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Managing value-based selling

INDIVIDUAL SELLING SKILLS

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ARTICLE PREREADING & PRESENTATION

Adamson, B., Dixon, M., & Toman, N. (2012). "The End of Solution Sales". *Harvard Business Review*.

The End of Solution Sales

The old playbook no longer works. Star salespeople now seek to upend the customer's current approach to doing business. *by Brent Adamson, Matthew Dixon, and Nicholas Toman*

1 TRUST

2 INFLUENCING WITH QUESTIONS

3 PSYCHOLOGY OF INFLUENCE
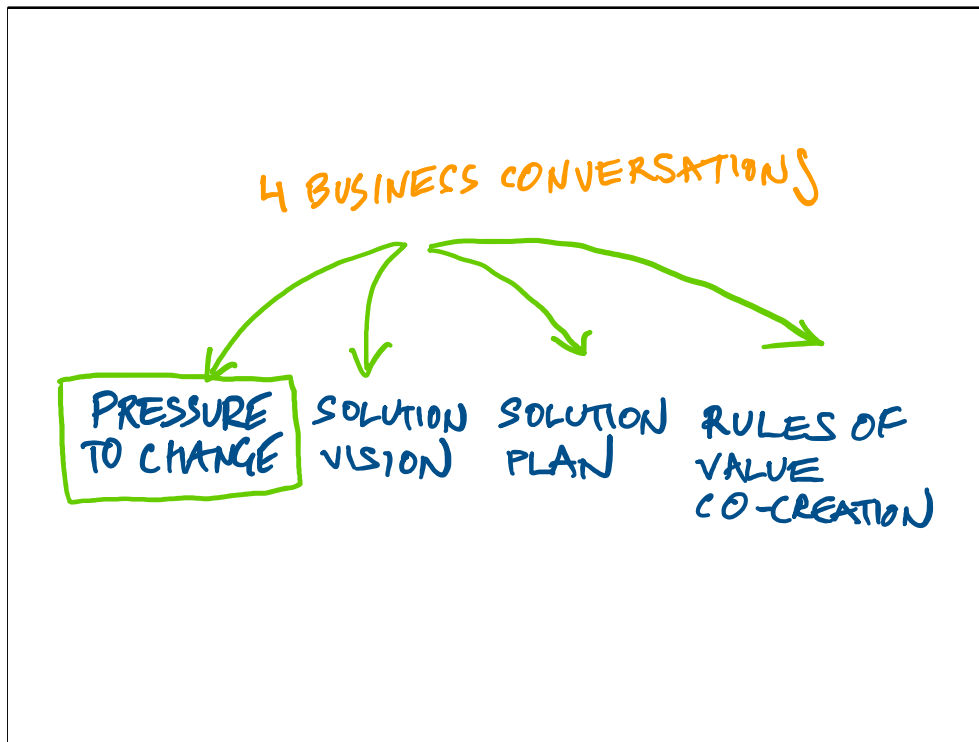
As we already know, the customer's buying process progresses through (1) identification of a pressure to change and identification of change needs, (2) building of solution vision, (3) searching for alternatives, and finally (4) selecting one. At a time, the customer is in one of the buying process stages, and hence motivated to discuss the topics related to that phase. Hence, there are four business conversations at the different stages of the buying cycle.

