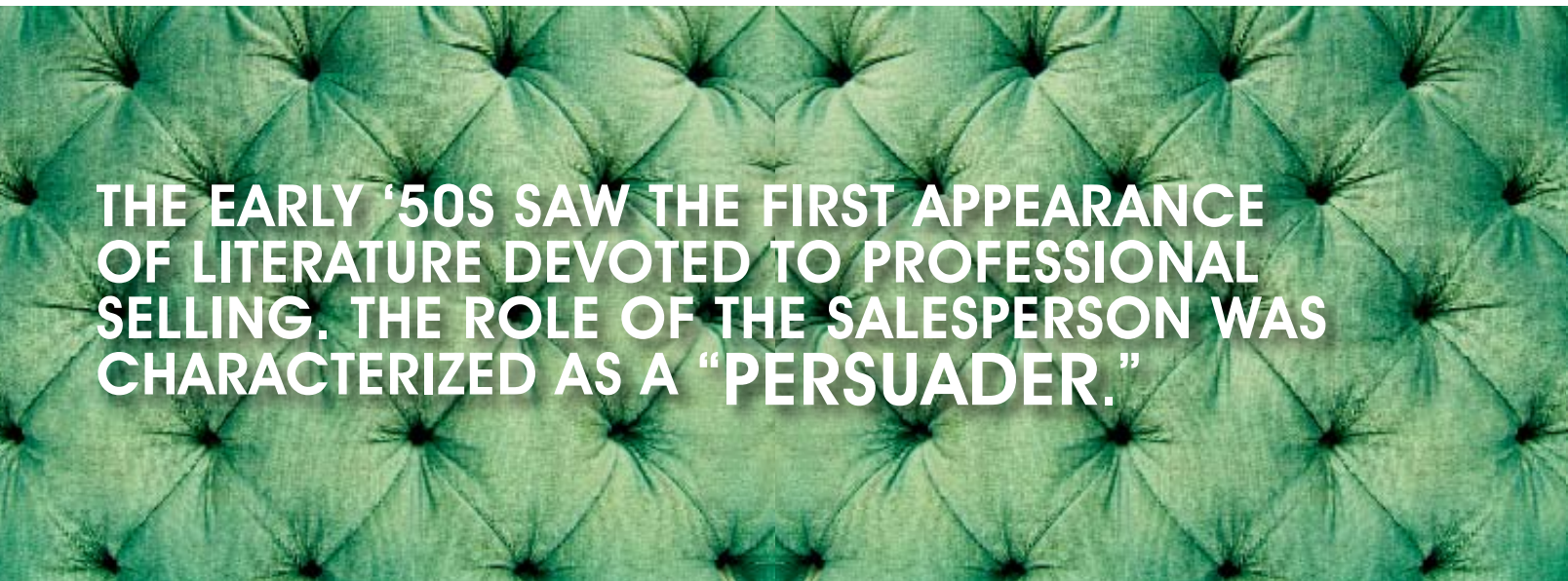


LEVERAGING VALUE TO RETAIN PROFITABLE CUSTOMERS

EDITORIAL | JEFF THULL



THE EARLY '50S SAW THE FIRST APPEARANCE OF LITERATURE DEVOTED TO PROFESSIONAL SELLING. THE ROLE OF THE SALESPERSON WAS CHARACTERIZED AS A "PERSUADER."

Is your sales force stuck in the wrong era?

It sounds like a strange question, but if they find themselves forced to compete on price to sell value-added products or services — or even if they're trying to sell solutions to problems that customers know they have — the answer is probably **“yes.”**





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The business and the sales profession at large have evolved tremendously during the past 50 years. Problem is, the highest percentage of sales organizations haven't kept pace with the evolution. It's no longer enough to offer a value-added product. You must leverage your value all the way through to your customers' customers.

Many people who sell for a living are relying on methods that worked just fine in, say, the '80s, and even the '90s. However, the world has advanced substantially since then. Products and services have grown increasingly complex, as have the business issues and problems they address. Customers have many problems to solve, many options available to solve them and are having great difficulty sorting it all out. The more complex problems and solutions become, the more similar they begin to look.

