

IF YOUR CUSTOMERS AREN'T SEEING SALES PEOPLE, WHO ARE THEY SEEING? CREATING & CAPTURING REAL VALUE IN TOUGH TIMES

By Tony Hughes, CEO, Huthwaite International

Why is it when the economy shrinks by 2%, orders drop by 50%? Because recession in the economy as a whole doesn't mean an equal, across the board, reduction in your activity or your costs. Some costs are fixed, so those that can be controlled, your discretionary spending, has to be cut by a disproportionate amount. If you're a supplier of these 'discretionary' items, your orders suffer accordingly. That's why, in the consumer market for example, a 2% slowdown in the economy has produced a 40+% fall in new car sales. At an individual level it's no big deal for Mr or Mrs Average to put off the luxury of buying a new car for a year or so.

But what about businesses?

For most companies there aren't many 'luxuries' to cut back on in the first place. Most companies have, through the recessions of the eighties and nineties, cut as much 'fat' from their organisations as they possibly can. Indeed the very term, Lean, has come to describe a process for business efficiency in its own right. There simply isn't any room for significant cuts. In fact, in the case of car manufacturers, where Lean principles originated, the only way to cut costs enough to weather the current storm has been to stop manufacturing cars! A pretty drastic short-term strategy with some pretty obvious long-term drawbacks.

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So, what's the answer?

Most companies will obviously do what they can to bring costs down, renegotiating supplier contracts, postponing pay increases and the like. But what about the money they have to spend? For many companies the strategy is simple – don't spend if you don't have to, but when you do, make sure you get the very best value you can.

For supplying organisations this is hugely significant. The key to sales success in the current climate is creating value, both for your customer, to secure the deal and help keep them in business, and for yourself, to ensure your own business survives to the recovery.

So how do you do it?

Many people talk about 'adding value' in the context of the customer/seller relationship. Surprisingly however, when we scratch the surface of this idea, we've found there's often not much 'value' and it's very rarely 'added'. Let's elaborate:

Value in this context has two forms, the value derived by the customer and the value derived by the seller. Put in its simplest form, customers buy when the value of having your product or service is greater than the cost of acquiring it. The customer gets value from the solution; the seller gets value from the sale price. The job of sales is to tip this 'value balance' in your favour by building, in the customer's eyes, the value of your solution and asking for more sales value in return. Bear in mind value is usually more than a simple financial gain or saving; less

hassle, improved reliability or ease of use are all examples of customer value, whilst referrals, a good reputation or high customer satisfaction are all sales value.

In many sales situations when this happens, the seller provides the 'value' the customer has requested, for the 'price' that has been agreed, with both customer and supplier getting what they expected from the deal, nothing more, nothing less. In effect value is 'delivered'.

However, many organisations now talk about 'adding value' by which they mean giving the customer more than they expected. However, in most cases 'adding' isn't really the right description. What actually happens is the seller gives the customer more than was agreed by, for example, providing an extra service but not charging for it. The customer feels they've got something extra for nothing and hence have more 'value'. However, for the selling organisation the value of that extra service has been lost. It's a one-way street with value added for the customer but taken away from the seller. The value has, in fact, not been added, but transferred.

In a very few cases, the seller recognises opportunities to provide additional value for the customer which, at the same time, has sales value for the supplier. For example, the seller recognises the customer can be saved a future problem by buying an enhanced solution now. By skilfully raising this with the customer it creates genuine new real value for the customer (an averted problem) whilst at the same time creating new sales value (additional revenue) for the seller.

So who should be responsible for value creation?

Traditionally, responsibility lies with the sales force. Hardly surprising given these are the people with both the opportunity and the capability to create value. But what happens when times get tough? What happens when, because of economic uncertainty, or lack of liquidity, or a simple crisis of confidence, customers simply stop seeing sales people at all?

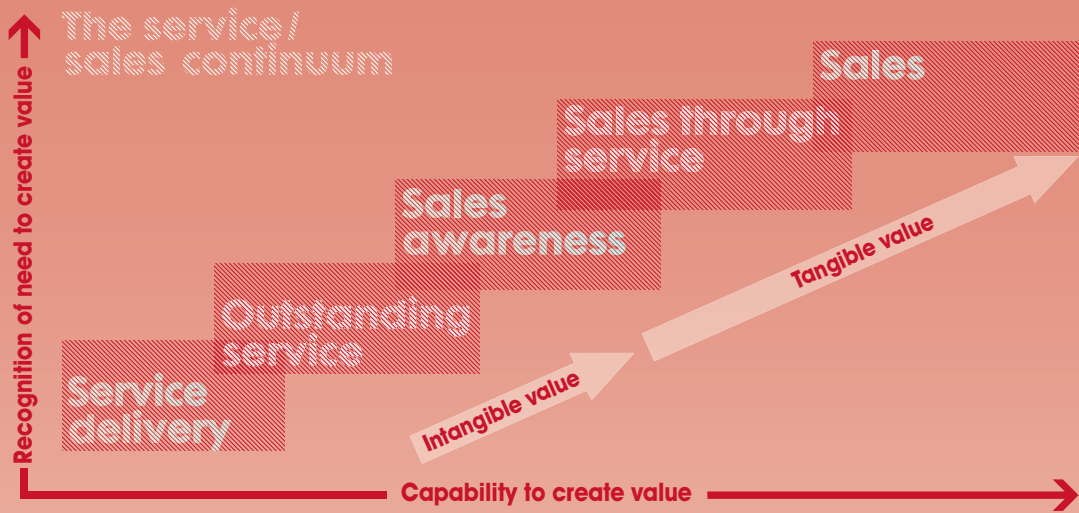
This is the dilemma many companies now face. More and more customers are refusing to meet with sellers because, for one reason or another, they are simply not ready or willing to buy. In an instant, one of the prerequisites of value creation, the opportunity to do so, is removed. So, if your sellers don't have the opportunity to create value, who does?

