
From Zero to Sales

Developing and Implementing an International Sales Strategy in Competitive Consumer Markets (Case Study)

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18.1 A New Customer in Australia

On a pleasant Tuesday morning in May of 2018, Andreas stands in his warehouse in Zollikofen—a pleasant village at the outskirts of the Swiss capital city of Bern—and marvels at his luggage collection. It is simply the best in high-tech travel gear the industry has to offer. The black carbon suitcases are indeed his baby: a stroke of genius followed by years of hard work and relentless innovation supported with millions of seed investment at the best technical research institute of the country. All the effort had led to a carbon-fabric shell so sturdy and tough; a man could stand on the ultralight suitcases without them even showing the slightest dent. As CEO of the company in its seventh year, it is now Andreas's challenge to get these perfectly engineered products into the hands of happy customers around the world!

But daydreaming about his products is not the reason why Andreas visits his warehouse today. He's here to assemble a starter package of products to be shipped to a new customer in Sydney, Australia. After weeks of negotiating the prices and shipment terms, the Australian luggage shop owner placed an order in an e-mail to him last night. So Andreas drove down to the warehouse this morning to put a total of six suitcases onto a palette, printed the customs and shipping documents, then called his logistics service, and had the package on its way to the other side of the globe as soon as this afternoon. He can't wait to

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reply to his new customer with the shipment number as confirmation of the order being on its way.

As Andreas walks along the aisle to collect one or two pieces of each size of the carefully packaged suitcases, he catches himself thinking back to yesterday's photo op. With a student friend of his son, they had met at the Bern local airport and then carefully maneuvered his Rover pick-up van onto four of the suitcases to demonstrate just how strong these products are. The photos came out ultimately cool, and he will place them on the company's social media feed later today. He smiles at the thought that this type of guerilla marketing is just about his thing. And great fun, too!

18.2 Back to Reality

Just before lunch, Andreas returns to his office at Bern Technopark, an innovation hub and office building for start-ups, from where he operates the company. He clarifies all details with his logistics provider who is going to collect the shipment from the warehouse the same evening. His mood, however, changes as he starts to prepare the quarterly sales numbers for the board of directors meeting at the end of the week. Once again, he has only sold very few pieces of luggage to dealers, who have sold even smaller quantities to final consumers. The order from Sydney will not change much about that, unfortunately. The value of all items still stored in his warehouse remains a huge burden and will once again raise concerns by Peter, the company's owner and president of the board. Obtaining his support and financing much-needed activities in sales promotion and marketing is going to be a tough discussion.

With his background as a trained engineer, Andreas longs to scale up production, which would dramatically reduce unit costs, make the company profitable, and allow for pricing the collection at a much more competitive level. Andreas has invested much of his time and energy into finding the right production partner—first in Slovakia, then in China—who could reliably manufacture and assemble the high-end suitcases to his quality standards (cf. Fig. 18.1). Having set up the machinery and production line with much of Andreas's own know-how and oversight on site, his production partner is now ready to ramp up production as soon as Andreas gives him the go-ahead. But with all the merchandise still piled up at the warehouse, there is no way of thinking about producing more quantities anytime soon. In one way or the other, Andreas must get sales going if this venture is to continue.

As Andreas scans the agenda of the upcoming board meeting, he recalls a consulting project on the topic of internationalization of his company which is soon to start in a partnership with a team from a nearby university. Could this project be set up in such a way to help him accelerate his international sales efforts? Maybe such support could convince Peter to invest the additionally needed cash and time to win the next round of distribution partners and develop the company's marketing and branding.



Fig. 18.1 Luggage production and warehouse (courtesy of company records)

Con conversationally, Peter and other senior members of the board are known for their firm belief that a good product does all the selling it needs by itself. So long as the product is superior in quality and functionality to others in the market, customers will be convinced by just holding it in their hands and testing it. Andreas, however, has learned the hard way that this is not true for the highly competitive suitcase market which is dominated by global giants such as Samsonite, Rimova, and Tumi (cf. Fig. 18.2). His distribution partners need marketing support, and final consumers have to be made aware of the brand and its products. A few times, Andreas has convinced Peter to invest in marketing and sales activities, such as exhibiting at the Baselworld tradeshow where he met that luggage retailer from Sydney. A fixed budget or personnel resource for sales and marketing, however, is out of the question for his board of directors, so the entire task remains on Andreas's shoulders. So more often than not, he works out low-budget guerilla tactics like yesterday's photo shoot.

