

The Challenge for a Professional Sales Controlling Concept: Economical but highly effective

By Christine Weigner and Kristian Cabanis

Many smaller or developing airlines with limited funds still don't have any computerized instruments to manage their huge client list. Most of them do not even have a structured customer database. Furthermore, structured Sales / Marketing Controlling with readily available figures to supervise the sales force is rarely found. As Christine Weigner and Kristian Cabanis experts at Lufthansa Consulting discovered in recent consulting projects, there are easy to apply and fast to implement methods to manage a customer database and optimize sales force activities without lofty investments.

During the last decade many consultants (software as well as business) recognized the value of optimizing inefficient and ineffective interaction with customers "at all touch points" as a potentially high source of income. Several software companies developed, over the time, Customer Relationship Management Systems (CRM) up to perfection to enable airlines to monitor passenger behavior and to translate their activities into golden dollars in the form of ticket sales. Without doubt, the prominent players of the airline industry have the knowledge to perfectly employ marketing and sales instruments in order to translate the potential patron into a reality.

Behind those prominent players remain smaller carriers who currently do not have the manpower or the means of investing capital in CRM tools or simply do not need highly sophisticated systems. During the recent market-meltdown when ticket prices eroded and would-be-passengers opted for holidays on their home turf, these carriers experienced severe problems through a drastic drop in their revenues. As a consequence, these airlines should start to develop or to redesign a customer oriented strategy to secure and enhance their revenues and to secure a competitive edge. This concerns especially developing or small passenger airlines which operate only domestic or regional routes or have a small customer base such as cargo airlines for example.

Characteristics of the target market

Before implementing any controlling tool it is important to mention that the market for smaller and developing airlines differs from the one of global players.

- Most of the developing airlines do not have anything comparable to a sales or marketing controlling department as "Lufthansa" or "Singapore Airlines" might understand it, nor do they have any computer-aided selling instruments. Furthermore they don't have employees who have the knowledge to work with these systems.

- Reliable, monthly reporting of budget and current figures (financial as well as commercial) or even statistics from up to one year ago are not readily available or not accurate.
- Further, the business (sales) model is different from global players like “Lufthansa” or “SAS”. Many developing airlines do not sell directly to the consumer. They sell through intermediaries such as travel agents, tour operators or consolidators who – on their part – sell these tickets with their own strategy unrelated to the airline’s. Since they do the sales force’ work they add a hefty margin, reducing the amount ending up in the airline’s pocket even further.
- Developing airlines which naturally carry much fewer passengers don’t need a complex and high priced CRM-Tool since they can manage their relationship to key customers much more efficiently by implementing a strategy focused on identified preferences at “the most valuable interaction point”. The efficient and effective design of the customer Feedback Management and the Loyalty Program can be seen as the gateway to a comprehensive customer oriented strategy later on.

After being assigned to various airlines worldwide the experts of Lufthansa Consulting, the subsidiary of Lufthansa German Airlines concluded that almost every second airline worldwide has severe problems keeping their financial and commercial numbers up to date and in order, leaving these airlines in a darkroom-like scenario regarding their sales activities and certainly regarding their financial performance.

The Solution: A Sales and Marketing-Controlling System

With this in mind, the experts of Lufthansa Consulting suggest the implementation of a low-cost, easy-to-establish “Sales and Marketing Controlling System” based on existing office applications. This tool is used to monitor the performance of branches/establishments and to optimize the sales force activity. Further the gathering of customer information will be comparable to a “Key-Account-Management” to steer and support the sales force. Thus, tour agencies or corporate travel management departments, consolidators etc. are regarded as the airline “customer” and provide the first separation into customer groups.

This is certainly nothing new, but may be forgotten in a time of modern and sophisticated software tools. Nevertheless, a simple – though effective – “Sales and Marketing Controlling” will not replace a CRM-System, but could be seen as a base to ease the implementation of any CRM-System.

