



What Buyer Value Really Means

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What Buyer Value Really Means

One of the most provocative conclusions from behaviorist Neil Rackham's groundbreaking selling research was the identification of the profound difference between "complex" and "simple" sales. While the distinction between the two now seems obvious, Rackham was initially considered a heretic by sales and business leaders and his work was rejected by several publishers—even though it was based on extensive empirical data.

But Rackham's research, memorialized in *SPIN Selling*[®] and *Major Account Sales Strategy*¹, proved to be accurate and has stood the test of time. Complex sales are not simply small sales writ large. To this day, their attributes include "big" decisions, multiple decision makers, long sales cycles, significant financial investments and intricate decision criteria. What few sellers recognize today, however, is that the complex sale has undergone a dramatic transformation. And like the leaders who cried "heresy" before, they are likely to be left behind if they fail to recognize the truth before them.

Through the mid-1990s, it was the product or service that established differentiation. A seller's primary focus was to draw a buyer's attention to how the product or service produced benefits for the buyer. Unfortunately, a combination of forces like supply chain management, purchasing strategies and the increase in information available to the buyer from the Internet, has greatly eroded the ability of companies to maintain product and/or service differentiation.

The question is, now what? Every seller knows without some form of differentiation, the sale quickly degenerates into a commodity-like pricing war. If customers perceive so little difference between offerings that they are willing to choose on price alone, what role is there for the professional salesperson? The answer, quite frankly, is none. Unless sellers recognize how the complex sale has changed—and are prepared to adapt to that change—their job is very likely to disappear. In today's business environment no company needs a walking, talking, compensation-earning quote machine.

So, if complex sales are still characterized by "big" decisions, long sales cycles, etc., what is different about them today? What is the change to which sellers need to adapt? Huthwaite research reveals that it all comes down to how customers perceive value. It was not so long ago that sellers could win by exploring customer needs and then demonstrating how their products best addressed those needs. But just about everybody does that now. Value has migrated so far

¹ Rackham, Neil, *SPIN Selling*, McGraw-Hill, Inc., 1988.
Rackham, Neil, *Major Account Sales Strategy*, McGraw-Hill, Inc., 1989.

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away from products today that even “consultative” selling has become commoditized. Genuine value—the kind that differentiates and for which customers are willing to pay a premium—is now achieved through the expertise that sellers bring to the customer relationship. Great product and branding are just prerequisites. If sellers want to win.

Value

In a recent Huthwaite study of nearly 500 sales managers, 92% rated their sellers’ skills “above average.” Yet those same managers were also overwhelmingly dissatisfied with the actual results of their sellers’ efforts. Why the disconnect?

Value has migrated so far away from products today that even “consultative” selling has become commoditized.

There are a number of reasons, but the primary problem is that sales managers began their sales careers and achieved success when it was possible to sustain product, service and brand differentiation. Most do not recognize or know how to deal with a selling climate where expertise is what buyers value. In company after company, sales managers are still teaching the importance of product knowledge and probing for needs around product features. But, that just doesn’t get it done anymore. Buyers can now access all of that information without ever seeing a salesperson

For several years, Huthwaite has been conducting research into the concept of “value.” We have examined thousands of transactions sharing a common characteristic. In each case, the buyer reported seeing little difference between competitive offerings, but nonetheless chose one of the more expensive options. Examining these transactions as a body of data revealed that buyers have re-defined what they “value”—what they are willing to pay a premium to get. Furthermore, customer perception of extraordinary value was a result of how they were sold not what they were sold.

In short, customers reported that every one of these transactions involved one or more of the following Value Drivers from the selling process:

1. The seller revealed to the buyer an Unrecognized Problem that the buyer or the buyer’s organization was experiencing.
2. The seller established an Unanticipated Solution for the buyer’s problems that the buyer or the buyer’s organization was experiencing.
3. The seller created or revealed an Unseen Opportunity for the buyer or the buyer’s organization.

4. The seller served as more than just a vendor of product and services, but instead served as a Broker of Capabilities. Specifically, the seller served to make available to the buyer the full range of capabilities of the seller's organization in such a way that these capabilities contributed to an expansion or redefinition of the customer's success.

Huthwaite has discussed this list before (please see our white paper, Escaping the Price-Driven Sale), but the question for this paper is how can sellers use the Value Drivers to showcase their expertise and effectively differentiate themselves?

Changes in Sales Strategy

Answering that question is the subject of a new book Huthwaite will publish within the next year. For the time being, however, let's examine some of the most important ideas about how to employ this new concept of value:

Identify Your Value

What sellers must do first is recognize their own and their company's capabilities that fit into each value-driving category. A good way to do this is to examine your past and current customer experiences. Consider, for instance:

- What are the problems you have helped customers recognize of which they were previously unaware?
- What unexplored opportunities have you helped customers exploit?
- How has your expertise allowed you to help your customers draw conclusions and develop solutions that they could not have come to on their own?
- How have you leveraged the capabilities and expertise of your company to create value for your customers that your products alone could not have produced?

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Refine Your Value

Vet your list of potential value-creating capabilities through two filters:

1. How do you know your chosen capabilities can create customer value?

Rigorously validate everything that makes your list. Work collectively with your colleagues to test all of your assumptions.

2. Which of the items on your list do you and your company do better than—or exclusive from—your competition?

If the list at the end of this step contains more than two or three items in each category, this is a warning sign that the list is too optimistic and has likely been developed with too little of the customer point-of-view in mind.

Position Your Value

Finally, with your list whittled down by facts and experience, you are left with true gems. Now, think through how these capabilities can create real value for specific customers. What problems will your customers experience in the absence of your capabilities? What opportunities are you uniquely positioned to help your customers with? What customer solutions can best—or only—be provided through your expertise?

