

OLAF PLÖTNER | ROBERT E. SPEKMAN (EDS.)

# BRINGING TECHNOLOGY TO MARKET

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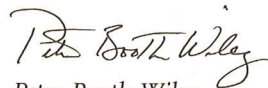
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## Bringing Technology to Market

*Trends, Cases, Solutions*

Edited by

Olaf Plötner and Robert E. Spekman



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# 7 Adjusting Corporate Customer Communication

*Olaf Plötner  
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## Introduction

From the 1960s onwards, marketing analysts have tended to focus on four areas perceived as at work in the marketing process: product design, pricing, distribution, and marketing communication. The latter area has itself been broken down into various marketing instruments: advertising, sales promotion, trade shows, exhibitions, public relations, personal selling, and more recently, Internet promotion and customer conferences. Over the same decades, the literature on marketing communication has focused strongly on the consumer goods market;<sup>93</sup> B2B markets have been broadly neglected, and when treated, only in regard to their differences from their consumer goods counterpart. In this context, B2B marketing communication has itself been approached in terms of instruments that typify the consumer goods market.<sup>94</sup>

The same procedure is apparent in relation to consumer goods and capital goods – a highly questionable procedure in the framework of communication activities that have considerable importance for selling complex technical products or customized services in B2B areas. For example:

- (1) An energy provider issues an RFP (request for proposal) for the construction of a new power plant. An interested construction company will have to provide detailed information on its ability to fulfill the specific demands of this particular customer.
- (2) A telecom provider has decided to install a new billing system. A supplier of such systems is informed of the required specifications. The supplier suggests equipping the billing system with extra, previously unknown functions.
- (3) When performing routine repairs, a repairman discusses the customer's future need for spare parts.

These three examples refer to acts of communication between customer and supplier; they are directly related to the selling of B2B products and services. Still, none of them has a place in the standard model of marketing communication. Since such a list might be continued endlessly, it seems useful to develop a special approach to B2B marketing communication, one doing justice to the special situations involved in selling within this market. We believe that a suitable term for this approach is corporate customer communication (henceforth CCC).

## Buying Processes within B2B Markets

In order to more closely consider this new approach, we first need to analyze CCC objectives, which means examining *what* a company wants to achieve with marketing communication (the objectives) and not *how* it wants to achieve these objectives (the instruments). Objectives are thus more important than instruments.

The main objective of every company is to sell its products and services profitably. Whether this objective is accomplished depends on the potential customer's decision. Unlike decisions in the consumer goods market, those about investment goods are usually the outcome of a long and complex process. Since a supplier conducts CCC activities to influence this decision-making process, it seems an appropriate starting point for a closer look at CCC. Defining CCC objectives is not complicated if we understand the decision-making process and its crucial elements, have a good overview of the supplier's opportunities to influence the process, and are familiar with the customer's need for information.

Even before making a decision about purchasing an IT-system, many people have an opinion or attitude regarding, say, the IBM brand; this predisposition could turn out to be an influential factor in any eventual buying decision. The purchasing behavior of a customer, in other words, is determined long before the actual decision process begins. Let us assume that a company has defined a problem in its production process and that it would like to solve it with a complex solution provided by an external supplier. Normally, this implies the presence of several people to consciously influence the buying process or at least try to do so.<sup>95</sup> The company will then begin to specify the requirements and document the results. Next, inquiries will be made about potential suppliers for the solution with the use of various information sources. The customer-firm will develop preferences on the basis of the information delivered and consequently begin a decision-making process.<sup>96</sup>

At the end of this phase, the customer firm will decide in favor of the supplier offering what it views as the best cost-benefit ratio. Arriving at this decision is a process stamped by uncertainty, hence very open to the influence of emotional as opposed to rational (measurable or quantifiable) factors.<sup>97</sup>

Once the purchasing company has selected a supplier, the buying process enters the next phase. In the case of standardized goods or services, this involves little more than signing a contract followed by delivery and installation. But in the case of goods and services of higher complexity, customers require solutions customized to their needs. This implies that the customer has to be involved in product development, especially when the purchase consists to a large extent of services.<sup>98</sup> For example, when buying and implementing a new software system, a customer needs to inform the supplier about the system's internal processes, provide an overview of the current IT system, and train employees on the new system. Many aspects of this process of supplier-

customer cooperation take place after the actual buying decision has been made and the purchasing company has modified elements of the previously agreed-upon solution.