- Pressure to change

The "pressure to change" conversation is about the gap between current situation and goals, and the different means to achieve the goal. The buyer knowledge of change is about challenges and explicit needs, the seller knowledge is about opportunities (as potential needs)
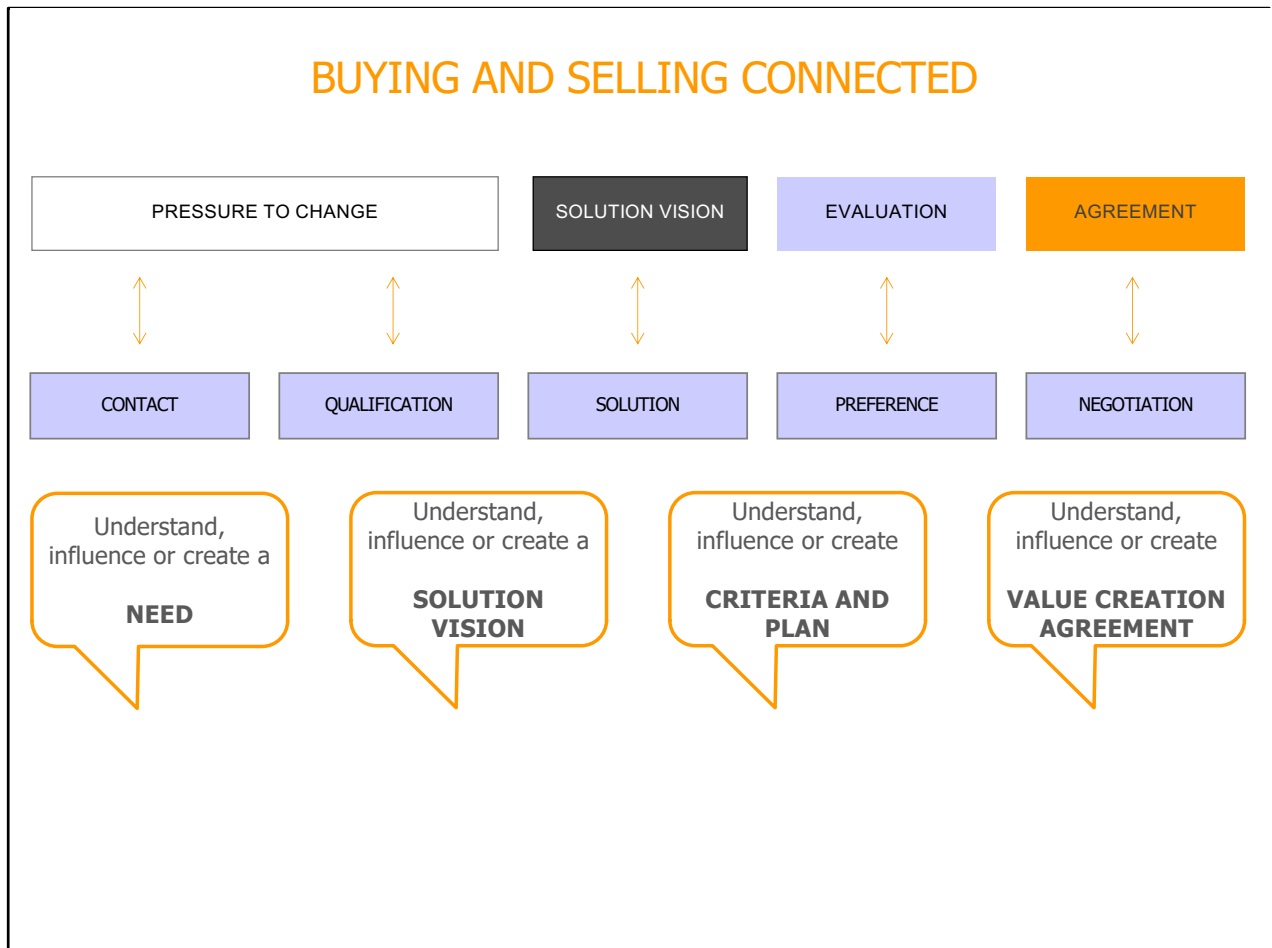
- Solution vision

The solution vision is sometimes achieved easily, sometimes requires major planning & design project

- Solution plan & decision criteria

The solution plan is about the actions taken to arrive at an agreement, including the criteria that the stakeholders apply, when evaluating the seller's solution proposal against the solution vision.

