How to Build a B2B Sales Strategy in a Startup Company

Konsta Laitinen

Preface

Starting a business can be easy. Selling your idea to others is not. Building your business and reaching success requires making right strategic choices and conducting an efficient sales process while creating buyer value.

This handbook aims to help current and prospective entrepreneurs with starting their own business and creating revenue. I have worked in international sales and business development in a startup company and learned a lot from that time. I have seen multiple successes and failures when finding ways to increase sales, and I know how difficult the challenge can be.

This handbook is the product of the thesis “How to Build a B2B Sales Strategy in a Startup Company” and is based on the theory presented in the thesis. The handbook is meant to help you understand how to start selling your product or service and gain competitive advantage by building an effective B2B sales strategy.

I hope you find the content of this handbook useful and informative. The B2B sales strategy presented in this handbook is designed to be easily implementable. You can immediately start to utilise the concepts of the handbook and build a B2B sales strategy for your company.

Best of luck,
Konsta Laitinen 2018

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1 B2B Sales Strategy

The simplest way to increase revenue is to increase sales and that is why it is important for a startup company to build an effective sales strategy. Modern B2B sales strategy focuses more on creating value for the customers than just pushing products to the market. The B2B sales strategy can be divided into three main components: competitive strategy, pricing strategy and B2B sales process (Figure 1).

One of the most important things that a startup company needs to consider is how large is the market share and sales volume that the company can achieve during its first five years. To break into a market and establish a successful B2B business, a startup company needs to build a successful sales strategy. To build a successful sales strategy, a company needs to know where and how to compete, and how to effectively price and sell the product or service.

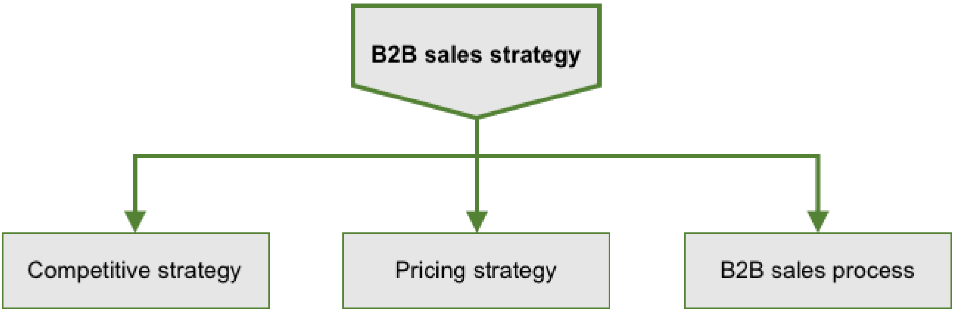

Figure 1. The B2B Sales Strategy.

Besides making strategic choices, a startup company should build a seamlessly cooperating sales organisation and understand organisational buying process. When building a sales organisation, a company should determine how many salespeople and what different roles are needed to achieve the sales targets. A sales organisation should have an appointed sales executive, who is at the top of the sales force hierarchy and manages the sales organisation.

A startup company also needs to establish a basic compensation and evaluation system. The compensation system must encourage the salespeople to sell the products or services at a profitable price. A stable and well-designed compensation system rewards the salespeople for their effort and results and attracts talented salespeople to join the company. In a basic compensation system, the salespeople may receive base salary, which is paid regardless of performance. They may also receive a commission, which can be a certain percentage of each individual sale. The salespeople can also receive bonuses, which are paid for overall performance in certain areas. For example, for reaching a certain level of annual sales in euros.

Figure 2. Organisational Buying Process (adapted from Bergström & Leppänen 2015, 131; Castleberry & Tanner 2011, 69)

To successfully sell to different organisations, a sales organisation needs to understand how organisations make purchase decisions. Organisational buying process can be divided into eight steps (Figure 2) to help the salespeople understand how B2B customers make purchase decisions.

2 Competitive Strategy

At the core of the success or failure of companies is competition. Competition determines the usefulness of a company's actions that contribute to its performance, such as good implementation and innovations. Different industries are the arenas in which competition occurs and competitive strategy is the search for a profitable competitive position in an industry. The objective of competitive strategy is to build a sustainable and profitable position in which a company can successfully defend itself against the competitive forces that determine industry competition.

Competitive advantage helps a company differentiate itself from the competition. To achieve competitive advantage, a company needs to provide more value to the customer than what the competition provides and that value needs to eclipse the company's costs of creating it. A superior value is generated by providing unique benefits that more than cancel out the price difference between a company's and its competitor's price or by offering lower prices than the competition with equivalent benefits. The two fundamental types of competitive advantage are differentiation and cost leadership. The more competitive advantages a company has, the better chance it has to beat the competition.

Porter (2004a, 1-2, 4, 11) has determined two central questions that determine which competitive strategy a company should choose. The first is the industries' attractiveness for long-term profitability and the different factors that determine that profitability. Different industries offer different opportunities for sustained profitability. The inherent profitability of the industry is an extremely important factor in determining the profitability of a company. The second central question that determines the choice of competitive strategy is a company's relative position within its industry. Whether a company's profitability is higher or lower than the industry average is determined by positioning. A well-positioned company might be highly-profitable even if the industry structure is disadvantageous and average profitability of the industry is moderate.

Different industries offer different opportunities for sustained profitability. The inherent profitability of the industry is an extremely important factor in determining the profitability of a company.

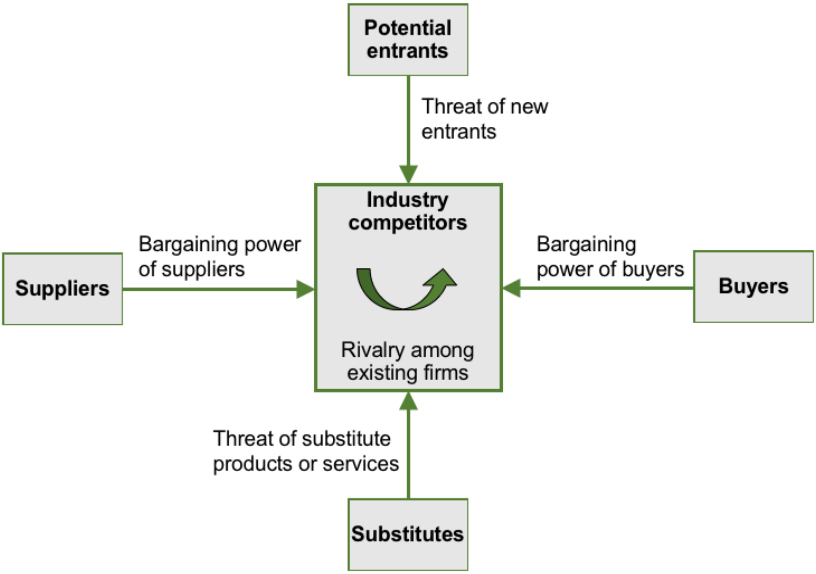

Figure 3. Five Competitive Forces that Determine Industry Profitability (Porter 2004a, 5)

Industry attractiveness is determined by rules of competition and competitive strategy arise from an understanding of those rules. The fundamental purpose of competitive strategy is to endure and shape those rules in a company's favour. In all industries, the rules of competition are manifested in five competitive forces (Figure 3), which are the rivalry among existing firms, the bargaining power of buyers, the threat of substitutes, the bargaining power of suppliers and the threat of new competitors. These five competitive forces form a collective strength that dictates a company's ability to earn rates of return on investment that exceed the cost of capital.

The five competitive forces dictate the industry profitability due to the influence they have on elements of return on investment: costs, prices and required investments of companies in an industry. The forces are also connected to each other. For example, the bargaining power of buyers and the threat of substitutes impact the prices that companies can charge and the bargaining power of suppliers influences the cost of materials and other inputs.

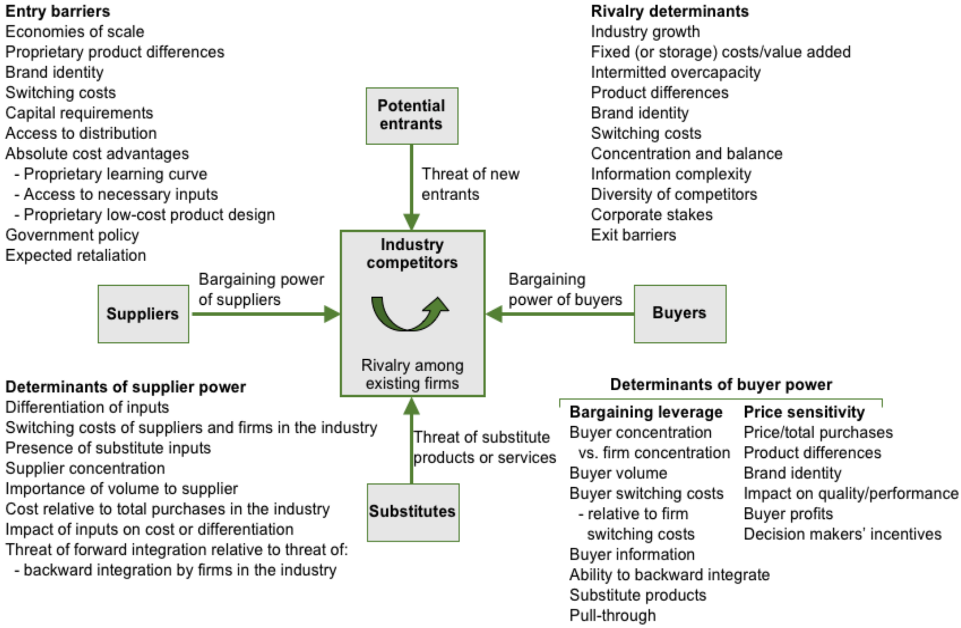

Figure 4. Elements of Industry Structure (Porter 2004a, 6)

The strengths of the five competitive forces are functions of industry structure, which describes an industry's fundamental economic and technical characteristics. The structural elements of industry structure are shown in Figure 4. Although industry structure is comparably stable, it can change over time if an industry evolves. The change of structure shapes the overall and proportional strength of competitive forces and can increase or decrease industry profitability. The most important industry trends for strategy are those that have the most impact on industry structure.

2.1 Three Generic Competitive Strategies

Cost leadership and differentiation, the two essential types of competitive advantage, can be combined with the scope of activities for which a company aims to achieve them. This combination leads to three generic strategies for gaining an above-average performance in an industry.

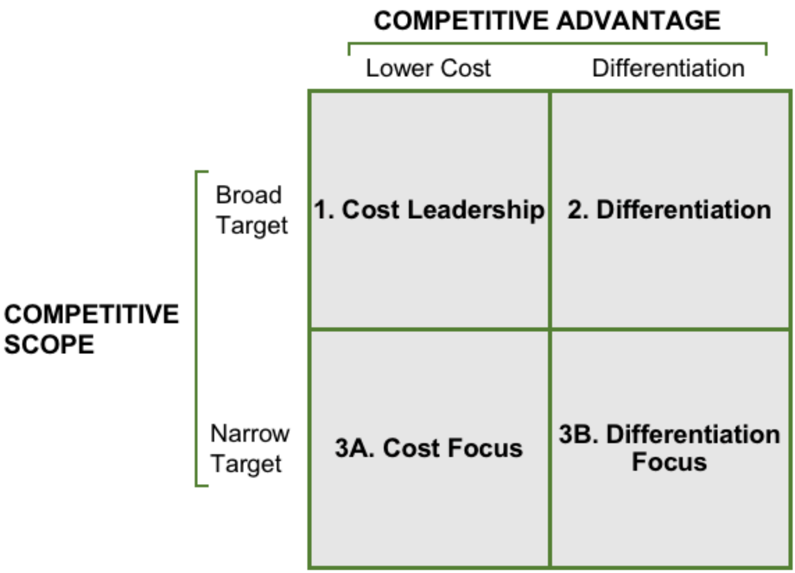

Figure 5. Three Generic Competitive Strategies (Porter 2004a, 6)

Each one of the generic strategies takes a different route to competitive advantage. They all combine the choice of competitive advantage type with the strategic target scope in which competitive advantage is to be gained. The cost leadership and differentiation aim to achieve competitive advantage in a broad range of industry sectors. The aim of focus strategy is to concentrate on cost advantage (cost focus) or differentiation (differentiation focus) in a narrow sector. To achieve competitive advantage, a company must choose a competitive advantage it aims to achieve and the scope within which the chosen competitive advantage is to be achieved.