The ringtone of his mobile phone disrupts Andreas in his thoughts. On the phone—coincidentally—is his contact from university, Roland, who calls to align with Andreas on the next steps for their project. They have not spoken for a while, so Andreas enthusiastically tells Roland of his new customer in Sydney. On his end, Roland also reports some progress: the team has evaluated options for their project and acknowledged that Andreas's company is already successfully internationalized for its production and logistics. What is lacking—and thus should be the project's focus—is their international sales and business development efforts, Roland concludes. And for that, he has found a suitable expert in Daniel, a member of his team whom he would like to introduce to Andreas.

To Andreas, these are fantastic news, so he excitedly accepts Roland's proposal. Anticipating his shareholder's likely reluctance to further investments into sales and marketing, he suggests to Roland that he and Daniel should join the board meeting on Friday, present their project idea, and directly obtain the mandate and support of the board



Fig. 18.2 A tough competition landscape—luggage retail (courtesy of company records)

of directors. Roland is delighted by the invitation, confirms his availability, and Andreas finishes the call with a light spirit. Could he win over the board's support, and might this project even pave him the way to international business success?

18.3 Navigating the Board Meeting

The board of directors meets on Friday morning in a rather dull room adjacent to Peter's private garage in Langenthal, near Bern. Andreas knows the setting well and anticipates that Peter is going to show his car collection to the two guests at the board meeting, Roland and Daniel. And while he does so, Andreas sets up the projector and laptop for the meeting.

Setting a positive note, Andreas starts the meeting by showing pictures from the recent photo shoot at Bern airport, then introduces the two academic guests and their project. Daniel presents a few slides on the approach and focus of the project along with the objectives and plan of action to reach them. In the discussion, it becomes painfully obvious that the rigid analytics applied to the engineering of the company's products has been lacking in its sales and marketing approach. Acknowledging that, a discussion erupts on how to position the brand and company in the future. In contrast to other options of licensing or technology supply, the board confidently confirms to keep following its strategy to cover the full value chain from innovation, technology, and production all the way through to marketing and distribution of the final product (cf. Fig. 18.3).

Contentedly, Andreas notes that the board implicitly agrees to a more thorough analysis of the marketing and sales activities while confirming that both those domains remain in his responsibility and will not be delegated to a third-party distribution partner. All the same, his quarterly numbers will soon be up on the screen, but he does not yet understand how Daniel intends to proceed with increasing international sales. And can Peter be convinced to invest additional cash? The numbers come up and draw long faces around the table. Peter questions Andreas on what has come from his exhibition at Baselworld 2 months ago, so Andreas shares a list of contacts from his sales pipeline stretching all around the world. To

Technology Supplier or Manufacturing Brand: a Strategic Decision

Product-Driven Business Models:

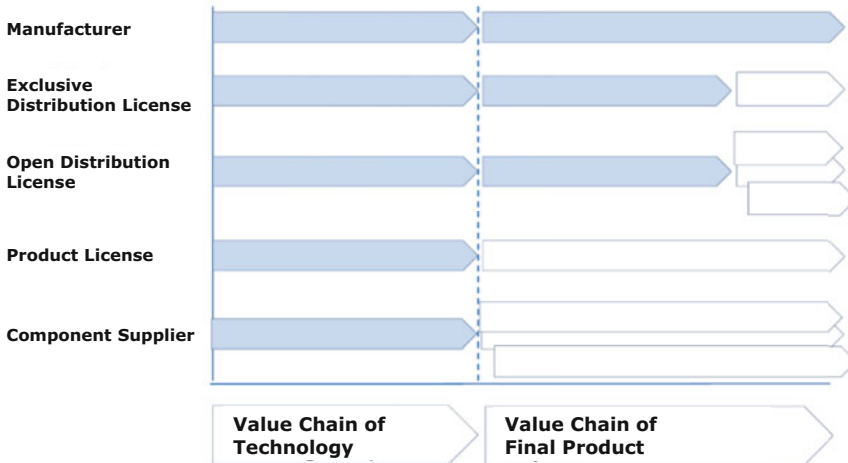


Fig. 18.3 Business model scope (adopted from Abele, 2013, p. 90). (Abele, T. (Ed.) (2013). Suchfeldbestimmung und Ideenbewertung: Methoden und Prozesse in den frühen Phasen des Innovationsprozesses. Springer)

