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Sales process improvement / Budget tool designing

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CENTRAL OSTROBOTHNIA UNIVERSITY OF APPLIED
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Thesis Abstract

CENTRAL OSTROBOTHNIA UNIVERSITY OF APPLIED SCIENCES, Ylivieska Unit	Date February 2012	Author Olli Alpua
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Name of thesis Sales Process Improvement / Budget Tool Designing		
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<p>The idea of this thesis is to fasten the sales process of Wärtsilä Company inside the ship power segment. Nowadays it takes quite a long time for customer to get the price indication that they want. This is a sum of many things, but the main problem is that offers are being prepared all over the world and there is no tool, that could give a budgetary price for customer fast.</p> <p>Goal of this thesis is to plan a budget pricing tool, which requires minimal input and provides, with decent accuracy, the budgetary price. There has been earlier research to such a tool; however the outcome was not satisfying for all segments. I don't plan to use data from this previous tool. The budget pricing tool must eventually significantly decrease the time needed for sales managers, sales engineers and network sales to come up with a budgetary price. One method is to generate a questionnaire, from which I can use the data to create a blueprint for the tool.</p> <p>Result of this thesis was a prototype of a budget tool, which will be used as a basis for the new quotation management systems updated budget offer part.</p>		

Key words

Budget tool, Sales process, QMS, questionnaire

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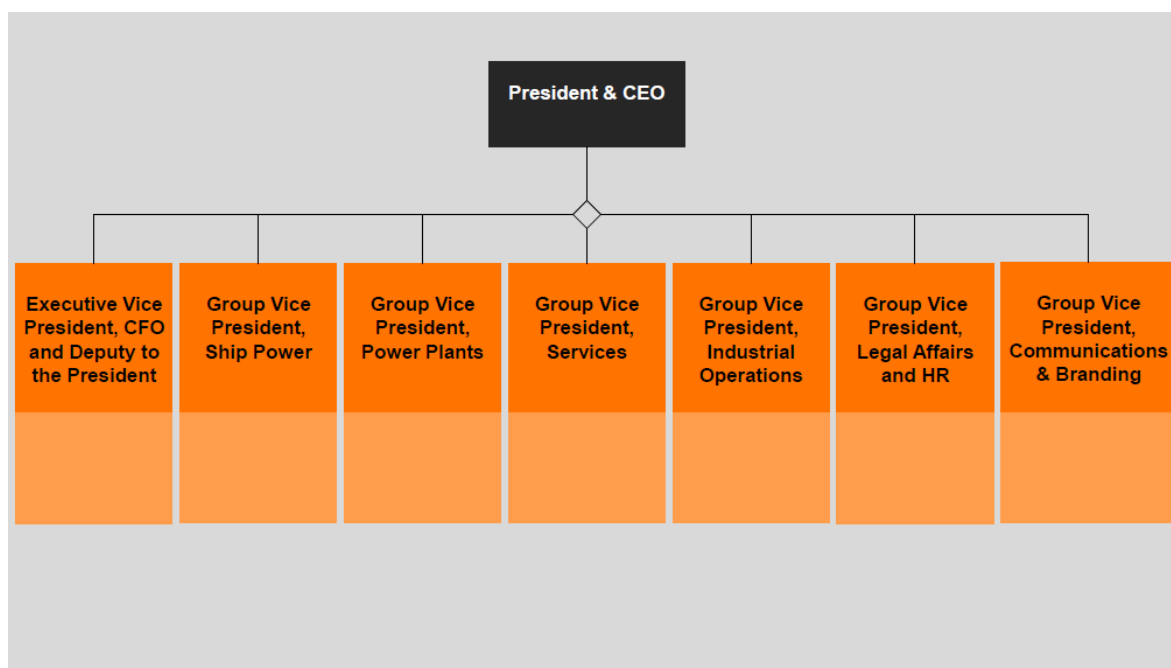
I would also like to thank all the people I interviewed at Wärtsilä and all the sales people in general for the help. Special thanks also pointed to Slikboer Bas and Tholen Roel, who are students in Netherland and doing traineeship to Wärtsilä. They have participated in the budget tool development also, by doing interviews in Wärtsilä Netherlands offices. Also big thanks to my supervisor Jukka Paananen and to my colleagues Harri Paalijärvi, Ville Tuominen, Alexander Staritsyn and Niclas Sten.