We're living and working in a time called the 'third era' of professional selling — but too many sales organizations are still operating in an outdated mind-set. The following is a brief synopsis of the three eras:

Era 1 (1950–1975). The early '50s saw the first appearance of literature devoted to professional selling. The role of the salesperson was characterized as a "persuader." The economy was experiencing unlimited demand and a somewhat limited range of products and services. Customers were open to ideas and willing to spend. The job of the salesperson was to present a compelling story and convince the customer to buy their product. The training was based on the psychology of stimulus and response and the skills being taught focused around presenting, persuading and closing. This era fell out of favor to mainstream business as the customer "wised up" to the manipulative techniques. Granted, the Era 1 approach is alive and well today in all too many salespeople and businesses.

Era 2 (1975–1995). The economy saw more and more suppliers, globalization was emerging and customers began to have choices, not to mention an increasing level of sophistication. The role of the salesperson evolved to that of a problem solver/consultant. The consultative, strategic and solutions approach to selling were embraced and the skills of questioning and listening were emphasized. Establishing trust and building relationships were key ob-

jectives. The problems were well understood, the solutions fairly straightforward, and the salesperson's success was tied to their ability to understand the customer's view of the problem, align their solution to match the customer's view of the problem and convince the customer that their solution was the best choice. The common form of the "needs analysis" was "what issues are you experiencing," "what do you want to happen" and "what do you need to be successful," in short, "what do you need?" The key distinction of Era 2 is that the customer was assumed to have a clear understanding of the answers to those three questions, and for the most part they did.

Era 3 (1995–???). The distinguishing characteristic of Era 3 is the increasing complexity of business problems and the solutions that address them. Coupled with an economy that is in a state of overcapacity, the customer is overwhelmed with choices and options and is looking for guidance from salespeople that frequently is not there. With the abundance of alternatives, the solutions not only look the same, but in many cases they are the same. To help the customer thoroughly understand the problems they face and sort through the available alternatives, the role of the salesperson in Era 3 is that of a business advisor and a source of competitive advantage. The skills that are required are more attributed to that of a process analyst and project manager and are certainly not looked for in the selling profession during Era 1 and 2. The objective of the Era 3 salesperson is to create a solution that the customer would not have been able to think of or put together on their own. The professional and their team does a deep analysis of the customer's business, looks at the issues beyond the expertise of the customer and collaborates with the customer to tailor a solution. The salesperson brings along capability and process knowledge the customer simply does not possess.

So how does your sales force begin to operate in Era 3? The answer begins and ends with the V word: value. Obviously, your products themselves must have inherent value, but that's not enough. Not nearly enough, in fact. The value that you provide must be leveraged across the full spectrum of your customer's business. This includes the business processes your product or service is used



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in, and the performance outcomes those processes are designed to affect as your customer delivers value to their customers. It must enable your customer to have a unique competitive advantage and your salespeople must be able to measure the financial impact of that value.

Tips on Providing Era 3 Value to Your Customers

Understand the three levels of value. There are three levels of value that coincide with the three eras. These value levels apply to multiple industries and channels. The example of a chemical resin Georgia Pacific provides to its manufacturing customers is used to explain the three levels:

Level 1 — Product. Operating in Level 1, Georgia Pacific would provide their product (a high quality resin), ensuring that that it is consistent in its composition, free of contamination, delivered on time, invoiced accurately, etc. In other words, at Level 1, the value is related to the characteristics of the product and the transaction of acquiring the product. Level 1 value is well understood by the customer and difficult to differentiate competitively. In fact, frequently it is considered a “starting point” for value, and the pricing is highly competitive. The customer perceives that the value derived from the product is simply “table stakes” and available from multiple suppliers. The customer is focusing on reductions to the price of the product to reduce their cost of goods sold (COGS). Receiving a price reduction on the product will yield a relatively small impact on the customer’s overall COGS. **At Level 1 the salesperson is primarily interacting with purchasing, and perhaps operations, regarding the pricing and characteristics of the product.**

Level 2 — Process. Value provided at Level 2 relates to your ability to impact the process that your product is used in. When Georgia Pacific operates in Level 2, they analyze and advise their customer on how to adjust their manufacturing process. They will even change the resin to allow the customer to adjust their manufacturing process. For example, they might be able to adjust the resin so that the customer’s equipment could operate at a lower temperature, thus reducing energy costs. Since energy can be a significant variable cost, the value of the new resin — allowing for lower energy usage — can be greater to the customer than a reduced price for the resin itself. **When the salesperson is operating at Level 2, the primary focus is on the process that the prod-**

uct is involved in, with the salesperson interacting at the department level. They are working with operations, quality, environmental compliance, safety and a host of other departments that are impacted by the efficiency of the manufacturing process.