The cooperation between supplier and customer by no means ends with completion and delivery of the product. To the contrary, it most likely has just begun. For instance when a company decides to buy a certain type of software, it more or less commits itself to buying future upgrades as well. These sorts of delayed purchase commitments can also be observed with regards to goods such as power plants, trucks, and turning centers. To a large extent, this is due to the need for maintenance and repair. These follow-up services do not necessarily have to be performed by the original supplier. However, for reasons such as the potential loss of warranty rights and the transaction costs saved by not having to familiarize external suppliers with a firm's systems, this is usually the case. Naturally, similar dependencies between individual transactions also exist in service-based sectors. For instance a company that has decided to hire an advertising agency for an image campaign will generally employ the same agency to develop its product advertisements in a newspaper. Such dependencies already underscore the need for buying processes not to be seen as isolated exchange activities, unrelated to past or future sales. After-sale in this context mostly also means pre-sale. The recent literature on customer relations management in B2B markets approaches the dynamic at work here as important enough to constitute a separate discipline.<sup>99</sup>

## The Supplier's Communication Objectives

### Communication during the Pre-Sales Phase

From the supplier's perspective, the communication activities that need to begin before the actual start of the procurement process can be termed the *pre-sales* phase. In this phase, the supplier's main objective is to establish contact with a targeted customer segment.

The attention gained in this phase provides the basic willingness to absorb and process further information. This does not, however, include in-depth information or information with a high level of complexity, as potential customers do not yet have sufficient interest for this. At the same time, they may remember a fragment of text, a symbol, or a name. There are many places where such information can be encountered and just as many channels through which it can be conveyed; a newspaper advertisement is just as likely as an advertisement on a local bus or everyday conversation on the work floor.

Any information a company sends to potential customers will not seem so new and unfamiliar if they have familiarized themselves with a supplier's name. If such familiarity involves a positive attitude towards the name or brand, the supplier has reached the major communication objective of the pre-

sales phase, namely to create “presence.” Many concepts from the realm of brand management can be applied practically in pursuit of this goal. Although primarily developed for the procurement of consumer goods, these concepts have sparked increased interest in B2B markets over recent years.<sup>100</sup>

### **Communication during the Sales Phase**

In general, a supplier will either be contacted directly by a company or will have heard about its intent of purchase through a third party. Suppliers, in other words, not only need to know how to convey information (as in the pre-sales phase of communication), but also how to persuade others to share the information they own.

Once a supplier is informed about a potential customer’s needs, the next step will be to ascertain the precise needs. The more accurate the information, the higher the certainty of having found the right partner for the job. Here, the need for reciprocity of information becomes clear. Not only do suppliers need to convey information concerning themselves and their available services, but they also need the communication skills to persuade others to provide required information. Furthermore, the information must be as accurate and complete as possible and delivered at the right time.

Obtaining relevant information about a potential customer before the competition can be a decisive advantage, offering the supplier both more time to create a favorable image and the opportunity to influence needs perceived by the customer. To these ends, the supplier-firm will emphasize the importance of factors where it has a competitive advantage. Communication activities working towards this goal may be best expressed by one rule: customer specifications known best are the ones written by the supplier.

Although the first aim of a supplier in the sales phase is to define the customers’ needs, these are not necessarily the same as a company’s needs as a whole. The people involved in making a buying decision often have very personal goals, needs, and fears. The supplier’s communication activities should thus be oriented towards obtaining as much information as possible, all of it put together like a puzzle for the sake of a larger picture. Here again, the art of communication involves obtaining rather than delivering information: understanding correctly is more important than talking smoothly.