- Rules of the value co-creation

The final conversation is about agreeing on roles, responsibilities, risk management, value sharing, and terms & conditions

BUYING AND SELLING CONNECTED

PRESSURE TO CHANGE	SOLUTION VISION	EVALUATION	AGREEMENT

CONTACT	QUALIFICATION	SOLUTION	PREFERENCE	NEGOTIATION

Understand, influence or create a **NEED**

Understand, influence or create a **SOLUTION VISION**

Understand, influence or create **CRITERIA AND PLAN**

Understand, influence or create **VALUE CREATION AGREEMENT**

Buying and selling processes are tightly connected. Selling is about performing THREE types of activities in FOUR phases:

1. The initial focus is to **understand**, if there is a sufficiently compelling NEED. If the need exists, the seller may want to **influence** the need. If none exist, the seller''s only option is to **create** need.

2. Once the NEED stage is completed, the next focus is on VISION. Symmetrically, the initial focus is to **understand**, if the customer already has a solution vision. If the vision exists, the seller may want to **influence** the vision to better match the seller's capabilities. If no vision exists, the seller's task is to **create** the vision.

3. Once the VISION stage is completed, the next focus is on PLAN. Again symmetrically, the initial focus is to **understand**, if the customer already has a plan to implement the vision. If the plan exists, the seller may want to **influence** the plan. If no plan exists, the seller's task is to **create** the plan

4. Finally, the parties need an agreement defining how the cooperation is arranged.

INDIVIDUAL SELLING SKILLS
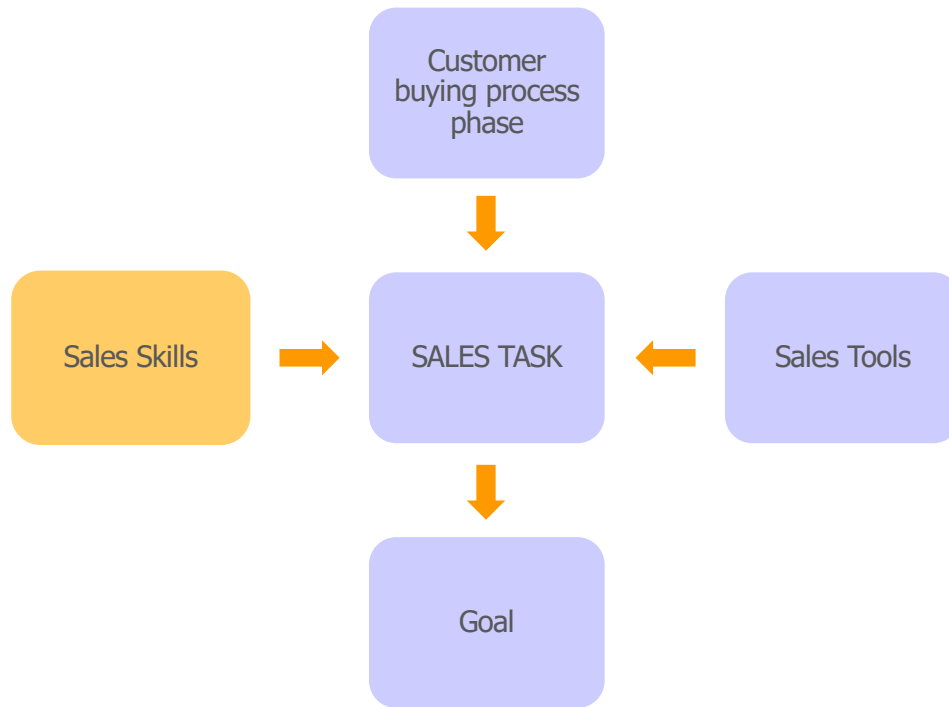
Customer's buying process phase	We have already studied how customer's implement their buying process. Sales process needs to be carefully aligned with buying to focus on those topics that are relevant for the buyer.
SALES TASK	Selling is about performing sales tasks. The entire sales process is a sequence 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.

DISCUSSION

Discuss the following question in your groups for 10 mins:

What are individual sales skills?

Prepare to share your findings with the rest of the group.