1. INTRODUCTION

1.1 Wärtsilä Corporation

Wärtsilä is a Finnish corporation which manufactures and services power sources and other equipment in the marine and energy markets. It is a global leader in complete lifecycle power solutions. Wärtsilä is listed on the NASDAQ OMX Helsinki, Finland. Wärtsilä is divided into several divisions. So called selling division are: Ship power, Power plants and Service. Other division are supporting these three.

Wärtsilä currently employs more than 17,500 people globally. Company operates in 160 different locations in 70 different countries. (Wärtsilä 2011, Company & Management.)



GRAPH 1. Board of management (Adapted from Wärtsilä's internal webpage)

1.2 Ship Power

It's been claimed that every third ship that sails in the seas, is powered by Wärtsilä engine.

Ship power is also divided into its own segments. The segments are: merchant, offshore, cruise and ferry, naval, special vessel and ship design. Traditional merchant vessels can be container vessels, bulkers, tankers, car carriers and general cargo vessels. These are usually powered by two-stroke low speed engines, or if the vessel is smaller Wärtsilä four-stroke medium speed engines can be selected also. In offshore vessels can be divided into 3 sub categories; service vessels, drilling vessels and production vessels. Cruise and ferry category includes for example cruises, ferries and mega yachts. Navy is dedicated only for the Navy and coastguard solutions. The end customers of Special Vessels operate tugs, dredgers, fishing vessels, inland vessels, icebreakers, research vessels... Each must be approached through specific channels and with a customised focus. It is a real challenge for the small sales team in charge of proposing (and forecasting) the best solution. In ship design people are focusing on customers complete ship design solutions, from initial feasibility study, owner consultancy, design verification to engineering- and new building-supervision.

The offering includes ship design, main and auxiliary engines, auxiliary power systems, electrical and automation packages, propulsions (such as water jets, thrusters, propellers and nozzles), seals, bearings, gears, rudders, scrubbers, boilers and all related services, such as repair, configuration, upgrading, training, maintenance and environmental services.

Ship power in brief can offer the whole variety of components and solutions to a customer. From main engines, to even the smallest detail can be handled. (Wärtsilä 2011, Marine Solutions.)



VS4240 PLV Pipe laying vessel

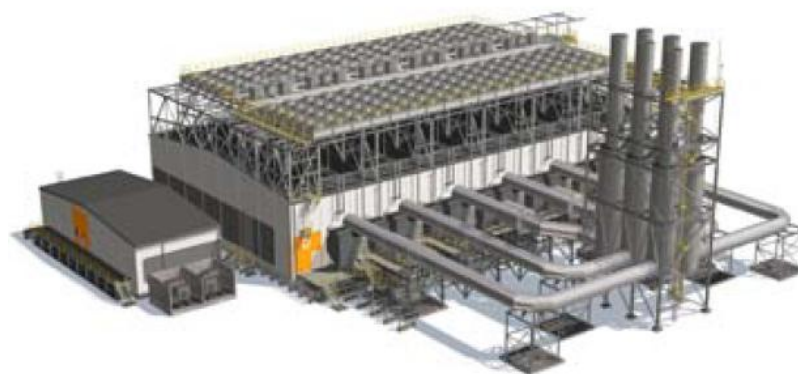
Length overall.....	194.5 m	Reel capacity.....	2 x 2500 tonnes
Breadth.....	31.00 m	Tension capacity.....	450 tonnes
Speed.....	20.5 knots	Main engines.....	6 x Wärtsilä 9L32
Generators.....	6 x 4320 kW		

GRAPH 2. Pipe laying vessel (Adapted from Ship power product catalogue 2011)

1.3 Power Plants

Power plant division is concentrating to power generation by different ways. Solutions can be anything, from floating power plant in sea, to a gas powered plant in the middle of desert. Plants can be powered with normal liquid fuel, gaseous fuels and mixture of both is also possible. Also bio fuel is possible to use in Wärtsilä engines, such as palm oil.

Power plants offer a variety of different sizes of solutions to a customer. From smallest power plants, to massive 500MW complexes with several big engines can be tailored to a customer needs. (Wärtsilä 2011, Smart power generation.)



GRAPH 3. Wärtsilä 20V46f-based power plant solution (Adapted from Power plant product catalogue 2011)

1.4 Services

Services ensure the availability and cost-efficient operation of customers' installations through Products & Solutions offering.

