

# **A competence-based approach to sales transformation in markets under pressure to change, using the example of the German electricity market**

Gabriele Hildmann, Managing Director, KAIROS GmbH

Prof. Dr Ulrich Vossebein, Technische Hochschule Mittelhessen (University of Applied Sciences)

***Abstract: In markets that are prone to disruption, customers are particularly keen to see a reduction in complexity in order to make decision-making easier. This requires the sales function to have a strong customer and service orientation. This study looks at the competencies needed by sales staff and the general approach that should be taken if sales teams are to achieve this goal. It also highlights what is needed in terms of staff and organisational structures.***

The sales divisions of German energy companies have to face up to some major changes. The German energy market has undergone a major transformation since it was liberalised 15 years ago. Interestingly, the drivers of this transformation have also changed over the years. The initial phase was characterised by increasing competition between established energy companies and the foundation of start-ups (often subsidiaries of these existing companies). This resulted in reduced profit margins and the creation of new sales channels (such as online products). Since then, the established market players have found themselves facing new challenges as suppliers from other sectors have entered the market. These companies have brought with them innovative products and processes that seriously call into question the existing business models of electricity suppliers -young and old. These new providers often have access to customers through their existing businesses, and hence to sales and marketing opportunities. Customers' needs have also changed in tandem with this transformation in the industry. It is now up to energy companies to respond to these changes.

This study looks at two key questions in this respect:

1. Which sales competences and skills will become more important?
2. What structural changes do companies need to make for their sales operations to work more effectively?

The analysis is based on a study carried out by the authors and completed in November 2015. Based on the results of extensive secondary studies and personal interviews with sales experts from the energy sector, a questionnaire was designed and e-mailed to respondents, usually following an initial approach by telephone. The online questionnaire was aimed at sales managers and sales staff. Around 300 companies were contacted, resulting in 103 completed questionnaires that formed part of the analysis. Respondents were asked whether they were planning to adjust their sales activities in response to the expected changes in terms of both competitors and customers.

In order to answer the two key questions addressed by this paper, the focus of the analysis was on different sales competencies. Four different areas were considered: social compe-

tencies (later sub-divided into customer and team competencies), personal, technical and methodological competencies. Figure 1 provides a more detailed breakdown.<sup>1</sup>