TRUST

Understanding the elements of trust and building trust based on these is a corner stone of interactive communication. This is broadly understood but poorly mastered.

risky offerings, which create a long-term dependency between the buyer and the seller, and require open dialog to succeed.

Trust is manifested at different levels, including self-confidence, interpersonal trust, and intercompany trust.

Our success in sales builds upon our ability to create and grow trust in customer relationships. Trust enables open dialog, which is a pre-requisite for understanding customer's situation, needs, and expectations at the early stages of a sales process.

Trust is also an important differentiator at the later stages of a sales process. Usually customers have alternative choices and partners to choose from, and trust is often the decisive differentiator.

Building trust starts from self. First you have to trust yourself so you could trust others and be trusted by others. Self-trust is about building credibility. Relationship trust is built around your credibility. Trust is established and developed between people. Organizational trust is created by the company employees.

Trust is currency: Trust decreases costs and shortens decision cycles: Trust is an alternative to formal agreements and control. In many relationships there is no alternative to trust. Protecting oneself against misconduct and broken promises is potentially very expensive or impossible.

Think and prepare to discuss: What are the implications of trust or lack of trust when dealing with your customers.

1. Implication of trust or lack of trust in customer relationships
2. How can you build or lose trust?
3. When it is possible to regain the trust if it is lost? How?
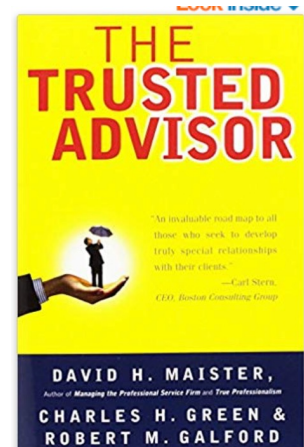
BUILDING TRUST

Discuss in teams…

- What is trust?

- How can trust be created or lost?

- What makes you trust another person?

Prepare to share your observation with others.

THE EQUATION OF TRUST

TRUST = CREDIBILITY * RELIABILITY * RAPPORT / SELFISHNESS

You develop trust by focusing on the following elements of trust (this is adapted from David Maister – Trusted Advisor). The "Equation of trust":

Credibility
- Professional credibility is based on how you look, how you (discreetly) demonstrate your professional competence, how your materials look, how you speak, and how strong is your brand
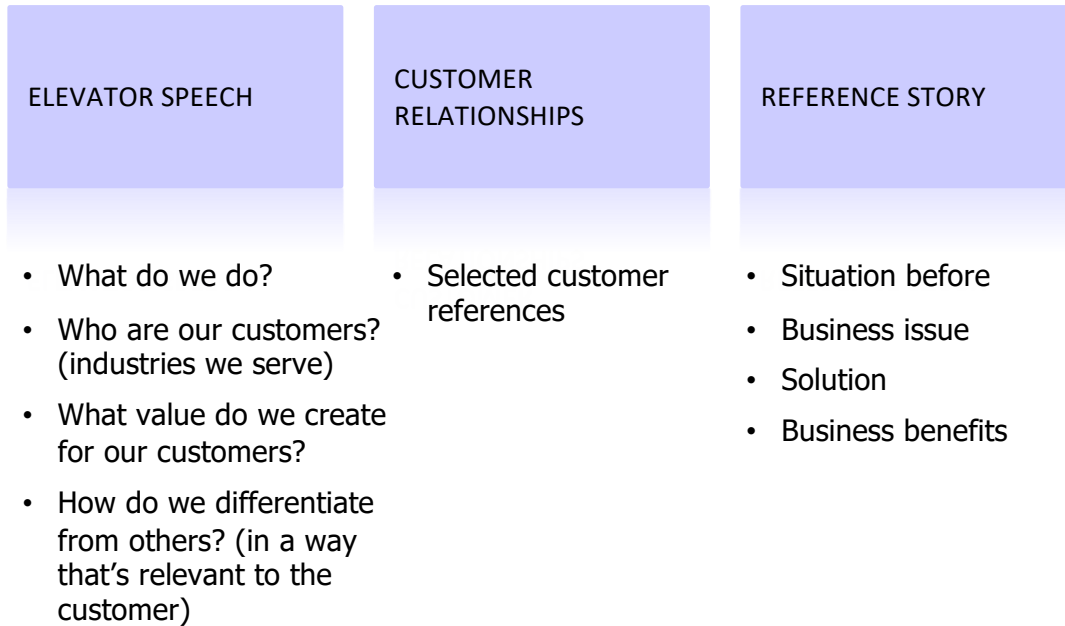
Reliability
- Live up to your promises. Exceed your customer's expectations

