

West Coast Sports Nutrition

HOW CAN ANALYTICS SUPPORT B2B SALES EFFORTS?

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You are a consultant supporting an American sports nutrition producer. In almost every state, the Firm has significant but not dominant market positions, which it aims to strengthen further. Your task is to define a differentiated customer service system in two states (California and Arizona). The essence of differentiated customer service is that customers with high potential can receive higher quality services, while the low potential consumers get standardised ones.

The products

The main product of the company is the protein powder made of whey, produced by dairy farms in Kansas. The end-users are hardcore bodybuilders and athletes, who choose the products of the Company because of their high quality. Due to the intense competition and the standardised production, whey protein powder has small gross margin (*GM this year*)¹, thus, the Company sells other products as well. For instance, vegan protein products are increasing in popularity that people with lactose intolerance can consume as well. In addition, the Company produces amino, creatine, weight management and energy-drink products as well. Albeit, the most important product of the Company is still whey protein powder, it aims to increase the sales of other products as well. However, during this case study, you do not have to focus on product development at all.

Sales Channels

The Company operates in the B2B segment as its direct costumers are retailers (or sometimes wholesalers). Historically, the Company has solid positions among small sports nutrition shops, the customer service of which is carried out from a large call-centre in Texas. The community of the hardcore bodybuilders have strong connections with the local sports nutrition stores. It is not uncommon for a shopkeeper of a smaller town to know all local frequent buyers by name.

However, during the last few years, online protein sales is increasing in popularity (especially eBay and Amazon). On the other hand, mass retail channels (supermarkets and hypermarkets) are strengthening as well. More and more protein producer rivals appear in large chains (e.g. in WalMart). The Company currently does not have B2C sales, and neither should you focus on this topic during your analysis.

Channel conversion is another typical trend: most of the B2B partners sell on more than one channels. They have physical points of sales, webshops, gyms or operate as a distributor as well. There is a small minority of B2B partners operating only one store (stand-alone shops) having no webshops or connections to any larger shop chains. The Company has such B2B partners as well, which do not sell on their own webshops but some portion of their sales is generated on Amazon or eBay instead (*Amazon_web*). The salespeople of the Company make regular estimations about every B2B customer's sales channel distribution (viz. *shop, webshop, gym, distributor, other*). Certainly, the Company has different positions among its B2B customers, thus, the salespeople estimate the share of wallet % as well (*Company_p_in_shop*).

¹ The appendix of the case study is a dataset having several variables, the names of which you find in *brackets*.

Customer service

In this case customer service is defined by the sales activity itself and every extra service related to it. Primarily, the communication with the partners happens via telephone monthly (or more frequently). It is supported (or sometimes replaced) by e-mail or chat communication. Interestingly, as many Californian partners speak Spanish, the Company communicates with them in Spanish. All Arizonian partners speak only English.

As a part of client care activities, the salespeople visit all customers at least once or twice a year, but it generates significant amount of costs. The salespeople decide about the priority of partner visits considering geographical distance as well.

On this price-sensitive market, the best “tool” of the salespeople is particular “package-deals” which contain different types of products and a significant price discount. It is between a 15-20% discount range, but it sometimes can reach even 33%². Free product samples are also popular tools. Another trend is the free or low-cost plastic shakers with the logo of the B2B partner³.

Different delivery time can be a possible distinguishing factor in customer service, however, currently the Company provide the same delivery time for every partner. The Company also offer other merchandise products as well such as T-shirts or cups, however, they have small impact on sales.

For special partners, the Company offers a factory visit, which includes a few-day-long sightseeing or excursion too. The key PR activity of the Company is sponsoring popular athletes. In return, the athletes take part in brand events in particular shops, which can significantly increase the turnover of the store itself. Apart from sponsored events and the factory visits, the salespeople are free to decide about other customer service tools. The price discounts and free samples immediately decrease their monthly bonus, while other tools influence it indirectly (at the end of the year they decrease the state-level bonuses). The “sales marketing” budget is not known.

In practice, the salespeople are more open to give discount to those partners with whom they have better relationships (*relationship quality*), because these customers are more willing to try new products too, which is an important factor.

Task

The new client care policy of the chief sales officer emphasises the importance of the sales potential instead of the good relationships. Thus, he wants to implement a differentiated customer service. It has been decided that some partners will be served in the highest level, they are marked as Key Accounts in the dataset. Unfortunately, not every customer orders in every month, therefore, they highlighted those partners who purchased at least once in the last three months (*Active_partner*). You should make a statistical analysis focusing only on the active partners⁴:

1. Identify customer segments among the active partners.
2. Identify which segments have the highest sales potential.
3. Suggest service levels for the segments aligned with their sales potential.

To solve the problem, you must use the dataset of the appendix. You will present to the chief sales officer, but you must make suggestions how he can convince the salespeople about your results.

² The Sales this year variable contains only the *net revenue* calculated *after* the discount.

³ Certainly, the cost of the printing of the logo is covered by the Company.

⁴ Currently, you do not have to pay attention to potential future or currently passive customers.