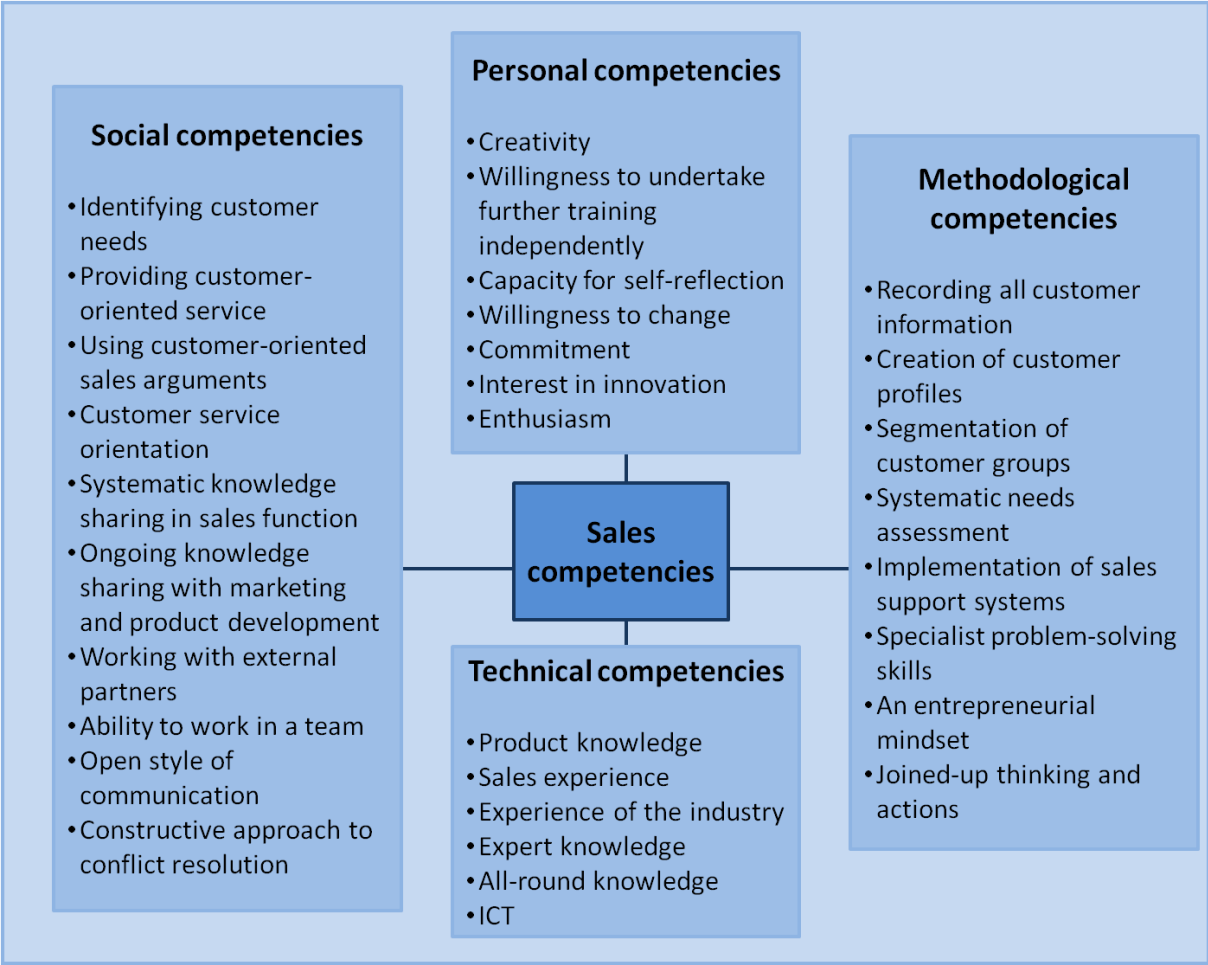


Figure 1: Overview of competencies and skills included in questionnaire

Regardless of the respondents' position within the sales organisation (whether they were managers or staff), there was general agreement that the biggest changes for sales departments would come from pressure on margins ( $\bar{x} = 4.21$ ). (It should be noted that since the second half of 2015 the margin on electricity sales to large institutional customers has been hovering around zero, while positive margins have still been achieved on sales to private customers and small businesses. The picture remains unclear for medium-sized customers.) With regard to competitors, the reasons given for the pressure on margins were the anticipated increase in market concentration (.562<sup>\*\*</sup>)<sup>2</sup> and new business models (.502<sup>\*\*</sup>). The arrival of new competitors from other sectors was also thought to be a factor (.361<sup>\*\*</sup>).

With regard to customers, respondents also expected to experience pressure as a result of changes in customers' sense of trust in the company (.429<sup>\*\*</sup>), the credibility of customer advisers (.351<sup>\*\*</sup>) and the willingness of customers to switch energy suppliers (.351<sup>\*\*</sup>). The

<sup>1</sup> Respondents were asked how they thought the importance of these various competencies would change in future. The questionnaire used the following ranking system: 1 = Importance will reduce, 2 = Importance will stay the same, 3 = Importance will increase, 4 = Importance will increase significantly, 5 = Importance will increase very significantly.

<sup>2</sup> The values in brackets represent the rank order correlation coefficient in accordance with Spearman's rho, where <sup>\*\*</sup>:  $\alpha \leq .01$  and <sup>\*</sup>:  $\alpha \leq .05$

respondents believed that new business models are essential to counter the pressure on margins, and that these should be based on a stronger focus on customer service (0,373\*\*).

This raises the question: what is the connection between the service and customer orientation of the sales department and other sales competencies as well as the general orientation of the sales operation and sales support measures and staff-related/organisational aspects of changes to the sales area?

