



2015

BOMBARDIER **The Evolution of Mobility** **Going Through a Revolution of Sales**



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Index:

Topic	Page
Group Bombardier	1
Commercial Aircraft	1
Product Line and Customer Base	1
Commercial Aircraft Organization	2
Zooming into the Sales Organization	3
Recent Changes	4
Regionalization	4
Sales Process and Team Roles	4
Problem Definition	5
What precludes us from Selling?	7
How does those comments relate to our course content?..	8
Actions Already Taken	9
Recommendations	9
References	10

GROUP BOMBARDIER

The Group is composed of 4 main businesses:

- Transportation
- Business Aircraft
- Commercial Aircraft
- Aerostructures

In total there are 74,000 employees in the Group that posted a Revenue in 2014 of about \$20.1 Billion and a EBIT of 4.2%.

Commercial Aircraft

Focusing our attention on the Commercial Aircraft (BCA) business unit, that will be the theme of this project, the numbers are:

Number of employees = 17,000

Revenue = \$1.9 Billion

EBIT = not available per business unit

Number of Aircraft delivered in 2014 = 84

As can easily be seen by the numbers the Commercial Aircraft business unit accounts for roughly 25% of the group's employees and for a little below 10% of its revenues.

Especially now with the huge investments in new aircraft development (C Series), there is a fundamental need for more revenues, which shall come from a complete turn-around on the sales performance.

Product Line and Customer Base

Q400 NextGen – 50 to 86 seats



52 Operadores such as Westjet, Air Canada, Horizon, United, ANA, JAL, Qantas, Flybe, LOT, Luxair, Ethiopian, South African

BIG NUMBERS

Employees

Group = 74,000

BCA = 17,000

Revenue

Group = \$ 20.1 Bi

BCA = \$ 1.9 Bi

CRJ 700 / 900 / 1000 NextGen – 60 to 99 seats



98 Operadores such as Delta, American Airlines, United, Skywest, US Airways, ANA, China Express, Lufthansa, Iberia, SAS, Brit Air, South African, Rwandair and United Nations.

CSeries 100 / 300 – 108 to 160 seats



18 Customers such as Lufthansa, Korean Airlines, Gulf Air, Air Baltic.

Commercial Aircraft Organization

The Commercial Aircraft Business Unit is an independent organizational structure with all functions represented within it, with its own President and Management Team as shown on the chart below.

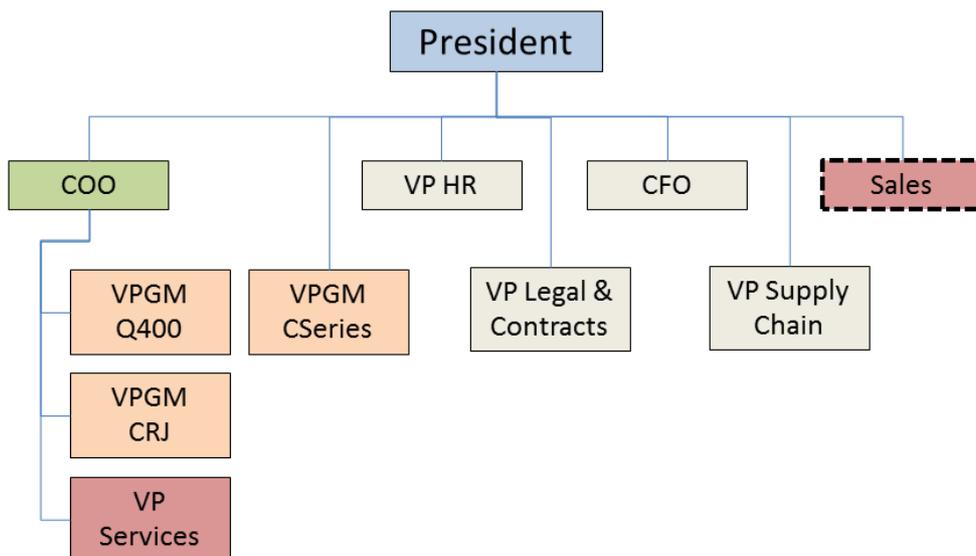


Figure 1

The sales function for new aircraft and pre-owned aircraft are within the dotted Sales box above, while the Services Sales function is within the VP Services box.