Andreas's surprise, the two guests from university intervene: Daniel suggests to first run a thorough analysis on past sales activities before taking any more decisions. In his view, the company needs to understand which markets are performing and which point-of-sales (POS) types are successful. Describing the successful cases, strengths and weaknesses of the company along with the opportunities and threats in the international luggage market will lead to an international sales SWOT¹ for the company. Daniel insists that only then strategic options can be developed.

The board falls silent for an awkwardly long moment. On the one hand, both Andreas and Peter are familiar with pragmatic, yet analytical approaches to solving problems. However, it has not occurred to them that sales and business development could be approached the same way. What is more, both gentlemen are aware that consenting to this approach implies to invest time and effort into an analysis which diverts attention from following up on promising sales leads. It is Peter who first speaks and simply agrees to the suggestion, probably due to the sheer lack of alternatives—or so Andreas guesses. He quickly throws all his support behind the idea and presses for a stringent timeline to

¹ Often attributed to Albert Humphrey of the Stanford Research Institute in the late 1960s, a SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. A SWOT analysis assesses internal and external factors as well as current and future potential.

produce results for his next quarterly report. If sales numbers cannot be immediately lifted, Andreas needs an action plan for the remainder of the year, the sooner the better.

Taking an afternoon train back to their campus after the board meeting, Roland and Daniel summarize with content that the meeting has been productive and that they have been able to support Andreas with a tangible project proposal supported by his board. At the same time, they recognize the painfully tense situation the company and its board of directors are in. Stripped of cash locked in a warehouse full of finished merchandise, the company is struggling to accelerate its efforts in international sales and distribution. Even if their project produces a solid analysis and tangible proposals for growing the business internationally, the company might simply not have enough of its own resources to implement the suggested actions and to create the necessary momentum to become profitable.

18.4 Crunching the Numbers

A few days later, Daniel receives a long e-mail from Andreas with lots of attachments. He has asked for recent sales data along with Andreas's contact lists of customers as well as for prospective distribution partners. From the board meeting, Daniel has taken the impression that Andreas—like so many other entrepreneurs in love with their product—is spreading his efforts across way too many countries and aspirational contacts in hope for random success without really understanding what might work to sell his luggage—and what does not.

Andreas's e-mail includes an address book of almost 170 contacts, along with a more exclusive list of 24 POS that are already in a contractual relationship with him, and another 40 prospects from his sales pipeline. Daniel begins by classifying each commercial partner (cf. Fig. 18.4) and prospect (cf. Fig. 18.5) with regards to the POS type (luggage retailer, department store, online shop, outlet, etc.) and the county in which it operates. The numbers tell a very clear story: 13 out of today's 24 POS are located in Germany and Switzerland—as are another 22 of the 40 prospects. The other POS are scattered across 13 countries, with another 25 countries in Andreas's prospect pipeline. Even from the long list in Andreas's address book, almost half of the contacts are from Germany and Switzerland. Raising an eyebrow as he goes through the data, Daniel notices prospects from Vietnam, Lebanon, Nigeria, and Romania, which to him are surprisingly unusual countries for distributing a high-end luggage item. He is going to ask Andreas at the next occasion what his intentions for these markets are.

Second, Daniel scans the unit sales numbers that Andreas was so concerned with sharing at the board meeting. For Daniel's analysis, Andreas has added to each contact the 5-month year-to-date sales of 2018. On the classification by country and POS type, Daniel runs the sales numbers. They are consistent with distribution reach: Switzerland and Germany are by far the most important distribution markets, generating two-thirds of sales

Number of Contracted POS by Country and Type (as of 2018)									
COUNTRY	TYPE	Department Store	Accessories Retail	Luggage Retail	Fashion Retail	online	Mall	B2B	B2C
		0	5	7	0	1	1	5	5
Switzerland	8		1	1				2	4
Germany	5			3				1	1
Austria	1			1					
UK	1							1	
Denmark	1		1						
Spain	1			1					
Russia	1						1		
Turkey	1							1	
USA	1					1			
Mexico	1		1						
China	1			1					
Korea	1		1						
Australia	1		1						

