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Aalto University

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INFLUENCING WITH SALES

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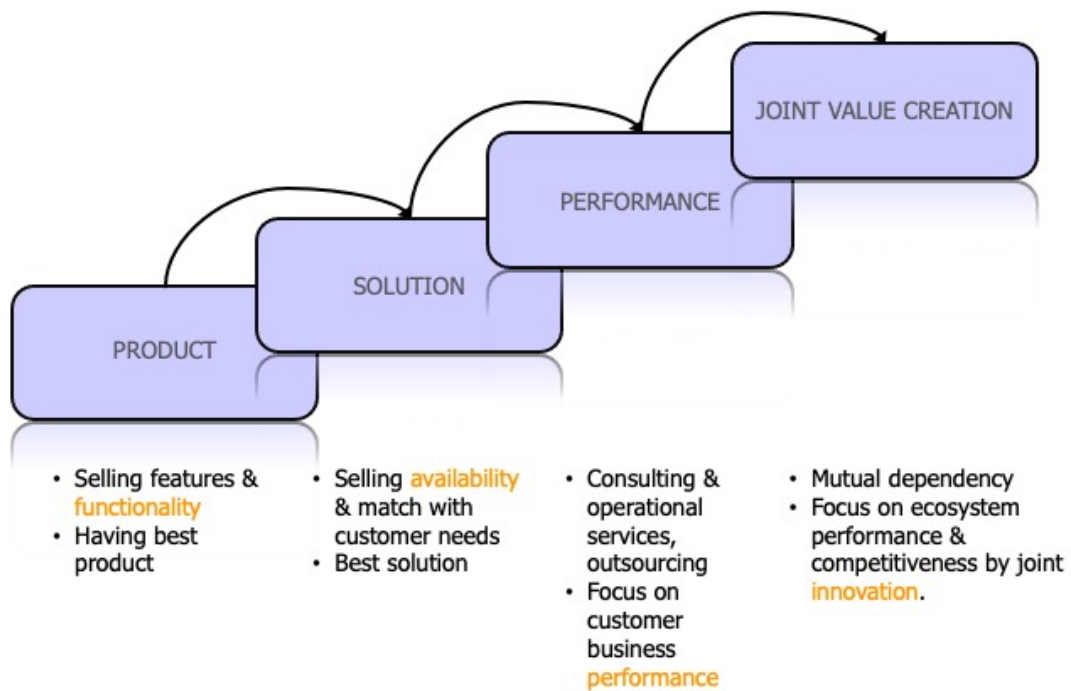
ARTICLE PREREADING & PRESENTATION

Keränen, J., Terho, H., Saurama, A. (2021). "Three ways to sell value in B2B Markets"

- What did you learn by reading the article?
- Discuss the article with the person next to you for a few minutes
- Prepare to share your thoughts

STRATEGY
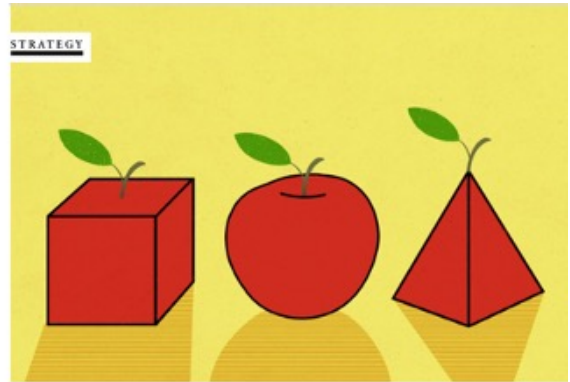
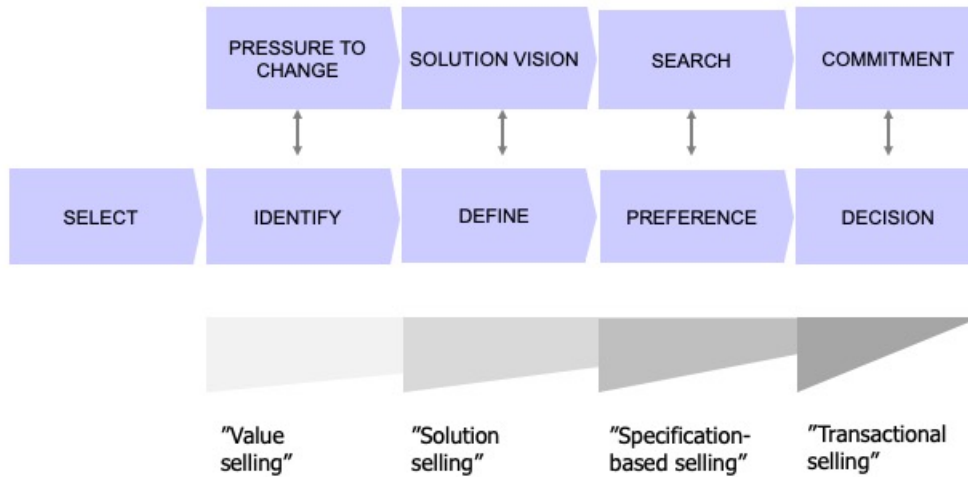Three Ways to Sell Value in B2B Markets