2.1.1 Cost Leadership

When choosing cost leadership as a generic strategy, a company tries to become the producer with the lowest costs in its industry. The company has a broad scope and serves multiple segments within the industry. The company might even operate in other related industries. The sources of cost advantage depend on the industry structure. A company has a cost advantage when it can perform all value activities with a lower cost than its competitors. A company's relative cost position is a function of the composition of its value chain versus competitors' value chains and its comparative position versus the cost drivers of each activity.

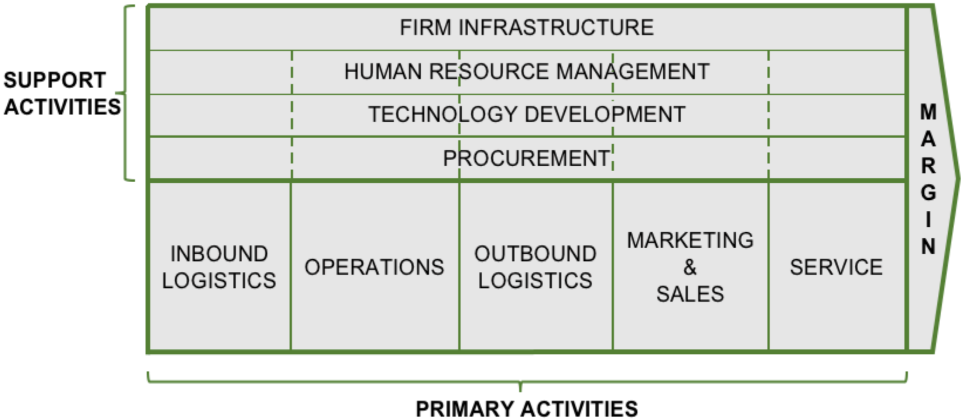

Figure 6. The Generic Value Chain and Value Activities (Porter 2004a, 6)

The goal of any generic strategy is to create value for buyers that exceeds the costs of creating that value. The value chain consists of value activities and margin and demonstrates the total value. Value activities are components which a company uses to build value for the buyers. Margin is the remainder after the collective cost of performing the value activities is subtracted from total value. Primary activities are involved in the physical creation of the product or service and its sale. Primary activities are supported by support activities, which provide companywide functions, human resources, technology and purchased inputs. Support functions also support each other.

A company's costs and its relative cost position derive from the value activities performed by that company and the cost behaviour of its value activities. A *cost analysis* analyses the costs within the value activities and not the costs of the company as a whole. All value activities have their own cost structures and a company can gain cost advantage if it achieves a lower cumulative cost of performing value activities than its competitors.

At the start of cost analysis, a company's value chain is defined and operating costs and assets are assigned to value activities. A company should assign operating costs to the activities in which those operating costs are incurred and assets to the activities which control or most influence the use of those assets. After costs and assets have been allocated, a company can view the distribution of its costs from the value chain and may find areas for cost improvement. The value chain can separate operating costs into purchased operating inputs and human resource costs, and assets into liquid assets and fixed assets.

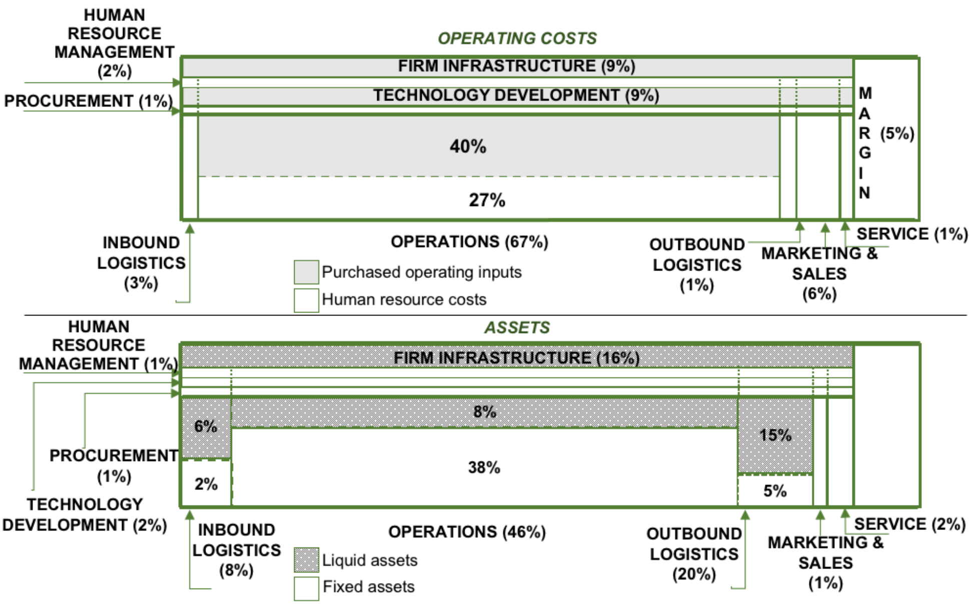

Figure 7. Distribution of Operating Costs and Assets (Porter 2004a, 68-69)

As previously stated, a company can gain cost advantage if it achieves a lower cumulative cost of performing value activities than its competitors. This can be achieved by controlling cost drivers or reconfiguring the value chain. Each value activity can result from multiple cost drivers. The best opportunity for improving relative cost position is offered by those value activities that represent a major or growing proportion of cost.

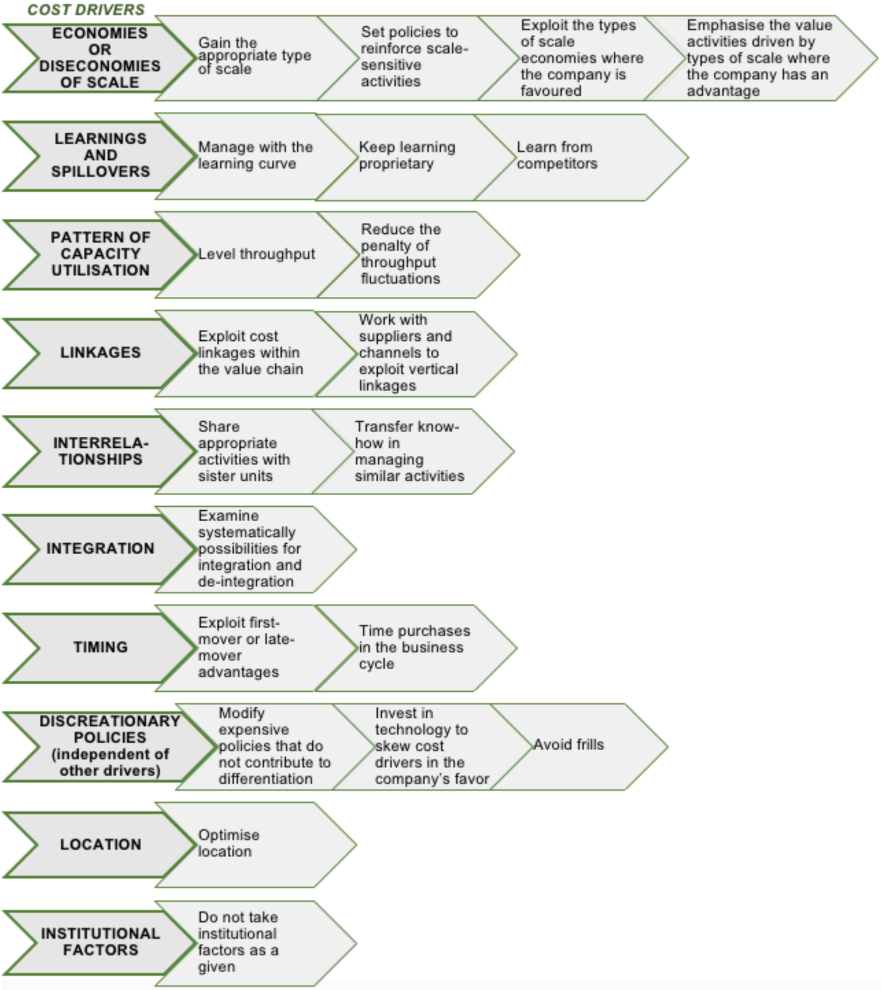

Figure 8. The Ten Major Cost Drivers and Examples of How to Control Them(adapted from Porter 2004a, 70, 73-75, 78-80, 82-83 99-106)

Cost drivers interact with each other by reinforcing or counteracting each other. Cost drivers can reinforce each other in influencing cost. For example, a policy choice of product mix can partially determine the extent of scale economies in a value activity. Cost drivers can also counteract each other and cancel out each other's effects. This means that the effort to improve relative cost position by controlling one cost driver might make a company's other cost driver worse. For example, the penalty of underutilising capacity can be increased by broad scale and high levels of vertical integration.

A company's relative cost position depends on the cost behaviour of its value activities and the cost behaviour of a company's value activities is determined by cost drivers. The cost behaviour of a value activity can result from multiple cost drivers. One cost driver might have the highest impact on the cost of value activity, but multiple cost drivers usually interact to dictate the cost and a single cost driver cannot solely determine a company's cost position.

A company can determine the relative competitor costs by analysing the competitors' value chains and how value activities are performed by them. The process is the same that a company uses to analyse its own value chain. Lack of information can make determining the competitors' costs difficult. A company can use public data and interview suppliers, buyers and others to directly estimate the cost of some of competitors' value activities. For example, a company can find out how many salespeople a competitor employs and the approximate compensation and salary paid to those salespeople. By doing this, a company can use the information of some of competitor's value activity costs to form a partial, but accurate description of the competitor's costs. The company can also draw comparisons between itself and the competitor to estimate competitor's value activities that cannot be directly estimated. The company needs to determine the competitor's relative position with respect to the value drivers of the chosen value activities and use the gained knowledge of cost behaviour to estimate the competitor's cost differences.

A company can usually increase the accuracy of competitor's cost estimates by analysing multiple competitors simultaneously. Information of one competitor can be cross-checked against other competitors' information and utilised to test the consistency of cost models such as scale curves for a specific value activity.

Reconfiguring the value chain can change the important cost drivers in a way that benefits a company. Value chain can be reconfigured by adopting a more efficient way to produce, market, design, or distribute the product. For example, a company can create a different production process, change to a new distribution channel or shift to a new advertising channel. A company needs to examine its own and competitor's value chains when identifying a new value chain. For example, a company can ask three questions: 1. How can this particular activity be performed in a different way or eliminated? 2. How can this group of connected value activities be regrouped or reordered? 3. How can an alliance with other companies decrease or eliminate costs?

A company can also reduce costs by reconfiguring downstream activities. This is useful in a situation where channel costs and different downstream costs present a large fraction of cost to the buyer. For example, a producer can choose to use distributor A's web store channel over distributor B's physical store channel for distribution because the web store channel has lower distribution costs than the physical store channel. By doing this, the producer has decreased the cost of getting the product to buyers. Large operators, for example chain stores and large automobile dealers, are also often more efficient than smaller operators. Besides choosing a more efficient downstream path to the end user, a company can also promote consolidation or increase the efficiency of downstream activities. In some cases, the company might integrate forward and take control of its distribution to achieve downstream efficiency.

Sustainable cost advantage derives from multiple activities and successful cost leaders reconfigure their value chains frequently to create cost advantage. It is important for all companies to pursue cost reduction in all activities that do not have an influence on differentiation. After identifying its value chain and diagnosing the cost drivers of important value activities, a company can grow cost advantage by controlling the cost drivers better than competitors.