Fig. 18.4 Country-channel analysis based on contracted relationships (2018 company data)

Number of Prospective POS by Country and Type (as of 2018)									
COUNTRY	TYPE	Department Store	Accessories Retail	Luggage Retail	Fashion Retail	online	Mall	B2B	B2C
		4	10	12	0	1	0	4	1
Switzerland	12	2	3	4				2	1
Germany	10	2	1	4		1		2	
Austria	2		1	1					
Italy	1			1					
Turkey	1		1						
China	1		1						
Singapore	1			1					
Hong Kong	1		1						
Korea	1		1						
Japan	1			1					
Australia	1		1						
BeNeLux	2		1			1			
Dubai, UAE	1			1					
Nigeria	1		1						
Romania	1		1						
Greece	1		1						

Fig. 18.5 Country-channel analysis based on prospective distribution partnerships (2018 company data)

in 2018 thus far. Notably, Andreas’s most recent success in Australia shows prominently on Daniel’s overview chart as well.

Further looking for the success stories and best practices in the numbers, Daniel reiterates his analysis by type of POS—once again finding alignment between the number of POS per type and the sales per type—, with specialized travel gear retailers and accessories stores dominating Andreas’s customer and prospect lists. Notably absent are department stores, travel retailers at airports, and e-commerce channels, all of which are much more difficult to win over but offer great multiplication effects through their networks. Daniel copies his pie charts into a slide deck and writes back to Andreas that he’s ready with the numbers for a workshop to develop the international sales SWOT.

18.5 Not Just Any SWOT

Andreas enters the university building on an afternoon in early June with quite some curiosity on which news the figures might reveal. As an engineer, he is used to trusting the data and taking numbers very seriously. He is also desperate for a cup of good coffee and relieved when Daniel greets him with the invitation to start with a chat at the coffee machine. Coffee in hand and overlooking the old town from the university terrace, Daniel asks Andreas how countries like Vietnam and Romania have made it to his prospect list. Shrugging his shoulders, Andreas acknowledges that in order to distribute his luggage collection, he follows any and all international sales opportunities at this point, knowingly stretching his resources and risking the high-end positioning of the brand.

As Daniel presents his analysis back in a meeting room, Andreas is struck by the clarity and brutality of the figures. He somehow knew that he was putting a lot of time and effort into international distribution, but it had never been so obvious to him where the true opportunities lie: Germany and Switzerland are his most important and most prospective markets. More to himself, he sadly comments that the glitz and buzz of international business might have been an aspiration, but in order to bring his company to profitability, he would need to put his money where his mouth is and focus on his most promising markets. Furthermore, he agrees that the absence of POS networks, such as department stores and travel retailers, remains a challenge to be addressed.

Daniel notes the slight consternation in Andreas's voice and turns their attention to the next item on the workshop agenda: classifying and describing POS success stories. This is where Andreas swiftly recovers his enthusiasm as he tells stories, shows pictures, and shares the sales successes of partners and distributors from his network. Just on his way this afternoon, he had stopped at one of his most enthusiastic partners in Switzerland only to be fascinated how that partner sells luggage products in the strangest environment of an apparently random assortment of other luxury items and accessories. Catching on to Andreas's excitement, Daniel groups the POS into (a) those with success due to tangible efforts; (b) those with apparently random success and little to no effort; and (c) POS that have not yet shown significant sell-through results. Directly projecting his digital notes to a wall, Daniel documents the activities and actions for each successful POS. He will later compile these into a prioritized list of potential marketing activities which Andreas is going to use for supporting his partners and driving sales.

Exhausted from all the talking and afternoon heat in their meeting room, the two agree to finalize their notes via e-mail and to compile their results into a sales SWOT from which they are going to derive potential strategic options for Andreas and his board of directors to decide upon. Knowing that Andreas has some promising sales activities scheduled with a partner at Vienna airport in the weeks ahead, Daniel offers to prepare his draft of the SWOT analysis for when Andreas is back in Switzerland.