DIFFERENTIATION BY (SERVICE) INNOVATION

This drawing conveys a number of messages:

1. A starting point for a customer relationship is often a product (or productized service) which is easy to buy, and involves low risk for the buyer. Customer choice is based on product differentiators

2. Once the product differentiation is lost while market matures, the next step to differentiate is by moving to sell more comprehensive solutions, i.e. Product + services to ensure smooth operation of the product (maintenance, preventive maintenance etc.)

3. Once the solution differentiation is lost, the logical next step is to instead of selling tools for the customer to run a process, is to take over the process and sell performence instead. Different performance ensuring arrangements also belong to this category.

4. The final stage of differentiation involves mutual dependency and strategic cooperation to differentiate from other similar industry clusters for competitiveness.

4 DIFFERENT SALES APPROACHES

PRESSURE TO CHANGE	SOLUTION VISION	SEARCH	COMMITMENT

SELECT	IDENTIFY	DEFINE	PREFERENCE	DECISION

"Value selling"   "Solution selling"   "Specification-based selling"   "Transactional selling"

QUESTION: What pros and cons can you identify with the different sales approaches?

Seller can engage with the customer's buying process at different stages:

1. "Proactive value selling": If the seller want to create a need by demonstrating and opportunity to improve, the seller starts with customer selection and focuses on developing the "pressure to change"
2. "Solution selling": Especially in software business and large-scale project business it is often unrealistic to hope to kick-off the customer's buying process. Instead, the seller seeks to join the process early to <u>understand</u> the needs and <u>influence</u> the solution vision.
3. "Specification-based selling": This is very common reactive sales approach. Customer's build their own solution vision and approach the sellers with "request for quotation".
4. "Transactional selling": The transactional selling is limited to helping the purchase to take place.

What pros and cons can you identify with the different sales approaches?

EXAMPLE INDUSTRIAL SALES PROCESS

SALES PROCESS & ACTIVITIES & TOOLS

Opportunity Identification	Opportunity validation	Indicative proposal	Budget proposal	Firm proposal	Final negotiations
• Focus activities proactively according to company strategy	• Understand customer business goals, challenges and needs	• Develop & qualify customers Champion • Influence specifications • Develop & qualify other key players	• Scope the solution according the needs and requirements • Create compelling business case • Quantify and present customer value	• Confirm common understanding with the champion • Present and submit quotation • Competition Strategy Documented	• Plan winning tactics • Prepare Get and Give • Agree terms and conditions internally • Sign the contract • Document Loss / No Decision
• Opportunity profile	• Menu of challenges • Success story • Champion letter	• Champion qualification • Key player map • Activity plan	• Value quantification • Solution performance metrics • Benefit summary by goal • Cost benefit analysis	• Solution presentation • Competitive position checklist	• Negotiation plan • Get and give worksheet • Customer risk assessment worksheet • Closing checklist