The survey produces a consistent picture. All the relationships illustrated in Figure 2 are highly significant. For each area, three elements are given that correlate most strongly with customer service competencies.<sup>3</sup>

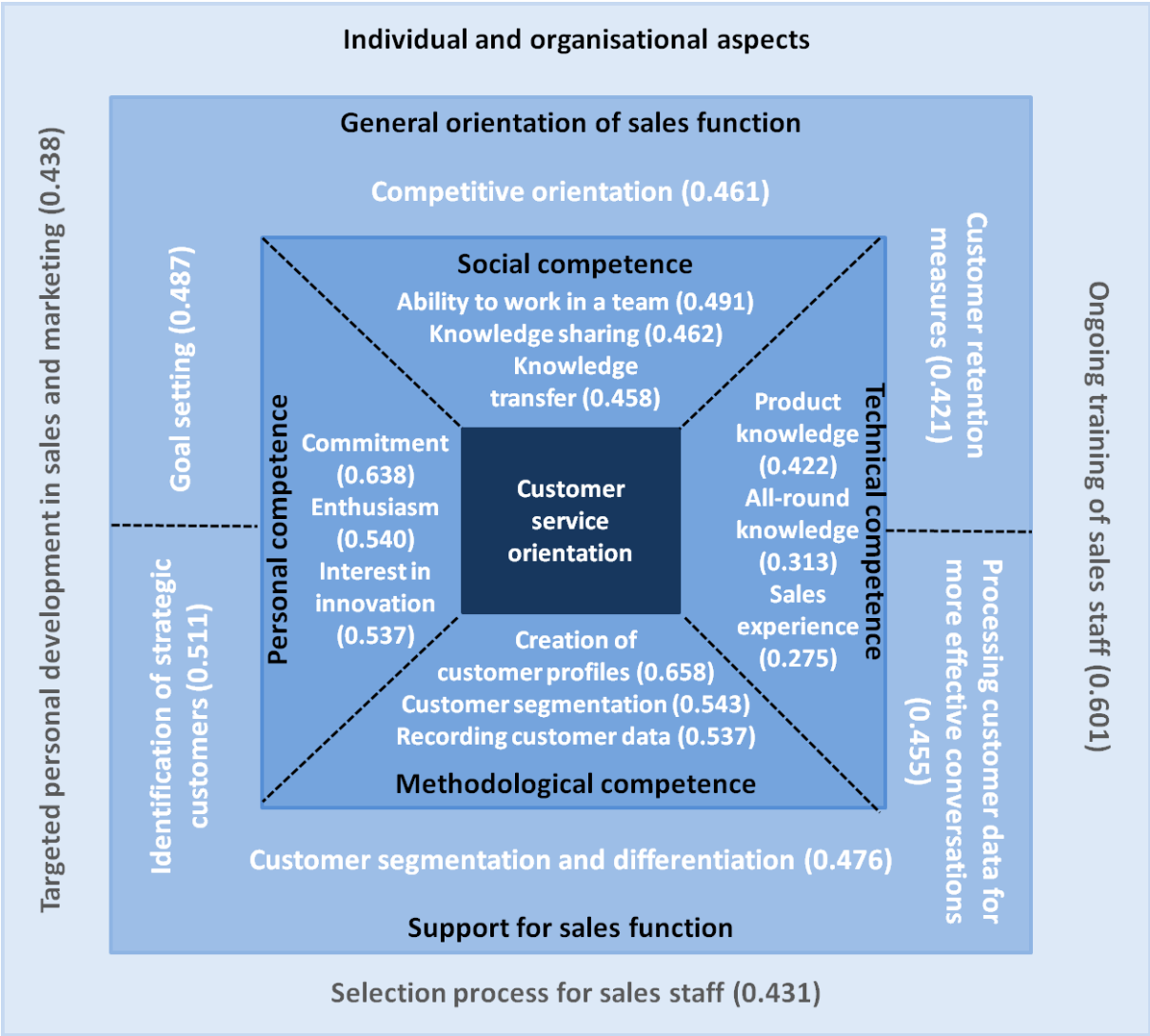


Figure 2: Sales principles for stronger customer service orientation

The results of the study reveal a consistent (and also theoretical) causal link between stronger customer service orientation and building the individual competencies of sales staff. These personal characteristics include commitment, enthusiasm and an interest in innovation. An overview is given in Table 1.

<sup>3</sup> Spearman's rho:  $\alpha \leq .01$

<b>Customer service orientation</b>	Commitment (0.638)**
	Enthusiasm (0,540)**
	Interest in innovation (0,537)**
	Creativity (0.500)**
	Capacity for self-reflection (0.465)**
	Willingness to undertake further training independently (0.436)**
	Willingness to change (0.366)**

Table 1: Correlation between personal competencies and customer service orientation

There is no doubt that the methodological competencies of sales staff play a key role in increasing the company's customer service orientation. It will become increasingly important to create customer profiles. There is also a strong correlation between customer service orientation and customer segmentation, keeping customer records and the use of sales support systems. What is noticeable is that, without exception, all the methodological competencies show a highly significant correlation with improvements in customer service orientation (see Table 2).