The answer is your 'service' personnel. Whatever your industry or market sector, the chances are there are people from your organisation who have regular and frequent customer contact, even in hard times. These people have many roles and job titles, from the obvious, service engineers or customer service agents, to the less so, audit clerks, nurse practitioners or consultants. Almost every selling organisation has some group of customer facing people who are not in a sales role, and, in most cases, you will have more of these 'service' people than sellers. And, when times are tough, these are the people with the most regular and frequent access to your customers.



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In addition, bear in mind that it's not only senior managers or procurement professionals that influence buying decisions. Indeed when times are hard and every penny spent is scrutinised, it's your day-to-day contacts, the customers your service people meet, who are the real judges of your quality and the value you create, and the real key influencers when it comes to buying.

Furthermore, whilst this approach is particularly relevant in tough trading conditions, the most effective companies use it all the time. One organisation formally 'pairs' service engineers and salespeople to enable them to plan and share together vital customer information. In doing so the value created by service excellence and sales awareness is captured and converted to real value for both customer and seller.

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they may lack the other necessary attributes. So what are these other things your service people need?

Recognition – Many service people, quite rightly see their role as simply that – service. They deliver the services wanted by the customer, be it repairing equipment, giving legal advice or providing patient care, to a pre-agreed level. They deliver value in this way but see creating additional value as the responsibility of the sales force.

Step one is getting service to accept they have a role in creating value, to create an understanding of the role that service plays.

Willingness – Unfortunately, recognising the need for a role and committing to fulfilling that role are not the same thing. Many service people may recognise a need to create value at an intellectual level but, when it comes to putting it into practice, simply can't bring themselves to do it.

Step two is creating a willingness within the service population to become more commercially (value) orientated.

Capability – Knowing what to do is a start, being willing to do it helps, but unless they know HOW to do it they'll still not succeed. It's unreasonable to expect service people to have any, let alone well-developed, value creation skills, so equipping service with the skills they need to be actually more sales focused is essential.

Step three is equipping the service population with the skills and tactics they need to have a positive sales impact.

So, are we advocating you turn your service people into sellers? Not at all.

The reason many service people work in service is precisely because they enjoy customer contact but they don't want to sell. They have often made a conscious decision not to move into a sales role and are

completely happy with that choice, so the chances of turning your service people into sellers is virtually nil.

Fortunately service/sales is not a binary state, you don't have to be one or the other, there are shades of grey that Huthwaite calls the service/sales continuum. As service operations progress along the continuum they create more value for both customer and seller. The key is that each organisation, and if necessary each individual, can progress along the continuum as far as their capabilities and willingness allow. Service does move nearer to sales, but only as far as each person is comfortable – and hence willing – to go.

The service/sales continuum

So, what are the stages along this continuum?

Service – The customer gets what the customer has asked for. They get the value they expect and the seller gets the agreed return. Any additional sales value, for example the goodwill generated by a job well done, is intangible.

Outstanding service – Giving the customer something above and beyond their expectations, or 'going the extra mile'. The customer gets more value and the sales value, whilst still intangible, may be higher, for example the customer tells an associate of his good experience. For some this may be enough: give outstanding service and hope you get more sales as a result. Huthwaite feels that's still a bit too passive, we think you can go further.

Sales awareness – At this stage the service person begins to look beyond the immediate service issue and actively seeks to create, or at least capture, potential, tangible sales value, things that can be fed back to the sales department to add to sales intelligence and perhaps to generate a sales lead. The customer gets, at least, the same value as before and, by spotting potential problems or new benefits before they've been recognised by the customer, there's a potential to create new, real customer value too.

Sales through service – Here the service person begins to move to a more explicit sales role, not only looking for and identifying additional customer needs but also offering solutions to them. The key is the additional solution is sold, not simply given free, to the customer. The sales value is tangible and real, an extra sale, and, by fulfilling a previously unrecognised customer need, real additional customer value is also created.

Sales – Finally there is the full-blown role of selling: identifying customer needs, developing and creating real customer value and, in return, creating sales revenue for the seller. This is the realm of the sales force but, by moving service people along the service/sales continuum, it is no longer a dark art in the eyes of service. It also stops being an 'us and them' situation with sales and service, at best, remote from each other and, at worst, openly hostile towards each other. It becomes a collaborative and joined-up effort to create real customer and sales

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value and, for customers, it becomes a genuinely seamless experience across every customer touch point.

By equipping your service people with the willingness, recognition and capability to create value and move up the service/sales continuum, you can maximise the opportunities presented by the economic downturn to build a seamless organisation, creating real customer and sales value at every customer touch point, every time.

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