SALES TASKS, TOOLS, AND SKILLS

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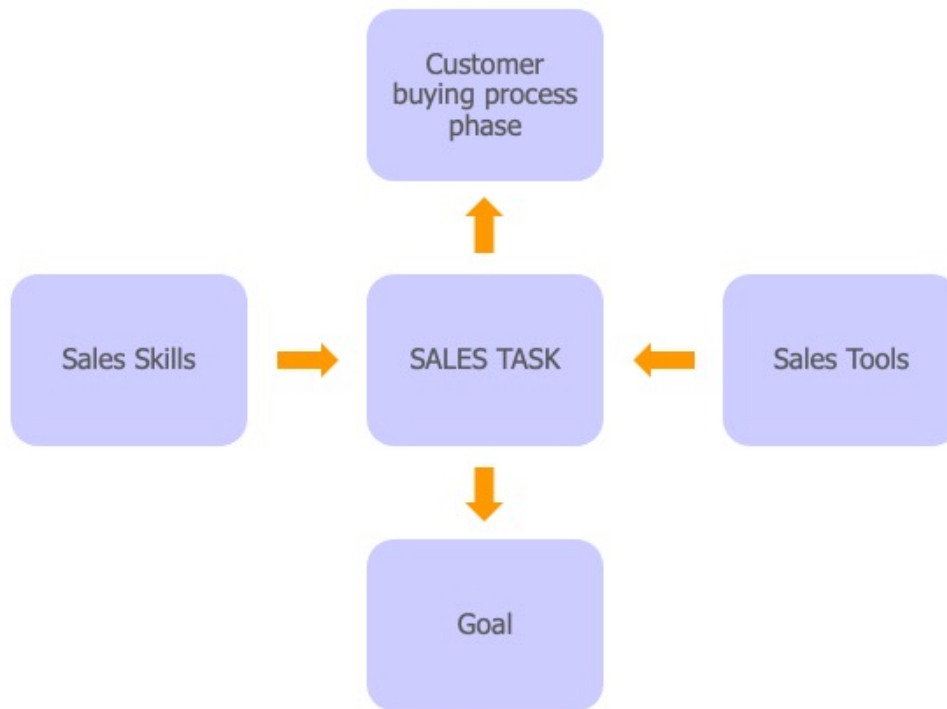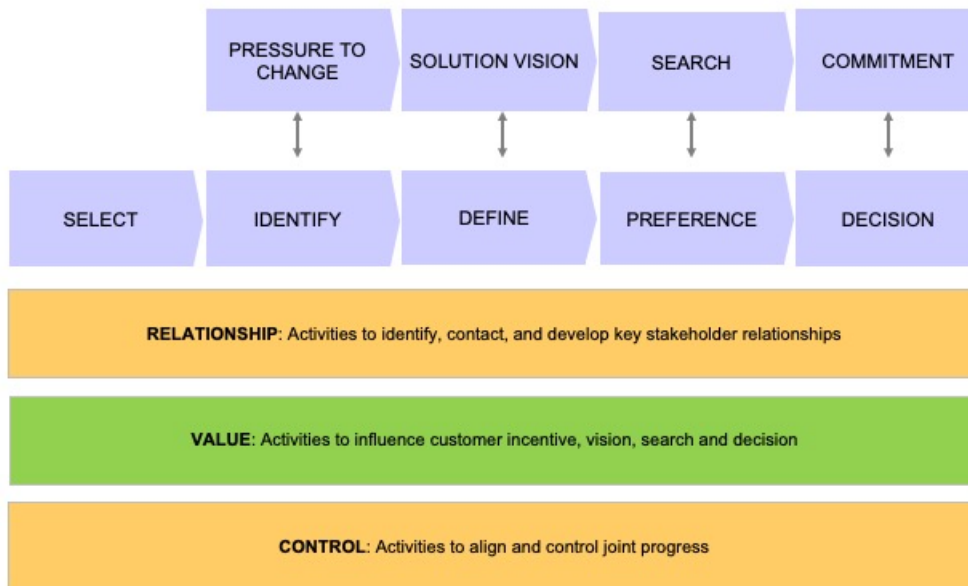
Customer's buying process phase	We have already studied how customer's implement their buying process. Sales process needs to be carefully aligned with buying to focus on those topics that are relevant for the buyer.
SALES TASK	Selling is about performing sales tasks. The entire sales process is a sequence of sales tasks, designed to influence the customer to proceed in the buying process (or to understand it is time to disengage)
Sales skills	Sales skills are needed for effectively performing the sales tasks. Sales skills are relative; different sales tasks and thus sales skills are important in different situations.
Sales tools	Sales tools are checklists, planning templates and similar, aiming to support effective and high quality implementation of the sales tasks.
Goal	Each sales task targets to achieve a goal. Usually the goals are explicitly defined for each sales process stage.