This paper will focus our attention on the new aircraft Sales organization.

Zooming into the Sales Organization

Just recently there was a significant change on the Sales organization which is represented by the 2 Organizational Charts below. The first one (Figure 2) shows the organization valid until September 2014 and the second one (Figure 3) is the current organization.

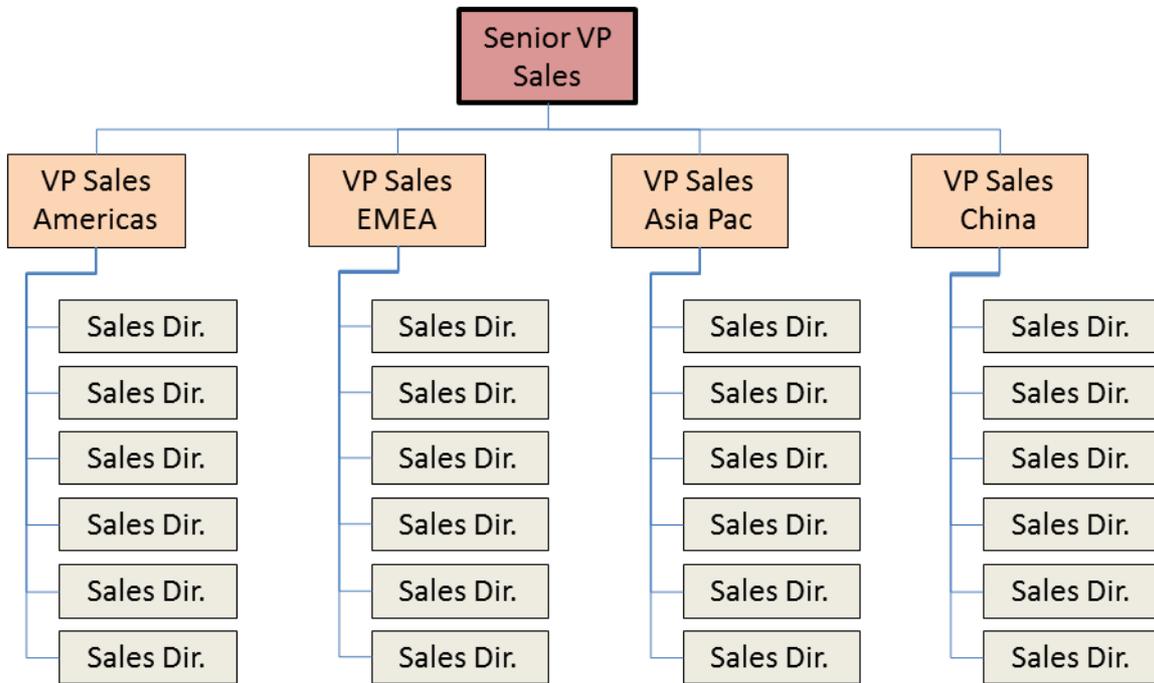


Figure 2 – Sales Organization until Sep/2014

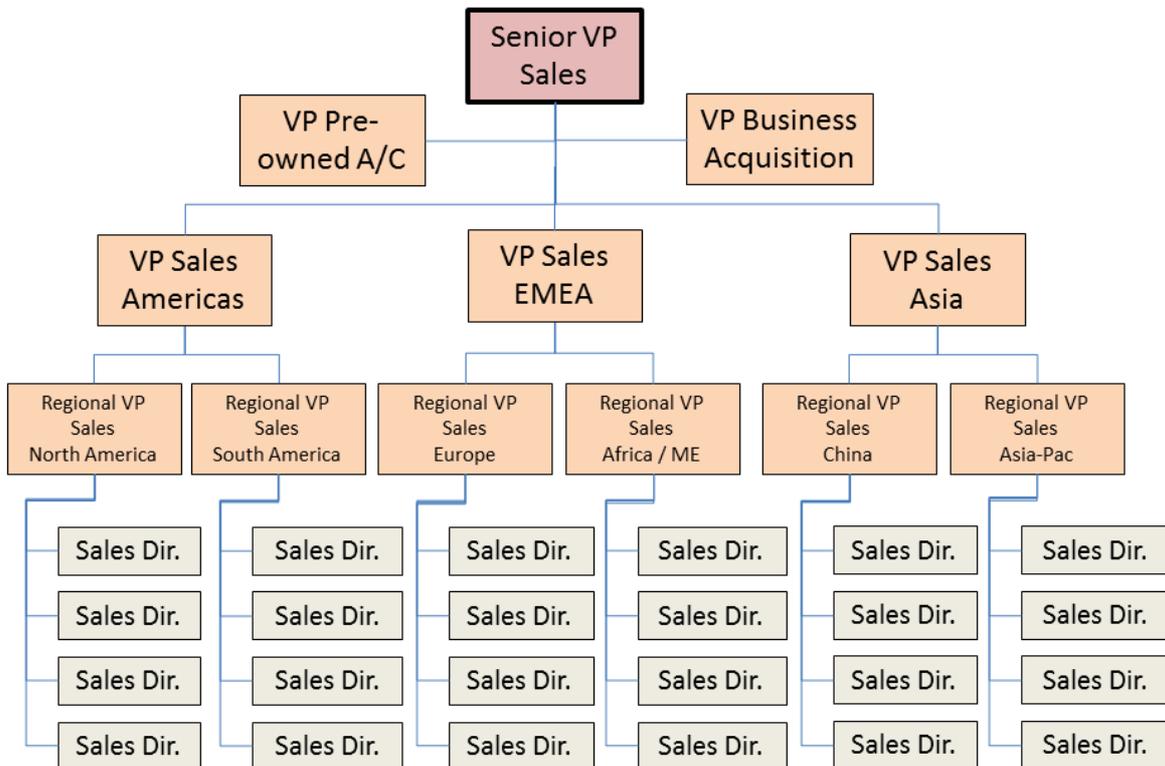


Figure 3 – Current Sales Organization

Recent Changes

As can be seen, the new Sales organization has one more level of Vice-Presidents (Regional VPs) which is intended to increase the focus on the specific business of a given region and allowing the decisions about such business to be made locally by the Regional leadership.

Besides this change, the Pre-owned Aircraft business was brought into the Sales organization, which used to be independent. The purpose is to allow each Customer to be seen by one single organization on their needs to buy aircraft, regardless if it is pre-owned aircraft or new, which could include the trade-in of pre-owned aircraft while ordering new aircraft from Bombardier.

The third significant change was the creation of the Business Acquisition Center of Excellence (BACE), which serves the purpose to aggregate all support functions required to support the Prospecting, the Business Approval process, the Issuance of Proposals, the Negotiations Strategies definition and deployment and mainly the Sales Forecasting and Performance Management. This area currently includes Marketing and Communications and has all supporting areas physically together to foster the communication and alignment.

Despite the fact that new levels of management were created, the actual sales force was not increased. The team was distributed differently, but the major change was in fact a very significant change of the players. A highly above average turn-over was forced into this organization, bringing new players into the teams and into the various regions.

Regionalization

The Sales team is Regionalized, ie, most of the sales force and leadership are based on the regions of the Customers, to improve the cultural awareness, to better use the time of the Customer due to time zones and to be able to be present in front of the Customers more frequently.

The only team that is entirely new is the South and Central Americas Team that was non-existent on the previous organization and that are actually new hires over and above the previous organization.

In terms of Time and Territory Management, the new organization made the sales challenge simpler, once the focus is higher and the location of the teams make it easier to divide and cover the entire territories defined. A much more efficient use of the time of the team and much closer contact with the Customers makes it faster to develop the relationships of the new players with the current Customers.

