

Building a Sales Organisation for the Twenty-first Century: Interview with Bernard van de Weert, Senior Vice President, Sales, KPN

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Bernard van de Weert has achieved a great deal since becoming senior vice president of KPN Sales in 2001. He has combined three sales channels, almost tripled the productivity of his sales staff and reduced the cost of sales from 11 to 4.5 percent. All in all, a dramatic cultural turnaround in a business that as a former state-owned monopolist and Telco incumbent had no real knowledge of what it meant to fight for an order. Van de Weert talked to the European Retail Digest about how he has achieved these results, and about his vision on future developments on the market and in his sales organisation.

From Utilities Company to Global Player

KPN was privatised in 1989, hived off from the former Dutch state postal and telephone business. Its shares are listed on the Amsterdam, New York, London and Frankfurt stock exchanges. KPN provides telecommunication services to personal and business customers. The core activities of KPN are telephony, Internet and television services in the Netherlands, mobile telecommunication services in the Netherlands, Germany and Belgium and data services throughout Western Europe and worldwide. KPN is market leader in the most important segments of the Dutch telecommunications market, and is actively working on increasing its market share in the new IP and DSL markets. Via E-Plus and BASE, KPN also occupies a powerful position on the mobile markets in Germany and Belgium respectively. For global customers, KPN has a fully-owned subsidiary, SYMPAC, that is responsible for outsourcing the total mobile fleet of a number of global players. As a consequence, KPN is able to manage an entire global network for both fixed and mobile communication. In other words, KPN is certainly not restricted to just the Netherlands or even Europe.

As of 31 March 2006, KPN with its 28,647 employees served 6.7 million customers with a fixed telephone connection and 2.2 million Internet customers in the Netherlands, as well as 21.6 million mobile customers in Germany, the Netherlands and Belgium. In 2005, KPN generated turnover of EUR 11.8 billion.

KPN Sales

KPN Sales is the sales organisation of KPN for the entire business market, from Small and Medium-sized Enterprises right through to Large Enterprises and Corporate Enterprises. The job of KPN Sales is to sell as many products and services from KPN as possible on this market, at the lowest possible cost for KPN, whilst guaranteeing the highest possible level of customer satisfaction. In 2005, turnover amounted to several billion euro.

This integrated sales organisation in terms of serving all types of business customers through various sales channels, in its current form, was established some six years ago. Previously, the primary target group consisted of the top 500 corporate customers, who were not satisfied with the decentralised regional structure of the 'old' monopolistic KPN, but needed a single national account manager.



Bernard van de Weert
Senior VP, KPN

When I joined KPN Sales six years ago, I started as director Corporate Accounts. At the time, the business market was still served by three sales units (Corporate Accounts, Major Accounts and Small Accounts), with three directors and a total of 3500 ftes on its books. This structure was costly and inefficient, with a cost of sales at no less than 11 percent. In 2000, I was invited to come up with a different model, which has resulted in the current sales organisation with a single director who reports directly to the Executive Board. KPN Sales now has some 1200 ftes and realizes a cost of sales of only 4.5 to 5 percent.

Market Trends

Two important trends facing KPN are on the one hand the integration of voice and data (for example VoIP or Voice over IP) and of fixed and mobile services, and on the other hand the ever increasing demand for outsourcing.

As concerns the integration referred to above, KPN has made a clear choice: we are on the road towards an All IP world, in other words, a world where in just a few years time, all communication will take place via the Internet Protocol; the entire KPN network, all the fixed, mobile, voice, video and data transport is based on IP. In that situation, for example, you will communicate with a single device: if you are inside, your call will automatically be by fixed service (via an exchange which is also IP-based); if you are outside, your call will automatically be mobile. For the customer, the game is more and more about ease of use.

For KPN, this is a favourable development because we already have on board all the necessary knowledge and technology for both fixed and mobile solutions (both data and voice). In the Netherlands, our competitors must always work together with another party. This is a unique selling proposition which we exploit to the utmost! Due to this convergence of fixed and mobile on the market, KPN will be integrating the divisions Fixed and Mobile that at present are still divided (for the business market, from 1 January 2007), in order to improve service to our customers.