THREE CATEGORIES OF
INFLUENCING ACTIVITIES
IN VALUE-BASED SELLING

THREE CATEGORIES OF INFLUENCING ACTIVITIES

PRESSURE TO CHANGE	SOLUTION VISION	SEARCH	COMMITMENT

SELECT	IDENTIFY	DEFINE	PREFERENCE	DECISION

RELATIONSHIP: Activities to identify, contact, and develop key stakeholder relationships

VALUE: Activities to influence customer incentive, vision, search and decision

CONTROL: Activities to align and control joint progress

Sales activities can be categorized into three groups:

1. Build and develop relationships as a channel to exchange information and influence
2. Give and get information and commitments about value of the cooperation
3. Evaluate the outcome of the information exchange and commitments made

Let's discuss these influencing streams by exploring few key tools in each stream.

RELATIONSHIP PROCESS

CUSTOMER SELECTION → KEY PLAYERS → GOALS & CHALLENGES → ACTION PLAN

CUSTOMER SELECTION

ROUTINE	STRATEGIC
Supplier's product are critically important, but relatively easy to replace. Customer target is process optimization.	Supplier's products and services are both critically important and difficult to replace. Customer target is deep strategic relationship
COMMODITY	**BOTTLENECK**
Supplier's products are non-important and easy to replace. Customer target is to leverage buying power for best price	Supplier's products are not critical, but difficult to replace. Customer goal is to ensure availability and to seek alternatives

DISCUSSION   In which category would you like to be in, and how do you get there?

In an attempt to structure and organize buying and procurement, firms have widely implemented category management.

Category management assign procurement items (and suppliers) into categories.

Each category has processes and practices of how suppliers are managed.

Suppliers in the "commodity" category have very little influence on anything, while the partners in the "strategic" category are treated very well.

DISCUSSION: What implications does the category management have on suppliers?

THREE CATEGORIES OF INFLUENCING ACTIVITIES
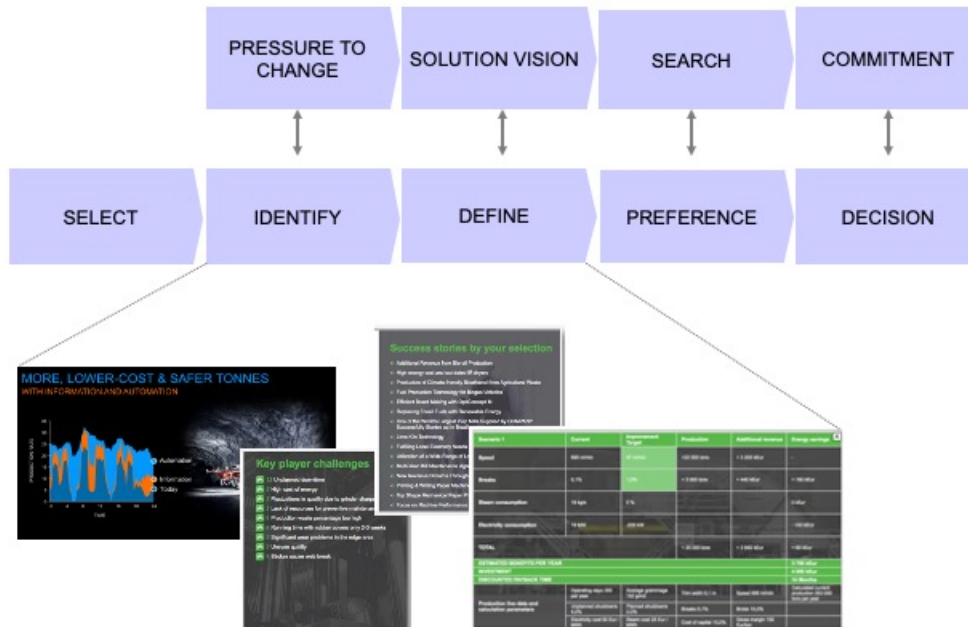
This picture illustrates four different sales tasks and tools for initiating, exploring, influencing, and quantifying by value:

1. Establish the discussion by sharing a relevant value proposition
2. Explore the key person's business goals & challenges by industrial examples
3. Show evidence of success cases in solving business challenges and meeting business goals
4. Quantify the business value by using customer's own data by value calculators

PLANNING & INFLUENCING TOOLS

The next few pages describe tools for building and managing key person relationships, communicating value, and controlling the buyer-seller process. In your team, explore the tools in one of the tool categories:

1. Building relationships
2. Influencing by value
3. Controlling, evaluating, and planning sales actions

Each group reviews the tools in one category (20mins), and prepares to quickly review the tools (5mins)

1. What is the purpose of the tool?
2. In your opinion, what are the strengths and weaknesses of the tool?

EXERCISE

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ENGAGE WITH VALUE:

Relationship process

TOOL	PURPOSE	STRENGHTS	WEAKNESSES
KEY PLAYER PROFILE			
KEY PLAYER RECEPTIVITY			
CHAMPION LETTER			
CHAMPION QUALIFICATION WORKSHEET			
RELATIONSHIP MAP			

KEY PLAYER PROFILE

People buy, not companies. The single most important sales task is to build relationship to those people that matter. Please ponder the following:

"Our goal is to identify the key people, their influence on decision making and build relationship to these people by helping them to achieve their goals".

Influence
- Is anybody interested in this person's opinions?
- How is her career development?
- How is her treated in group situations?
- When was she appointed in her current position?

Personal goal
- What are this person's personal goals?
- How would buying help this person to achieve her goals?

Relationship to us?
- Why would she buy from us?
- Is her on our side or on the enemy's side?
- How do we know?

CHAMPION → Influence / Personal goal / Receptivity / Relationship to us

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Personal win
- What are this person's personal goals?
- How would buying help this person to achieve her goals?

Relationship to us?
- Why would she buy from us?
- Is her on our side or on the enemy's side?
- How do we know?

Receptivity
- See next page

KEY PLAYER RECEPTIVITY

GROWTH	TROUBLE
Personal goal is much higher than current performance, ambitious and open for improvement	Has identified problems in the current situation that require attention

INDIFFERENT	OVERCONFIDENT
Does not care, "don't rock the boat"	"Everything's under control"

Adapted from Miller-Heiman "Strategic Selling"

The people we meet assess the value we are offering based on their personal assessment of 1) how they would like things to be "goal" and 2) how they assess the current state of things "current". We recognize four different responses:

1. "Growth"
    • Finds the current state of things quite ok, but is anyway motivated to reach out for more, to be ahead of others/competition
2. "Trouble"
    • Is unhappy with how things are, sees problems and is motivated to solve those
3. "Indifferent"
    • Is entirely happy with how things are now, not at all motivated to change anything
4. "Overconfident"
    • Has a very rosy view on how things are, personal assessment on the current situation is even better than the they would need to be
    • Absolutely not interested in changing anything

QUESTIONS:
    • How would you recognise the different responses?
    • How would you treat the diffent responses?
    • What is the value of knowing this?

CHAMPION LETTER

CRITERIA	EXAMPLE TEXT
	"Thank you for the meeting on 2nd of October. I this message I summarise my understanding your objectives, business concerns, plans, and our agreed next steps."
CUSTOMER GOAL	"I understood that your two short-term goals are to reduce machine downtime and reduce energy consumption"
CUSTOMER CHALLENGES	"I understood that the key reasons for downtime and excessive energy cost are too frequent and too long process shutdowns and the energy consuming quality fluctuations caused by outdated technology"
SOLUTION VISION & VALUE	"A potential solution combines on-site spares for the critical consumables and organising predictive maintenance. As discussed, a recent analysis indicates that the machine uptime could be increased by 1% by having quick access to critical spare parts on-site. We estimate that this solution could improve profit by approximately 0,25 million euros a year. Additionally, predictive maintenance is anticipated to reduce the energy cost by six million euros annually. As discussed, our recent modernisation projects have successfully addressed these issues."
NEXT STEPS	"If you agree that I have correctly understood your situation and that the suggested solution warrants further investigation, I would like to suggest as the next step that our specialists interview your mill manager and maintenance manager to refine the analysis and agree on a proof-of-concept study." Best regards Tom Waits

The champion letter is a structured email, sent soon after a joint evaluation meeting. The **purpose** of the champion letter is to document the conversation by stating

1) what the customer said about their goals, current situation & challenges,
2) their solution vision,
3) What proof could we provide of our ability to help ("value"), and,
4) importantly, what was agreed as a result of the meeting.

In your opinion, what is the value of sending the champion letter? (or should it be written at all?)