It is important to mention that over the past 5 years the Sales team grew by a factor of almost 3, which ended up facilitating the current time and territory plan, which today delivers a much more realistic expectation in terms of business acquisition and management.

Sales Process and Team Roles

The Sales Team (Sales Directors), have the role of being the coordinators of the entire Sales Process, which means getting all the support areas to move towards closing deals, which includes the identification of Prospects, the presentations of the company's portfolio value proposition, definition of the strategies to issue Proposals and negotiate the deals, assure that the company understands the Customers' needs and they understand the value of the offers and finally and most important to develop confidence on the Customer for a long lasting profitable business Relationship.

Problem Definition

In very simple terms the challenge is the insufficient number of aircraft sold over the past few years in face of the required growth of the organization, particularly due to the capital intensive nature of the business, especially due to the development of the new aircraft CSeries. Please see the figures below:

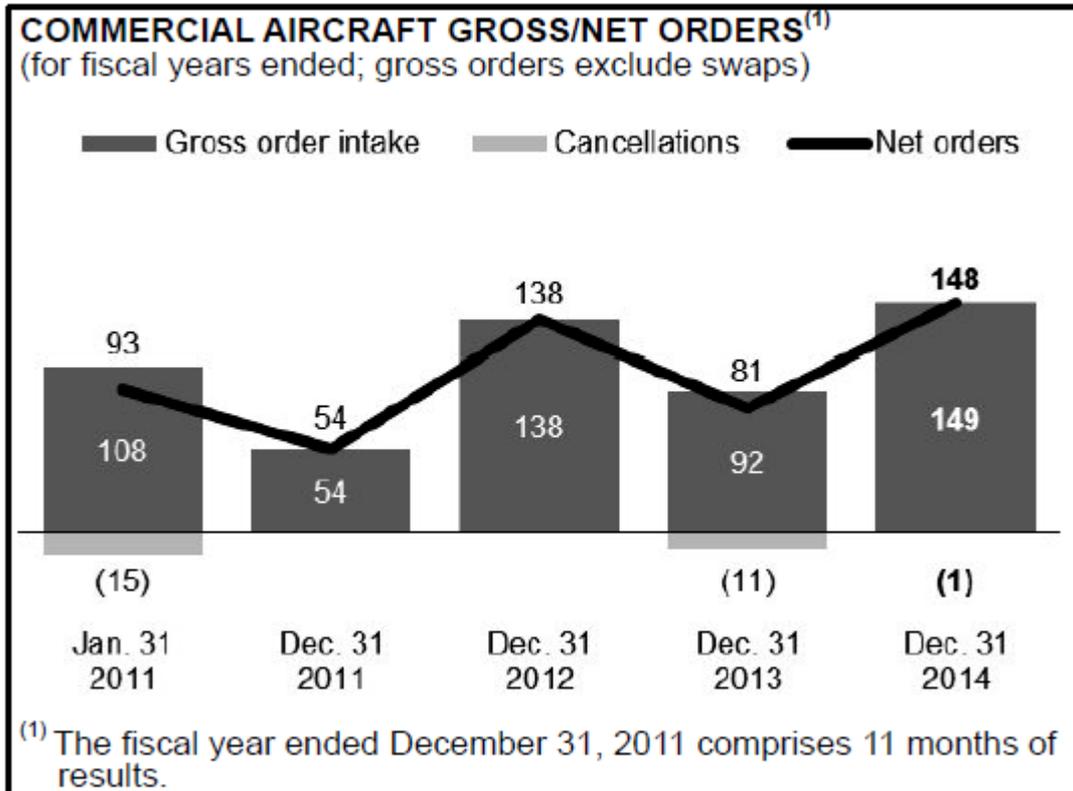


Figure 4 – Gross / Net orders – Source: Bombardier Annual Report 2014

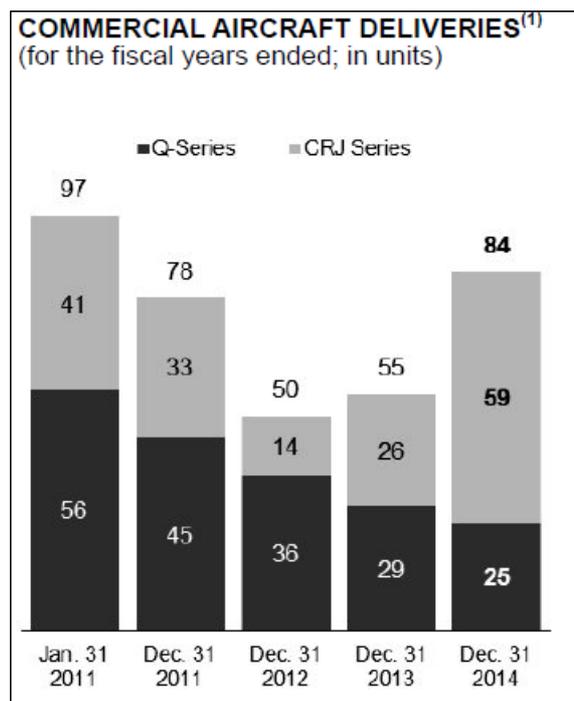


Figure 5 – Deliveries – Source: Bombardier Annual Report 2014

Commercial aircraft order backlog and options

(in units)	December 31, 2014	
	Firm orders	Options
Regional jets		
CRJ700 NextGen	10	—
CRJ900 NextGen	57	56
CRJ1000 NextGen	31	22
Commercial jets		
CS100	63 ⁽¹⁾	49
CS300	180 ⁽¹⁾	113
Turboprops		
Q400 NextGen	42	94
	383	334

⁽¹⁾ The total of 243 orders includes 86 firm orders with conversion rights to the other CSeries aircraft model.

Figure 6 – Orders Backlog – Source: Bombardier Annual Report 2014

Analyzing the Figures above it is easy to see that the sales performance is not consistent over time showing big variances (Figure 4).