This situation changes when a customer’s needs have been defined and understood by the supplier. Communication will now be aimed at the advantages a particular solution has to offer. More precisely, the supplier will have to convince the customer that the solution offers a better cost-benefit ratio than solutions of competitors. We should bear in mind, though, that suppliers cannot demonstrate the accuracy of their statements during the sales phase. For example, how high the future repair and maintenance costs of a new assembly line will be is uncertain, as is the amount of time employees will need to work

with new software or how often a new machine will break down in coming years. A supplier will try to provide satisfactory answers to these sorts of questions since, in the end, a decision will be made on the basis of promises given. Consequently, the aim is not only to offer customers the best cost-benefit ratio but also to convince them that things promised will become true after the sale.

By taking a closer look at the process of customer opinion formation, we can identify two central aspects: First, it is important that the customers come to believe that the supplier has the skills required to provide the promised solution. Highly complex solutions often demand very specific skills, not only of a technical but also of a financial and organizational nature. Second, the customer needs to be convinced that the supplier actually intends to keep the promises that have been made.<sup>101</sup> The supplier likewise needs to make clear that there will be no reduction of activities after the sale, even when, for instance, an important assignment for another customer has to be seen to. This implies that the supplier-firm has to strengthen its own image as a trustworthy business partner. Conveying trustworthiness and skill is the second basic objective of communication in the sales phase.

Customers who are familiar with complex technical solutions can make better estimates of suppliers’ skill levels. In order to judge the quality of the supplier, the customer will thus have to gain some competency in the field for which a solution is being purchased. In the absence of such competency the supplier will have to fill the gaps, with the supplied information being, however, adjusted to the customer’s interests and level of knowledge. Often suppliers unnecessarily enter into details that customers find uninteresting or cannot understand.

Those suppliers that manage to convince potential customers of both the quality of their solutions and their own trustworthiness have accomplished a great deal. If the solution seems attractive enough, the supplier emerges as at least a potential business partner. Companies purchasing complex solutions on B2B markets often prepare shortlists including two to four potential suppliers. Detailed negotiations with these companies are scheduled in order to discuss all aspects of the potential sale. General clauses and promises from past conversations are turned into narrowly defined concessions, delivery dates, payment conditions, rules of guarantee, and so forth. After detailed negotiations, the agreements on these terms are usually documented in contracts. Therefore, the main objective of a supplier’s communication in this phase is to commit the potential customer to purchasing the solution and negotiating conditions of sale acceptable to both sides.

This means the supplier has to make promises that will favorably influence the customer’s decision and provide a decisive advantage over the remaining competitors. This must be done while bearing in mind both that the sale needs to be profitable and that all promises need to be kept. This clearly represents a dilemma, as the supplier must focus on obtaining the revenues involved in the project and yet needs to make substantial concessions in order to do so. In these negotiations, the potential customer will in fact often try to create an

atmosphere that puts the supplier under pressure, thus extracting unintended concessions. This pressure can be generated in many ways, but there also are means for coping with it.

Suppliers who allow themselves to be lured into concessions they cannot keep run the risk of future losses in the form of penalties, compensation payments, and so forth. Furthermore, in the long run they will be subject to customer discontent, in other words to the loss of painstakingly accumulated trust. The discontent may be conveyed to other companies, thus causing damage moving beyond this particular business relationship.

Unrealized expectations can prompt customer dissatisfaction. Suppliers thus have to work just as hard at avoiding unrealistic expectations before the sale as on satisfying realistic expectations after the sale. This "expectation management" not only applies to the suppliers' side of the contract; rather, when necessary suppliers need to clearly explain to customers that they will also have to contribute to a given solution's development process.

### **Communication during the Post-Sales Phase**

The supplier's objective should thus be to negotiate conditions causing the customer to decide in its favor, the deal to remain profitable, and a successful product to be developed. Especially the last point plays a crucial role during the post-sales phase, which begins when a potential customer has entered a contractual commitment to purchasing from a supplier. This turns a potential customer into a real customer. As indicated, communication in this phase is particularly important when it concerns a solution that is highly customer-specific. Whereas suppliers of crude oil, aluminium bars, or paperclips face few onerous communication challenges, suppliers of complex products and services depend heavily on their customers in the solution's development. For this reason, a successful communication policy in the post-sales phase is very important for the overall success of the sale.