Sales Calls That Create Value

Once the concept of Value Drivers has been developed into a set of specifics, planning calls becomes a process of creating an “agenda of discovery” that the seller will facilitate for the customer. While a full discussion of this process is beyond the scope of this paper, there are some basics that can be embraced with relative ease. And here is where good consultative skills still play a critical role.

For readers familiar with SPIN Selling®, this involves a re-definition of how and where to use the SPIN® model. For those unfamiliar with SPIN, it is an acronym for a questioning model that was the result of the most comprehensive scientific research effort of interactive behaviors including selling and negotiating. SPIN is essentially a model for creating questions that lead buyers to draw important conclusions that they would not have drawn on their own. It is a process for using questions that cause buyers to extend invitations for sellers to tell them more. But every good seller knows that questions are the key to great selling. What too few seem to recognize today is that questions in and of themselves are just that: questions. More important to both seller and buyer are the answers. Great questions that drive value tend to be those posed by

the seller to which he or she may already know the answer, but which cause the buyer to pause and think. The key to value-creating sales calls is to construct questions that cause the buyer to ask for more information.

In a recent Huthwaite study of some 2,200 sellers, it was revealed that 67% of salespeople sell to weak needs statements. That is, they begin to rattle off a brochure-like litany of product or service features before the buyer has acknowledged the seriousness of the need or any desire to take action. Think of a time when you've expressed dissatisfaction to a seller and he or she immediately launched into a breathless explanation of all the "benefits" of his or her product before you've had a chance to say if you even want to explore a solution.

In other words, product discussion is a commoditizing activity. Interestingly, the research also revealed that over 90% of sales managers believe that their salespeople are "above average" at value creation during customer interaction. Is it any wonder that an increasing number of companies are puzzled at why their products and services don't seem to excite the market or sustain their customer relationships in the way that they did 10 years ago?

Symptoms that Reveal When Value is Lacking

Reflect for a moment on your current sales pipeline. To what extent are you experiencing the following?

- The buyer knows a great deal about your products, services and the offerings of your competitors
- Price appears to be the primary, or the only, decision criterion
- You seem to be drawn into providing consulting services for which you are not paid
- No matter how hard you work and no matter what "value-added services" you supply, the buyer doesn't seem to care
- Increasingly the final purchasing decision is made by a purchasing committee, department or consultant
- An increasing number and/or large proportion of your opportunities are in response to RFPs

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- Even in long-standing relationships, the buyer invites in or entertains your competitors
- You are losing an increasing number of good clients
- It is hard to maintain acceptable margins
- Your largest customers demand prices that are so low that you decide to keep them just to keep volume high

These are just a few of the symptoms that most sellers face with increasing regularity. They are all indications—leading indicators—of sales efforts that lack sustainability because the buyer is getting nothing of value from the selling process.

Recently, a senior partner at one of the big four consulting firms that has turned to Huthwaite for help told us a story about a deal won last year. The opportunity came across his desk late in the year, just before the holiday season began. The response time was such that if the team was going to compete for the business they would have to burn the midnight oil during most of the Thanksgiving and Christmas season. Despite the fact that the opportunity was in their target market and capability sweet spot, the partner was reluctant to demand that everyone work through the holidays. So, he left it to the team. They decided to go for it and, low and behold, the firm won the business.

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Just after the first of the year, the partner sat with the client at their first meeting following the awarding of the contract and asked why the client had chosen his team. The answer was quite disheartening.

The client described how the evaluation committee had laid the five proposals side-by-side and began by evaluating the methodologies recommended by each consulting firm, certain that the differences would yield a clear winner. To the committee's chagrin, every company was recommending essentially the same approach. So, they turned to the client lists supplied in each submittal and looked for the firm with the broadest experience. Unfortunately, this too was a wash. Each listed an equally impressive list of former clients (many, in fact, had the same companies on their respective client list). Needing to find some way to choose, the team then looked to the resumes of the consulting team being proposed by each firm. Here again, each member had nearly identical pedigrees. In fact, the client reported that he could have switched the names on many of the resumes without much impact.

In the end the evaluation committee simply selected the cheapest alternative.

Here was a firm, winning business from its rivals based not on what the consultants hoped to be their differentiators, but on the client's price-driven decision process. The partner was rightly concerned that such a result, if indicative of how the market was transforming, would not provide a sustainable set of future opportunities.

The lesson here is clear. If your customers are moving increasingly to price, your sellers are failing to use their expertise to create value in the selling process. Further, if your sellers continue to fail to create value by how they sell, and rely instead on what they sell, they will soon find themselves to be irrelevant to all but the transactional portion of your market.

Call to Action

If sellers continue to believe that the route to growing market share, sustaining high margins, achieving double digit top-line growth, etc., is to follow the same approach that worked just a short decade ago, they will find themselves to be the dinosaurs of the 21st century marketplace. Huthwaite's research clearly shows that selling today demands strategies and tactics that deliver value creation. Only the seller, the sales process, and the sales organization can sustain buyer-side value creation. Otherwise, fire the sales team and seek to become the lowest cost provider in the market. There are no other choices.



With more than three decades of delivering client results, Huthwaite is the leading sales performance and change management firm. As pioneers in the application of behavioral research and analysis to improving sales effectiveness, we impart the skills and processes to drive lasting change and measurable business outcomes.

Building upon our prestigious research legacy, broad subject matter expertise and success-based sales models, Huthwaite's approach integrates implementation and training strategies to cultivate critical competence across the client enterprise. In short, we help clients diagnose challenges, define success, prepare for change, implement sales performance solutions and support ongoing improvement. By continually revisiting this process, we empower clients to adapt to changing markets, anticipate new needs and stay ahead of the competition.

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