Wärtsilä is continuously broadening range of services and adding products and specialist services to portfolio. Regulations are continuously changing and Wärtsilä is actively participating in the discussions on new regulations in order to be able to offer customers appropriate services to meet coming requirements. Wärtsilä supports equipment on board vessels or in land based power plants, both as original or by providing non-original services and products.

Wärtsilä provides services in following categories:

- Engine Services
- Electrical & Automation Services
- Propulsion Services
- Boiler Services
- Environmental Services
- Service agreements
- Service projects
- Training Services

These service solutions cover everything from basic support with parts, field service and technical support to service agreements and condition based maintenance; from installation and commissioning, performance optimization, including upgrades and conversions, to environmental solutions, technical information and online support. (Wärtsilä 2011, Efficiency and performance.)

1.5 Key figures

Key figures in 2010

- Net sales EUR 4,553 million
- Operating result EUR 487 million
- Order intake EUR 4,005 million
- Order book 31 December EUR 3,795 million
- Personnel 17,528 at year end

Net sales 2010 - EUR 4,553 million

By Business

- Services 40%
- Ship Power 26%
- Power Plants 34%

By market area

- Asia 39%
- Europe 28%
- The Americas 23%
- Other 11%

Personnel 2010 - at year end 17,528

By Business

- Services 65%
- Industrial Operations 25%
- Ship Power 6%
- Power Plants 5%

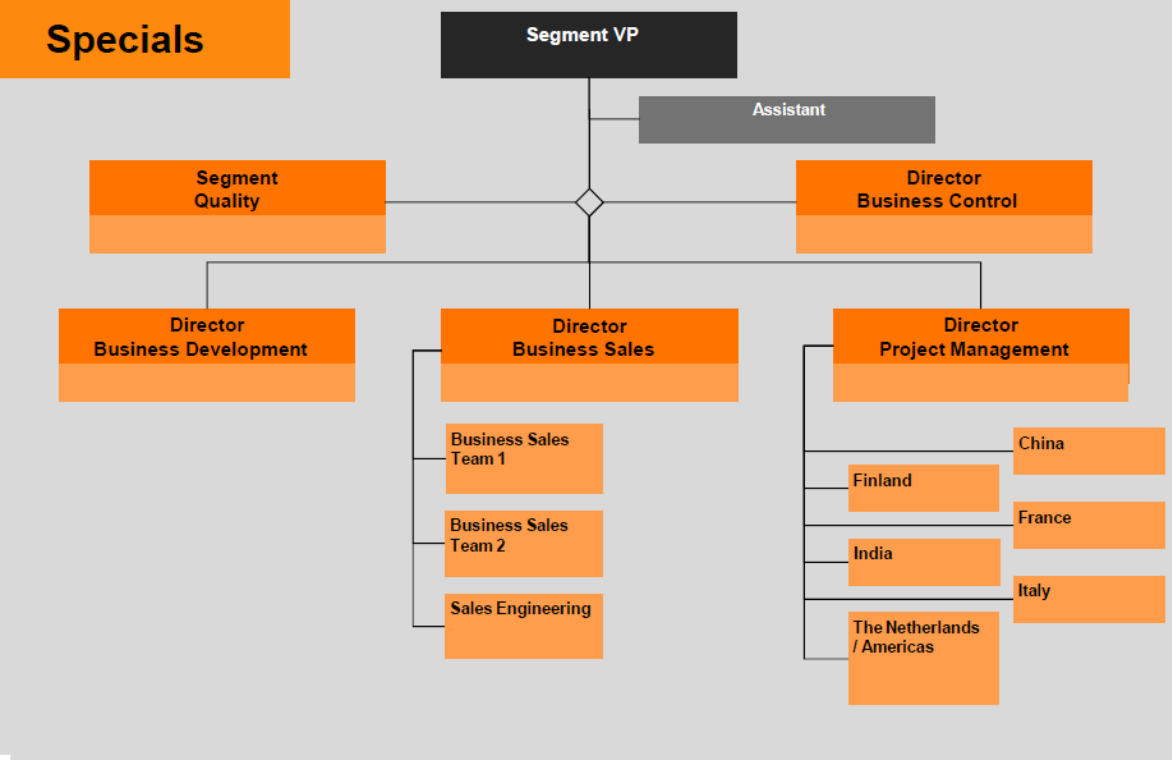
By market area

- Europe 56%
- Asia 31%
- The Americas 10%
- Other 1%

GRAPH 4. Key figures (Adapted from Wärtsilä's internal webpage)