CHAMPION QUALIFICATION WORKSHEET

CRITERIA	DESCRIPTION	YES/NO
Compelling goal	Has compelling goal. Actively driving change	
Influence	Knowledgeable about the company, influential within the organization	
Aligned vision	Solution vision (which implement the goal) that is aligned with our solution offering	
Relationship and receptivity	Positive, trusting relationship with us, willing to share their goals and challenges, provides valuable information. Helps us getting in contact with other key players	

ASSIGNMENT

The champion qualification worksheet **provides a tool to evaluate a key player** relationship by four criteria ("Does the key player have a goal?", "is the key player influential?", "does the key player agree with our vision of solution?", and "do we have a trusting relationship with the key player?")

In your opinion, what is the value of knowing this?

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RELATIONSHIP MAP

NAME	ROLE	GOALS & CHALLENGES	PRIMARY CONTACT

The "relationship map" is a listing and description of the key players in customer organization or in a specific business opportunity. The content describes

1) the role of the key player,

2) the goals & challenges of the key player,

3) our primary contact to the key player,

4) … and other key player related information, if so needed (what could this be?)

What thoughts do you have on the role, importance, and content of this planning tool?

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KEY PLAYER MAP

The key player map is visual description of the influential key persons in the customer organization and their connections to each other.

1. Job title and role
2. Relationships to other key players (to reveal the "inofficial organization")

ENGAGE WITH VALUE:

The "value" process

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TOOL	PURPOSE	STRENGTHS	WEAKNESSES
EXPLORE GOALS & CHALLENGES			
SUCCESS STORIES			
BENCHMARKING			
VALUE QUANTIFICATION			
SOLUTION PRESENTATION CHECK-LIST			

EXPLORE GOALS AND CHALLENGES

The "Menu of Challenges" tool helps identifying the "bundle of benefits" that the customer maybe finds interesting.

The tool displays a prioritized list of commonly identifies business challenges, such as "unplanned downtime" of industrial production, and initiates a seller/buyer dialog about the challenges.

The **purpose** of the tool is to create dscussion about potentially important issues by providing a low pressure method to initiate the discussion. It is usually much easier to show what other people find important, and ask for an opinion, instead of probing for problems by asking "what problems do you currently have" ☺.

SUCCESS STORIES

The "Success story" tool provides an interface to a collection of success stories. Each success story is categorized with attributes, such as

1. What is the case customer's industry
2. What is the key player profile the case is interesting to, and
3. What is the business challenge that the case is solving, and
4. Other important attributes of the case (what could these be?)

The **purpose** of the tool is to help the seller to bring business cases into the sales conversation to:

1. Show that the seller has been able to successfully solve relevant business challenges
2. Show the connection between a business challenge and our solution
3. Demonstrate the business impact (value) that the solution brings about.
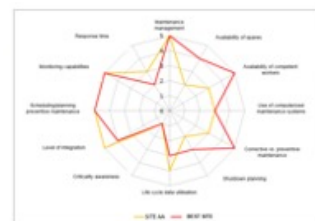
BECHMARKING: A SUCCESS STORY

CHALLENGE

The need for a systematic assessment framework for concretising value, benchmarking it and ultimately optimising the offered solutions has been the motivation behind this study. Due to the arbitrariness of value estimation and value definition in general, an additional target of the study has been to generate an argumentation tool serving as an aid to visualise the different sources of value.

RESULT

The aim has been to develop a benchmarking method to compare different sites according to their operational environments. Benchmarking includes e.g. the assessment of maintenance work procedures, selection of relevant indicators, preliminary interviews for installed base units and tool development. The benchmarking aims to produce knowledge about the applicable asset management policies for different operational site typologies.

IMPACT

With the help of the benchmarking tool the case company can: (1) Demonstrate improvement potential in asset management and make recommendations of applicable asset management policies, (2) optimize customer specific product and service offering to facilitate sales, and (3) concretise customer value of Outotec's offering

The "Demonstrating value with benchmarking" is an example of a **success story** in a structured format. The success story documents

a) the challenge a customer had,
b) the solution implemented to solve the challenge, and
c) what was the outcome (value) of implementing the solution.

When, and for what purpose can a seller use this type of a success story? What are the potential benefits?

