



**Vanessa Reiher**

Nach ihrem Abitur am Clara-Wieck-Gymnasium in Zwickau im Jahr 2013 verbrachte Vanessa Reiher dreieinhalb Jahre als Au-Pair und Studentin in den Vereinigten Staaten von Amerika. Im Jahr 2017 begann sie das Duale Studium in der Studienrichtung "Außenhandel und internationales Management" in Plauen und im Unternehmen GK Software SE. Seit Herbst 2020 belegt sie den Masterstudiengang Management an der Westsächsischen Hochschule in Zwickau und beginnt eine Werksstudententätigkeit im Unternehmen Zwickauer Sonderstahlbau GmbH mit zukünftiger Übernahme der kaufmännischen Projektleitung.

**KONTAKT:** [vanessareih@gmail.com](mailto:vanessareih@gmail.com)



**Prof. Dr. Juliane P. Fuchs**

Nach ihrem Abschluss als Diplom-Kauffrau und mehrjähriger Tätigkeit als Beraterin für internationale Restrukturierungsprojekte wurde Juliane Fuchs am Lehrstuhl für Organisation und Personalwesen der Katholischen Universität Eichstätt-Ingolstadt zur Dr. rer. pol. promoviert. Bevor sie 2017 an die Berufsakademie Sachsen, Staatliche Studienakademie Plauen kam, leitete Prof. Dr. Fuchs den Bereich Business Development für einen internationalen Technologiedienstleister in der Automobilindustrie. Seit Oktober 2017 leitet sie den Studiengang „Handel und Internationales Management“ und forscht im Bereich Unternehmensentwicklung und New Work.

**KONTAKT:** [juliane.fuchs@ba-sachsen.de](mailto:juliane.fuchs@ba-sachsen.de)

## How customer acquisition and reputation support competitiveness in the software branch

*Vanessa Reiher | Juliane P. Fuchs*

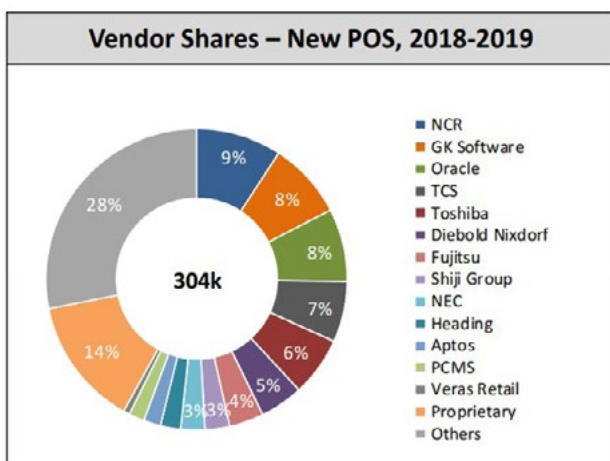
Die Bachelorthesis untersucht den Vertriebsprozess für Neu- und Bestandskunden des Softwareunternehmens GK Software SE. Es wird analysiert, ob der Neu- oder der Bestandskundenvertrieb einen größeren Beitrag zur Wettbewerbsfähigkeit leistet. Ziel der Arbeit war es zu definieren, welcher Vertriebsprozess eine bessere finanzielle Performance erzielt, da Mittel, die im Vertriebsprozess eingespart werden, in zukünftiges Wachstum investiert werden können.

Eine Aufgliederung des Vertriebsprozesses der GK Software SE in einzelne Prozessschritte und die anschließende finanzielle Analyse zeigen eine höhere wirtschaftliche Effizienz des Bestandskundenvertriebs. Es ist darauf hinzuweisen, dass eine rein finanzielle Prozessbetrachtung zur Entscheidungsfindung nicht ausreichend ist. Durch die Berücksichtigung nicht-monetärer Aspekte, wird die Schlussfolgerung gezogen, dass eine Fokussierung sowohl auf Bestands- als auch Neukunden den höchsten Beitrag zur Wettbewerbsfähigkeit leistet.

## 1. Introduction

The following paper focuses on the question, whether sales processes to new or existing customers have a higher contribution to a company's competitiveness. The company GK Software SE (GK) serves as the object of study. GK is a software producing company. It specializes in software solutions for the retail sector, where it sells its products to other businesses as part of a B2B relationship. GK serves a variety of customers, who are active in different branches. They include but are not limited to grocery, fashion, and DIY. In order to satisfy the needs of these individual customers, GK offers a broad product range. Besides providing businesses with a POS solution, the product portfolio also includes solutions for producing in-store labels and posters, in-store marketing, or hand-held devices and data management.

The problem, which was the starting point for research, is the fierce competition on the market for retail software, as seen in the chart below: seven companies make up for almost half of the new POS software installations.