In the early post-sales phase of complex products and services, a solution's definition becomes increasingly concrete. Specifications will here almost certainly determine how items are to be dealt with. Documents provide an overview of the agreements regarding the solution, the deadlines, and the division of tasks between customer and supplier. This is especially important when a customer-firm purchasing a complex solution modifies its demands after the buying decision has been made. Complying with these new demands often involves extra costs for the supplier and lowers the profit margin. The supplier should by no means block these demands; it has to be made clear, though, that they require a modified solution and as such exceed the agreement. In most cases additional negotiations will have to take place in order to comply with modified demands. Over the past years, many companies have devoted substantial attention to these "post-sale negotiations." The discipline of "claim

management" is mainly concerned with the question of how suppliers or customers may best direct the outcome of communication processes to their own advantage.

Good preparation is a necessary condition for successful cooperation, but not a sufficient one. Even well-prepared cooperation can lead to friction. How best to manage in this respect differs from case to case. It is in any event advisable for the supplier to identify crucial points in the cooperation process in advance and to initiate communication measures to prepare the customer for them.

The successful implementation of a solution into the customer's value chain strongly depends on cooperation between the employees of both the customer and supplier. It thus seems only natural for the customer to provide the supplier with required information and thus optimize cooperation, even though empirical evidence suggests that the latter tends to be very difficult: communication hurdles exist, important pieces of information are not delivered in time, responsibilities are left unclear, and budgets are exceeded. Should the customer company have brought such a situation about, its employees will either be unaware of the steps to be taken or refuse to cooperate. Ultimately, the source of the problem may well lie in communication by the supplier; for instance insufficient preparation of either the project or the general foundations for trust. The fact that providing confidential information makes a customer feel vulnerable here needs to be taken into account. This is especially the case when a supplier also offers services to a customer's competitors. The supplier has to anticipate and resolve such problems – the key to this again lying in building a foundation of trust.

In sum, the major goal of communication in the post-sales phase is to successfully guide cooperation between customer and supplier and thus optimize the solution's integration. For this reason, it is necessary to obtain detailed information about the customer's value chain, to agree on the changes that are to be made to successfully manage implementation of the solution, and to maintain an image of reliability.

### **Communication during the Up-Sales Phase**

As already indicated, the complexities involved in most provided solutions means that customer-supplier cooperation will be required even after the post-sales phase. In order to optimize their transaction costs, customers have a great interest in such cooperation. But the supplier benefits even more from this continued cooperation. Practical experience tends to confirm the principle that it is less cost intensive for a supplier to do business with an existing customer than to acquire a new one. Therefore, maintaining customer loyalty is not only an objective of communication policy but also an economic imperative for a supplier in the up-sales phase.



Especially when maintenance and repair requirements assure further contact, suppliers will have a good opportunity to familiarize themselves with their customers. This familiarity then provides an excellent basis for identifying potential improvements in the customer's value chain and thus developing new needs for the customer. To this extent communication in the after-sales phase should always be directed towards further sales.

The newly identified sales potential is at the supplier's disposal, provided that the customer is satisfied with the initial service. Consequently, the supplier should regularly inquire about the customer's satisfaction with the product and, in general, orient the communication towards influencing the satisfaction level. After the purchased equipment has been installed, the customer will again be fully focused on day to day business and will thus hardly pay any attention to the transaction's – hopefully – positive effects. Should the customer be satisfied with agreements held, promises kept, and goals achieved, the supplier should aim at a continued awareness, as it were, of the satisfaction.

Finally, it should be noted that communication in the up-sales phase should not be directed solely towards future purchasing assignments. In order to enhance the relationship with the customer, personal relations with the customer's employees that go beyond standard business relations should also be established.

Fig. 1 summarizes the communication objectives of a supplier in B2B markets as well as the sub-targets in the four phases.