CASE
VALMET CARTOON
PRODUCTION LINE

VALUE QUANTIFICATION

Scenario 1	Current	Improvement Target	Production	Additional revenue	Energy savings
Speed	695 m/min	57 m/min	+22 000 tons	+ 3 200 kEur	-
Breaks	5,1%	1,0%	+ 3 000 tons	+ 440 kEur	+ 160 kEur
Steam consumption	16 kg/s	0 %			0 kEur
Electricity consumption	19 MW	-200 kW			- 100 kEUr
TOTAL			+ 25 000 tons	+ 3 640 kEur	+ 60 kEur
ESTIMATED BENEFITS PER YEAR					3 700 kEur
INVESTMENT					4 000 kEur
DISCOUNTED PAYBACK TIME					14 Months

Production line data and calculation parameters	Operating days 355 per year	Average grammage 152 g/m2	Trim width 6,1 m	Speed 695 m/min	production 263 000 tons per year
	Unplanned shutdowns 4,0%	Planned shutdowns 2,0%	Breaks 5,1%	Broke 10,0%	
	Electricity cost 60 Eur / MWh	Steam cost 25 Eur / MWh	Cost of capital 10,0%	Gross margin 150 Eur/ton	

This value communication example demonstrates a

1. "Bundle of benefits: The impact of a) speed increase of a production line, b) reducing the loss of production due to breaks, c) change in the electricity consumption.

The tool is an example of a value calculation tool, quantifying the impact of every element of the bundle of benefits in terms of the overall goal, which is a combination of additional revenue and savings.

Finally, the calculator compares the benefits to the costs of implementation.

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SOLUTION PRESENTATION CHECK-LIST

Presentation elements	Objective
Review of the customer objectives	Summarize customer's business goals, challenges and needs. This is why the solution is required.
Customer outcomes	Provide a summary of the expected customer benefits.
Our solution	Summary of our solution.
Project delivery plan	Summary of our delivery plan and key project milestones.
Proof	Evidence of our capabilities to deliver the solution.
References	Conclude your presentation by showing few relevant success stories, where similar solution has been implemented.

The solution presentation template is an outline for constructing a solution proposal presentation. The purpose of the tool is to provide a checklist for including all relevant topics in the presentation.

How do you feel about this tool for planning a solution presentation meeting?

ENGAGE WITH VALUE:

The "control" process

TOOL	PURPOSE	STRENGTHS	WEAKNESSES
CHAMPION LETTER			
ACTIVITY PLAN			
CLOSING CHECKLIST			

CHAMPION LETTER

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ACTIVITY PLAN

Action	Time	Billable	Responsibility	Go / No Go
Determine solution performance metrics	September 14		Shared ⬍	☐
Process audit and study	By End September	50 k€	Supplier ⬍	☐
Investment proposal including pricing	November 2014		Supplier ⬍	☐
Approval of the investment proposal	13th December 2014		Customer ⬍	☐
Detailed project plan and project organization	February 2015		Shared ⬍	☐
Reference visit and executive meeting	March 2014		Shared ⬍	☐
Review of the contract with legal	April 2014		Customer ⬍	☐
Pre-proposal meeting and signing of the purchase agreement	Late April 2015		Shared ⬍	☐

[Add key player row] [Save worksheet] [Print worksheet] [Send worksheet]

The **purpose** of the "activity plan" tool is to provide a shared action plan for the buyer and seller organizations to implement once the solution proposal is done. Motivation for such a tool is to avoid the communication void after the buyer has got what they want: the proposal. Usually the buyer-seller process progresses smoothly up to a point, usually up to a point where the solution proposal & the solution offer are made, and then the seller is put into a waiting mode "thank you for the proposal, we continue our internal evaluation, and let know, when we have decided or need additional information".

If nothing is agreed as a follow-up action after the solution presentation, the seller loses connection to the buyer's process at this point. The activity plan tool is an attempt to agree on joint activities to maintain contact to the customer for influence and control.

What are your thoughts about this tool? When could it be used, would it be difficult or easy to agree on process steps with the customer?

CLOSING CHECKLIST

CHECKLIST ITEM	DESCRIPTION	CHECK
Goals/challenges/reasons identified		☐
Vision of solution		☐
Solution value		☐
Implementation plan		☐
Pricing		☐
Proof		☐
Legal		☐

[Save worksheet] [Print worksheet] [Send worksheet]

The sales opportunity closing checklist helps verifying that the seller understands what are the important milestones along the joint journey, before trying to reach an agreement ("close the sale").

DISCUSSION: What damage can the seller cause by trying to "close the deal", before all the necessary intermediate steps have been agreed upon?