Level 3 — Performance. Value provided at Level 3 relates to your ability to impact the business performance of your customer’s product or service when it reaches the hands of their customer. In turn, they are impacting the high level business drivers of their customer. By creating a resin that will change the characteristics of the customer’s product, or even create a new product, they can enable their customer to open new markets or expand their margins by creating enhanced products. **At Level 3, the focus is on the performance of the customer’s company. They are working at the enterprise level as a strategic partner.** This interaction is directed at giving the customer a competitive advantage. Add that to the productivity increase it gained at Level 2, and Georgia Pacific has had a significant positive impact on its customer’s overall business performance — an impact that is measurably beyond what can be done by offering the customer a lower price on their product.

Here are a few ideas to consider in your own business.

Assess the value level that you are offering to your customers. Now that you understand the three levels of value, take a good, hard look at your own company. What are the sources of value you provide to your customers? What are the uses of that value within your customer’s organization? Are you stuck at Level 1, in the commodities game, with your customers focused on your prices and placing enormous pressure on your margins? Are you operating at Level 2 — providing professional services and process expertise that multiplies the value you bring to your customers? Or are you out in the field talking to your customers’ customers, uncovering performance requirements, and addressing them with innovations to your customer’s products and services? When you operate at Level 3, your customer realizes that you provide a value leverage that no one else is offering. Your relationship is so valuable to him that he sees a very high risk in switching to a competitor. Your competitors are then held to a very high and specific standard of performance. You have become an integral part of their business — a source of competitive advantage. You’re making their life easier and are contributing to their measurable success.



TAKE GOOD CARE OF YOUR SALES TEAM, SUPPORT THEM AND TEACH THEM WELL — THEY HOLD THE FUTURE OF YOUR COMPANY IN THEIR HANDS.

Don't let your true value be diluted by your sales force. If your principals' R&D and marketing department is doing its job properly, the products and services your company represents are designed to impact the customers at the process and performance levels. But if the whole story isn't reaching the sales organization, or if your salespeople are still working in an Era 1 or Era 2, it's highly possible that your true value is dangerously diluted by the time the customer forms their perception. Your salespeople may be explaining features and benefits to a prospect that doesn't even understand the problems he's experiencing. What your salespeople should be doing is using a diagnostic approach: "Are you experiencing the issues and inefficiencies that our research people discovered with other customers like you?" The bottom line? See to it that your sales team understands "the big picture" before they go out into the field. There's no other way to ensure that the true value of your solution — the Level 3 value — is being properly translated and connected to your customer's world.

Make sure your salespeople are calling on the right contacts. Even if you're certain that you're offering the highest level of value to potential customers, all will be lost if your salespeople take that message to the wrong contacts. Generally, purchasing agents are interested in reducing acquisition costs, which is understandable since that's how they are compensated. They are pre-occupied with Level 1. They will not likely be responsive to Level 2 or Level 3 value. Level 2 value is discussed at

the departmental level. The salespeople need to work with the individuals in the customer's organization that are responsible for process efficiencies. And finally at Level 3, the discussions are at the enterprise/executive level. Level 2 and 3 conversations are with the people in the customer's organization that are most affected by the absence of your value.

As you might imagine, operating in Era 3 — truly taking on the mind-set of your customer — is hard work. It's a much deeper and more complex process than many salespeople are accustomed to. But it's the only way to gain and maintain a solid foothold in a time when your customers have an endless supply of choices, one often indistinguishable from the next. And in the long run, the resources required to acquire and retain profitable business are far less than a Level 1 approach.

In Era 3, your agency must serve as a secret weapon for its customers. You must think for your customers, creating revenue building solutions that they don't have the time or the wherewithal to come up with (or implement) for themselves. And because the salesperson is the face of your agency and its principals, he or she must be in the thick of the action, tirelessly working on behalf of those customers. This brave new world is a challenge for the professional salesperson, but it's also a treasure trove of opportunity. So take good care of your sales team, support them and teach them well — they hold the future of your company in their hands.