Outsourcing, which once started with such services as the works canteen and the vehicle fleet, is becoming increasingly important. Customers today buy a solution, a service or an application, and are not interested in the underlying technology. The more complex the solution, the more interesting outsourcing becomes for the customer. Entire networks and telephone exchanges are currently being outsourced based on the credo "You organise everything for me, with a good Service Level Agreement and a fixed monthly fee".

Whereas in the past outsourcing was reserved for larger customers looking for tailor-made solutions, today there is much and growing demand from the SME (Small and Medium Enterprises) sector too. These companies generally have little knowledge and have no capacity for employing dedicated ICT specialists, but do have considerable needs: For example, a simple but business-critical service such as a backup service.

Within this trend towards outsourcing, the emphasis in Sales is shifting increasingly to applications purchased 'over the counter' ready for use, according to the ASP model (Application Service Provider). Examples are bookkeeping software and call centre software. In areas in which KPN does not have the necessary knowledge itself, we establish partnerships with other businesses, in order to provide a total service solution.

One perhaps rather surprising example is our initiative to provide an acupuncture service, together with medical expenses insurers Achmea. With an infrared pen, the user clicks on his or her own fingernail; the signal is transmitted to the KPN CyberCenter (data centre) and the user receives a response about the condition of his or her health.

In the home care sector, we are actively offering another active IP application, namely key management. Using the home carer's smart phone, it is possible to open the front door of several

clients. The same smartphone also grants access to work timetables, hour registration systems and patient details, whilst hours worked are transmitted directly to the accounts department. On Friday afternoon, the boss knows exactly how many hours have been worked and how much has been earned in a given week!

Consequences for Sales Staff

These market developments have considerable consequences for the entire organisation. To start with, the old organisation was product-oriented; the business was all about the number of lines, telephone units and equipment. Today, instead, it is a question of selling solutions and concepts, for example entire outsourcing processes. For the customer, these are strategic decisions which have to be taken at a high level within the company's senior staff. Sales staff, therefore must access the clients' companies at that level, and must look into the business challenges facing the company – which for example for a bank are of course entirely different from the challenges facing a hospital. The client company is not interested in the technology but in the business value; the strategic advantage of the offered solution. The salesperson of today must be able to tell a completely different kind of story from the salesperson of yesteryear, namely how a client, using our ICT solutions, can optimise business processes and how we can provide support in improving business performance.

A side issue for the sales organisation is that when it comes to outsourcing, the client's staff members are often taken on board. In that situation, you also enter the realm of Human Resources, Works' Councils and trade unions.

This transformation of the sales organisation is still underway, a sometimes problematic situation, since not every good product seller is automatically a good solution seller. Anyone who is unable to make the move to the New World will be given the time by KPN to find a new job, inside or outside the KPN organisation. On the other hand, it also means looking for new people; people

who are able and keen to keep up with the pace and the look of today and tomorrow.

Over the last six years, the productivity per member of sales staff has risen by almost 300 percent.

When I joined the company, a salesman made two customer visits a week; today, that figure has risen to between eight and twelve. This increase has been made possible because we have introduced a separation within the sales organisation between generic account manager and special sales. If the generic account manager spots a business opportunity, he sends in a specialist to discuss details with the customer's specialists. The generic account manager need no longer be in attendance; he is already on his way to visit the next customer. In the past, the generic account manager would accompany the specialist on the return visit – out of a fear that the specialist would blow the business opportunity – but I believe that to be a waste of time.

Selling at Board Level

Some three years ago, together with an external innovation firm, we created a concept of initiating sales to corporate customers at Board of Management level. These are known as DARE sessions.

The external firm interviews a number of people at the (potential) customer, at BoM level, and asks them about their ambitions and dreams. After three months or so, according to the data collected, those dreams and ambitions are discussed either by the Board of Management or at an equivalent level. A KPN team, itself also at (almost) Board of Management level listens and responds, all in complete confidence. KPN suggests solutions, has knowledge of other customers with similar needs, etc. The DARE session need not necessarily directly generate business – that is not really the objective – although it does often turn out that way. The sole subjects of discussion are the customer himself and his business challenges.