Cost leadership strategy and strategic cost analysis can be summarised in the following steps:

1. Determine the appropriate value chain and assign costs and assets to that value chain.
2. Identify the cost drivers of each value activity and how those cost drivers interact.
3. Identify the value chains of competitors and determine competitors' relative cost and the sources of cost differences.
4. Build a strategy to decrease relative cost position by controlling cost drivers or reconfiguring the value chain and/or downstream value.
5. Make sure that cost reduction efforts do not deteriorate differentiation or make a conscious decision to do so.
6. Test the sustainability of the chosen cost reduction strategy.

2.1.2 Differentiation

Differentiation is the second one of the three generic competitive strategies and one of the two types of competitive advantages a company can have. A company differentiates itself from the competition by being unique at something that is valuable to buyers. Differentiation derives from a company's value chain (the activities a company performs and what effect those activities have on the buyer). Figure 9 shows examples of how activities in value chain can contribute to differentiation.

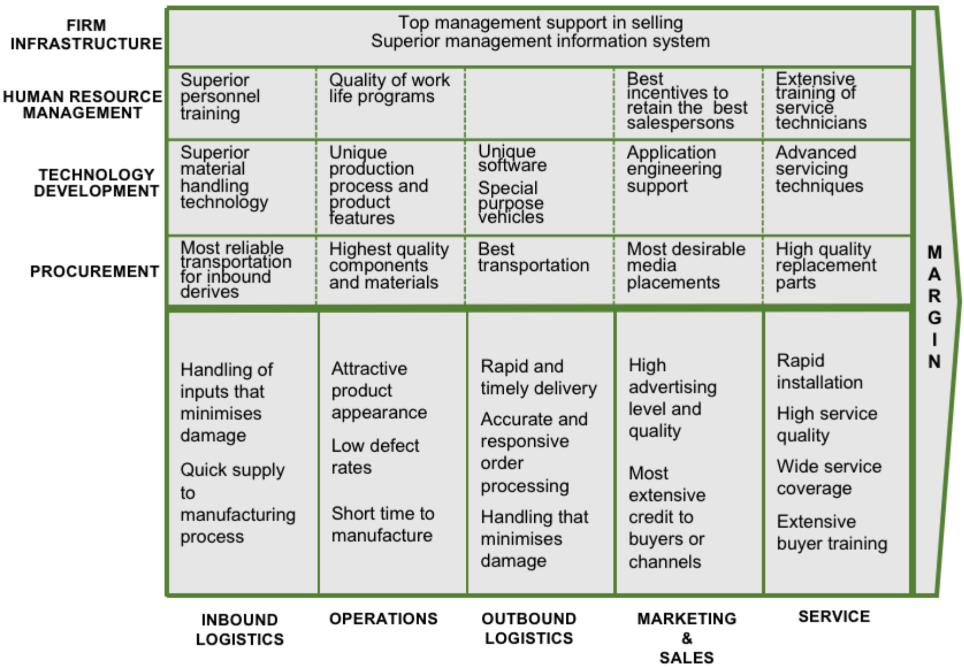

Figure 9. Representative Sources of Differentiation in the Value Chain (Porter 2004a, 122)

Each one of the value activities is a potential source of uniqueness. Effective differentiators can create uniqueness through various support and primary activities.

The uniqueness of a company in a value activity is dictated by uniqueness drivers, similar to the cost drivers described earlier. If a company is unable to identify uniqueness drivers, it cannot adequately develop methods for creating new forms of differentiation or analyse the sustainability of its current differentiation. The major uniqueness drivers are listed in Figure 10.

DRIVERS OF UNIQUENESS

POLICY CHOICES	Policy choices about what activities to perform and how to perform them.	
LINKAGES	Linkages within the value chain.	Supplier and channel linkages.
TIMING	First-mover or late-mover advantages.	
LOCATION	Most convenient location.	
INTERRELATIONSHIPS	Uniqueness derives from sharing a value activity with sister units.	
LEARNING AND SPILLOVERS	Learning to perform a value activity better.	Spillover to competition decreases the contribution to differentiation.
INTEGRATION	Integration into new value activities can lead to a better performance control.	
SCALE	Larger scale can allow an activity to be performed in a unique way.	Scale can also work against uniqueness of an activity.
INSTITUTIONAL FACTORS	Union relationships etc. may play a role in allowing a company to be unique.	

Figure 10. The Major Drivers of Uniqueness and Examples of Them (adapted from Porter 2004a, 124-127)

A company also needs to understand buyer perception of value and buyer purchase criteria to create uniqueness that leads to differentiation. A company that is a successful differentiator will find ways to create value for buyers that generates a price premium that exceeds the cost of creating that value.

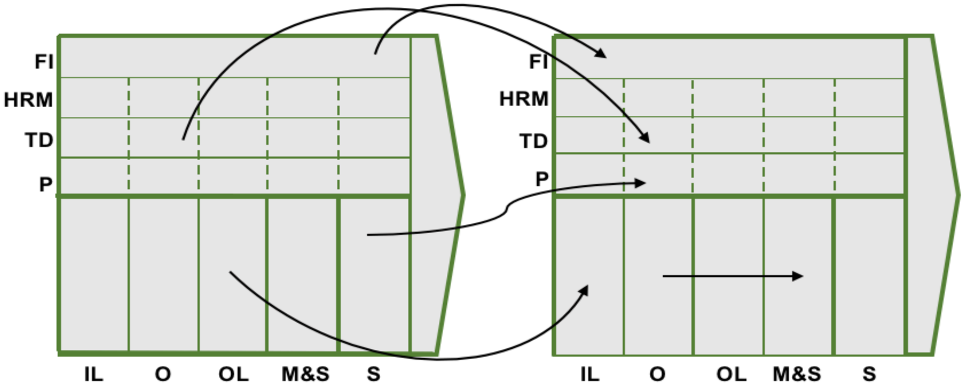

Figure 11. Representative Linkages Between The Company and Buyer's Value Chain (adapted from Porter 2004a, 133)

Differentiation derives from creating unique buyer value. By lowering buyer cost or enhancing buyer performance, a company can justify a price premium (or preference at an equal price) and the buyer will be willing to pay that price. The impact a company's value chain has on a buyer's value chain will decrease the cost of the buyer or increase the performance of the buyer. Thus, the links between a company's value chain and a buyer's value chain determine the value the company creates for the buyer (Figure 11). A company can provide direct input into one of the value activities of the buyer or have indirect impact on the value chain of the buyer. Indirect impact goes beyond the value activity in which the product or service is used. A company's product will often have both indirect and direct impacts on the buyer's value chain and those impacts may go beyond the activity in which the product is meant to be used. For example, the weight of a typewriter is important because it is moved around, but the weight does not matter if the buyer activity is viewed simply as typing. Furthermore, a company often impacts the buyer's value chain through the product and other activities such as sales force and logistical system.

Buyers can have difficulties in evaluating the value a company provides to its buyers. For example, even a test drive and pedantic inspection of a transportation truck does not allow the buyer to completely evaluate the truck's fuel usage, comfort, repair frequency and durability. Moreover, a buyer cannot know how all the other value activities performed by a company will affect buyer value. It is important to understand that the price premium a company commands is influenced by the value delivered to the buyer and the extend to which the buyer perceives the received value. Buyers will only pay for the value they can perceive. A company that delivers an average value but signals it successfully can command a higher price than a company that delivers a higher-than-average value but signals it less effectively. This is illustrated in Figure 12.

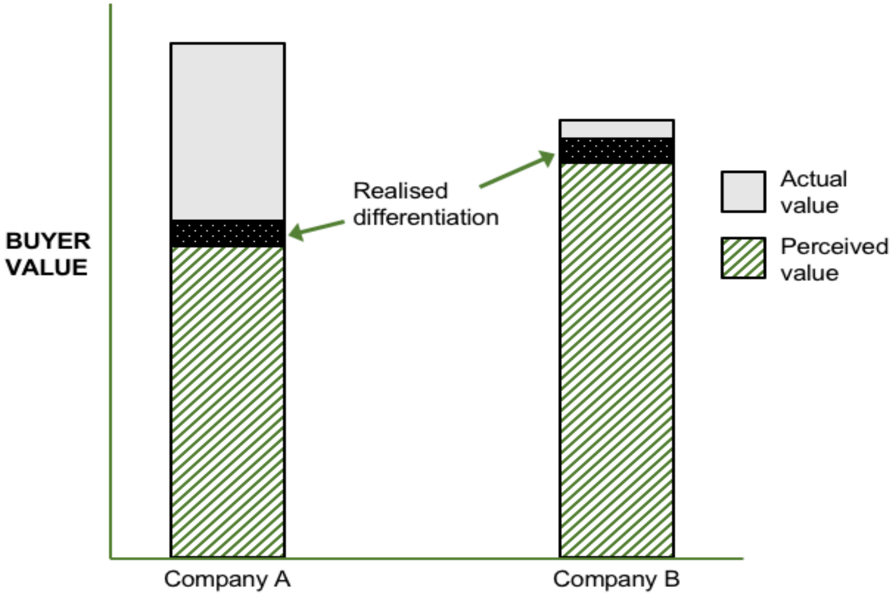

Figure 12. Actual Versus Perceived Buyer Value (Porter 2004a, 140)

Buyer purchase criteria can be divided into use criteria and signalling criteria. Use criteria describe purchase criteria that derive from the way in which a company creates buyer value by increasing the performance of the buyer or decreasing the cost of the buyer. Use criteria can include different factors such as product features, delivery time and product quality. Use criteria stem from the links between a company's value chain and the value chain of the buyer. Signalling criteria describe purchase criteria that derive from value signals or means that the buyer uses to judge or infer what a product's actual value is. Signalling criteria can include different factors such as reputation and advertising. Signalling criteria stem from the value signals that impact the buyer's perception of the company's ability to satisfy the buyer's use criteria. For example, the value activities a company performs or reputation or image can be signalling criteria. Figure 13 presents an example of purchase criteria for a chocolate chip cookie product.

	Use criteria	**Signalling criteria**
End user	Taste Nutritional value Texture Appearance *Price* Availability Package size	Advertising Shelf positioning In-store displays Availability
Channels	Speed of order processing *Channel margin* Reliability of service Promotional support	Frequency of sales calls

Figure 13. Ranked Buyer Purchase Criteria for Chocolate Chip Cookies (adapted from Porter 2004a, 148)

Both use criteria and signalling criteria need to be identified precisely so that they can be used in developing differentiation strategy. A company should identify use criteria first, because use criteria measure buyer value sources and usually determine signalling criteria. When analysing buyer purchase criteria, a company should always include direct contact with the buyer. To understand buyer purchase criteria, a company needs to identify the value chain of the buyer and perform analysis of all the current and potential linkages that exist between the company's value chain and the buyer's value chain. A company can identify signalling criteria by understanding the process the buyer uses to form opinions and judgements about a company's ability to satisfy use criteria and how well it satisfies them. The buyer purchase criteria identifying process should produce a ranking and sorting of purchase criteria.

Price should be placed according to the ranking the buyer places on it. To emphasise the different factors involved and to explain the actions that need to be done to satisfy each criterion, the use criteria and signalling criteria that stem from the end user and the channel need to be separated. Use criteria for both channels and end users can also by divided into factors that raise the performance of the buyer and lower the cost of the buyer. The use criteria can also be divided further, into easily measurable ones and those that a buyer has difficult time perceiving (Figure 14). It is possible that satisfying a use criterion increases performance and lowers cost, but usually one of the value creation modes is predominant. For example, in the chocolate chip cookie example in Figure 13, taste relates to the performance of a buyer and availability is a measure of the shopping cost of a buyer.