<b>Customer service orientation</b>	Creation of customer profiles (0.658)**
	Segmentation of customer groups (0.543)**
	Recording all customer information (0.537)**
	Implementing sales support systems (0.526)**
	Joined-up thinking and actions (0.504)**
	Specialist problem-solving skills (0,471)**
	An entrepreneurial mindset (0.433)**
	Systematic needs assessment (0,431)**

Table 2: Correlation between methodological competencies and customer service orientation

Increased awareness of customer needs enables sales staff to develop the necessary competencies to adapt quickly to changing circumstances. Of course this also includes technical skills. The survey shows that product knowledge is essential in this respect, and this needs to be expanded still further. All-round knowledge and sales experience are vital for success, and these will also have to be built on in future. What is surprising is that the respondents only recognised a loose correlation between (existing) sales experience and improvements in the quality of customer service (0.275). Irrespective of this, 62 of the 103 respondents (= 60.2%) believed that the importance of sales experience will increase significantly or very significantly. One possible reason for this is that they see prior sales experience as having only a limited impact on achieving a stronger customer service orientation. The respondents thought expert knowledge is set to increase, but only 10 of the 103 respondents believed that it will increase significantly or very significantly.

All in all, the expected changes fit squarely into the image of sales staff as "reducers of complexity" for customers. As a result of the many legal and technical changes, energy supply has become a much more complex issue. So sales staff have to provide easy-to-understand, tailored solutions to their customers. It takes a team to provide this kind of comprehensive service, so it is hardly surprising that respondents rated teamwork skills (ability to work in a team, share and pass on knowledge) to be of particular importance.

The respondents also believed that an increased customer service orientation requires the sales function to have a clear direction. This should involve setting clear goals (including sales targets), a stronger focus on competition and (specific) customer retention measures. But this can only be achieved if the sales operation is given the support it needs. Essential support in this respect was considered to be the identification of strategic customers, the segmentation and typological differentiation of customers, and improvements to customer data processing in order to make conversations with customers more effective.

However, the respondents believed that this cannot be achieved without the ongoing training and targeted development of sales staff. They also believed that the sales staff selection process needs to be improved in order to increase customer service orientation.

To sum up, the results of this survey suggest that there is a clear roadmap for businesses to transform sales operations in markets that are subject to disruption. A great deal of emphasis has been laid on staff and organisational aspects, but the results also show the need to address the general orientation of the sales operation and the support it receives. Finally, the survey reveals the competencies that particularly need to be improved in order to achieve the goal of increased customer service orientation.

## References

Accenture, Connecting the Dots on Sales Performance, 2012

Cohan, C. et al., Defining the core competencies, Berkley 2012

Geiger, S., Turley, D., Grounded theory in sales research: an investigation of sales peoples' client relationships, *Journal of Business & Industrial Marketing*, 2003, 18, 6/7, p 580-594

Hennig-Thurau, T., Gwinner, K. P., Gremler, D. D., Why customers build relationships with companies- And why not, in: *Relationship Marketing: Gaining Competitive Advantage Through Customer Satisfaction and Customer Retention*, ed. Hennig-Thurau, T., Hansen, U., Berlin Heidelberg, 2000, p 369-391

Kennedy, M. S., Ferrell, L. K., Thorne Le Clair, D., Consumers' trust of salesperson and manufacturer: an empirical study, *Journal of Business Research*, Vol 51, Issue 1, Pages 73-86

Martin, A. W., Why Sales Organizations Fail, *Harvard Business Review*, January 2014

Reagan, P. M., Transform organizations using competency development, *Journal of Compensation and Benefits*, 1994, March-April, p 25-28

CSO Insights 2014, Sales Performance Optimization Study

Swan, J. E., Bowers, M. R., Richardson L. D., Customer Trust in the Salesperson: An Integrative Review and Meta-Analysis of the Empirical Literature, *Journal of Business Research*, 1999, 44, p 93-107

Vakola, M., Soderquist, K. E., Prastacos, G. P., Competency management in support of organisational change, *International Journal of Manpower*, 2007, Vol 28, No 3/4, p 260-275