1.6 Authors role inside Wärtsilä

This final thesis is being made under ship power and for business sales. Segment that I'm working and doing the thesis is specials. I started to work for Wärtsilä 16.5.2011 as a trainee in sales. Bit before I had finished my traineeship in august, I applied to an open position as a sales engineer in special vessel and got it. At the time when this thesis was under construction I worked in business sales team 1 (GRAPH 5) and I was doing 4 days weeks and same time doing this final thesis related project.



GRAPH 5. Specials segment. (Adapted from Wärtsilä’s internal webpage)

2. WHAT IS A SALES PROCESS?

Sales process is the part where a salesman figures out the customer's situation and needs and pursues to get him/her convinced, that this is the right solution. Its goal is that involved people can reach a good solution or get decision, which satisfies both parties. In some specific products sale, customer and seller can reach a consensus and the goal within one meeting.

Because we are talking about process, it is good to determine what a process is. It is a collection of related, structured activities or tasks that produce a specific outcome for a particular customer. Process is a multifunction consisting of a chain event or series of events. It can be replicated, recapitulated and modelled. Often a salesman's job is complicated by other people from the corporation and from different hierarchy levels as well. Separate negotiation is a way to keep sales process ongoing.

Sales negotiation has to be seen as an interaction situation, where seller and customer pursue to have an agreement that satisfies both parties. (Alanen, Mälkiä and Sell 2005, 65.)

The sales process consists of the preparation to face the customer, the customer encounters, trade and post-closure care. Meeting customer demands prior preparation and familiarization with the client's situation. Careful preparation helps to get better sales results. Sometimes, however, there may be circumstances when the customer meeting is not possible to prepare beforehand. This can happen for example when a client comes without a time reservation. In these situations, the seller's skills are measured. A skillful seller can turn the situation to a positive direction. (Leinonen 2010, 19.)

One of the best-known sales and marketing techniques used in the sale of the species is the AIDA formula (See figure below). In the four-step sales process progresses while explaining the seller's product or service to the customer. The seller must be framed in the customer's attention (attention), and get him interested in the product (interest). When the client's interest is awakened, he wakes up a desire to buy (desire), resulting in operating or purchasing a product or service (action). Compared to the sales figures, this method also explains the benefits, advantages, and the value of a product or service brought to the customer. (Kanervo 2010, 10.)

1. A = Attention, get the attention
2. I = Interest, arouse interest
3. D = Desire, arouse the desire to purchase
4. A = Action, the action (purchase)

(Kotler & Keller 2006, 626.)

Good seller goes through the selling process with each customer. Deemed to be essential not only for important customers, or when your mood is good. Seller cannot ever know where the process will lead, when process is managed well. The sales process outcome can never be predicted in advance. Customer remembers last image of the company and even one failed experience can be fatal to customer relationship. (Rubanovitsch & Aalto 2007, 33-38.)

2.1 Sales process

A process can be described as a bunch of steps to the decisions involved in the way the job is went through. Basically we step into processes continuously in our everyday life. For example making a breakfast in the morning is a process. It contains several steps, which can be described precisely. Process has been devoted to all the people involved, but that person who is responsible and accountable for the proper working is called the “process owner”.

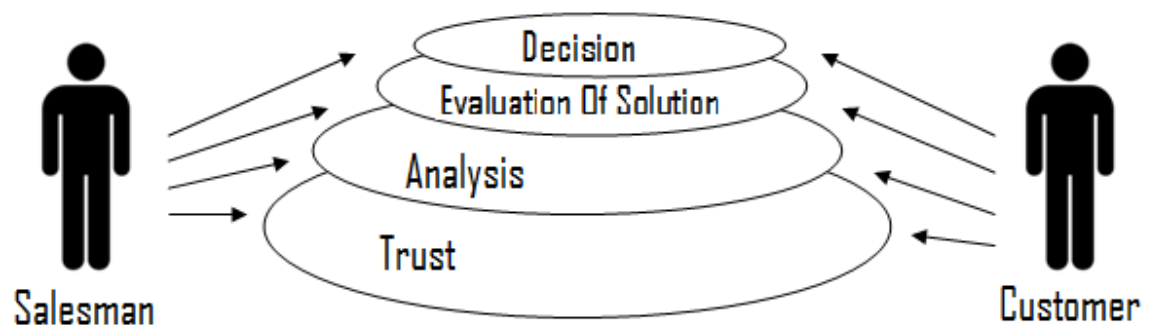
Process improvement is to make things better, not just to do them like it usually has been done. This is the way to go beyond blaming people for problems, which have occurred. Here it's not about fixing the problem, but more like finding the reason why the problem occurred and understanding the reason for it. If you don't understand the reason, you just might “fix” the things to even worse. Here you go piece by piece through the process and examine all steps. Steps that aren't valuable are removed and all the factors affecting to the process are examined. (Handbook for Basic Process Improvement.)

