

---

# **Rank Xerox (B): Is “Telemarketing” the Answer?**

## TEACHING NOTE

---

06/2004-5138

This note was prepared by Michael Casaburi, Wharton MBA 1998 and Doctoral Student at Wharton, under the supervision of Gabriel Szulanski, Associate Professor of Strategy at INSEAD, as an aid to instructors in the classroom use of the case: *Rank Xerox (B): Is “Telemarketing” the Answer?*

Copyright © 2004 INSEAD, Singapore.

N.B. PLEASE NOTE THAT DETAILS OF ORDERING INSEAD CASES ARE FOUND ON THE BACK COVER. COPIES MAY NOT BE MADE WITHOUT PERMISSION.

## **Immediate Issues**

Fournier rejected Carlos' request to try to re-implement Wave II. He asked Carlos to visit Colombia and Dubai, (UAE) to determine if their sales approach (i.e., contacting and interacting with customers primarily by using the telephone rather than face-to-face – called “telemarketing” by Dubai) should be applied elsewhere. Carlos found that Colombia used the phone mainly to sell small copiers and other items and “cooked their books”. In Dubai, he found that a commercial software (TeleMagic) and a central database helped generate revenue per salesperson four times greater than that of Europe. Ricardo Morias, a relational database management expert whom Carlos sent to Dubai, concluded that updating and customizing TeleMagic would create significant potential to apply telemarketing elsewhere. Carlos had to decide whether to tell Fournier that he had found a revolutionary tool to transform Rank Xerox's sales operations, or put the idea aside and not share Dubai's secret.

## **Basic Issues/Highlights**

The case demonstrates several points regarding knowledge management and best-practice transfers. First, a company often “does not know what it knows”: while Fournier had seen enough of the potential of Colombia's and Dubai's telemarketing operations to send Carlos to investigate, apparently no one else in Europe was aware of their existence or their success (or had attempted to act on them). Second, best practices can emerge in unexpected places: Dubai was one of Rank Xerox's smaller operations yet it developed a revolutionary approach to selling copiers. Third, tension exists between copying a practice exactly and making changes to a practice to meet local requirements: while Ricardo argued for upgrading and customizing TeleMagic, making such changes might interfere with the factors that made the practice successful in the first place (while they might equally improve the value of the practice locally).

The case also brings out a point regarding the role of the corporate center. Empowering local units to make independent decisions may have benefits (e.g., Dubai's discovery and use of TeleMagic to improve salesperson performance) and risks (e.g., Colombia's “cooking the books”). Moreover, dramatic cutbacks at Rank Xerox's headquarters instituted by Team B in the early 1990s (as discussed in Case A) may have set the stage for these actions by Dubai and Colombia.

This case differs from Case A in that Waves I and II were organized, broad attempts to identify and transfer best practice, whereas Case B involves an executive learning that an office is performing well and then sending someone to investigate the reasons for differential performance (which may be a more typical way that best practice transfers occur within firms).

## **Intended Audience/Uses**

The intended audience is students taking a first year MBA strategy course or other courses in knowledge management and related topics, as well as non-degree participants such as

business executives in courses, workshops or seminars. The case should be used after the use of *Rank Xerox Case A: Global Transfer of Best Practices*.

## Analysis of the Case

### Telemarketing in Colombia and Dubai

The first set of questions concern what is going on in Colombia and Dubai: How did the use of the telephone in selling develop at each location? How is “telemarketing” similar in the two locations? How does it differ? What results did each location achieve with telemarketing?

#### *Colombia*

**Origins:** Developed to avoid the risk of shootings (associated with a high level of criminal activity) and the like while driving in an automobile.

**Description:** Used the telephone to sell small copiers and other small items with the complete sales transaction being completed over the telephone without face-to-face contact.

**Results:** Sales were reported by local management to be growing at 40% annually with a 70% profit margin. Carlos learned, however, that all was not as it appeared. The dollar value of the revenue and profit being stated by Columbia were correct but they came from different sources (e.g., selling paper to customers), not exclusively from selling Xerox copiers.

#### *Dubai*

**Origins:** Telemarketing originated from the salesforce’s desire to escape the harsh climate (typical temperatures exceeded 44 degrees Celsius). Sales managers in Dubai had set the goal that each salesperson make six face-to-face sales calls per day (given the area’s geographic expanse, this entailed a lot of traveling) because they believed face-to-face contact was most effective. The salesforce protested and managers agreed to let them stay in the office if they made 40 telephone calls daily with no requirement for a daily face-to-face sales call.

**Description:** While salespeople conducted most of their activities over the telephone (e.g., interviewing potential customers), unlike Colombia they still visited customers in-person to meet periodically as required (e.g., to provide demonstrations or to close the transaction). Telemarketing covered clients of all sizes and orders (including large copiers).

Telemarketing’s objectives were to maximize coverage (i.e., the percentage of buying decisions that Rank Xerox bid on), improve sales productivity and controls, conduct accurate sales analysis, and improve the prospect and customer database.

A critical element was a central database that was compiled from existing databases and by the salesforce through telephone calls. Information in the database included:

- Company name, location, telephone number, number of employees, etc.

- Identification of decision-making unit (DMU) (i.e., the part of a company that makes the decision as to which copier to purchase).
- Market segmentation data.
- Impression volume (e.g., of Rank Xerox and competitors).
- Contact history (e.g. when each salesperson called a prospect and what transpired).
- Selling cycle tracking (e.g., date of demonstration, proposal, close, order, and implementation).