In order to work as cost-effectively as possible, companies need to al-

The thesis investigates the sales process for new and existing customers of the software company GK Software SE. The central question to be answered is whether sales to new or existing customers have a greater contribution to the competitiveness of a company. The objective was to determine the alternative that performs better financially, since money that has been saved on the sales process can be invested in further growth.

A detailed breakdown of the sales process at GK Software SE in individual steps and the following financial analysis show a higher economic efficiency of sales to existing customers. It needs to be stated, that a mere financial analysis is not a sufficient tool for decision-making. By including non-monetary aspects into the analysis, the author concludes that setting the focus on both new and existing customers has the highest contribution to a company's competitiveness.

locate their resources in a way that allows them to generate high profits. This profit can be invested to support growth objectives. When it comes to growth and retention of size, companies largely depend on their customers. Increasing income through sales can be achieved either by engaging in acquisition of new customers or by raising the sales amount to existing customers<sup>2</sup>. Literature suggests that a vast majority of marketing budget is spent on acquisition of new customers.<sup>2</sup> However, when focused solely on growth, companies risk neglecting the existing customers. The aim of the thesis was to find out which approach best supports the competitiveness of a company.



## Methodology of the Bachelor Thesis<sup>3</sup>

In order to answer this question, a detailed description of both sales processes was conducted, using a theoretical sales model as guideline. Thereafter, a cost-benefit-analysis followed to pinpoint earnings and expenditures that arise during the sales process. This would then allow a comparison of both alternatives based on which the author was able to recommend a course of action.

## 2. Selling to new and existing customers

Publications on the matter of customer retention and acquisition present arguments for and against the respective alternatives. However, the focus is strongly set on the importance of customer retention.

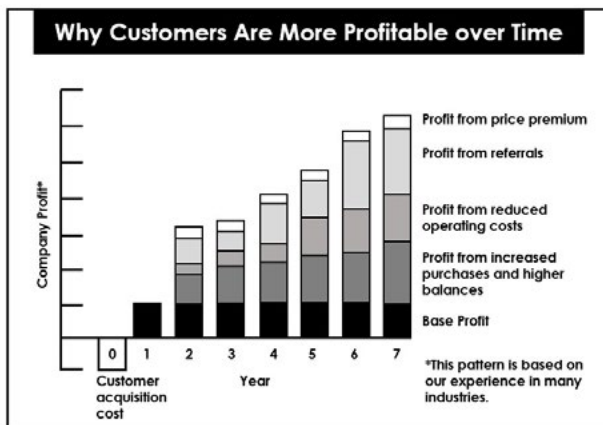
<sup>1</sup> RBR 2019, p. 13.

<sup>2</sup> Schüller/Schuster 2017, p. 21.

<sup>3</sup> Own presentation.

2.1 Customer retention

Besides the cost of retention being smaller than the cost of acquisition, there are various other arguments to support the claim of customer retention being the more beneficial alternative. Customer retention allows businesses to pursue economic targets, like growth and profitability.<sup>4</sup> Spending time and money on building relationships does not cause undesired costs, but constitutes an investment. Many businesses make the mistake of analyzing a customer's benefits compared to the costs they cause during only one period at a time. However, by doing so, they are not able to determine the value over the customer's lifespan.<sup>5</sup> The longer a customer is loyal to a company and repurchases, the higher the profits are.<sup>6</sup> "Companies can boost profits by almost 100% by retaining just 5% more of their customers."<sup>7</sup> Moreover, the costs of a sales process decline with a growing number of purchases. The more experienced the employees become in dealing with customers, the higher the efficiency and the lower the costs.<sup>8</sup>



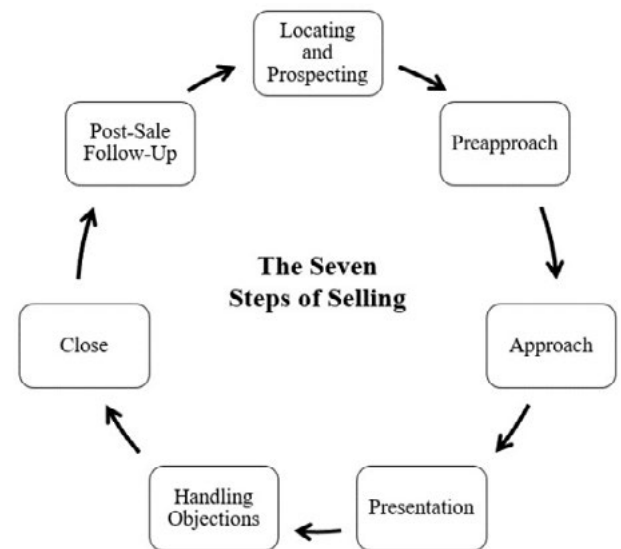
2.2 Customer acquisition

"The least profitable order is usually the first one placed by a customer, because all the costs caused by advertising will be up against the revenues made."<sup>9</sup> So, it is better to spread acquisition costs over a long period of customer relationships. This means that achieving only one sales close is not desirable for a company. The costs of acquisition need to be weighed against the revenue generated. This does not mean that winning new customers is not a strategy a company should follow. It rather means that newly acquired customers should also be turned into long term customers in order to secure future sales and profit from all the other advantages of customer retention. By winning new customers, businesses have the chance to grow. On top of that, the revenue lost due to the potential migration of existing customers can be made up.<sup>11</sup> Customer acquisition is always connect-

