



Management

The Croatian Sales Barometer

Presentation at the Sales Management Summit '08

Roland Berger
Strategy Consultants

business.hr

Zagreb, June 3, 2008

Contents

Page

A. Objectives and methodology	3
B. Main findings	7
C. Brief summary and recommendations	17



A. Objectives and methodology

Roland Berger
Strategy Consultants

business.hr

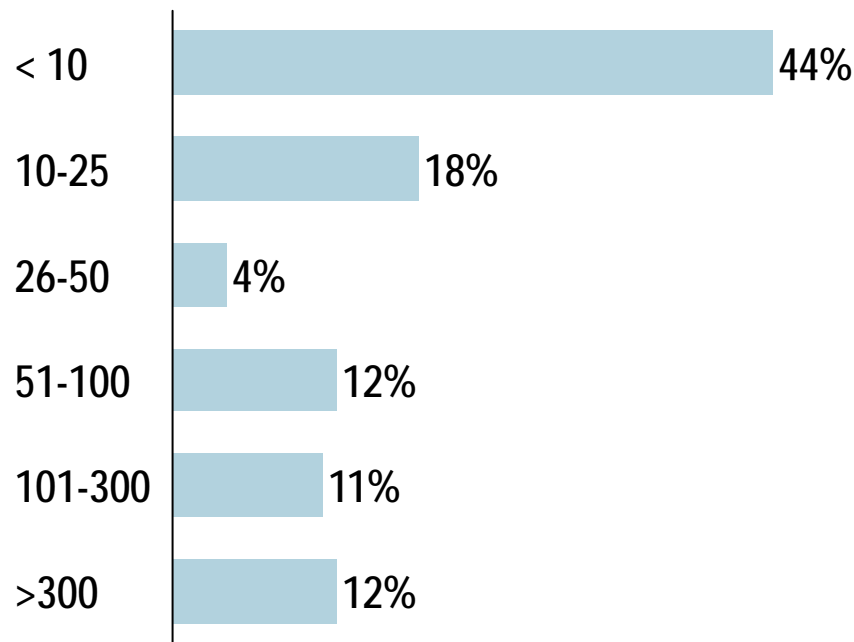
Preliminary remarks

- > In **April/May 2008**, business.hr and Roland Berger Strategy Consultants mutually conducted on **extensive survey** on the status and perspectives of **the Sales function in Croatia**
- > **CEOs and Sales directors** of the **top 500 Croatian** companies were **polled**
- > The **objective** of the survey was to receive a clear picture on the **issues and development challenges for the Sales function in Croatia** and to derive a **Croatian Sales barometer**
- > To our knowledge, this is the **first** extensive study on this issue **in Croatia**

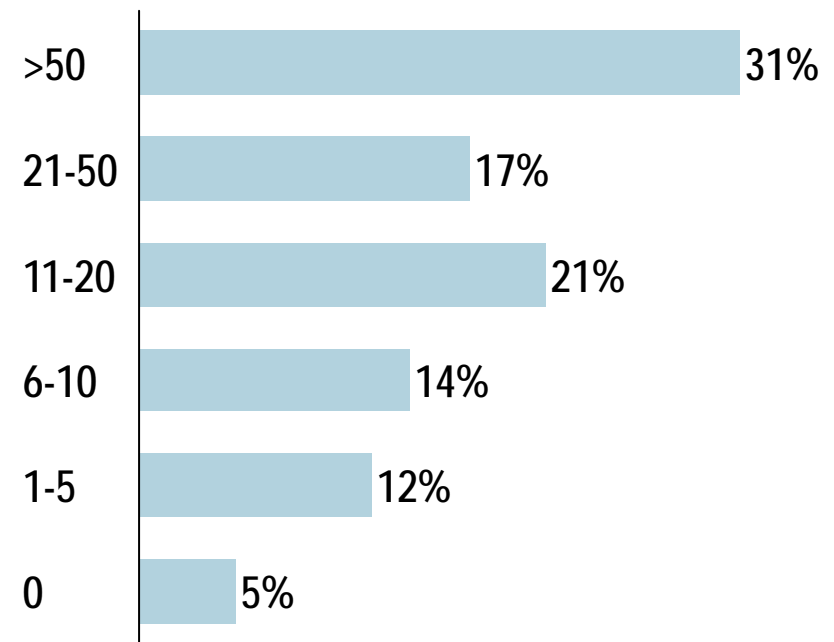
We have a well balanced scope of participants for this study