18.6 Pondering Strategic Options

Swiss summer is in full swing when Andreas and Daniel meet for lunch in a conveniently located conference hotel near the Olten train station in late June. Waiting for their main course, Andreas shares some stories from the “sales push” at Vienna airport. Hurried transfer passengers from China were huddling by his product presentation stand only to ask “How much?” whenever he presented one of his suitcases to them. The sales assistant supporting him in the promotion repeatedly complained that products had a tough stance if their branding did not pull people into a POS. So Andreas is full of questions on how a new sales strategy will emerge to create the necessary buzz around his products.

Taking their coffee to the meeting room, Daniel switches back to their strategic journey with a pile of post-its in four colors for each of the SWOT dimensions, which he had extracted from their last workshop notes: yellow for opportunity, orange for threat, green for strength, and blue for weakness. On a big wall, Andreas and Daniel label, then group the colorful post-its into pairs, generating combinations of strengths and threats, opportunities and weaknesses, and many more, leading to a long list of strategic options to be prioritized (cf. Fig. 18.6). Intuitively most appealing to Andreas are the opportunity-strength combinations where the company can seize a market opportunity by playing on its strengths. But are these also the most viable and promising options? Can the company sustain the required investment, and how fast will these actions materialize? Going back and forth between strategic statements and the current market realities, a controversial discussion emerges between the two—pondering options, grouping similar ideas, comparing timelines and investment volumes between options.

Separating the grain from the chaff, the two agree on a condensed list of just about ten strategic directions, some combining opportunities and strengths but also measures to address where the company weaknesses are challenged by threats from the market. Without losing any time, Andreas is eager to share this strategy with his board of directors so as to obtain backing for his strategic action plan. Daniel, however, throws in a word of caution and recommends to first simplify the strategic narrative, to outline a tangible action plan for the next 3 years, and to interlace that into a sales scenario that should lead the company to break-even and into profitability. The challenge is to bring the strategic directions into alignment with the current, actual distribution network and sales numbers, then to show how a strategic choice will lead from today’s status quo to the agreed objectives. Confident that they are sharing enough common understanding on the way forward, the two agree to keep working on their action plan in an exchange of e-mails while Andreas is going to schedule a next board meeting for mid-July. In the afternoon sun, Andreas and Daniel head back to the train station in uplifted spirits, looking forward to the conceptual work ahead of them.

(2) current sales success stories, followed by (3) the updated SWOT analysis and leading to (4) five strategic avenues that are then translated into (5) tangible sales numbers for the 3 years ahead. A concluding slide of the presentation shows three board decisions for immediate action that Andreas is most edgy about. They include a commitment to adjust market prices of the assortment while investing time and resources into a marketing and sales initiative for Germany and Switzerland still this year.

Everything is ready when Peter arrives: the presentation printouts nicely bound for each meeting participant, the projector switched on with slides on the screen, and coffee with a few refreshments on the table. Andreas starts by welcoming everyone and recognizing the benefits from a thorough analysis on the sales and marketing activities. Daniel then summarizes the status quo: an organization torn by spreading its sales and marketing activities across way too many countries and POS, while only a handful of them in Germany and Switzerland are truly successful. He also points at the risk of further dispersing resources if all new contacts and markets were to be followed up with equal priority. From the sales SWOT, he then outlines the five strategic avenues: some for more short-term impact, others along a more long-term choice of positioning the brand in the competitive luggage market. No immediate controversy erupts at this point as Peter refrains from objecting to these analyses and observations, being curious to discover how they will translate into tangible actions.

Daniel continues to outline the 2018–2021 sales strategy, in which he recommends to focus on the most promising markets and dedicated acquisition of POS chains such as department stores, travel retail, and e-commerce in Germany and Switzerland. For Andreas and Peter, that will mean to put their global aspirations on hold, to roll up their sleeves, and to actively recruit as well as pursue the more challenging yet more promising distribution channels. Making existing and new POS in those two markets successful is the second priority, requiring the support of a dedicated marketing campaign which includes a POS locator tool on the company's updated website, support materials, and co-op marketing activities with the support of Andreas on-site at his distribution partners.