Figure 5 shows deliveries of only 2 families of aircraft (Q400 and CRJ) which are the cash-cows of the company today. The third family (CSeries) is not being delivered yet, as it is still performing the certification flight test campaign, with expected entry into service (EIS) in 2016 only.

Considering that almost all sales of the CSeries were done between 2010 and now, if we reduce the firm backlog (order book, or number of aircraft sold to be delivered in the future) on Figure 6 by the same number of all CSeries firm orders, the backlog for the remaining aircraft would be 140 aircraft.

If we do the same on Figure 4, removing the CSeries sales from the total sales on that chart, the number of aircraft sold for the remaining aircraft will be 271 aircraft.

Over the same period of time, as per Figure 5, the total deliveries for the cash-cows (non-CSeries) was 364 aircraft. This means that 93 (=364-271) more aircraft were delivered than sold within this period of time and considering that the resulting backlog is 140 aircraft, the reduction of the backlog over this period of time was around 40%.

The cash intensive nature of the products in this industry makes Initial Deposits and Pre-Delivery Payments as a standard practice for the Customers. These payment advancements are the ones that fund the acquisition of the materials and support the operations costs before the delivery of the aircraft. This is only needed because, different from other industries, the delivery of the product and full payment only occurs on average 2 to 3 years after the actual sale of the product.

The stronger (bigger) the backlog, the better is the cash flow for the business, as the advanced payments are generated by the backlog. When the backlog reduces 40%, the cash inflow is significantly impacted negatively, which in our case coincides with the bigger demand for investment on the development of the new aircraft.

In conclusion a stronger and more predictable pace of sales is fundamental, which hasn't happened so far. This is why the Evolution of Mobility needs a Revolution on Sales.

What precludes us from Selling?