Participants [%] (1/2)

By sales [EUR m]



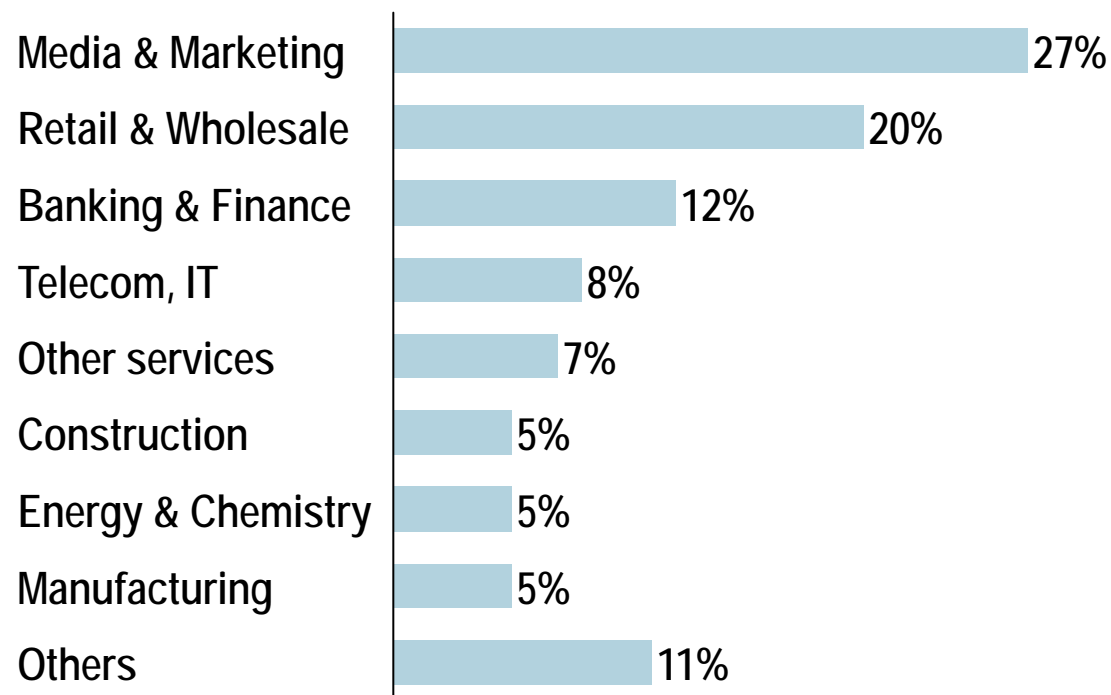
Number of sales force employees [#]



The industry mix is representative for the economy and covers all relevant industries

Participants [%] (2/2)

By industry branch





B. Main findings

Roland Berger
Strategy Consultants

business.hr

Pressure on and challenges for Croatian Sales operations did not vanish

Some framework conditions affecting Sales operations in Croatia

Consumers

- > Heavily **increasing consumer prices**, esp. energy, put pressure on available purchasing power
- > Ongoing **entrance of international companies** offer more choice and attractive prices for consumers



Markets

- > **EU accession** increases pressure on companies to act
- > **Croatia's GDP growth** slower than neighboring CEE countries, affecting relative consumers purchasing power
- > Starting wave of **internationalization of Croatian companies** puts new challenges on the organization