Rapport and bonding
- What things you and the customer share in common? Education, interests & hobbies? The more you have in common, the better the initial trust.
- How you <u>actively</u> listen and show your interest
- Smalltalk is the tool to explore what you and the customer have in common

Selfishness (minimize this!)
- Selfishness reduces trust. Pushing for your goals too hard gives the customer an impression that you are only interested in achieving your own goals no matter what.
- Talk too much, focus on own interest only, no win/win mentality, asking too big a commitment too early, preconceived ideas, not listening to customerare all signs of traditional "high pressure" selling, which forces customers to guard for their interests or walk away from opportunity.

ELEVATOR SPEECH	CUSTOMER RELATIONSHIPS	REFERENCE STORY

ELEVATOR SPEECH

- What do we do?
- Who are our customers? (industries we serve)
- What value do we create for our customers?
- How do we differentiate from others? (in a way that's relevant to the customer)

CUSTOMER RELATIONSHIPS

- Selected customer references

REFERENCE STORY

- Situation before
- Business issue
- Solution
- Business benefits

These three building blocks, i.e. elevator speech, collection of references, and reference stories are the foundation of any sales opening. These topics can be presented just orally, or supported by powerpoint or other presentation tools. The goal is to build "corporate trust" among the audience, to create receptiveness for your ideas.

ELEVATOR SPEECH
- The elevator speech is a concise introduction around the four topics given

CREDIBLE CUSTOMER RELATIONSHIPS
- A selection of key customer logos to signal credibility

REFERENCE STORY
- The reference story is a concrete example of a customer challenge, our solution, and the resulting (tangible) benefits achieved.

The purpose of this opening speech/presentation is also to create a platform and a transition to the actual sales conversation, which uncovers customer's goals, challenges, and situation. See next pages.
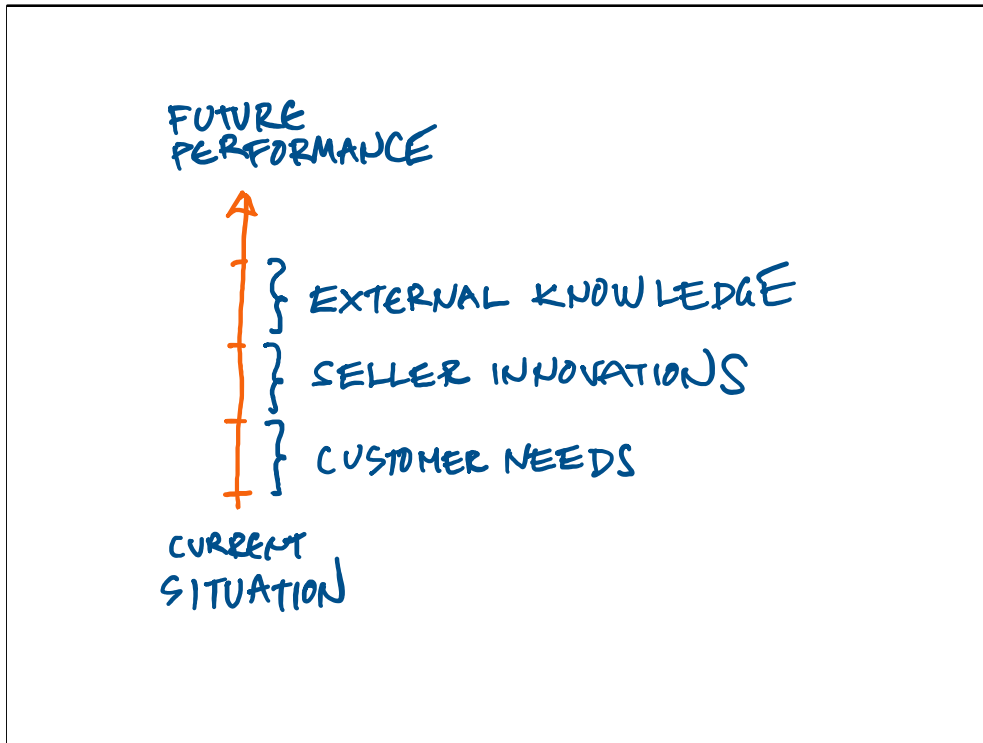
INFLUENCING WITH QUESTIONS