The advantage of this approach is that the contacts established are very far reaching. You hear things you would otherwise never get to hear. You then have an opportunity to respond, with our technology and ideas, and you become friends for life. We organise some 50 DARE sessions with individual companies each year, and they generate a considerable volume of business.

This truly unique and successful concept has itself now been copied; our customers are so enthusiastic about the approach that they have started to use it with their own clients. In other words: a win-win situation!

Culture and Behaviour

Besides the fact that we now work with less – and a different kind of – sales staff, we also focus a great deal of attention on culture and behavioural change. In the past, we didn't need to work hard to acquire customer orders. That is no longer the case. To win an order now, you have to work hard, and have a good pitch because the ICT market is extremely competitive; every customer invites at least two competitors to make their sales pitch.

Initially there was no real sales culture at KPN, but we are getting there. How? By employing people who get a kick from selling, who go all out to win an order and for example by offering variable salaries and result-based bonuses. What we want are people who want to be amongst the best at the end of the year, when (as a sales incentive) we organise a trip to Sales City; this year, four days in Portugal, all expenses paid. But it's only for winners!

I now have a sense that we have reached the cultural turning point. Today, for example, it is no longer considered out of place to publish performance lists. With the best account managers at the top and the worst at the bottom. Month in, month out, in a newsletter. The same figures are visualised on a site in the form of a block of flats; the best in the penthouse and the worst in the cellar. The newsletter also features photographs of Sales City, to show everyone how much fun it is,

so that anyone who got left behind last year will definitely want to make it this time! And how do you get there? By meeting a target which is challenging but achievable. This year, 25 percent of all account managers made the trip (250 as compared with just 40 last year!). For me, even that is still too few. If all your sales staff are really on the ball, then 50 to 60 percent will make the trip.

Serving the SME market

In the SME market, we serve some 30,000 customers via telephone account management. Above all, thanks to the personal attention offered, customer satisfaction has risen tremendously. In the past, customers were constantly sent from pillar to post, looking for the right contact person. Today, everyone has a truly permanent contact point. As a consequence, order intake has also risen massively. However, we still wish to improve further.

One feature I feel is vital to mention in this connection is the new account management concept we aim to introduce for the SME market. For smaller business customers – let's say those not in our top 3000 – it is not profitable to appoint a personal account manager. To still be able to offer these customers personal treatment, we have come up with the concept of the extended telephone account manager. Each of these managers has 175 customers in his portfolio, with whom he makes contact at least four times a year, in the manner indicated by the customer himself, for example electronic, by telephone, e-mail, or via chat sessions (with webcam so that if desired the customer can see exactly who he is talking to).

The only difference between this and a real flesh and blood account manager is that the virtual variant does not actually physically visit the customers. Of course, the customer himself can make a personal call, but we find that SME customers have no desire for someone to pay them a visit. They have no time for that kind of contact, anyway! In complex situations, of course, someone from special sales will still be available to pop in.

The overall concept is set to enter its pilot phase in Q4 2006.

KPN versus the Competition

Every year, Mercer Management Consulting carries out an authoritative International Telecommunications Benchmarking survey, in which the cost efficiency of a number of European telecom companies (KPN, BT, France Telecom, Deutsche Telekom, Telefonica, etc.) is compared. In the aspect Sales and Customer Care, KPN is amongst the best in class.

Although KPN Sales retains a large market share from its monopolistic past, there are a number of powerful domestic competitors, including Vodafone and T-Mobile for mobile services, Versatel and BT for fixed services. The fact that we have managed to retain so many customers, however, reflects a high level of trust.

Learning from others and one another

KPN (Sales) is a member of the Sales Executive Council, a worldwide organisation of many hundreds of groundbreaking sales companies, who share best practices with one another in the field of increased sales effectiveness. An extensive survey identifies the points for improvement within the sales organisation, as well as clarifying which strong points should be further expanded.