ted to costs, for example for advertising or promotions.<sup>12</sup> Therefore, a business must aim to cover these costs by achieving sufficient benefits, especially with a one-time transaction. They should be at least as high as the costs.

3. The model of the Seven Steps of Selling

The sales process of the company GK Software SE was outlined using the theoretical model of the "Seven Steps of Selling"<sup>13</sup>. It represents the most suitable approach for answering the thesis' central question. Other models, such as the AIDA model or the "Value Selling" model did not match the requirements of the research. AIDA acts as a guide for which business activities are necessary in order to market and sell a product or service successfully.<sup>14</sup> However, the model does not provide a clear process description and lacks level of detail. Hence, cost drivers cannot be identified. The "Value Selling" model puts value creation at



its center. It specifies how value can be added to every step of the sales process.<sup>15</sup> The model does not include steps for acquisition of customers, which are vital when expanding the customer base. Hence, this model is not suitable for analyzing both sales processes either. The Seven Steps of Selling<sup>16</sup> The "Seven Steps of Selling" break the sales process down in enough detail. Thus, each step can be analyzed according to the costs and benefits it causes. It includes all steps necessary for gaining new customers, but also applies to the sales process for existing customers, because steps aimed at customer acquisition can be omitted. The model also includes after-sales activities. They are vital in the software branch, since adapting the software to the customer's wishes requires unique support. The product binds the customer to the seller and their relationship continues well after the sales process has concluded.

4 See Holland 2011, p. 295.

9 Reichheld/ Sasser 1990.

5 See Reichheld/Sasser 1990.

10 Schüller/ Schuster 2017, p. 23.

6 See *ibid.*

11 See Durinkowitz 2013, p. 117.

7 *Ibid.*

12 See Reichheld/Sasser 1990.

8 See *ibid.*

13 Dubinsky 1980, p. 26.

14 See Runia et al. 2019, p. 293.

15 See Rackham/De Vincentis 1999, p. 7 ff.

16 Own presentation based on Dubinsky 1980, p. 26.

Hence, the “Seven Steps of Selling” allow the researcher to break down and analyze the sales process in the way it is necessary to answer the central question of the thesis.

While following this guide, the steps at GK Software had to be matched to the respective steps in the theoretical model. The process can be dismantled in its individual steps, as this permits detailed analysis. Therefore, describing GK’s sales process according to the Seven Steps of Selling delivered the groundwork for the following assessment. Though, the level of detail is vital. The more detailed the sales process is split up, the more aspects that have a positive or negative financial contribution are revealed. This supports the accuracy of the results of the analysis carried out later on.

The previously introduced model breaks the sales process down to its individual steps, each of which needs to undergo an analysis based on the amount of money spent and earned. The cost-benefit-analysis (CBA) best suits this purpose. It helps narrowing the individual aspects down to monetary units. The CBA allows calculating the economic efficiency of a project by subtracting costs from benefits. By doing so, a base for comparison is created which eventually supports economic decision-making. The idea behind the cost-benefit-analysis is that projects can be executed if the estimated benefits outweigh the costs. Then again, a company should abandon a project, if the costs are greater than its benefits.<sup>17</sup> If there are “no constraints other than production possibilities,”<sup>18</sup> all projects for which the benefits exceed the costs require approval. However, if a company has to decide for only one project, it should choose the one with the highest economic efficiency.<sup>19</sup>

#### 4. Results and recommendations

The cost-benefit-analysis of four example customer data showed a higher economic efficiency of sales processes for existing customers. Since only four customer data were included in the analysis, further research, covering a greater number of customers to achieve a representative result, is necessary.

Setting the focus on only one alternative is disadvantageous. Focusing resources solely on bringing in new customers can possibly result in an expansion of the company. However, a company needs to ensure the satisfaction and loyalty of its existing customers. This is the foundation upon the customer base can be enlarged. Acquiring new customers while losing existing ones would not influence the market share positively. Similarly, only focusing on sales processes for existing customers would not benefit the company’s competitiveness. Maintaining a satisfied base of customers is crucial for success, but a growing market share can only be achieved by simultaneously acquiring new customers to engage in a business relationship.

<sup>17</sup> See Brent 2006, p. 3.

<sup>18</sup> *Ibid.*

<sup>19</sup> See *ibid.*, p. 7.

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