On the attempt to answer such question the Group 5 carried out 5 interviews with Bombardier employees, in different areas related to the sales process, with the profiles as presented below:

- Vice President Services Sales
- Sales Director Europe
- Sales Director Africa
- Finance Director for Business Acquisitions
- Contracts Director for Asia-Pacific

The same way, the team accessed the Customers feedbacks from the Post Delivery Surveys and meetings over the past 12 months to gather material to understand their view that could help us to answer the question above. The Customers considered are the following:

- Lufthansa (EU – Germany)
- Swiss (EU – Switzerland)
- Korean Air (Asia – Korea)
- Delta Airlines (USA)
- American Airlines (USA)
- Air Baltic (EU – Latvia)
- Malmo Aviation (EU – Norway)
- Eurolot (EU – Poland)
- SpiceJet (Asia – India)
- Arik Air (Africa – Nigeria)
- Westjet (Canada)

Due to the sensitivity of the subject and the opinions, no specific comments will be linked to any of the employees or Customers above, but the main messages are represented below.

The employee comments are centered around the following ideas:

- Stop moving the organization – let it settle to re-gain confidence of the Customers
- Excess administrative work, reporting, that distracts the team from the sales process
- Improve communication / transparency with the Customers

The Customers comments were quite aligned on the following perspectives, which are purposely exaggerated or amplified below for academic purposes only:

- There are too many changes on the team and too frequent, therefore not allowing any relationships to be built, thus feeding a continuous sense of lack of confidence.
- Customers perceive that Bombardier has difficulty to listen to what they are requiring the company to do, which drives some degree of inflexibility on the negotiations.
- Some Customers believe that Bombardier may be more interested on its business performance than on the Customers' satisfaction.
- The lack of proximity with the Customers and the poor communication, drive the Customers to believe that there is a lack of transparency on our relationship.
- Customers have a general belief that Bombardier failed to market all 3 families of products (Q400, CRJ, CSeries) on a balanced way, as they perceived a much higher focus on the game-changer CSeries, which dimmed the light over the other aircraft (Q400 and CRJ - cash-cows) reducing our chance to sell those .

How does those comments relate to our course content?

One of the Sales techniques that are more used and proved to be very effective on the sale of the legacy programs (Q400 and CRJ), due to the wide variety of Customers who experienced the operation of these aircraft, is the “Feel, Felt, Found”. It is very easy to relate the prospects to other operators who had good experiences with those products, helping the sale. However for the C Series, the new aircraft, which did not enter into service yet, the “Found” is missing. The Sales team is still trying to find a technique as effective as the “Feel, Felt, Found” to help sell the C Series.

One of the alternatives is the Persuasion Equation. It is easy to spot a point of dissatisfaction of the prospects in regards to their operations today. With a brand new aircraft, very well thought of, with multiple attractive features that address a wide variety of Customers dissatisfactions, it is easy to build a Compelling Vision for the future. The difficult part is to find Easy Steps to get to this future state, because as the aircraft has never flown commercially, there are too many perceived risks associated with this introduction. Another aspect is that very frequently the Prospects do not have credit to be able to purchase the airplanes or even lease them. Not having the Easy Steps, our Sincere Belief on the Product, is the only way to help a great deal.

For the legacy aircraft, the Compelling Vision is the hard part, as due to our failure to market the changes and innovations on the updates to those products, Prospects were mistakenly led to believe that there is no future for those aircraft. The new Branding effort coupled with the new marketing strategies will facilitate a lot to fix this situation.

One of the most common complains, both from the Customers and on the employees interviews, is the high turn-over and the constant change on the players within the company, in particular on the Sales team. This situation, bringing new people to have brand new interfaces with Customers, generated a lot of problems that are illustrated below, mainly due to lack of intimacy with the Customer and in some cases lack of experience of the new sales person to allow him/her to perceive a number of messages given by the Customer through the relationship.