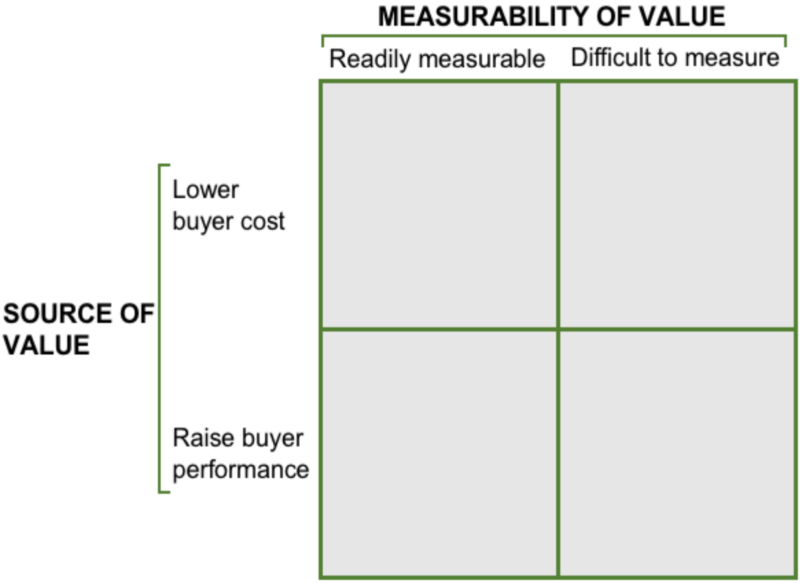

Figure 14. The Relationship Between Use Criteria and Buyer Value (Porter 2004a, 149)

A company should recognise the differences in use criteria shown in Figure 14 because differentiation that decreases buyer's cost can provide a stronger justification for paying a price premium than performance raising differentiation. For example, financial pressures can make buyers willing to pay premium exclusively to companies that can successfully demonstrate that they can decrease the cost of a buyer. Differentiation that has a measurable connection to the value of a buyer and is usually easier to translate into price premium than differentiation that creates value by means that are hard to measure or perceive. Differentiation on the right side of Figure 14 is often expensive to explain and might require a large investment in signalling.

It is important to understand that differentiation can be costly. Achieving uniqueness often requires that a company performs its value activities better than its competitors. The cost drivers of the value activity in which a company seeks to achieve uniqueness create the cost of differentiation. There are two related forms of the relationship between cost drivers and uniqueness: 1. Drivers of uniqueness (what makes a value activity unique) can impact cost drivers. 2. The cost of uniqueness can be affected by the cost drivers. When trying to achieve differentiation, a company often deliberately adds costs. For example, the effect of location cost driver can increase cost when moving an activity closer to the buyer. However, it is also possible that making an activity unique leads to a lower cost. For example, integration can create uniqueness to a value activity but also decrease cost if integration is a cost driver. Thus, the cost drivers have not only a significant impact in determining the differentiation strategies' success, but also substantial competitive implications.

Differentiation strategy needs to be sustainable. Sustainability of differentiation is based on its continued perceived value to buyers and the lack of replication by competitors. There is always a risk that the needs or perceptions of buyers will change and thus eliminate the value of differentiation. Another risk is that competitors replicate the company's strategy or jump over the bases of differentiation chosen by the company. A company can achieve sustainability if differentiation is based on durable sources of uniqueness that competition cannot replicate. The most sustainable form of differentiation results from meeting both use criteria and signalling criteria. If sources of differentiation remain valuable to the buyer and cannot be replicated by competitors, differentiation will always lead to a price premium even in the long run.

A company can also increase the sustainability of its differentiation by having cost advantage in differentiating or multiple sources of differentiation or creating switching costs while differentiating. A sustainable cost advantage in performing the value activities that create differentiation will provide a company with a high sustainability.

If differentiation derives from multiple sources of uniqueness, the sustainability of a differentiation strategy is generally at its greatest. Fixed costs incurred by the buyer when the buyer changes suppliers are called switching costs. Switching costs enable a company to sustain a price premium even if the company's product is equal to competitor's product. If differentiation leads to switching costs, the sustainability of differentiation grows. Figure 15 provides an example of how the sustainability of a company's sources of differentiation can be determined.

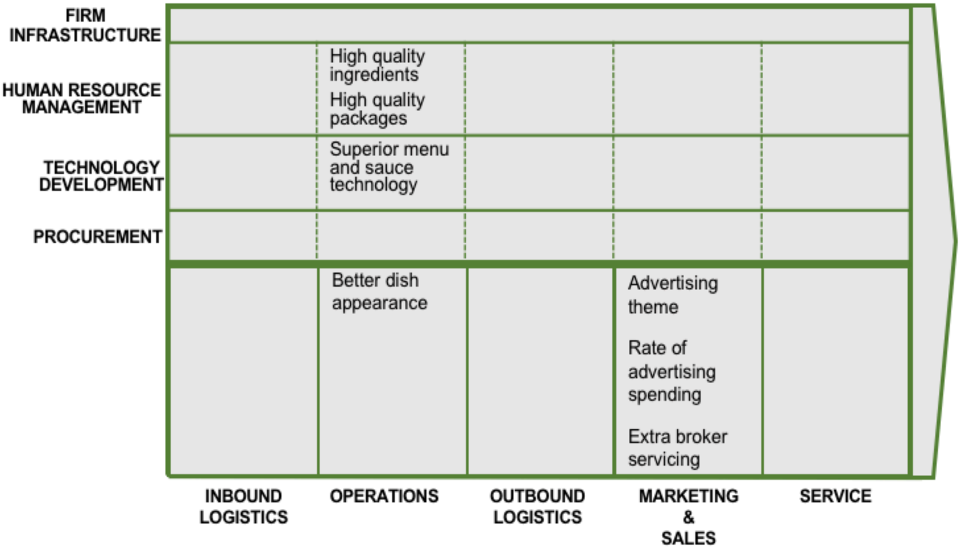

Figure 15. Sources of Differentiation in a Frozen Food Company (adapted from Porter 2004a, 152)

In Figure 15, a frozen food company's differentiation level is the cumulative value it creates for buyers by satisfying all purchase criteria. There are usually multiple sources of differentiation in a company's value chain as can be seen from Figure 15. The frozen food company has successfully differentiated itself in both use criteria and signalling criteria. By spending heavily in development of menu, the company has the highest proportion of unique dishes and a superior sauce technology. Carefully planned selection of ingredients and preparation has made the company's dishes attractive to buyers. The company's superior packaging is a strong value signal and strengthens the quality of its image.

The company in Figure 15 has also spent much more on advertising than its competition and selected an advertising theme that is attractive to buyers. Finally, the company spends a substantial amount on food brokers and direct sales force to gain fast restocking, retail shelf displays that are attractive to buyers and quick removal of damaged products. The multiple sources of uniqueness in the company's value chain combine to produce the company a considerable price premium over its competitors.

The process of diagnosing the bases of differentiation and selecting a differentiation strategy can be summarised into eight analytical steps:

1. Identify who is the real buyer.
2. Identify the value chain of the buyer and the impact the company has on that value chain.
3. Identify the ranked buyer purchase criteria.
4. Analyse the current and potential sources of uniqueness in the value chain of the company.
5. Determine the cost of current and potential sources of differentiation.
6. Choose to configure the value activities in a way that creates the most valuable differentiation for the buyer relative to cost of differentiating.
7. Test the sustainability of the chosen differentiation strategy.
8. Decrease the cost in activities that do not impact the chosen forms of differentiation.

2.1.3 Focus Strategy and Choosing The Right Strategy

Focus strategy is the third one of the three generic strategies and can also help a company achieve a cost advantage or differentiation. Focus strategy is divided into cost focus and differentiation focus. A company can focus on a specific geographic market, buyer group or segment of the product line. While cost leadership and differentiation strategies aim to achieve their targets industrywide, focus strategy is developed to serve a specific target extremely well, and each functional policy of focus strategy is built with this in mind. The presumption behind a focus strategy is that it enables a company to serve its narrow strategic target more efficiently or effectively than more broadly competing competitors. Thus, the company can achieve differentiation from better satisfying the needs of the specific target, or decrease costs in serving this particular target, or both. Although the focus strategy cannot achieve low cost or differentiation industrywide, it can achieve one or both of those positions in its narrow market target. Figure 16 illustrates the difference between the three generic strategies.

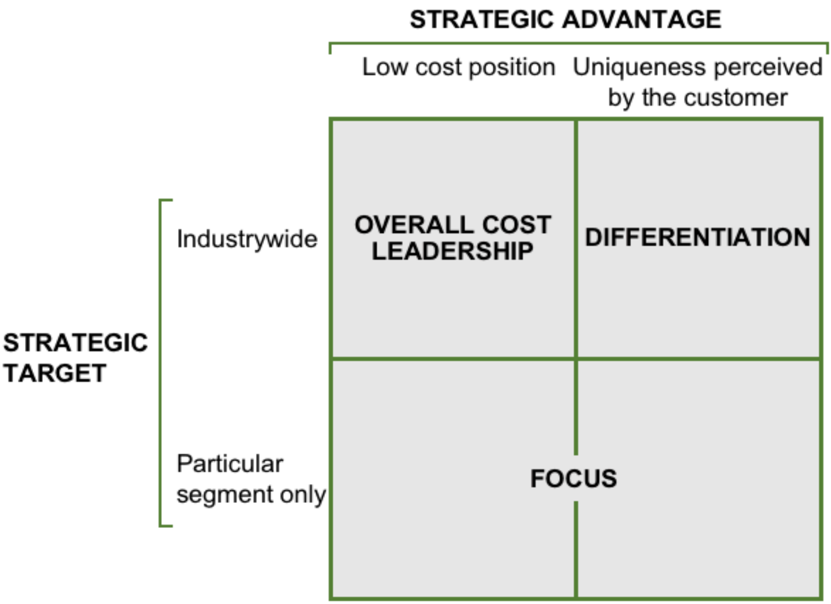

Figure 16. The Difference among the Three Generic Strategies (adapted from Porter 2004b, 39)

A company that achieves focus can also earn higher-than-average returns for its industry. A company can have a low cost position or high differentiation, or both. Those positions help a company defend itself against each competitive force. A company can also use focus strategy to select targets that are least exposed to substitutes or where competition is the weakest. For example, a paper company can avoid consumer products that are vulnerable to rapid new product introductions and advertising battles by focusing on a narrow range of industrial-grade papers. In another example, a food distributor can achieve a low cost position by serving a narrow target of eight leading fast-food chains. The food distributor's focus strategy is to satisfy the needs of those eight customers by stocking only the narrow product lines of those customers, shaping order taking procedures to match the purchasing cycles of those customers and moving warehouses close to those customers' locations. The food distributor is the cost leader in that specific segment and has higher-than-average profitability but is not the industrywide cost leader. It is important to remember that the focus strategy limits the overall market share that a company can gain. Focus strategy can be seen as a trade-off between sales volume and profitability.

Each of the three generic strategies offers a different route to creating and sustaining a competitive advantage by combining the type competitive advantage the company looks for and the scope of the company's strategic target. Unless a company makes a choice among the three generic strategies, it might get "stuck in the middle". "Stuck in the middle" describes a situation where a company tries to simultaneously engage in each of the three generic strategies but fails to achieve any of them. This position most often leads to lower-than-average performance and thus an entrepreneur should usually choose to engage in one competitive strategy. A highly-favourable industry structure (or a high number of competitors that are stuck in the middle) may allow a company that is stuck in the middle to earn good profits, but the company will still most likely be less profitable than competitors who are able to achieve one of the three generic strategies.

If a company is serving a broad range of segments, it cannot gain the benefits of optimising the company's strategy for a specific target segment (focus strategy). Two clearly separate business units each with a different generic strategy can sometimes be created within one corporate entity. For example, a hotel company can have three separate hotel chains and each of those chain is targeted at a different segment.

Differentiation is often costly and for that reason achieving both differentiation and cost leadership is usually an inconsistent situation. A company can simultaneously pursue both cost leadership and differentiation if:

1. Competitors are stuck in the middle and none of the competitors is in a strong enough position to pressure a company to the situation where differentiation and cost become inconsistent.
2. Interrelationships or share have a strong impact on cost. For example, if cost position is largely dictated by market share. If a company gains a substantial market share advantage, the cost advantages of share in certain value activities enable the company to incur added cost in another place and preserve net cost leadership. Unmatched interrelationships may also decrease the differentiation cost or cancel out the higher cost of differentiation.
3. A company is the first and only company to pioneer a major innovation. For example, a substantially beneficial technological innovation can enable a company to simultaneously increase differentiation and decrease cost and possibly achieve both strategies.