Even though sales challenges are expected to increase drastically, competences to meet this challenges are lacking

Strategic view – Top five issues

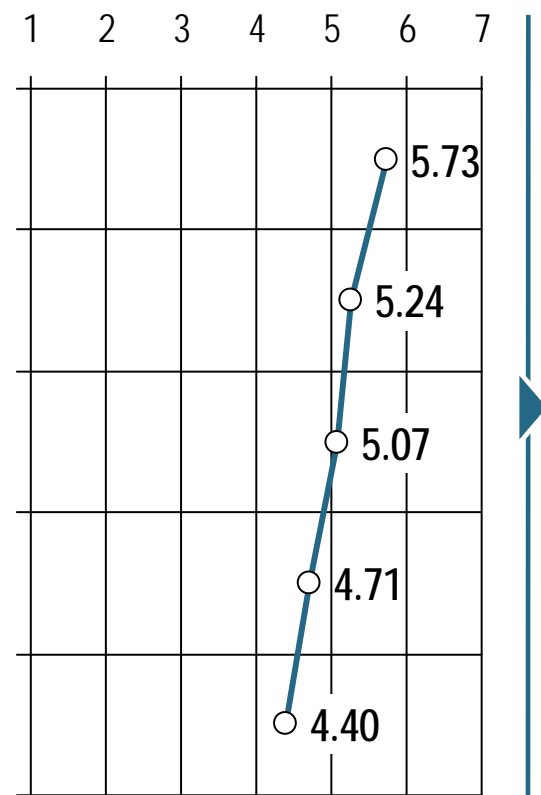
- 1 Sales challenges will drastically increase in the **next three years**

- 2 We have a clear and good customer **segmentation** (e.g. A/B/C)

- 3 There is a clear **connection** between Sales operations and company strategy

- 4 We have a clear picture on how to **develop** our sales capacities to meet future challenges

- 5 Our sales forces have the necessary **competencies** to meet the coming challenges



- > Overall an **indifferent view**
- > Agreement on **increasing sales challenges**
- > **Development of sales for us and strategic issues are in lack of action**

1 = Does not apply 7 = Applies fully

Current organizational efficiency in the sales department is assessed low

Strategic view – Other issues

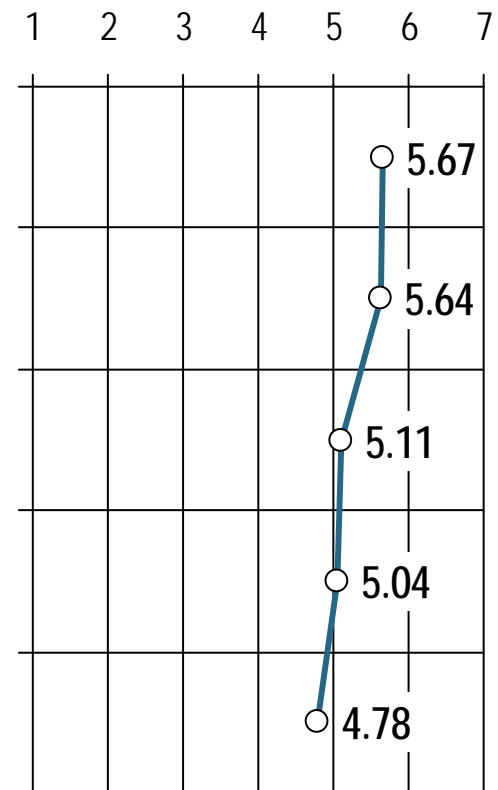
- 6 Sales efficiency measurement done on different levels¹⁾

- 7 We know the potential of individual clients

- 8 Direct sales will increase its importance in the next three years

- 9 We continuously assess our business (sales) opportunities

- 10 Our working methods in sales are very efficient



- > Indifferent overall view as well
- > Controlling mechanisms very important
- > Potential is seen in the development of working methods in sales