KPN Sales has similar points for attention as other companies in our sector, for example knowledge sharing. How can you ensure that successful approaches and propositions quickly reach other sales teams, so we avoid constantly reinventing the wheel? And what about CRM? Using customer knowledge so that both the customer and KPN Sales can profit in a way that appeals to the account managers. These are items on which KPN Sales is focusing additional attention, until they become a way of life. A number of companies affiliated to the Sales Executive Council have already implemented this system, and we are making use of those lessons learned. In the same way, they can learn from us. We for example have achieved considerable successes in our customer

satisfaction programme and our sales motivation programme.

Focus and Facts

When I took charge of this organisation, the first thing I did was to cut out anything that was not related to sales: For example, the Customer Reactions department. Our job is not customer reactions - our job is sales! Once the sale has been made, the business unit responsible for carrying out the order and implementing the service becomes responsible for the customer. Sales is also no longer responsible for billing consultancy. Checking bills, after all, is not one of the core tasks of a sales organisation.

Looking back, this is probably one of the secrets of my success, namely focusing exclusively on sales, and nothing else.

The second step was a comparison of the cost of sales per team, in other words internal benchmarking. This process revealed huge discrepancies between the various sales units (organised in regions and sectors). We illuminated these discrepancies using key performance indicators, which made it possible to hold discussions on the basis of fact; why, for example, is he better than you? Everybody learned from that process.

Of course this benchmarking produced a short sharp shock, but that was necessary, too. The eradication of the traditionally important five sectors – and their directors – came as a second shock. My analysis suggested that in order to create more sales drive and to generate greater focus on the sectors within KPN Sales, these were essential structural changes. So I implemented them.

The new KPN Sales: Entrepreneurship

A buzzword that quite literally is on the lips of everyone at KPN Sales is Sales Supremacy, the sales motivation programme. This has become the collective term that brings together all incentives, bonuses, awards and other similar ideas. Sales

Supremacy is our shared goal. And Sales Supremacy is rewarded with the trip to Sales City, which I have already referred to, for anyone achieving 125% of his on-target performance, but also with quarterly incentives (in the form of cameras, barbecues and other wannahave gadgets). And of course these incentives are over and above the standard fixed-variable salary structure.

In the framework of Sales Supremacy, sales teams can also earn awards by submitting good ideas that can be duplicated by other teams. The winner then gets a chance to take a weekend break with his or her partner. The prize is sent to the home address of the sales staff, so their partners will say to them, "I want you to win that award for me!". There are also Sales Supremacy sweatshirts, newsletters, beanbags - you name it, we've got it. There are even competitions between sales teams. In that context, they view their own team as a real business, in which they for example themselves have to take investment decisions, and where they are accountable for their policy to a "Board of Supervisory Directors" (with real Board of Management members). Such a competition is both fun and stimulating. It gives you an opportunity at your 'shareholders meeting' to explain to KPN's CEO, Mr Scheepbouwer, why your team is doing well, or perhaps why not.

The most remarkable and positive aspect of Sales Supremacy is the short time between the effort made, and the resultant bonus; keeping it brief is good for motivation. And it helps people keep up with the rapid pace of the market. Our Sales Supremacy programme creates winners and entrepreneurs, and makes success visible. For me, that is what sales is all about, and I will welcome onboard anyone who shares that view.

Practically everyone gets involved in the competitions and awards. Not wishing to be involved of course sends out an interesting signal. I then pay the non-competitor a visit and ask why he or she did not submit any award proposals. Everyone who does submit a proposal gets a sticker on their door bearing the text "Ambition

Inside" so everyone else can see who is ambitious and who is not! When I walk through the corridor I then ask people, "Why have you got no sticker? Do you have no ambition? Ask yourself. Is this company really the place for you?"

Words and Deeds

In this way, the whole business has been tackled, step by step. We would never have succeeded if we had tried everything at once. But there is always the risk of becoming overly complacent. "Aren't we wonderful? Just look at the Mercer benchmark." You have to constantly be on the lookout for something new; after all there is still plenty of room for improvement. That is one thing I am certain of. In some regions and sectors, the cost of sale is once again already on the up.