This issue is causing some trouble to the sales people who are trying to jump on a bus in high speed. Some Closing Mistakes are made, such as lack of ability to Read the Signals, Bad Preparation for meetings, Ineffective Talking or simply the Fear of Closing. This lack of intimacy or knowledge about the Customers’ business or behaviors, makes it difficult to answer the WIIFM question and very difficult to take advantage of the fact that People Buy on Emotions and Justify with Facts. Triggering the Customer’s emotions on a sale process requires a clear understand how to generate the right emotions to foster business. This requires a relationship. An approach similar to POGO (Person, Organization, Goals and Obstacles) is helping some of the new Sales people to shorten the cycle to get the intimacy that is missing, which is facilitated by the fact that Bombardier has good product/service solutions to the Customers.

The Follow-Up is another very important technique that could help a lot the sales, but due to lack of enough experience or proximity/understanding of the Customers and due to some poor communication standards, it is not being used as much as it should. The new leadership is streamlining the communication and the decision process, so that the Sales people can go to the Customers with a more transparent and effective communication.

In summary, it is clear through the sales results achieved and the comments from the Customers that the lack of relationships is damaging the company’s ability to succeed on the sales Targets. Relationship Selling is really fundamental.

Actions Already Taken

Besides the Recent Changes highlighted on page 4 above, with the implementation of the new Organization with one more level of VPs, aiming more local autonomy, the renovation of the Sales Team, the introduction of the BACE (Business Acquisition Center of Excellence) with new procedures aiming to speed up the decision process, delivering better Forecasting and Sales Performance Management, the remuneration of the sales team was changed to add commissions to the base salary of all sales persons. Besides all that the President is temporarily heading the Sales Department, so that the right tone is set within the team to allow the company to achieve its sales targets.

The tone as defined by the President is: "We now have the right organization, with the right people, with the right product portfolio and the right tools, so, we have to have the right attitude to deliver the results".

Two of the main tools that the President is referring to are the optimized decision process and the re-Branding exercise being executed now. The re-Branding is fundamental for the market to understand that the company is not selling only the new aircraft (C Series), but all 3, as they complement each other, showing how modern the entire family of products is. This single effort will go a long way on helping the Sales team to do their job.

Recommendations

Our recommendations based on all the feedbacks collected are:

- 1) Accelerate the settling down of the new organization , which will deliver :
 - a. Less reporting to the top
 - b. Increase the autonomy of the people on the front
 - c. Speed up the sales process
- 2) Drastically reduce the distractions to the Sales Directors (business and expense reports) to increase the face time with the Customers.
- 3) Improve the flow down of the information to the Customers
- 4) Keep the new team with the same work scope / relationships for as long as necessary to re-gain the confidence of the Customers
- 5) Define targets based on expectations in line with the moment of the organization, in a way that the long term is not sacrificed due to the short term demands

How to implement the recommendations?

- 1) Accelerate the learning curve of the new sales people, through training and exposure to the Customer environment, with support from the people on the organization that already knows the Customers.
 - a. Leaders at all levels to resist the temptation of demanding detailed reporting real time directly from the front.
 - b. Make clear the mandate or authority level of the sales people on the policies today and revise those levels in case they do not allow business to be done efficiently, still securing the governance required.
 - c. Delegate authority and create a fast-track process for time sensitive decisions.

- 2) As in 1) a. above, drastically reduce the real time reporting to all levels of the leadership and streamline the flow up of the updates on the accounts and instrument local assistants to produce the required paperwork for expense reporting, removing or drastically reducing the sales person participation in the process .
- 3) Broaden the communications team responsibilities to include timely flow down of information to Customers through the sales team, besides including on the Senior VP of Sales agenda the Customer communication topic to allow continuous flow down of relevant business information to the sales team, which once properly formatted by the communications team, can be shared with the Customers timely and effectively.
- 4) Invest more of shaping (through training, effective coaching, providing tools, etc) the current team to deliver the results, than on replacing the people on the team. An interesting way to reduce the impact of eventual discontinuation of the relationship between the Customers and the specific individuals in the sales team is to develop and implement an effective succession plan, with a clear and continuous back-up process, which would allow the relationship with the company to resist the seizure of the relationship with the individual.
- 5) Avoid budget driven targeting. Set stretched targets based on realistic prospecting.

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