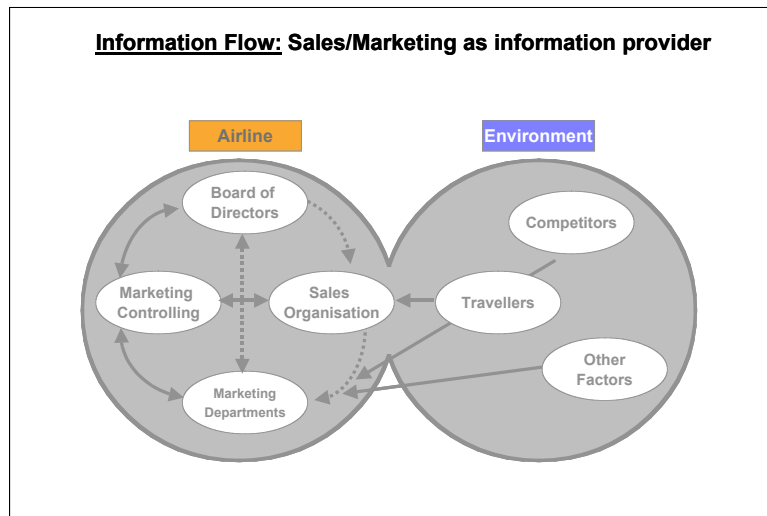


Diagram A: The position of Sales/Marketing Controlling shown as a “spider in the web” for market information internally and in relation to the external environment of the company

Usual steps to implement a “Sales and Marketing Controlling” encompass the following points:

- 1) The first step might start with an assessment of the number flow including the question “How to receive current sales and revenue figures?”



Diagram B: Sales, revenue and performance information comes from various sources. Sales/Marketing-Controlling’s task is to separate relevant from irrelevant information, interpret it and send it to the relevant decision maker within the airline, ensuring this information is accurate and up-to-date.

- 2) Then, the airline should assess its sales strategy. If 90% of the tickets are sold through travel agents or tour operators a large sales force is not necessary! This aspect might finally be more a “Change Management” task since sales managers have to rethink their job description, strategy and activities which they have been used to during previous years. Besides assessing the sales strategy the establishment of a customer database for an efficient and effective guidance of the sales force is indispensable. If listed in a customer database the result could be used for personalized key account management.

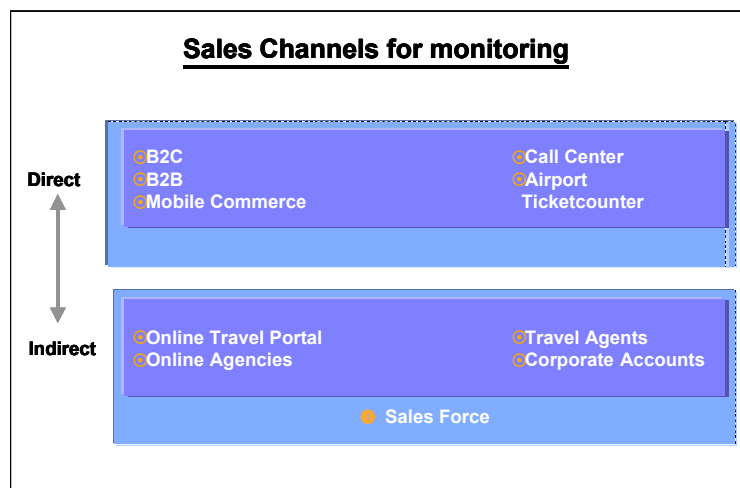


Diagram C: New technology and a well informed sales force opens new sales channels for the airline and provides the chance to get closer to the prospective passenger. Optimized sales can be achieved and customer behavior directly monitored enabling the airline to plan accurately

- 3) Based on the strategy, work out the concept of a Sales/Marketing Controlling System including an assessment of positions and job descriptions. This step is followed by the final implementation of the Sales/Marketing Controlling Department within the carrier’s organization.

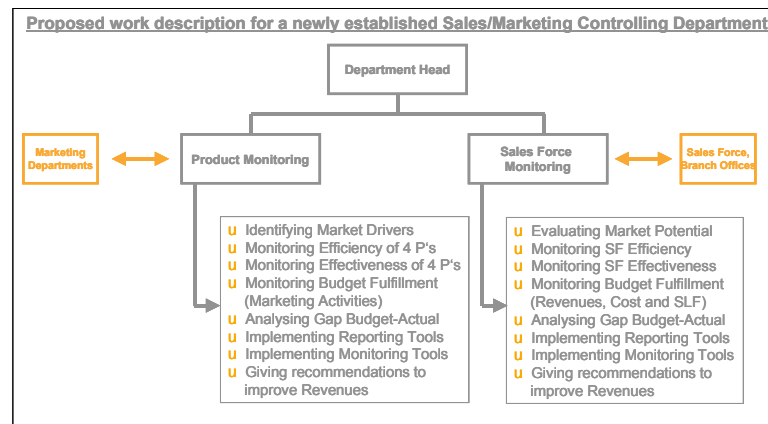


Diagram D: The two core tasks of any Sales/Marketing Department shown as “Product Monitoring” where route and branch/establishment controlling are the main tasks besides “Sales Force Monitoring” (and steering).