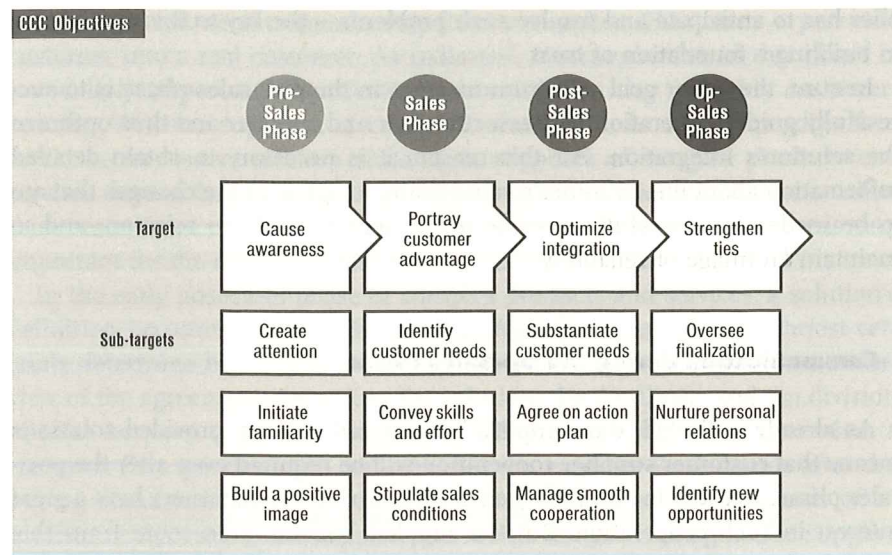


Fig. 1: CCC Objectives

## The CCC Phase model

Theoretically the sales process is categorized by specific phases, yet practically a clear differentiation between the four phases is not always apparent. The transition from the sale to the post-sale phase can take place in various ways and in a variety of steps, and not necessarily by contract-signing alone. To distinguish precisely between post-sales and up-sales is equally impossible: when, for instance, has maintenance work on aircraft turbine paddles been completed? When the paddles have been checked and replaced? After the motor has been tested? When the motor has been replaced in the aircraft and the aircraft is once more active? In a similar manner the phase objectives may themselves not be clearly separated, since the after-sales phase may influence customer behavior as much as product advantages seen in the pre-sales and sales phases; but each phase is necessarily tied to the next, since each after the first can only be realized once the earlier phase has been completed.

The progressive structure of the CCC model shows that the objectives of already-concluded phases continue to play an important role. Therefore, suppliers should not consider their communication measures as isolated activities, but rather perceive them as a coherent whole covering the four phases. All individual measures should complete each other and, seen from the customer's perspective, be cohesive. This is above all the case for formal aspects of the communication process such as a consistent use of the company's logo in non-personal communication.

Even more important is the fact that the information conveyed in all four phases should contain neither inconsistencies nor contradictions. On a theoretical level this observation may seem patronizing. Practical experience has