A company should continuously attempt to achieve cost reduction opportunities that do not erode differentiation and differentiation opportunities that are not costly. However, a company should prepare to choose the ultimate competitive advantage it aims to attain and solve the trade-offs accordingly.

3 Pricing Strategy

When determining a pricing structure and strategy, a startup company needs to consider both external and internal factors that influence pricing. The market and competitive situation, customers, and the company's objectives and costs need to be evaluated when determining a price for a product. The fundamental factors that affect pricing are shown in Figure 17.

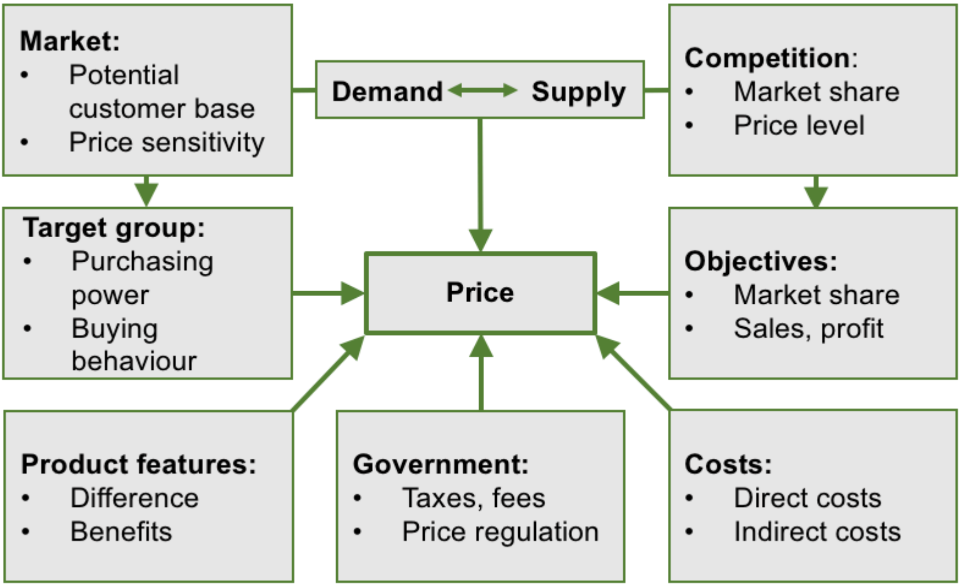

Figure 17. Factors That Affect Pricing (adapted from Bergström & Leppänen 2015, 238)

A company's objectives underlie its pricing. For example, a company's sales, profitability and market share objectives influence the pricing structure and determine the pricing policy. Government can also influence pricing. For example, different legislative changes can create fluctuation and sudden shifts in demand and thus force companies to adapt to those changes.

Price level may vary between different markets and products, and is influenced by not only competition, but also the relationship between supply and demand. When determining a price, a company should examine the size of the market, and target group's purchasing power, buying behaviour and price sensitivity. The price/value sensitivity drivers are presented in Figure 18.

Price/Value sensitivity driver

SIZE OF EXPENDITURE	Buyers are less sensitive to the prices of small expenditures.
SHARED COSTS	Buyers are less price sensitive when some or all of purchase price is paid by others.
SWITCHING COSTS	Buyers are less sensitive to the price of a product the greater the added cost (both monetary and non-monetary) of switching suppliers.
PERCEIVED RISK	Buyers are less sensitive when it is difficult to compare suppliers and the cost of not getting the expected benefits of a purchase are high.
IMPORTANCE OF END-BENEFIT	Buyers are less price sensitive when the product is a small part of the cost of a benefit with high economical or psychological importance.
PRICE-QUALITY PERCEPTIONS	Buyers are less sensitive to a product's price to the extent that price is a proxy for the likely quality of the purchase.
REFERENCE PRICES	Buyers are more price sensitive the higher the product's price relative to the buyers price expectation.
PERCEIVED FAIRNESS	Buyers are more sensitive to a product's price when it is outside the range that they perceive as "fair" or "reasonable".
PRICE FRAMING	Buyers are more price sensitive when they perceive the price as a "loss" rather than as a forgone "gain". They are more price sensitive when the price is paid separately rather than as part of a bundle.

Figure 18. Buyers' Price/Value Sensitivity Drivers (Nagle & Hogan 2006, 130)

A company also needs to consider its product and costs. The price needs to provide an acceptable profit margin while covering all costs. For example, if a company sells a product or provides a service, it will have costs to purchase materials from its suppliers or labour costs for providing the service. These are called direct costs. Other costs incurred in running a company, such as utilities, other wages and rent are called indirect costs. When determining its pricing, a company must evaluate the features of its product and the possible benefits that the product can create for the customers. The higher the differentiation of a product, the more freedom a company has on pricing that product.

3.1 Price Waterfall Analysis

Besides identifying buyers' price/value sensitivity drivers, a company needs to identify and track the possible sources of lost revenue and profit. A company should not just estimate profitability of an account by the invoice price, because there can be several different sources of profit leakage. An example of this leakage is illustrated in price waterfall analysis in Figure 19.

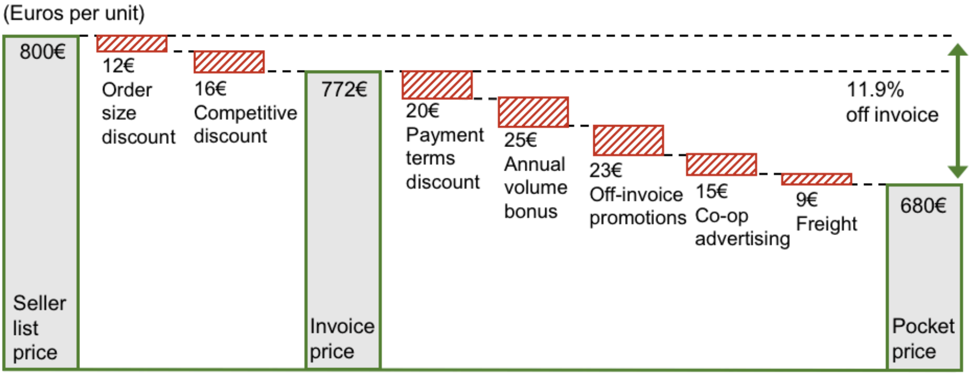

Figure 19. Price Waterfall Analysis (adapted from Nagle & Hogan 2006, 113)

Pocket price is the revenue that is earned after all the discounts are netted out and is usually a lot less than the original price. The amount of profit leakage can vary from very low to very high. It is even possible that a company has customers that result in higher leakages than the gross margin at list price. Different variables, such as letting the buyer to pay later or place a smaller order and giving the buyer an extra service free of cost, all add up and result in lower pocket price than the invoice price. However, discounts are sometimes necessary to close the sale. A company should closely monitor the discounts and pocket price and apply clear policies on the use of discounts.

Price waterfall analysis can be very helpful for new entrepreneurs who may not yet have a comprehensive understanding of different variables that affect the final pocket price. The example shown in Figure 19 provides a basic example of different sources of lost revenue and profit.

3.2 Product Life Cycle

When introducing a new product to the market and choosing a pricing strategy, a startup company needs to understand the typical phases of a product's life cycle. A company that understands the general life cycle pattern of a product may be more capable of anticipating the future of the product and determining profitable pricing strategy than competitors are.

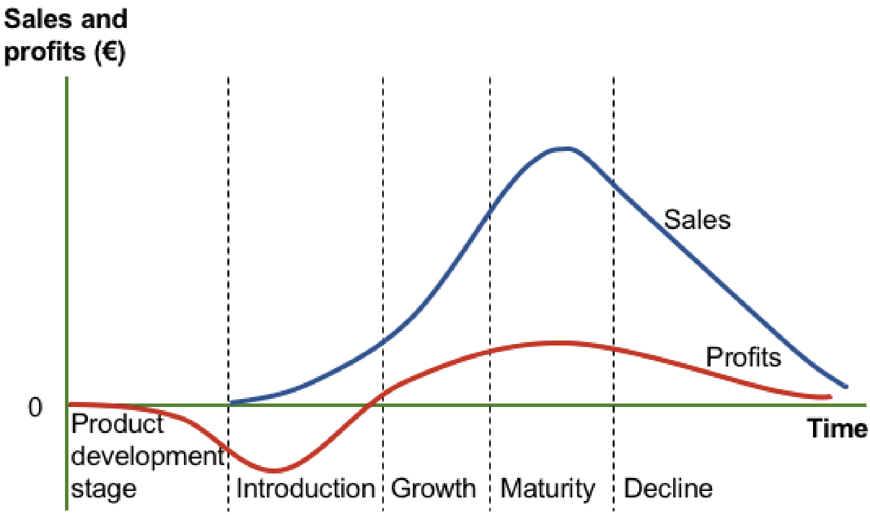

Figure 20. Sales and Profits over a Product's Life Cycle from Inception to Demise (adapted from Nagle & Hogan 2006, 266)

A company can adjust its pricing in each stage of a product's life cycle. For example, during the growth stage, the company can price its product according to buyer's perceived value of the product. During the maturity stage, the company can adjust its pricing according to the demand level of the product. The company can also try to attract buyers to other products during the decline stage by pricing the product below cost.

The length of each stage may vary between different products. Entrepreneurs should estimate and identify the length of each stage. For example, product X might have a longer growth stage than product Y, but product Y has much longer maturity stage.

3.3 Skimming and Sequential Skimming Pricing Strategy

Skimming pricing strategy is constructed to achieve high margins at the cost of high sales volume. Skimming prices are relatively high compared to what most buyers can be convinced to pay. The strategy is aimed to optimise immediate profitability by earning a profit from selling to relatively price-insensitive buyers that exceeds a profit that could be earned from selling to a bigger market at a smaller price. Startup companies can benefit from using the skimming pricing strategy in several situations. For example, if a company positions its new product as better than competitors' products, its price can be higher. Higher price will result in higher margin and can enable a startup company to finance its growth. New investments can be funded with profits and the company may not need outside investments

Sometimes a company that provides intangible value for its buyers can gain more profit in the long run by starting with high initial prices and decreasing those prices over time. This is called *sequential skimming pricing* and can be more suitable for those products and services that have low repurchase rates. An illustration of sequential skimming pricing strategy is shown in Figure 21.

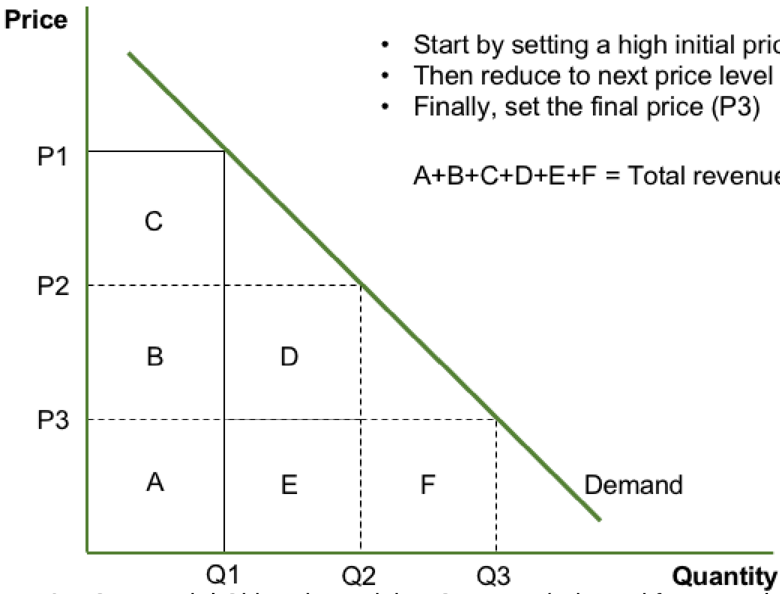

Figure 21. Sequential Skimming Pricing Strategy (adapted from Nagle & Hogan 2006, 133-134)

Sequential skimming begins when a company offers a price that attracts the least price-sensitive customers first. It is important to understand that after the company has “skimmed the cream” of buyers at the upper end of the demand curve (Figure 21), that market is saturated. The company then lowers its price to sell to the next most profitable customer segment and thus the company maintains its sales. The company continues the sequential skimming process until it has used up all skimming opportunities, either because the company has decreased the price so much that even the most price-sensitive customers are attracted or because the company could not decrease the price further without losing profitability.