The better the sales activity can be modeled the easier it is to apply to different situations. The event flow cannot be exactly modeled, since the ultimate goal is always to get conclusion from the other party. And like it is known; people are individuals, so it is not possible to determine precisely.

To reach the goal, salesman can execute multiple sales processes at the same time with customer. Difficulty often is that processes proceed at different times. Good process models help to make correct things at the right time, efficiently as possible, plan in advance and take care multiple happenings at the same time. (Alanen, Mälkiä and Sell 2005, 66.)

2.2 Purchasing- and sales process

At the same time when salesman examines his/hers own sales process, the person must recognize customers purchasing process and customers way to do business.



GRAPH 6. Purchasing- and sales process 4 steps. (Alanen, Mälkiä and Sell 2005)

2.2.1 Building the trust

Trust creates the base for relationship between salesman and customer. Customer seeks grounds that why he should pick this salesman to be his partner. Customer needs to be convinced, that seller is a trustable person now and in future also. He must know how to forward to customer enough himself and his actions describing knowledge and by this way effect to customers attitudes and decisions.

2.2.2 Analysis

At this stage the salesman collects his knowledge concerning his goal and co-operation. So that salesman would succeed to find out customers current situation. Salesman proceeds to wake up customers needs and make him to value salesman's product. Salesman must have the ability to make customer see that what his situation is now and in future.

2.2.3 Evaluation of solution

This phase is to make sure that customer is convinced that he really needs a solution to his problem and that the salesman's solution is the best one to choose. Customer might hesitate strongly in this phase. He estimates salesman's conclusion in a short run, but at the same time considers his needs and the meaningfulness of the solution in the future also. Difficulties in sales vary depending on the customer's needs;

- Customer knows that he doesn't have the need for the solution
- Customer doesn't believe to seller's solution
- Customer disagrees that he cannot exploit the showed solution
- Customer thinks that his compensatory, for example price is too big compared to the benefit gained.

2.2.4 Decision

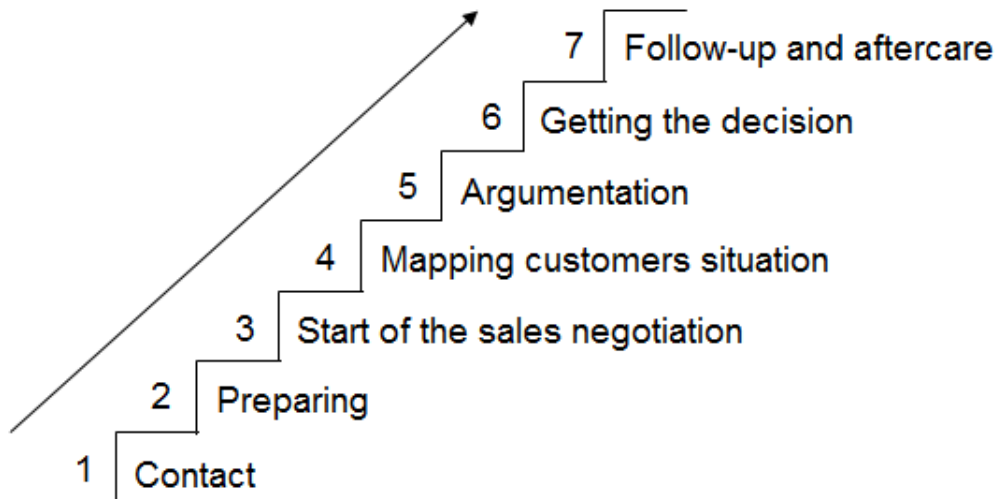
Here the goal is to achieve clear negotiation situation, where customer makes decision concerning the offer. This result means that does the salesman reach his ultimate goal or not. Decision making phase planning must be made precisely; there it is being clarified how important decision is to customer and what are the possible coming difficulties. Salesman needs to show in details good reasons. If the final answer is no, the reason for negative answer must be analyzed, so it can be avoided next time. (Alanen, Mälkiä and Sell 2005, 67-68.)