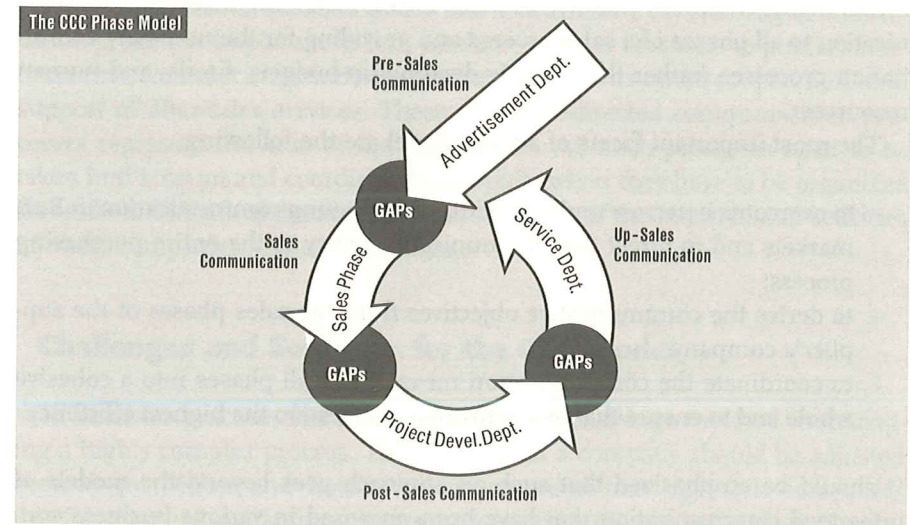


Fig. 2: The CCC Phase Model

shown, however, that it is by no means self-evident. For example, a service employee of a machine-building company might inform a customer that the need to repair a certain machine is the consequence of ordinary wear and tear. The customer might then react with surprise and unhappiness because a sales representative told him before the sale that in the first two years the machine would be free from any repair caused by standard usage. Such a communication mishap is by no means exceptional; the mishaps are not a result of coincidence but mostly based on systematic mistakes in the supplier's communication strategy. For instance all large industrial corporations divide the customer communication in the four phases among various people with various responsibilities. The advertisement department is mostly concerned with communication in the pre-sales phase, whereas the sales department deals with the sales phase. The cooperation with the customer in the post-sales phase is handled by the responsible project and development engineers, while the service department (maintenance and repair) or the sales department (personal contact) arrange communication in the up-sales phase.<sup>102</sup> Often gaps or even reluctance among the departments involved hamper coordinated communication with the customer.

These organizational difficulties are often exacerbated by the prevalent understanding of marketing communication. As shown above, in most companies as well as in relevant textbooks, communication only refers to activities in the pre-sales phase, occasionally together with a few activities in the sales phase. This clearly too-narrow perspective is bound to result in communicational mishaps with regards to the customer. To continue the above example: service employees only feel responsible for repairing customers' machines, not for realizing communicative objectives – it is very likely they do not even know them.

Given this situation, we clearly need to develop a new approach to communication management. In B2B markets this means extending marketing communication to all phases of a sales process and providing for the necessary coordination processes (rather than simply dividing up budgets, funds, and human resources).

The most important facets of a CCC model are the following:

- to overcome a narrow understanding of marketing communication in B2B markets and to direct the communicative policy to the entire purchasing process;
- to derive the communicative objectives from the sales phases of the supplier's company;
- to coordinate the communication measures in all phases into a cohesive whole and to ensure that its deployment will lead to the highest efficiency.

It should be emphasized that such an approach goes beyond the models of integrated communication that have been proposed in various business contexts over the past years.<sup>103</sup> With regards to the American context, the work of