Sales managers could provide direction and control on a daily basis (sometimes hourly) and had to approve visits by salespeople to prospects or customers. Software measured performance on many of these objectives (e.g., number of calls, call duration, new contacts versus follow-up contacts, prospects, proposals, and orders) and provided managers with tailor-made reports.

Telemarketing was a primitive technical system that Ricardo thought was appropriate for Dubai's environment. He realized that without the commercial software, TeleMagic, that was the glue holding it together, there "would be no telemarketing". Key elements regarding database management, reporting, and record keeping were embedded in TeleMagic, which was based on the Disk Operating System (DOS).

To help salespeople in fully leveraging the power of the database, TeleMagic offered the following productivity tools:

- Automatic telephone number dialing and telephone call logging (including call length).
- Electronic diary (controlling appointments and meeting scheduling).
- Automatic reminders (e.g., to tell a salesperson to call a particular prospect on a given day).
- Mail merge and email.
- Sales quotation and proposal generation models.
- Territory planning.

**Results:** Average number of contacts-per-day and revenue-per-salesperson in Europe were six contacts and US\$300,000, whereas in Dubai it was 40 contacts and US\$1.2 million respectively (after adjusting revenues for the small size of the Dubai market).

## **Implementing Telemarketing Elsewhere**

The next set of questions concerns the potential challenges in implementing telemarketing elsewhere. How should, if at all, the Dubai system be changed if implemented elsewhere? What are the barriers to implementation elsewhere?

### *Changes to Dubai Approach*

Ricardo rejected using Dubai's version of TeleMagic because as a DOS program it was outdated. He needed it to be available in a Microsoft Windows environment to attempt to

upgrade the software for different and larger environments. He found that the company that sold TeleMagic would provide him with a Windows version and other things needed to customize the software.

### *Barriers to Implementation Elsewhere*

There were several potential challenges in implementing telemarketing elsewhere: no competitor in Europe was using telephone selling to sell copiers; Rank Xerox had a “marketing buccaneer” culture in which salespeople were used to making decisions independently; and salespeople outside of Dubai had not used computers in the selling process in any substantial way.

## **Teaching Method**

### **Set the Stage (5 minutes)**

Ask the class:

- Wave I was successful; Wave II is dying; where does telemarketing fit in?
- How does telemarketing differ from Wave I and Wave II?

### **Discussion (55 minutes)**

Ask the class:

- What is telemarketing in Colombia, in Dubai?
- What are the critical elements of the Dubai version?
- What is the role of technology in the Dubai version?
- What are the barriers to implementing telemarketing elsewhere?
  - Barriers identified in the case? Others?
  - How can these barriers be overcome?
- What are the pros and cons of modifying Dubai’s version of telemarketing (per Ricardo’s view)?

Let’s think more generally about what knowledge a firm has:

- How does a firm know what it knows?
- Why was telemarketing not identified earlier as a best practice?
- What approaches/mechanisms could Rank Xerox have used to better share knowledge among units regarding innovative sales approaches?
- Which is the better approach: copy Dubai’s practice exactly in new locales or make changes to meet local conditions? What are the trade-offs in this decision?

**Class Exercise (25 minutes)**

- If circumstances are appropriate, divide the class into two groups: one group to argue that Carlos should tell Fournier that they should implement telemarketing, another group to argue that Carlos should put the idea aside. (Depending on class size, you could break up the class into a larger number of smaller groups to argue for or against proceeding with Telemarketing.)
- Write on the board the list of reasons proffered by each group.
- Discuss the appropriateness and criticisms of each group's arguments.
- Take a vote to see what the class believes Carlos should do.

**Closing (5 minutes)**

If you are not going to use Rank Xerox Case C, which describes what happened regarding telemarketing, then end by updating the case and answering questions the students may have.

If you are going to use Rank Xerox Case C, then answer questions the students may have while not giving away too much as to Case C.

To order INSEAD case studies please contact one of the three distributors below:

The European Case Clearing House (ECCH)



[www.ecch.cranfield.ac.uk](http://www.ecch.cranfield.ac.uk)  
Tel: 44 (0) 1234 750 903  
Fax: 44 (0) 1234 751 125  
E-mail: [ECCH@cranfield.ac.uk](mailto:ECCH@cranfield.ac.uk)



[www.ecch.cranfield.ac.uk](http://www.ecch.cranfield.ac.uk)  
Tel: 1 781 239 5884  
Fax: 1 781 239 5885  
E-mail: [ECCHBabson@aol.com](mailto:ECCHBabson@aol.com)

Centrale des Cas et de Médias Pédagogiques



[www.ccip.fr/ccmp/](http://www.ccip.fr/ccmp/)  
Tel: 33 (0) 1.55.65.65.97  
Fax: 33 (0) 1.40.54.06.93  
E-mail: [Ccimp@ccip.fr](mailto:Ccimp@ccip.fr)

**INSEAD**

Boulevard de Constance, 77305 Fontainebleau Cedex, France.  
Tel: 33 (0)1 60 72 40 00 Fax: 33 (0)1 60 74 55 00/01 [www.insead.edu](http://www.insead.edu)

1 Ayer Rajah Avenue, Singapore 138676  
Tel: 65 6799 5388 Fax: 65 6799 5399

Printed by INSEAD