How sales strategy translates into performance: the role of salesperson customer orientation and value-based selling (by Harri Terho, Andreas Eggert, Alexander Haas and Wolfgang Ulaga, Industrial Marketing Management, February 2015)

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Introduction

B2B firm's selling practices are becoming increasingly analytical and top-management focused. Still, sales strategy remains an under-researched topic in the B2B marketing domain. A firm's sales strategy is related to market performance and affects salesperson selling performance both directly and indirectly.

Only segmentation directly impacts salesperson selling performance. Prioritization and selling models impact salesperson performance indirectly, via their impact on customer orientation and value-based selling. Effective implementation is pivotal for translating a strategy's performance potential into actual firm performance. Strategy implementation can be more important for performance outcomes than the strategy itself.

Sales strategy in business markets

The change in the selling practices of business firms, which are moving from an operational focus toward a more strategic one, has been associated with the fact that leading B2B firms are shifting from a goods-dominant logic to a service-dominant logic, in which they emphasize high value-added offerings (e.g., complex services, integrated solutions and hybrid offerings) and a value co-creation perspective. In this type of business the focus of selling is not only on executing strategy but also, increasingly, on driving strategic initiatives toward both customers and the organization.

The analysis is extended to the impact of sales strategy on salespeople's customer-directed selling approaches, hypothesized to play a critical role in transforming sales strategy into performance. The focus is on two customer-directed selling concepts, namely salespeople's customer orientation and value-based selling. These concepts have been identified as particularly important determinants of salesperson performance in business markets, where the dominant question has been the creation of value in close, long-term customer relationships. While customer-oriented salespeople play a critical role in building such relationships.

Performance effects of sales strategy

Individual-level determinants of performance

Value-based selling and salesperson performance

Value-based selling has been defined as "the degree to which the salesperson works with the customer to craft a market offering in such a way that benefits are translated into monetary terms, based on an in-depth understanding of the customer's business model, thereby convincingly demonstrating their contribution to customers'
profitability”. As such, value-based selling is deeply embedded in value co-creation logic and emphasizes the importance of seller–customer interaction for effective co-creation of value. The salesperson value-based selling increases salesperson performance.

Customer orientation and value-based selling

Customer-oriented salespeople are predisposed to meet customers' needs, and business customers' needs relate closely to the selling firm's potential contribution to customers' performance. Salespeople's customer orientation increases the salesperson value-based selling, this means that salespeople are more inclined to engage in behaviors that facilitate customer value and convincingly demonstrate the related value-in-use potential for the customer, which is at the heart of value-based selling.

Organizational-level determinants of performance

Sales strategy and firm market performance

Market performance is defined as a firm's performance in terms of the development of the number of products or services sold, which in turn is captured by customer loyalty, the acquisition of new customers, and the achievement of the desired market share and growth rate.

Sales strategy requires firms to engage in prioritizing customers, as well as in developing different selling models to reach each customer. Performing these activities enables firms to efficiently allocate resources across different customers so that they can effectively interact with and relate to their customers. Prioritization helps salespeople to allocate their limited resources more effectively to customers according to the value they represent for the selling firm. It have a positive overall effect on customers as studies have shown that prioritization increases the satisfaction and loyalty of top tier customers while not having any harmful effects on the satisfaction of lower tier customers.

Sales strategy dimensions and salesperson performance

Firm customer segmentation has a direct effect on salesperson performance. Customer segmentation refers to the degree to which a firm undertakes the systematic process of developing a highly granular customer typology that allows for the identification of individual customers within each target market highlight that best-practice B2B firms should segment their markets according to how their customers prefer to buy. When salespeople understand their customers better in terms of, for example, the customers’ buying behaviors, needs, and fit with the firm’s value creation strategy, they are likely to spend fewer resources on planning their sales calls and are more effective in interacting with the customers, which results in increased performance.

Sales strategy dimensions and value-based selling

Sales strategy improves salesperson performance indirectly by driving effective salesperson selling approaches. Firms that engage in prioritization invest resources in order to support their salespeople by rank-ordering customers according to their economic or strategic value to the firm. Customer prioritization is necessary to make
investments in value-based selling economically worthwhile.

Value-based selling is a costly selling approach because it requires deep customer insights and upfront investments in terms of effort and time in order to understand the customer’s business, co-create the offering, and provide evidence of the offering’s value potential.

*Selling models and the salesperson’s customer orientation-performance relationship*

The more effectively salespeople are able to translate their customer-oriented attitude into appropriate behaviors that increase long-term customer satisfaction, the higher the salespeople’s performance. Selling models should help salespeople transform their customer orientation into concrete selling efforts.

**Conclusion**

Managers should promote the acceptance of different selling models within their organizations. Business markets are too heterogeneous to allow a “one-size-fits-all” approach to selling. The findings indicate that the availability of different selling models strengthens the link between salespeople’s customer orientation and selling performance. Hence, while salesperson customer-orientation is a prerequisite for successful selling in general and value-based selling in particular, the findings indicate that selling models play a central role in helping salespeople to turn their general customer orientation into concrete and effective customer-specific selling approaches.

Value-based selling is a desirable and important salesperson selling approach in business markets. Not only is value-based selling associated with salesperson performance but it also supports firms in capitalizing on their sales strategy and helps customer-oriented salespeople effectively translate their customer orientation into performance outcomes in business markets. The findings suggest that value-based selling is not an appropriate sales approach for all types of customers or selling situations. Rather, the use of value-based selling should focus on high-potential customers for which the salespeople’s substantial upfront investment in time and effort in order to deeply understand the customers’ business model will pay off.

Of the three sales strategy dimensions examined, segmentation was the only one with a direct impact on both market performance and salesperson performance. While segmentation is a fundamental concept of marketing theory, many firms in business markets still rely on generic typologies that are only loosely linked to customers’ heterogeneous needs and buying preferences.