It is theoretically possible for a company to sequentially skim the market for a one-time purchase or a durable product or service by decreasing the price in small steps. By doing this, a company could charge every customer segment the maximum price that segment is willing to pay for the product or service. However, potential customers will most likely understand the situation and start anticipating further decreases in price, thus delaying their purchase decisions. A company can minimise this problem by decreasing the price less frequently or introducing less attractive product models when reducing the price.

When entering a new market with a non-durable, high repurchase rate product, a company can utilise sequential skimming pricing strategy in two different ways. First, if a company has a product or service that has several potential uses, all of which call for a costly marketing effort, the company can introduce the product or service more efficiently by concentrating on one specific use at a time. By doing this, a company can seize the most profitable markets faster than if it stretched its resources more thinly. Second, a company can utilise sequential skimming pricing to gradually build production capacity. By doing this, the company can improve its manufacturing techniques while expanding. For example, the company can fund its production with the cash flow already generated by the product or service. Furthermore, since the company originally built less capacity, it has less risk if demand does not reach expectations.

3.4 Penetration Pricing Strategy

Penetration pricing strategy aims to break into a market with a low-priced product that has a lot of alternatives and may not differentiate from those alternatives. A company that utilises penetration pricing strategy sets a price low enough to attract and maintain a large customer base. This does not mean that the price has to be cheap, but it is lower than the perceived value in the target segment.

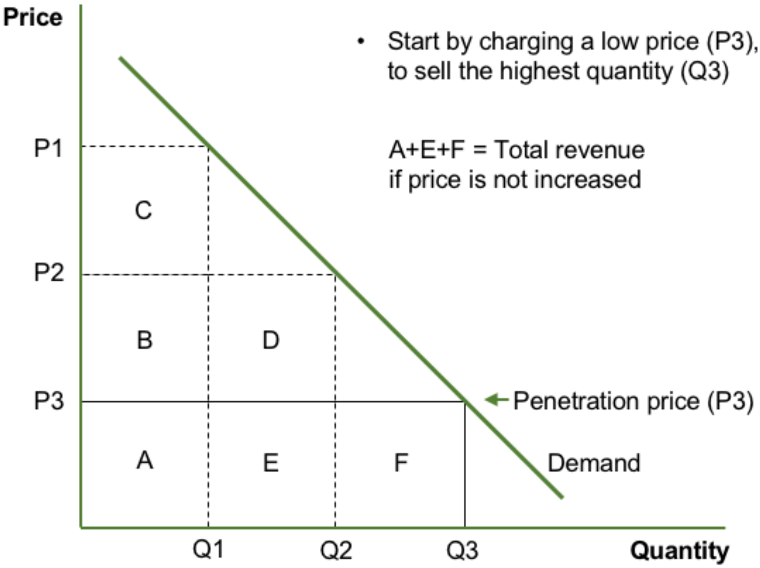

Figure 22. Penetration Pricing Strategy (adapted from Nagle & Hogan 2006, 134)

For penetration pricing strategy to be successful, a significant share of the market needs to respond to lower prices by changing suppliers or brands. It is important to understand that not every market will respond to lower prices. Several companies have been unsuccessful in their penetration pricing attempts because they miscalculated the response of a market. Penetrating a market with a low price might not create enough profit or gain enough market share and a company might be forced to increase its prices after the initial launch. However, this might be difficult because customers may already be used to a certain price level and are not willing to pay more.

Penetration pricing strategy can be successful even if all buyers are not price sensitive, as long as an adequate share of the market is sufficiently price sensitive to validate pricing low.

A company should also recognise the cost environment when analysing how much volume the company needs to gain to validate penetration pricing. Penetration pricing strategy is more likely to succeed when incremental costs represent a small portion of the price and thus each additional sale has a high contribution to profit. When the contribution per sale is high, a lower price will not significantly cut the contribution from each sale. For example, if a company aims to attract a large buyer segment by cutting its prices by 10%, penetration pricing would still be profitable if the product or service has a high contribution to margin. To be profitable with a 90% contribution margin, the sales gain needs to exceed only 12.5%. The lower the contribution per sale, the higher the sales gain needs to be before penetration pricing becomes profitable.

It is important to remember that competitors can always undercut a penetration pricing strategy by decreasing their own prices and thus prohibiting the company from offering a superior value to the buyers. Only if competitors do not have the ability or incentive to do this, can penetration pricing strategy be viewed as a practical strategy for acquiring and maintaining market share. The most common situations where this can occur are:

1. When a company has such a considerable cost advantage or/and a resource advantage that its competitors assume that they should not begin a price war because they would likely lose.
2. When a company has a wider range of complementary products, enabling the company to use one product as a penetration-priced “loss leader” to drive sales of other products.
3. When a company is so small that it can grow its sales substantially without impacting its competitors’ sales enough to induce a response.

3.5 Neutral Pricing Strategy

A company that chooses a neutral pricing strategy decides not to use price to acquire market share and does not allow price alone to restrict it. Neutral pricing strategy aims to minimise the importance of price as a marketing instrument in favour of various other tactics that a company views as more cost-effective or powerful for a product's market. However, neutral pricing strategy is not necessary easier than other pricing strategies. It can be easier to choose a price that is high enough to skim or low enough to penetrate than to choose a price that achieves a near perfect balance.

A company commonly chooses a neutral pricing strategy by default if market conditions do not support neither a penetration pricing nor skimming/sequential skimming pricing strategy. For example, a company might not be able to adopt skimming pricing strategy when buyers perceive the products in the market to be so substitutable that none of the important buyer segments will pay a premium. That same company might not be able to adopt a penetration pricing strategy because buyers would not be able judge the quality of its product before purchase and would assume that the product has a low quality since it has a low price (the price-quality effect) or because competitors attempt to prevent penetration pricing by responding forcefully to prices that undercut the established price structure. Neutral pricing strategy is commonly used in industries that have relatively value sensitive buyers, ruling out skimming/sequential skimming, and relatively volume sensitive competitors, ruling out successful penetration pricing.

A well-executed neutral pricing strategy is no less important or difficult to profitability than penetration or skimming pricing, although it is less proactive. Neutral prices are not always equal to competitors' prices or near the middle of the price range. In theory, a neutral price can be the highest or lowest price in the market and still be considered as neutral. For example, Sony TVs are regularly priced above competitors, but still secure large market shares because of the high perceived value buyers associate with Sony TVs. Just like a penetration or skimming price, a neutral price is defined relative to the product's perceived economic value.

3.6 Cost-Plus Pricing Method

Cost-plus pricing method is based on costs. A company will add together direct labour and material costs of a product, such as raw materials and production wages, and the overhead costs for the product, such as rent. After that, the company will add a markup percentage to sum of direct labour and material and allocated overhead costs to create a profit margin and determine the price of the product.

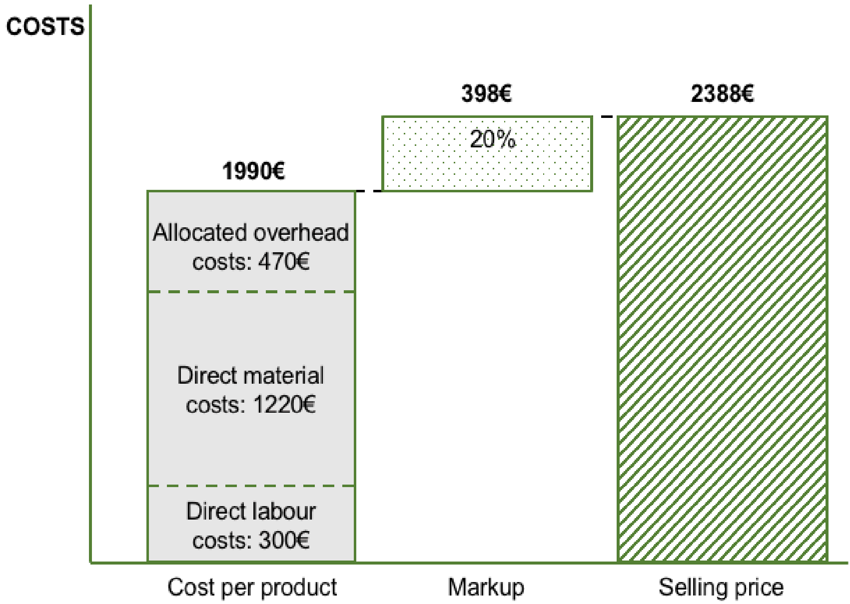

Figure 23. Cost-Plus Pricing Method

The weakness of cost-plus pricing method is that it does not consider what buyers want and ignores competitors' prices. This can lead to overpricing or underpricing, both of which lead to low profits. By using cost-plus pricing method, a company might weaken its competitive position by leaving itself vulnerable to competitors' strategic pricing choices.

3.7 Market-Based Pricing Method

The right price is not the price that just covers the costs and generates a profit margin. The right price is the one a buyer is willing to pay. However, this does not mean that a company should not seek to cover its costs when setting a price for a product. Market-based pricing is based on the current market conditions. The factors that affect market-based pricing are buyer needs and price sensitivity, supply and demand, the product and competition.

When using market-based pricing, a company will compare its product with competitors' products to set a price for the product. For example, if the product has better features than competitors' products, the company can set the price to the same level as competitors, thus providing more value to buyers at the same price or set a higher price level because of better features. When setting the price, the company will consider buyers' price sensitivity and may divide buyers in segments according to differences in price sensitivity.

A company should also consider buyers perception of value. If more buyers are willing to purchase the product (high demand), a company can set a higher price and if demand is low, the company should decrease the price. For example, a highly-anticipated product may have a higher price when its launched due to higher demand. Once the demand decreases, the price too will be decreased. In essence, market-based pricing is based on continuous negotiation between buyers and sellers.

3.8 Value-Based Pricing Method

Value-based pricing is based on the value or benefit a product or service provides to a buyer. A buyer can gain use-value, exchange-value and symbolic-value. For example, use-value can appear as cost savings or easiness. Exchange-value of a product is based on equivalences which are discovered when the product is introduced to a market. Exchange-value of a product can transpire when the product is exchanged to a new one. Symbolic-value appears as an immaterial value that is attributed to a product. For example, symbolic value can appear as admiration from other people.

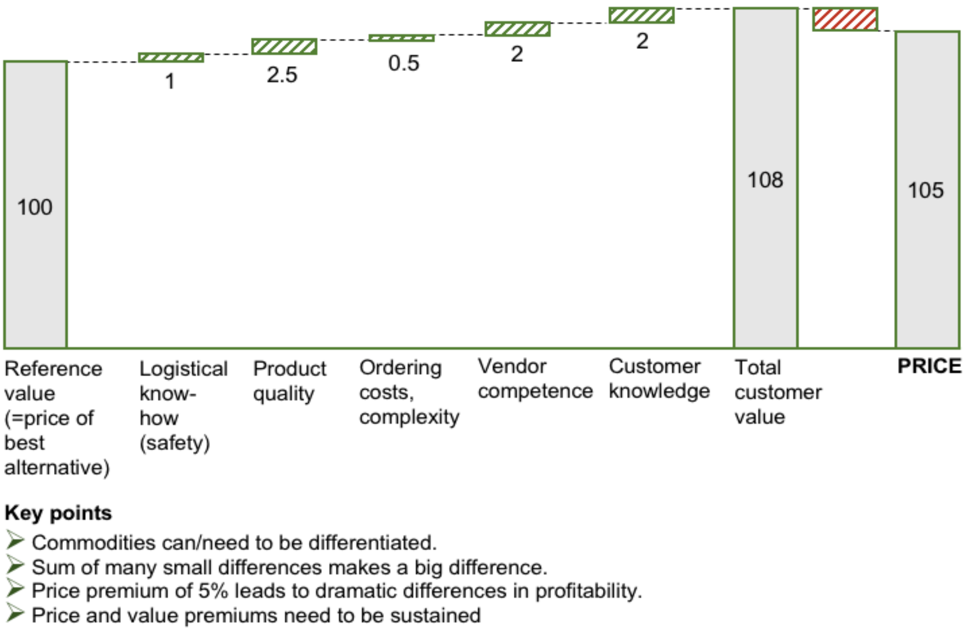

Figure 24. Value-Based Pricing and Value Creation for B2B Commodities (Hinterhuber & Liozu 2016, 15)

Value-based pricing is generally seen as the ideal choice for most companies. A company should be able to communicate the value to buyers in an understandable way. To succeed at this, a company can utilise value proposition.