- 4) Develop and implement Head Office and Establishment / Branch Office reports to monitor regional activities. As easy as it may sound the point is to fill the reports with life and useful information on a regular basis. At this point any weakness in IT support becomes apparent and usually causes a standstill in the availability of current and accurate figures. In addition to these reports Sales/Marketing Controlling has to develop separate reports plus key and performance indicators to monitor the activities of the sales force and to assist them in their daily work.

- 5) Now the reports are filled with life entering planned or budget figures (sales potential, estimated by the sales force and related cost) and – if available – current figures. Though it might require the assistance of an experienced financial expert who knows the airline market the tools required might be simple office applications and an appropriate easy-to-apply methodology such as the “Growth-Tree-Concept” to estimate potentials. Once completed properly this is already a preparation to implement a “CRM” tool.

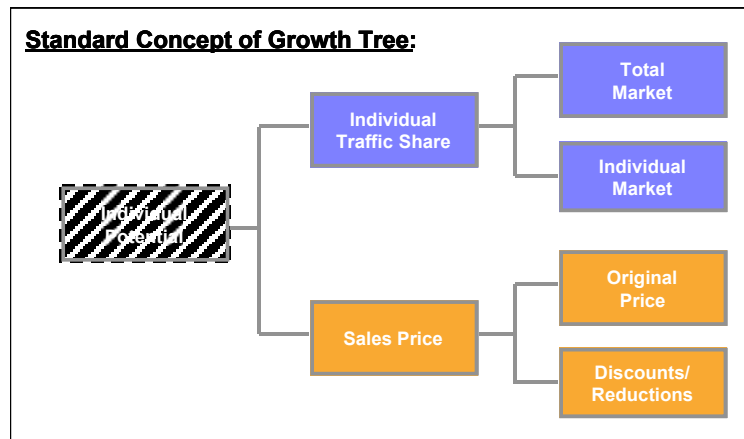


Diagram E: Though it is an old concept – the “tree” is still a valuable utensil to calculate the potential of a market. Here, a simplified example of how it could be done.

- 6) This last step usually defines the success or failure of establishing any new department, strategy or methodology: familiarization workshops with Sales Force and Branch Managers to implement activities, calculation mode and reporting. Lufthansa Consulting experts recommend not to save money on knowledge transfer. The missing knowledge factor is in many cases the reason why reports, monitoring tools etc. have not been implemented (among other reasons). Keeping the manager or the sales force untrained endangers the implementation of the whole system. A possible solution is to “train a trainer”. A “master” receives an intensive training to teach her/his colleagues. Workshops are, however, always a good source to test the model and to find out about new ideas from people who are confronted with the harsh market reality on a daily basis.

Working through the steps and finalizing the set-up of Sales/Marketing Controlling is certainly not done overnight. All related departments – especially Corporate Controlling and Marketing – must be included in the process to ensure a smooth transaction. Properly done the result is fully functioning Sales/Marketing Controlling without much investment. This controlling concept enables the airline to monitor different customer groups, to identify chances and shortcomings and to optimise the employment of it's sales force in the sense of higher efficiency and effectiveness.

Customer Benefit

How about the cost-benefit? During a recent project, the consultants of Lufthansa Consulting used some benchmarks based on their experience with similar projects regarding additional sales and reduced cost. The first is an estimation based on the consultants' project experience: a proper company wide implementation might increase sales by up to 30% – depending on the current state of the sales force organisation, the market and the willingness to apply a new sales strategy. The latter, cost reduction, might be easier to calculate. A benchmark study where discounts, commissions and other sales costs were considered showed monthly savings through optimisation could be up to 20% of the current total cost of sales.

This is certainly not a detailed presentation of all drivers which influence sales and cost reduction. There are many more. Looking at the sales strategy step by step and analysing all factors which determine the part of the fare which finally ends up in the pocket of the airline, there are numerous drivers influencing the result. Good controlling is however a key factor to success.

Contact:

Christine Weigner
Consultant

+49 (0) 221-88 99 6 821

Christine.weigner@lhconsulting.com

Kristian Cabanis

Senior Consultant

+49 (0) 221-88 99 6 58

kristian.cabanis@lhconsulting.com