Working with sell-in and sell-out estimates from 2018 to 2021, Daniel then outlines a plan with an increase of sell-through in existing POS and showing the addition of other POS to the distribution network (cf. Fig. 18.7). Given successful performances in Germany and Switzerland, the company would only expand to the United Arab Emirates in 2020 and to China in 2021, following preferences and some personal contacts from the board of directors and Andreas himself. Showing moderate growth in adding POS, the sales numbers appear to be quite dynamic since over time, each POS would improve its sell-in and sell-out performance thanks to dedicated marketing support. Knowing that the numbers were going to be ambitious and depend on the launch and implementation of a successful marketing campaign, Andreas glances with curiosity at Peter who seems to take the numbers confidently at face value and almost impatiently waits for the 2018 action plan as well as the decisions requested from the board today.

So without further ado, Andreas takes the lead and outlines his immediate three-step action plan for board approval: (a) the immediate development of a marketing campaign

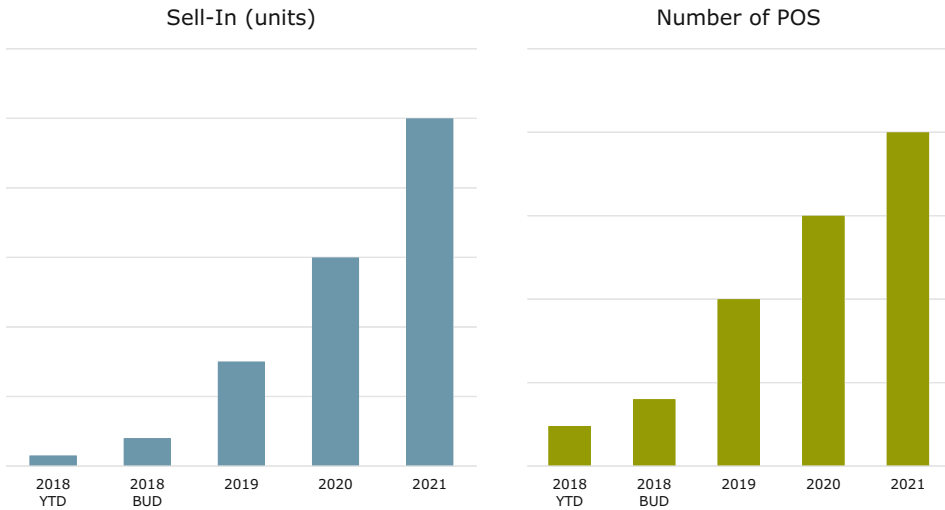


Fig. 18.7 Projections on sales and POS (2018 company data, explicit numbers omitted for confidentiality)

still for implementation before the all-important Christmas shopping period in November; (b) an adjustment in value of the merchandise on stock and a reduction of end-consumer pricing as per August 2018; as well as (c) developing a full financial plan based on the agreed strategic direction for the next 3 years.

With high expectations, Andreas looks over at Peter: will he chip in additional cash to support this effort in financial and human resources to lift the brand to the next level, even if it means postponing his global aspirations for the company to the longer term?

Possible Assignment Questions and Points for Further Discussion

- From reading the case, how would you describe the company’s overall profile and international business outlook in your own words?
- Which international leadership behaviors and subsequent decisions can you detect within the case study?
- Scrutinize the strategy process along five steps: (1) internal and external situation analysis; (2) developing strategic options; (3) providing decision-making rationale; (4) implementation; and (5) evaluation. Is this an appropriate approach for this case? If not, how else could the protagonists have proceeded?
- If you were a member of the board, how would you evaluate Andreas’s proposal? How would you argue for/against (a) the investment into sales and market; (b) a price reduction of the assortment; and (c) a focus on market development in Germany and Switzerland for the near future?

- Describe and assess the company’s leadership approach to decision-making on its internationalization efforts.
- Resource constraints aside, how would you judge and evaluate further expansion into additional market and territories?
- Specifically considering e-commerce, what strategy and which specific players would you consider for this product category and brand?
- Often referred to as “buying growth” or “buying sales”, the short-term investment into a distribution channel, POS types or specific partners and markets can quickly outweigh the incremental sales and profits generated there. Do you consider this case to be at risk of “buying sales”? And if so, how can that be avoided?