Value proposition, which was developed to convert customer value into quantified, monetary benefits, is an important instrument for value-based pricing. By quantifying value, a company converts competitive advantages into buyer benefits. Competitive advantages usually create either qualitative or quantitative benefits, or both. Quantitative benefits can be divided into risk reductions, revenue/margin improvements, capital expense savings and cost reductions, and are related to financial benefits. Qualitative benefits allow buyers to reach their goals in a more efficient way (process benefits). Qualitative benefits include process benefits such as relationship benefits, the value of the brand, ease of doing business, knowledge and core competencies.

Table 1. Checklist for Developing a Best-practice Value Proposition (Hinterhuber & Liozu 2016, 16-17)

Check	Product	Key issue	Rate
	Is the target buyer group clearly defined?	Segment	
	Is the key business issue we resolve a real pain-point for this segment?	Relevance	
	Is it clear that the value proposition is superior for this buyer group?	Better	
	Does the value proposition reflect our competitive advantages?	Advantage	
	Is the value proposition relative to the buyer's best available alternative?	Competition	
	Are buyer benefits quantified? Is the quantification the result of quantifying both financial and quantitative benefits?	Quantity	
	Is the value proposition based on proper buyer and market research?	Research	
	Does the value proposition reflect changing buyer priorities? Is it relevant… tomorrow?	Update	
	Can you substantiate the value proposition in case studies or evidence of quantified performance improvements delivered?	Substantiate	
	Can you articulate the value proposition in 1-2 minutes?	Short	

The sum of qualitative and quantitative benefits equals total customer value. Because of this, a company that utilises value-based pricing should use value proposition to demonstrate the total customer value. An example of a quantified value proposition is illustrated in Figure 25.

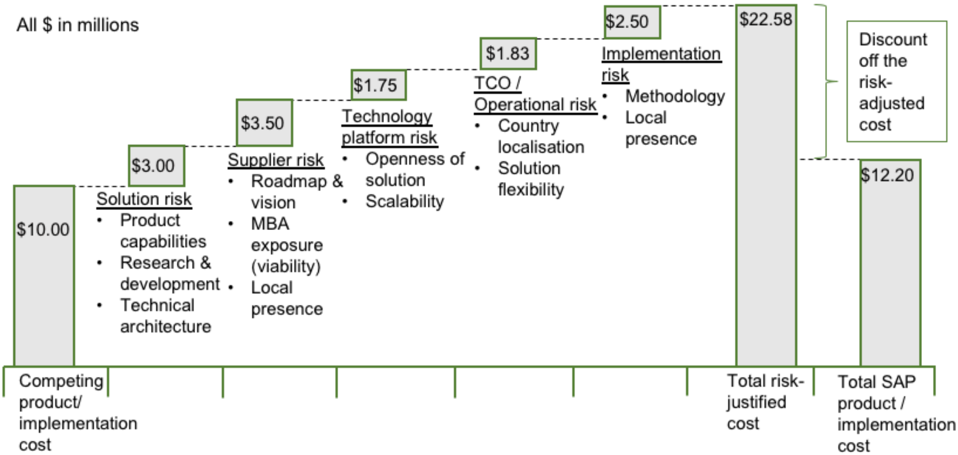

Figure 25. Quantifying the value proposition – the example of SAP (adapted from Hinterhuber & Liozu 2016, 21)

SAP is an enterprise software provider. In the example illustrated in Figure 25, SAP's price is 22% above the comparable competitor's price. SAP claims that the real cost of competitive solution is higher than what the company charges because risks have not been factored in. The company determines different risk categories: solution risk, supplier risk, technology risk, operational risk and implementation risk. SAP argues that these risks should be quantified and added to the low-costs solution's price. After risk adjustment, the initial low-cost offer price is clearly higher than the price of SAP's solution. SAP's experience has proven that by adding risk-adjusted price the company can win deals even if the list price of the solution is clearly higher (in this example by 22%) than price of the buyers next best option.

4 B2B Sales Process

A process can be described as a set of activities designed to achieve a certain result and it can be repeated, multiplied and modelled. A modern B2B sales process is a systematic approach that can add a lot of value when utilised as an organisational asset rather than an uncontrollable art form. B2B sales process can be divided into eight steps (Figure 26).

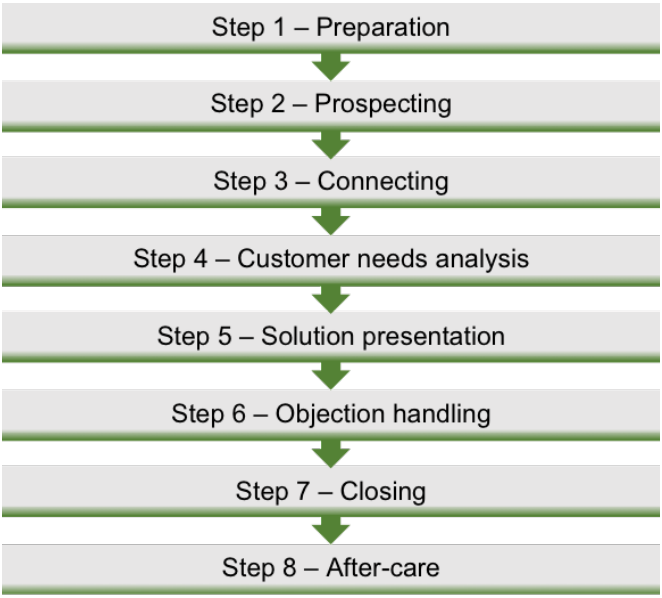

Figure 26. The Eight-Step B2B Sales Process (adapted from Castleberry & Tanner 2011, 151)

During the sales process, the salesperson uncovers the needs and problems of the potential customer and tries to assure the potential customer that the solution offered by the salesperson is the right choice. The objective of sales process is to create a demand and close the sale by finding a solution which both the customer and provider are satisfied with.

4.1 Step 1 – Preparation

During the preparation stage, the sales organisation and salespeople conduct market research to find out everything they need to know about the current demand and supply. Besides understanding the current demand in the market place, the sales organisation needs to stay informed of not only the products and services of competition, but also the organisation's own products. By understanding the current demand and the differences between product offerings, the salespeople are ready and informed when connecting the potential customers.

The sales organisation should do all the necessary preparatory work to enable a successful sales process. Preparatory work can include sales support materials such as PowerPoint presentations, product models, presentation videos, test results and references. A well-prepared sales process can increase the chance of closing the sales and helps build trust between the customer and the sales organisation. A well-executed preparation can also give off a trustworthy and professional image, which can help the sales organisation to build long-term competitive advantage. It is also important to remember that the objective of preparation stage and all the following stages of the B2B sales process is to close the sale and build a long-lasting customer relationship.

The sales organisation should also set up a database to store all the relevant sales process data. Startup companies often start with simple Excel tables, but it is easy to start using CRM (Customer Relationship Management) tools to store lead, prospect and customer contact information, and sales opportunities into one location. The data is often stored into a cloud storage and is accessible in real time by everyone in the sales organisation. However, the customer database should not be overflowed with data. Instead, the sales organisation should clearly define what is relevant data to keep the database simple and easy to navigate through. There are several free CRM systems which a startup company can choose from. Once a customer database is set up, the salespeople can always add information to the database or check for information that might help the sales process.

4.2 Step 2 – Prospecting

Once the sales organisation has gathered enough information by conducting market research, and made the necessary preparations, it can start prospecting the potential customers.

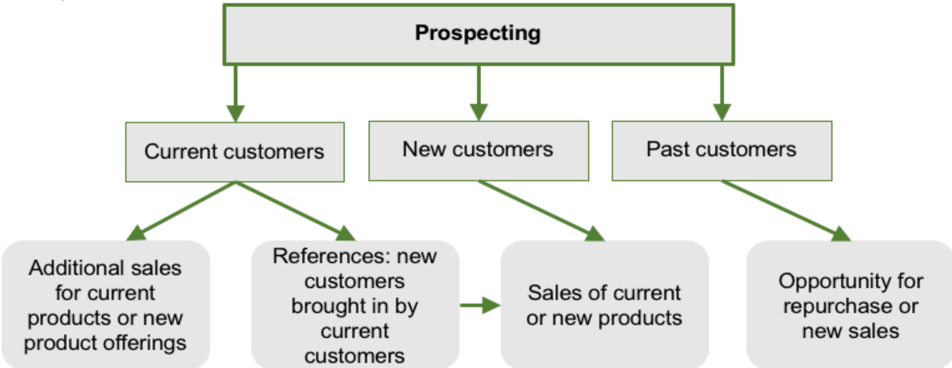

Figure 27. Prospecting and Additional Sales (adapted from Bergström & Leppänen 2015, 424)

A potential prospect is often defined as a lead. To determine if a lead actually is a prospect, the responsible salesperson qualifies the lead. If a lead is determined as a potential opportunity for a sale, it is called a prospect. A good prospect has a need that the sales organisation's product or service can satisfy, the ability and authority to pay, can be approached favourably and is eligible to buy.

To find new leads, many startup companies utilise common methods such as telemarketing, internet, company website, networking, webinars and business fairs, social media platforms, and lists and directories.

A quick way to start generating leads is the internet. For example, relevant information can be found from company websites, forums and other sources. Internet is also a great platform to discuss and publish specified content, for example in blogs or on social media platforms such as LinkedIn and Twitter. A company can also buy lead lists, which can be specified according to the purchaser's requirements, for example by industry, company size and revenue. Although they might sometimes be partially outdated, lead lists can still save a lot of time and make the lead generation process more efficient.

4.3 Step 3 – Connecting

The objective of the connecting stage is to draw the prospect's interest to the product or service and schedule a meeting with the prospect. The salesperson can use phone calls, emails, text messages and messages on social media platforms to reach the prospect and schedule a meeting or a phone call. Phone calls and different forms of messaging are often the simplest and cheapest ways to contact the prospect, and that is why those methods can be easily utilised by any startup company.

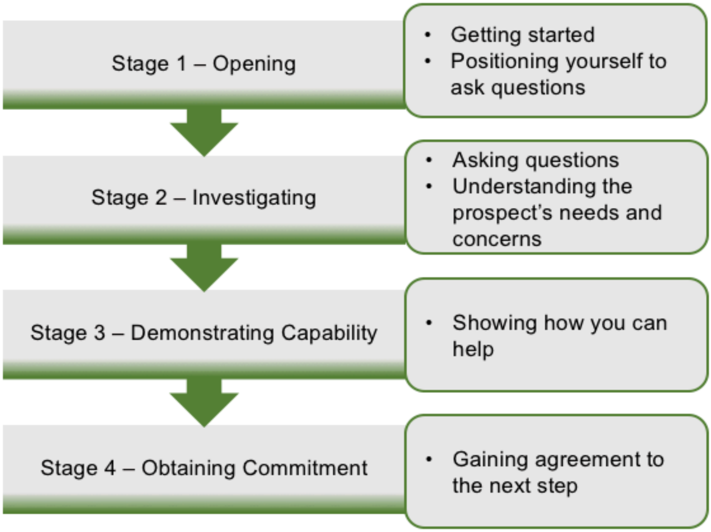

Figure 28. The Four Stages of a Sales Call (Rackham 1996, 37)

A well-planned sales call is well-articulated and straightforward and gives the prospect a vision of added value that the offered product or service can provide. Some B2B services can be sold during the first phone call and therefore it is important have a clear value proposition. People also have limited time and that is why it is crucial to win the prospect's trust as quickly as possible. During the call, the salesperson's voice and message are important, because the prospect can neither see the salesperson nor see or touch the product. The salesperson should be calm and efficient, and have trust in the offered product or service. It is important to ask relevant questions and let the prospect talk about possible problems and needs.

