>Stimulate teamwork between customer support and account managers</b>	CS should participate in customer meetings	Monthly	30 hours	360 hours
	Case studies	Each quarter	4 hours per quarter	16 hours
	CS should join budgeting	Monthly	8 hours	100 hours
	Incentive scheme per team	Annual	€1,250 Per person	€10.000
<b>Development of skills</b>	Sales trainings	Each quarter	€ 200 per person €6.000	€24.000
	Product trainings	Each quarter	€ 200 per person €6.000	€24.000
	Communicate USP's	Each quarter	€5000	€20.000
<b>Increase direct selling time</b>	Set up sales-standards and visit programs	-	10 hours	-
	Clear function descriptions	-	10 hours	-
<b>Downsize cost of sales</b>	Implement road-mapping system	Per month	10 hours	120 hours
	Systematic feedback LDS department	Monthly	2 hours	24 hours
<b>Improvement of CRM efforts</b>	Stricter classification thresholds	-	10 hours	-
	Create investment levels per segment	-	20 hours	-
	Meetings on client segmentation	Each quarter	5 hours	20 hours
<b>Measure performance</b>	Introduce KPI system	-	10 hours	-
	Visualization of performance of sales teams	Monthly	5 hours	60 hours

\* Some implementations do not directly incur extra costs for the company, but require extra hours of work. These tasks can be implemented by different persons / departments at Fagerhult, and therefore, can vary in labor costs.