1 = Does not apply 7 = Applies fully 1) e.g. per sales person, product, client

The own after sales service is assessed to be good

Sales efficiency – Top five issues

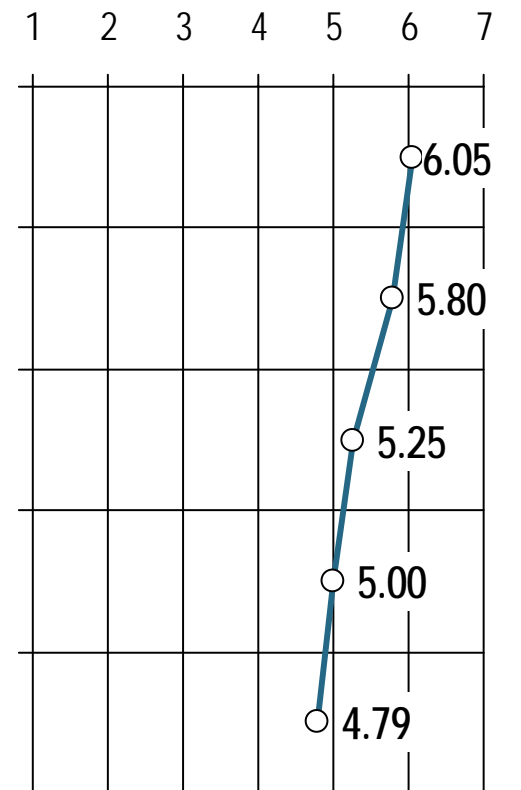
- 11 Our sales activities generate new business and orders

- 12 Our after sales service ensures client satisfaction and loyalty

- 13 We market ourselves good

- 14 We are an attractive employer for attracting and retaining optimal candidates

- 15 Good developed and lean organization



> Even though new sales is generated, the sales organization is assessed quite weak

> Customer retention very important

1 = Does not apply 7 = Applies fully

Purchasing is seen as the weakest point in it's own value chain

Sales efficiency – Other issues

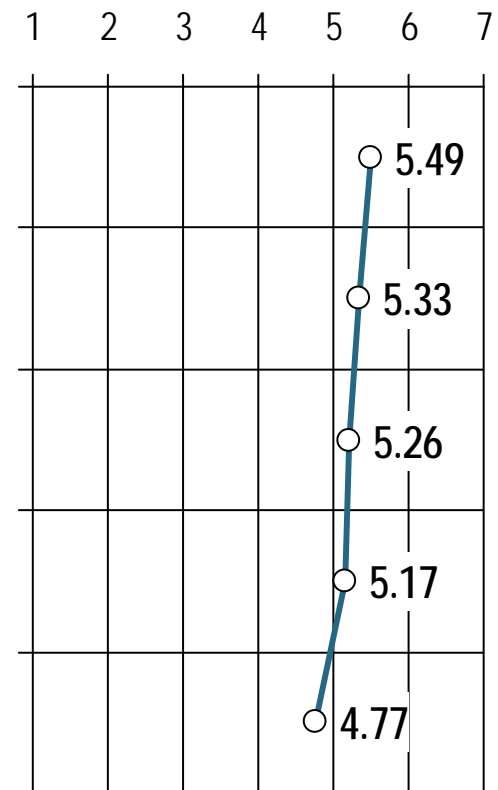
- 16 We have better technology for sales support than our competition