2.3 Sales negotiation

One single sales negotiation is an occurrence, which proceeds in steps. It is investment to the customer and also to the seller. Every customer meeting requires preparing and setting goals how to track progress. That's why to every single meeting must be set goals and safety goals, which guide discussion towards the right direction.

Planning has a huge role; bargaining can become the most expensive solution. When seller is planning the negotiation, he must check that what customer needs to accept, so that he would in the decision making phase accept sellers solution.

Ongoing negotiations can be demonstrated by seven steps (see GRAPH 7). To reach the goal it is important that seller follows all the phases materializing. He might even reach the goal within one meeting. More common however is, that to reach the goal, there is needed a lot contacts and meetings among various people. These can be very time consuming. (Alanen, Mälkiä and Sell 2005, 69.)



GRAPH 7. Sales negotiations structure. (Alanen, Mälkiä and Sell 2005)

1. Contact is the part where seller must arouse customer's interest to purchase within first meeting. From this part the active selling begins.
2. Preparation for the meeting is important, when thinking the possible outcome. Preparation creates base for the whole upcoming co-operation.
3. Start of the sales negotiation is good to start with creating a friendly atmosphere. Success in starting point largely determines the direction in which the meeting proceeds.
4. Mapping customer's needs and presenting the arguments are two important parts in customer focused sales transaction. They are tied together closely. This phase requires, that seller manages to get enough relevant information from customer.
5. When seller knows customers situation, needs and hopes, he is ready to decide the solution he is going to offer and which kind of arguments present to support his statement.
6. It is seller's job to get the meeting to a point, where the decision can be made. Getting the deal is seller's ultimate goal and demonstrations of his professional way of working. Getting the deal usually means, that the customer is willing to decide if he buys seller's solution or not.
7. Follow-up and aftercare is the last part of customer meetings. Basically this means, that seller confirms the contract conditions realization and customer satisfaction.

2.4 Budgeting

Budgeting can be described as a financial document, which forecasts future incomes and/or expenses. Budgeting process can be carried by one person or bunch of persons. The simplest form of a budget is a handmade document and the more advanced can be own separate program. Budget is not a 100% accurate, but more like a guideline, that where the price should settle. (Murray.)

In this thesis the budget is in a crucial part, since some of the prices are rough guesses and based on assumptions.

CONCLUSION

To my opinion the project succeeded well. Time was obviously the restricting factor, since the project was carried out in a tight schedule. Project was eventually late and at the time when I wrote this the tool was under construction. The engine part is only one piece of the whole tool and from the feedback I got, it succeeded well. The project continues and the next phase is to gather all different parts together and start to test the tool. Also other products will be added to the tool, but the idea is to start the testing with limited amount of products and after we have gotten some feedback we start adding to add more products.

One of the main challenges was to gather all the people in meetings, because the time differences between countries and due to fact that people are very busy and this project is not the only one they are handling. Even though we had problems with time and resources, I'm happy the way project went. Personally I found hard to organize my time, because I had my "normal work" as a sales engineer, my project to plan the budget tool and also this final thesis on my work list.

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Questionnaire for budget tool

Name:

Title:

What is your background? (Education etc...)

What are your current activities inside the company?

What parameters do you need to have a quick indication of the budget price?

Do you think the tool should also work with missing parameters? If so, why?

How long is the duration of a price indication at the moment (approximately)?

What accuracy do you expect from the emerging budget tool?

Are you familiar with existing budget tool? Your opinion?

Do you think there should be an offline application of the tool available?

Do you have ideas for keeping the tool up-to-date?

Which products should be included in the tool?

On what should the tool be based on? (Price lists, QMS, an existing tool?)

Should a distinction be made between countries / regions?

Should there be taken to account different segments? And if so, how do you think this should be done?

Who all should have rights to use this tool?

Some other ideas? Comments?