4.4 Step 4 – Customer Needs Analysis

Rackham's (1996) SPIN model (Figure 29) is a widely used model for customer needs analysis. The SPIN questions form a process of exploration and understanding focused on the prospect's difficulties, problems and needs.

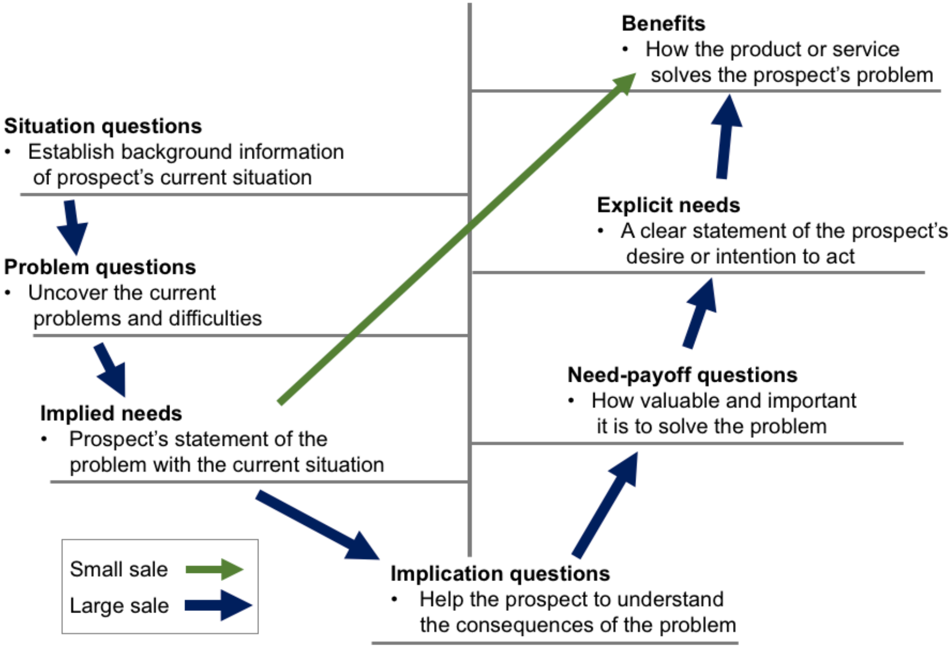

Figure 29. The SPIN Tree – Customer Needs Analysis in Small and Large Sales (adapted from Rackham 1996, 10-12, 15-17, 21)

Prospects are rarely 100 percent satisfied with the current situation and the more they think about the current problems, the more dissatisfied they become. If dissatisfaction keeps growing, the prospect will eventually feel that there is a need for a solution. A skilful salesperson can control the conversation by asking the right questions but will not provide answers for those questions. Instead, the salesperson will listen to the prospect and help the prospect to develop needs. The salesperson uses the customer needs analysis as a base for the solution presentation and can always use the customer needs analysis for tackling possible objections. The customer needs analysis can also be utilised to create different solution models which the prospect can consider.

4.5 Step 5 – Solution Presentation

The solution presentation is not only about offering the solution, but also about answering the question: “Why should I purchase this product or service?”. A good salesperson uses only those sales arguments that are important to the prospect. The arguments can be based on the Feature-Benefit-Impact table (Table 2).

Table 2. Feature-Advantage-Benefit Table (adapted from Rackham 1996, 149)

Feature	Advantage	Benefit
“We provide full implementation support.”	“… so the system is quickly available with no downtime.”	“The system provides the necessary power and security you have said you will need.”
“We have 62 branch offices.”	“… so our international staff can meet your requirements in all time zones, at any time.”	“The service matches the exact specifications you have given us for FCA compliance.”
“There is a 10-year warranty.”	“… which means that it is a safe investment.”	“The FILTEM system provides you with the pollution filter you have said you will need.”

Features are neutral facts that describe the characteristics of the offered solution. In the prospect’s mind, each additional feature adds to the cost and that is why the salesperson should avoid listing too many features without mentioning advantages and benefits. Advantages show how the offered solution or its features can be utilised or can help the prospect. However, the salesperson should know the prospect’s needs before listing advantages, because advantages that do not create value for the prospect will most likely raise objections. Benefits describe how the offered solution satisfies the prospect’s needs. Benefits will impact the prospect’s decision making throughout the sales process and the salesperson should make sure that the benefits are emphasised during the sales process.

Data, statistics and references from satisfied customers are good ways to demonstrate the benefits of the offered solution. A successful solution presentation is informative, will arouse the prospect’s interest and makes the prospect feel that the offered solution valuable for him.

4.6 Step 6 – Objection Handling

Objections are a natural part of the sales negotiation and are often an indicator of prospect's interest towards the offered solution. The prospect needs to have a good reason for making the purchase decision and that is why it is crucial to answer the objections and win the prospect's trust. Objections can be based on rational, emotional, personal or tactical reasons.

Table 3. Examples of The Answer Methods for Objection Handling (adapted from Castleberry & Tanner 2011, 280; Bergström & Leppänen 2015, 390)

Objection	The answer method	Salesperson's answer
"This looks very small"	Indirect denial	• "Yes, this is the smallest model, but it actually has more…"
"I don't think there is de-mand for this"	Direct denial	• "On the contrary, it was the most sold model of the first quarter because…"
"The price is higher than your competitor's"	Compensation	• "Our price is not the cheapest one, because it includes… and that is why it is…"
"The quality is lower than in your other products."	Revisit	• "The slightly lower quality and price are actually the reasons why you should buy these products. As you said, your customers are looking for low-priced solutions…"
"I don't think the product is worth this much."	Acknowledge	• "I understand your con-cern. I also like to com-pare the cost and benefit of the product. [pause] Now, we were talking about…"
"I don't think the product is worth this much."	Referral	• "I understand how you feel. Company X felt the same way, but after buy-ing and using our service, they found out that it sub-stantially increased their savings…"

Startup companies should try to obtain as many referrals as possible from satisfied customers as this method is a great way to alleviate doubts about a new company or its product.

4.7 Step 7 – Closing

The objective of the sales negotiation is gain commitment from the prospect and close the sale. After a well-executed sales negotiation, it is natural for the salesperson to ask for closing the sale.

Table 4. Different Closing Methods (adapted from Castleberry & Tanner 2011, 302-304; Bergström & Leppänen 2015, 391)

Closing method	Example
Direct request method	• "Shall we sign the contract?"
Balance sheet method	• Together with the prospect, make a list of all the pros and cons of buying now and buying later/not buying
Alternative choice method	• Let the prospect to choose between alternatives • "Which one would you like to choose?" • "Would you like to start with 2-month pilot or…?"
Detail method	• Cover all the details of the sale step-by step and get the prospect's approval on each detail after which closing the sale is self-evident.
Limited opportunity method	• "This is the last one" • "The product is almost sold out" • "The offer ends today"
Benefit summary method	• Make a summary of the discussion, prospect's needs and wishes and benefits of the offered solution, and propose to close the sale.
Condition method	• Give the prospect a discount or an additional benefit and propose to close the sale. • "Shall we sign the contract if…?"

After closing the sale, the salesperson should confirm the customer's choice and go over all the important details to avoid buyer's remorse. It is also important to sign the contract and review the actions each party has agreed to take. A successful sales negotiation also includes additional sales. The prospect might be willing to make additional purchases to complement the purchased product. Additional sales increase the value of the purchase and usually increase the sales margin. The ability to create additional sales is important because the volume of additional sales correlates strongly with the profit made by the organisation.

4.8 Step 8 – After-Care

The sales process does not end after the sale is closed. For most organisations, the increases in sales from one year to the next are due to increased revenue from existing customers, not just from new customers. Good customer relationships and a high customer retention rate are important to all companies and correlate strongly with the success of a company. It is also important to recognise which customers are profitable and which are not. Profitable customers drive net income and a startup company should focus on retaining the profitable customers. Unprofitable customers create more costs than income and a startup company should try to develop the unprofitable customers into profitable ones by raising prices or decreasing the resources spent on unprofitable customers.

The sales organisation needs to start conducting sales after-care immediately after the customer has made a purchase. The sales organisation should keep actively communicating with the customer and not assume that the customer will return just because of the earlier purchase. The sales organisation should stay informed of the customer's situation, offer new products or services and inform the customer of new updates and services.

Satisfied customers might make additional purchases and provide the sales organisation with new leads, which can turn into new customers. References are one of the most effective ways to gain new customers and close new sales. To gain new references and achieve favourable reputation and a high customer retention rate, a startup company should focus on building a well-designed and well-executed after-care protocol. A satisfied customer can be more effective and less expensive than any other advertisement and a favourable reputation can help attract shareholders, partners and talented employees. Thus, a startup company can break into a market and build competitive advantage by executing a customer-oriented sales process and a well-designed sales after-care.

5 Summary

By understanding where and how to compete, and how to price and sell will enable a startup company to make the right strategic choices. Strategy is affected by various different factors and is never simple. Figure 30 summarises the process of building a B2B sales strategy.

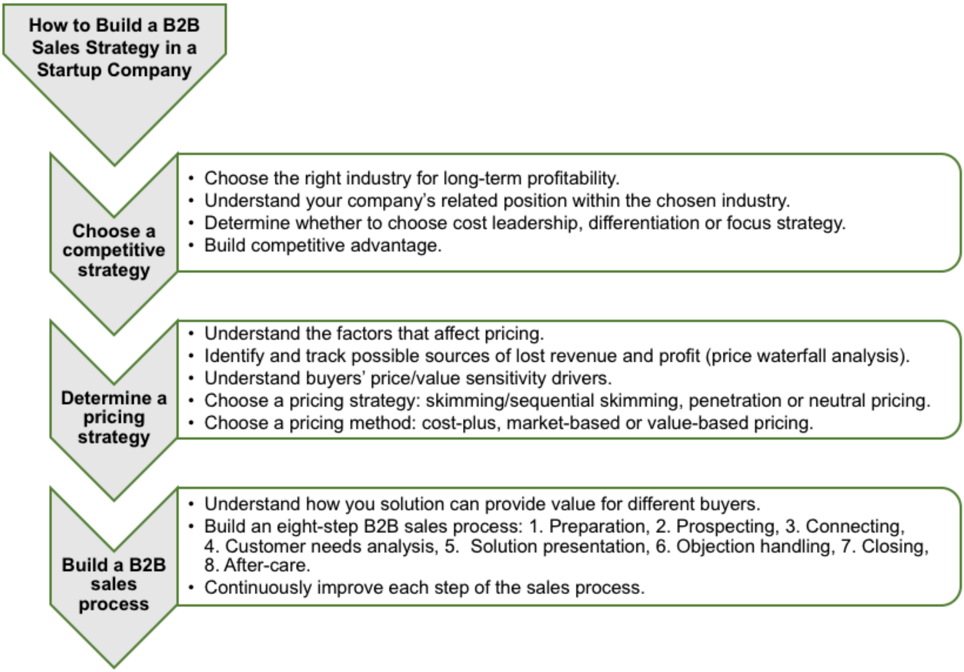

Figure 29. How to Build A B2B Sales Strategy in a Startup Company

Building a successful B2B sales strategy can be challenging for new companies that are looking to break into a market. The information and guidance provided in this handbook can be applied directly or adapted to existing practices. However, it would advisable to have a clearly defined, structured plan which you can follow. By making the right strategic choices during each step of the building process, a company can create a profitable business model and achieve sustainable competitive advantage.

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