I believe that a great deal of the effectiveness of the process for getting KPN Sales fit for purpose is due to interrelated and simultaneous interventions in three areas, namely strategy, structure and culture.

The strategy intervention was "focus on sales and drop the rest". A sort of back to core business approach. The structure intervention was the creation of comparable regions, facilitating benchmarking and competition between those regions. The culture intervention, which is currently still taking place in our Sales Supremacy programme, creates winners, and people who want to become winners. Winning is now acceptable and desirable.

In my opinion, this trio of related interventions has been the basis of our performance improvement. And in a new round of improvements, we will continue along these same lines. After all, there is always room for improvement.

Rebranding

This year, Royal KPN has undergone a rebranding process. There is now a new logo and a new pay-off: "Sluit je aan" (a Dutch play on words that could be translated as "Get Connected" or equally

“Join in”). The new logo symbolises the ever further-reaching integration of the activities of KPN. However, behind this process of innovation is an even more important innovation, namely the transition from telecom operator to multimedia business and provider of managed ICT services. In other words, a new KPN in a new world.

Based on today’s certainties, we will take our customers into the new world of tomorrow. The new image of KPN is reliable and innovative, with a greater focus on people than in the past, when the accent was on technology. And it is proving effective, not only in respect of customers, but also in respect of our own people and the labour market. It is good to be part of KPN! There are after all so many new developments: for example television, IP-TV, narrowcasting, RFID, joint ventures; every week there is something new. All in all, another reason why people want to work with us is that (once again) KPN is a successful business.

The rebranding of KPN is also an HRM challenge. Recruiting new people for the new KPN Sales organisation is difficult because we impose high demands. Just this week, a recruitment and selection programme was concluded. We received 450 CVs from which 35 people were selected, who we subsequently evaluated in a single day. At the end of the day, 17 candidates were selected and offered a job within just one week. (Unlike the professional recruiters) I didn’t think 17 was very many, but if there was the slightest doubt, we turned down the application.

Simplicity

One thing KPN is doing very well right now is radiating an image of simplicity. The complexity is concealed below the waterline; it is something people need not see if they do not want to. We have no intention of telling people how smart we are; that is no longer enough. If our customers didn’t think we were smart, they wouldn’t come to us in the first place. For them, it is far more important to hear how we can make their life easier, more efficient and more valuable.

So what’s so special about all that?

Everything I describe may sound entirely logical and perhaps even obvious. Isn’t this what everybody is doing? Is it not still KPN’s past that makes this approach so special for the company? The latter point is certainly accurate. For KPN, the sales culture I have introduced may still be described as new, even if individual elements of my approach are not. And all the ideas I come up with stem from my own previous employment. Before coming to KPN, after all, I worked at quite a number of other companies (including IBM, Akzo, Digital Equipment and Triple P) and I saw any number of successful processes, many of which I am now trying out here. It is important to keep your eyes peeled.

Entrepreneurship

I have learned some of my most important lessons from the true entrepreneurs, for example Richard Branson, Freddy Heineken and Allen Lane, the man behind Penguin Books. Successful entrepreneurs do something slightly different; they do not stick to the standard solutions, and have a dream. So I am constantly on the lookout for ways to be slightly different from the rest, to stand out: telephone account management for the SME market and Sales Supremacy are just two examples. I spend much time watching how other companies operate, for example Wehkamp and Ikea. And what have I learned from them? That is a matter of combining entrepreneurship and operational capabilities, on the basis of a simple idea.

The most important thing for me is doing something I enjoy. Work at KPN Sales will of course never truly be completed. I do not know how long I will be staying here, but it must remain a challenge. No more looking back; the only way is up!

And as for my own dream ... Just like Frans Beckenbauer, being responsible for the management of a major sporting event. My hobby and my passion is golf. But I also gain tremendous

enjoyment and inspiration from counselling young entrepreneurs.