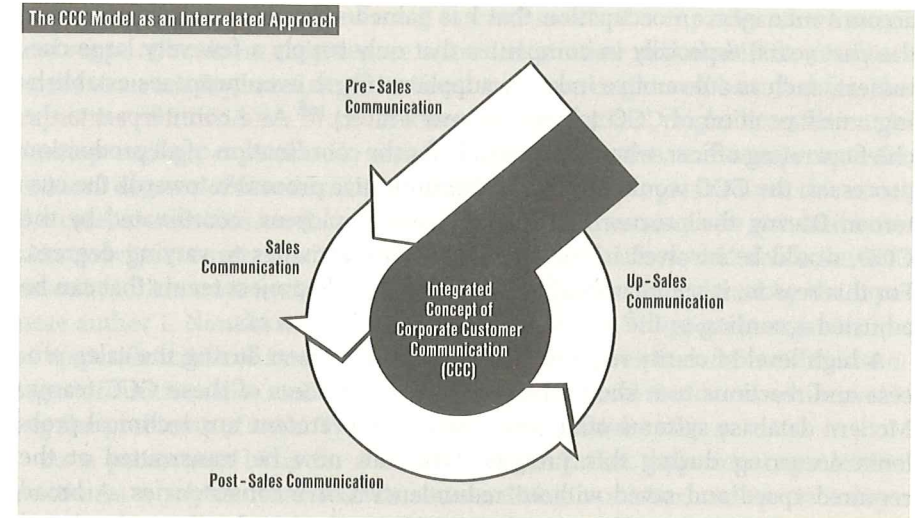


Fig. 3: The CCC Model as an Interrelated Approach

Anderson and Narus here comes to mind: their model of integrated marketing communication, postulating a “seamless integration” of all communication measures, clearly remains within the familiar boundaries of instruments such as advertisement, sales promotion, public relations, and so forth.<sup>104</sup> The same can be said for the work of Dwyer and Tanner, whose model of the same form of communication stresses the importance of two-way communication in B2B markets but then proposes implementation methods that are again instrument-based.<sup>105</sup> In Europe Bruhn has developed a similar approach,<sup>106</sup> adding the dimension of follow-up transactions and customer relations to his discussion of communication policy but insufficiently considering communication processes important in B2B markets, such as reactions to public advertisements, contract negotiations, coordination of customer cooperation, and support of after-sales services. These customer-directed communication processes represent the core of the CCC model. All such processes need to be taken into account and coordinated, especially when they have to be organized across both individual departments and – in light of the international activities of many companies – national borders.

### Challenges and Solutions for the CCC Model

In business practice, this model points to the challenge involved in managing a highly complex process. The structure of a company should be adjusted accordingly. Möller and Rajala thus recommend that high-tech companies develop so-called marketing centers to coordinate the intensive internal communication process.<sup>107</sup> Often, this coordination is the responsibility of a key

account manager: an occupation that has gained strongly in importance over the past years, especially in companies that only supply a few very large customers, such as automotive industry suppliers. Sheth even proposes establishing a new position of CCO (chief customer officer).<sup>108</sup> As a counterpart to the chief operating officer, who is responsible for the coordination of all production processes, the CCO would direct all communicative processes towards the customer. During the procurement process, the employees, coordinated by the CCO, would be involved in the communication activities to varying degrees. For this reason, it seems advisable to develop flexible project teams that can be adjusted according to the requirements of the sales process.

A high level of clarity regarding both measures taken during the sales process and reactions to it should be guaranteed members of these CCC teams. Modern database systems offer good chances to overcome any technical problems occurring during this process. Data can now be transmitted at the required speed and saved without redundancies or inconsistencies. A broad spectrum of solutions addressing these CCC expectations has been developed under the rubric "CRM" (customer relationship management). The research community has also increasingly attributed importance to CRM; it is presently perceived as a key component in successful marketing.<sup>109</sup> Nevertheless, for many companies that now have CRM systems, the investment has not fulfilled the high expectations. Aside from conceptual and technical problems, the main reason for this situation is simple: a lack of acceptance by the employees.

As suggested, most employees will not perceive their job as part of a larger communicational structure. Substantial communication barriers are especially present among those employed in technical divisions. The barriers become even more formidable when the transparent system ordered from above is regarded as threatening. For example, the input of information into a CRM system not only means providing data considered valuable, but also openly displaying the work that has been done (and not necessarily flawlessly).

One solution to such challenges may be introducing what has been called a hypertext organization. Traditional organizational structures in a company follow a functional orientation, with business units, departments, and positions being created in mind of specialization into different company functions. This principle is usually apparent within the marketing realm, with different organizational entities specializing in different marketing sub-functions. It is likewise apparent within the sales realm, with almost every industrial company having a separate sales department. Media communication, service, and customer care are other typical fields of specialization and labor division within marketing. The major advantage of this functional approach lies in its enduring capacity to provide a foundation for organizational efficiency. Specialization leads to cost reduction and output improvement. But at the same time, the approach is marked by an incapacity to secure consistency for activities crossing an organization's functional borders: in particular, to allow communication in the sense of our CCC model.