- 17 All customers data is in one place in our company

- 18 Logistics works well

- 19 Production works well

- 20 We have our purchasing cost structure in order



> **Technological basis** seems to be OK

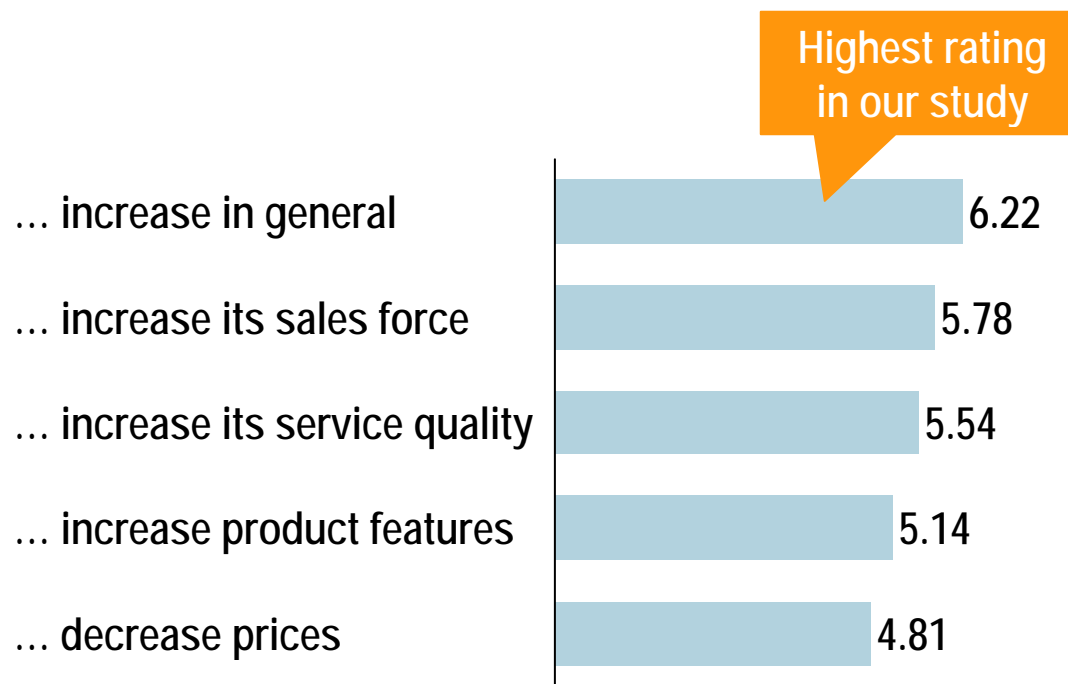
> **Purchasing** seen as weakest point in the value chain

1 = Does not apply 7 = Applies fully

Service quality and the right sizing of the sales force will become key success factors

View on future challenges (1/2) – Competition

Competition will...



1 = Does not apply 7 = Applies fully

Deductions

- > Sharply rising competition is expected
- > Competition is not expected to fight on prices but **sales force volume** and **service quality**