Appreciative inquiry with well-planned questions is the
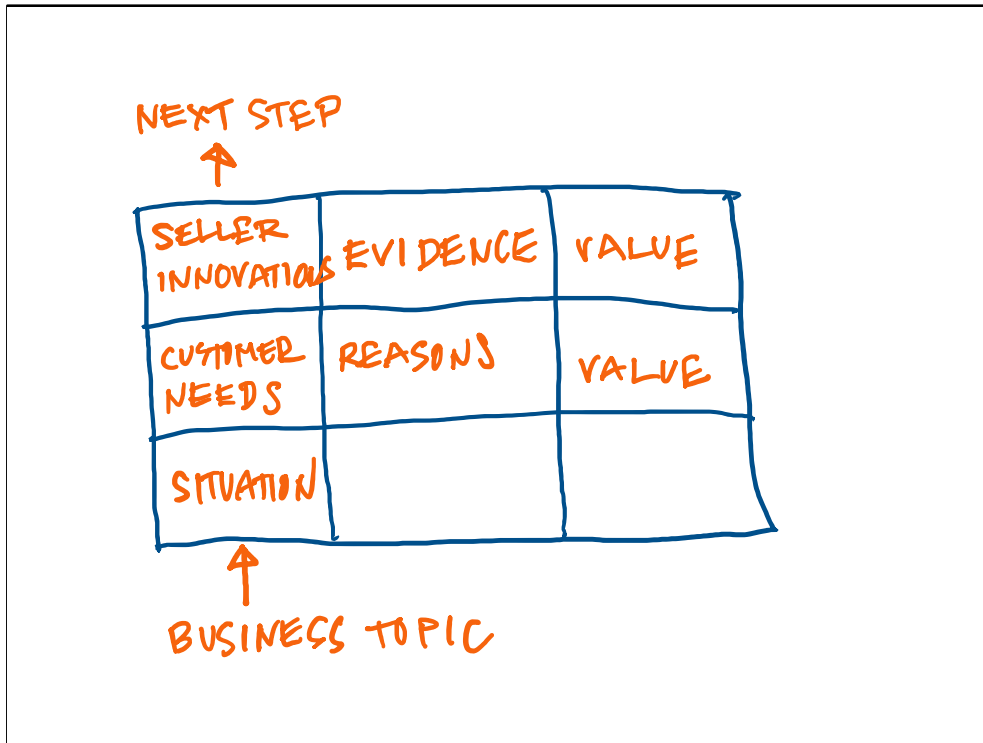primary personal sales tool

DISCUSSION

Discuss the following question in groups for 5 mins:

You are a sales person about to meet a customer for the first time.
What would you like to ask, what information would you like to give?

Prepare to share your findings with the rest of the group.