Consequently, in the case of small or medium-sized companies where range and scope of business activities are restricted, a rather radical shift from a functional to an activity-based organizational structure might well be called for. The capacities of individuals or small units, though limited, might be sufficient to develop enough expertise for cross-functional activities and compensate for reduced degrees of functional specialization. In larger organizations, this is not the case, as activities are far more complex and numerous. Even standard business activities require that employees cooperate with others and divide the total amount of labor stemming from business processes. Introduced by the Japanese author I. Nonaka and later developed by others,<sup>110</sup> hypertext organization as a specific mode of internal organization here strives to combine the advantages of functionalist and activity-based organizational structures while avoiding the problems of both. The basic idea is illustrated in fig. 4.

As a permanent basis for a business organization, hypertext organization continues to rely on functional structures, division of labor, and specialization. But as a second layer, the company establishes a set of networks including people from different functions and different hierarchical levels. We need to note here that the designation *hypertext organization* was chosen in analogy to the way entities are connected in the hypertext mode of Internet documents: each network is in charge of a specific business activity requiring cross-functional coordination and bringing together expertise from each of the functions. Whether the network's working mode is formalized or follows informal guidelines depends on the specific company and business situation. Different networks may exist and individuals may be members of more than one of the networks. Marketing communication is probably predestined to be a primary field

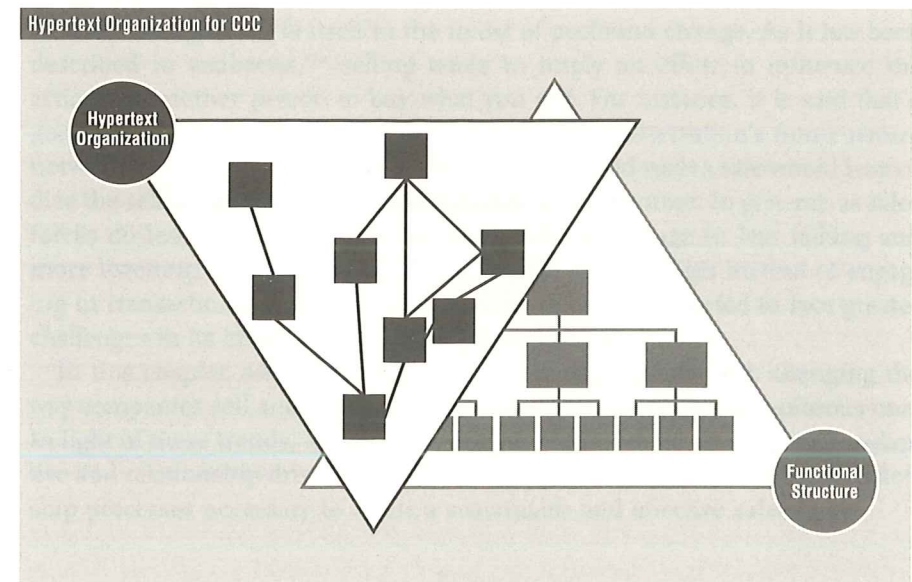


Fig. 4: Hypertext Organization for CCC

of application for this kind of network. Within marketing, work will continue to be organized along various functional lines – media communication, sales, service, customer care, and so forth. But for major projects, major customers, or very important market segments, a hypertext network will be available to coordinate activity consistency through the different phases of corporate customer communication, in other words through the pre-sales, sales, post-sales, and up-sales phases. For the sake of both managing the network and facilitating its impact on day-to-day work, it seems advisable to implement a corresponding IT structure with a data base that collects all the relevant information and makes it available to all network members.

It is crucial to here keep in mind that even if employees are willing to adjust, the demands modern technology imposes on them may overstrain their abilities. Certainly, Ingram et al. have a point in stating that in the future we need intelligent sales managers who are skilled in hearing “the voice of the customer.”<sup>111</sup> Following the approach proposed in this article, we might conclude that not only sales managers should meet this description, but rather each employee responsible for customer communication. However, in reality we are constrained by the fact that most employees simply do not possess the required technical or – and this is most important – social skills. Therefore, an implementation of the suggested approach to marketing communication should always be accompanied by development of appropriate skills and incentives for those who have to convert it into practice.

OLAF PLÖTNER | ROBERT E. SPEKMAN (EDS.)

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