Human resources issues are a weak overall point in Croatian sales organizations

View on future challenges (2/2) – Human resources

Availability of skilled people for recruiting is decreasing

5.50

Our ability to introduce and empower new sales people is good

4.78

Our ability to retain good sales people from going to the competition is good

4.08

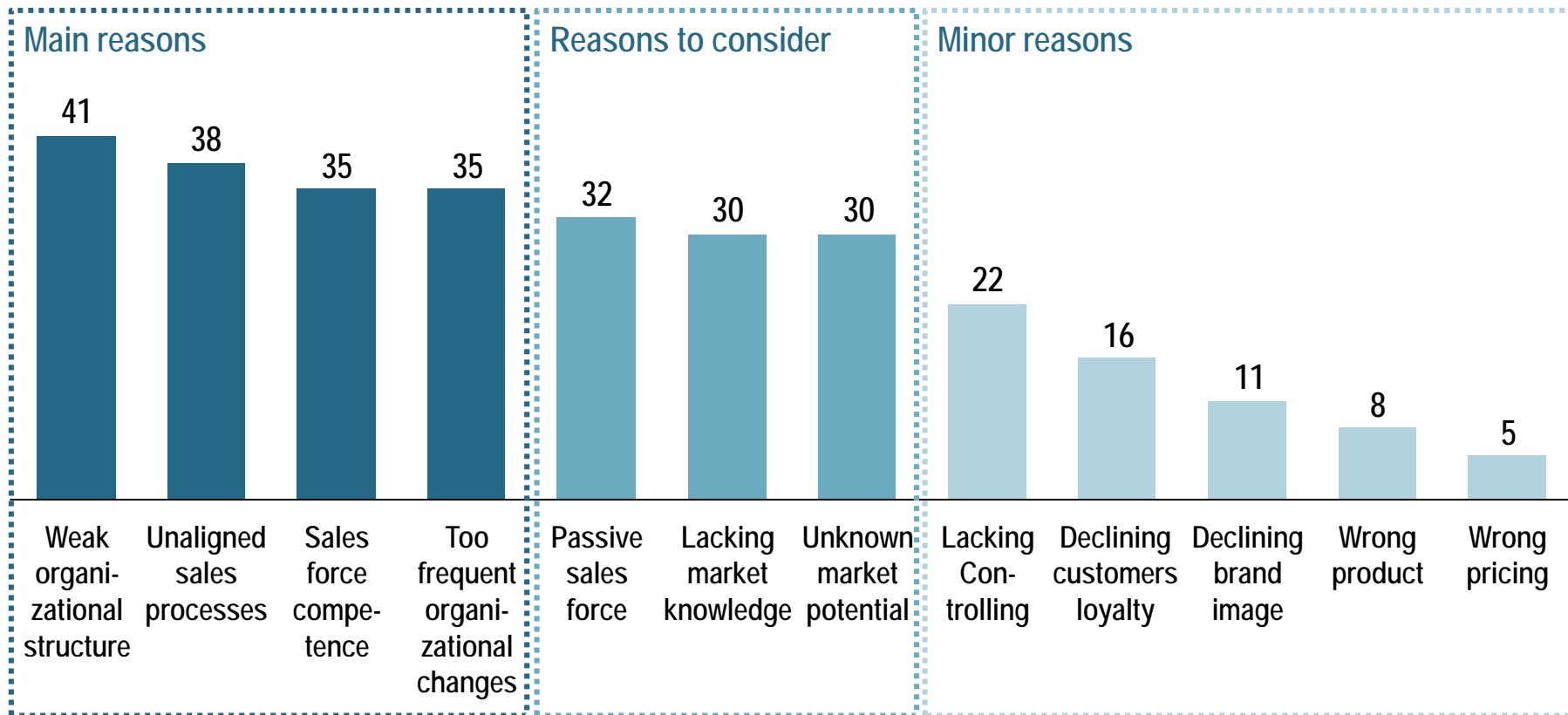
Lowest rating in our study

- > **Availability** in the market is shrinking
- > **Organizational weaknesses** revealed
- > **Retention** is the main issue

1 = Does not apply 7 = Applies fully










Organizational issues restrict better sales results

Main reasons for unused sales potential in your company [%]



Online activities will substantially gain on importance for successful Sales activities

How do you use your website? [%]

	Currently		In three years	
> General information and marketing	81		73	
> Customer loyalty measures	27		70	Main winners!
> Online sales	19		57	
> Online sales ads	16		35	
> Online purchasing	5		32	To be developed from zero
> Extranet for clients	19		30	
> Web 2.0 features	0		16	
> Extranet for suppliers	8		8	
> Nothing of the listed	14		3	



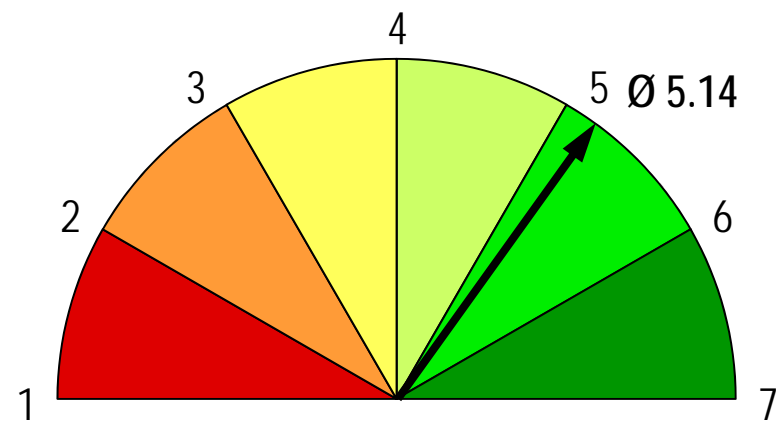
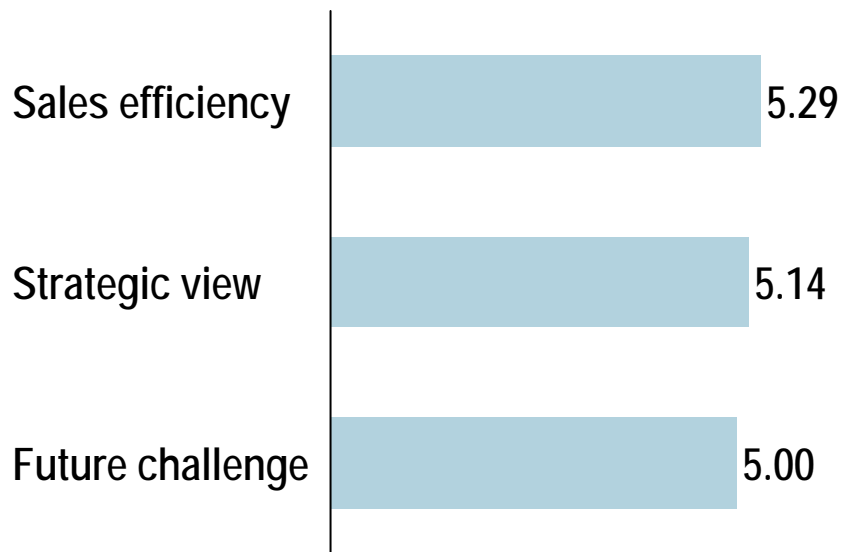
C. Brief summary and recommendations

Roland Berger
Strategy Consultants

business.hr

Overall, Croatian companies assess their sales function to be rather good, preparation for future needs to be tackled

Overall status – From 1 to 7



1 = Does not apply 7 = Applies fully

There is a common agreement on the short-term outlook concerning challenges and competition for Sales operations

Strong common agreement on:

- > **Sales challenges** are expected to drastically increase in the next three years
- > **Competition** is expected to increase noticeably

As it is clear that it will become harder in the near future, start to develop and act

There are good strengths to build. Weaknesses mostly in organizational and HR issues

Strengths

- > Good **controlling mechanisms** are in place
- > **Potential** rather than absolute sales in focus
- > Good **after sales services** are in place
- > Good **technological and IT basis**

Weaknesses

- > Necessary **competencies** of own sales forces are missing to meet future challenges
- > Not a fully clear picture on how to **develop** sales forces
- > Current **working methods** in sales are not very efficient
- > **Sales organization** not optimally developed
- > **Purchasing** seen as weakest point in the value chain

If you act now, you can prepare your Sales operations in time – Clear path forward

Our recommendations for Croatian Sales operations

1 Get the basis right

- > Review your **organizational structure** in Sales
- > Optimize the **processes** in the Sales department
- > Recalculate the **scope** of your sales force
- > Introduce the right **KAM setup**

2 Take care of your people

- > Identify missing **capabilities** in your sales department/ force (now and future) and build them up
- > Review your **motivation/incentive system**
- > Establish **employees retention** as a prime goal

3 Close knowledge gaps

- > Review your **service offering** and improve it
- > There is still something to **learn about your market** (structure and potential)
- > Work on **customers loyalty** measures
- > Be a step ahead in your **online activities**

Delivering results.

Roland Berger
Strategy Consultants