FUTURE
PERFORMANCE

{ EXTERNAL KNOWLEDGE

{ SELLER INNOVATIONS

{ CUSTOMER NEEDS

CURRENT
SITUATION

EVIDENCE REASONS

VALUE

SELLER INNOVATIONS

"We have found that we have been able to improve <business topic> by <describe innovation>	"I would like to share some examples of how <innovation> has impacted <business topic>	"On average, the <innovation> has improved <business topic> by <impact on goal>"

CUSTOMER NEEDS

"Is there anything that you are unhappy with or see an opportunity to improve?"	"What do you think are the reasons for <challenge>?"	"What do you think would be the impact of solving <challenge>?"

SITUATION

"Could you please describe how are you doing <business topic> now?"		

BUSINESS TOPIC

1. SELECT BUSINESS CONVERSATION TOPIC
2. ESTABLISH TRUST
3. EXPLORE KNOWN NEEDS
4. EVALUATE IMPROVEMENT OPPORTUNITIES
5. AGREE ON NEXT STEP

The conversation steps below illustrate a well organized sequence of discussion topics, which works well in situations, where the seller seeks to proactively explore the significance of one or more business challenges. This approach assumes that the customer may not have any predefined needs, but instead we would like to "create a need"

Conversation step	Description	Example questions
Introduce a potential business challenge that we have capabilities to solve	• We need to motivate, structure and frame the conversation we are moving into. • This is best done by introducing the pre-prepared business challenges, often explicitly writing those on flipchart, for example	• Introduce the topics: • "I'd like to hear your thoughts on this:" • "When working with companies in your industry, we have learned that these challenges <business challenges> are often important, and would like to hear your opinion ...
Understanding current situation	• We need to understand the customer's current situation. If we are improving customer's process, we need to understand how they are doing it now.	• How do you do this now? • How does your process work now?
Understanding and influencing customer's known/<u>explicit needs</u>	• Next you need to understand if/why the buyer is unhappy with the current situation • For every need, you want to explore the reasons AND the obstacles (why haven't they solved the problem yet?)	• What opportunities to improve have you already identified...? • What problems have you already detected...? • What would you say are the reasons for the problems...? • What prevents you from solving these ...?
Communicating improvement opportunities that the seller has discovered	• You can offer new improvement opportunities by giving the buyer powerful, new information, which influences the buyers view on the value of acting on the opportunities	• Formulate your question like: • "For many of our customers the <opportunity> is important, because <information that helps valuing the need>, how do you see this?"
Understanding/ creating and influencing <u>solution vision</u>	• Depending on how far in the buying process the buyer already is, he/she has expectations and requirements for the new solution. You need to explore and often influence these • Then you need to complete the buying vision by linking the needs to your solution	• Example questions: • "What is good in your current solution?" • "What goals have you set?" • "What is important?" • "How would you evaluate the quality of the solution?"
Understanding/ creating and influencing buying and decision process	• What has the buyer planned to do next? (is there a project ...) • Who has influence on the decision? • Who has the decision power? • Who has the need?	• "How are you planning to proceed? (may I suggest ...)" • "Who else in your organisation is involved in deciding on this?" • "How are the others influenced by <the need>?"

Conversation skills

Please find here some best practices for managing sales conversations

- **Maintain eye contact**

By maintaining a relaxed eye contact you signal interest and concentration

- **Do not look at your watch, laptop or anything outside the conversation**

If you focus on anything else than the person you are listening to, you signal uninterest and an willingness to detach from the conversation

- **When braking an eye-contact, look down like, for instance, tje Japanese people do**

This practice is a well-working combination of maintaining focus on the conversation, bt avoiding uncomfortable staring.

- **Listen actively and show interest**

You signal interest and focus with questions and your body language

- **Take notes, but maintain contact**

Not all conversations require you to take notes, but is sales situations it is often highly important to document the conversations and agreements. Taking notes is a sign of professionalism, but requires that you take notes and support the conversation.

- **Show that you have listened, make sure you have understood**

Real conversation is a dialog, monolog in either direction seldom helps either party. Our comments and questions show interest and may motivate and inspire the other person. On the other hand, we may also show ignorance and de-motivate the other person. Real dialog requires preparation.
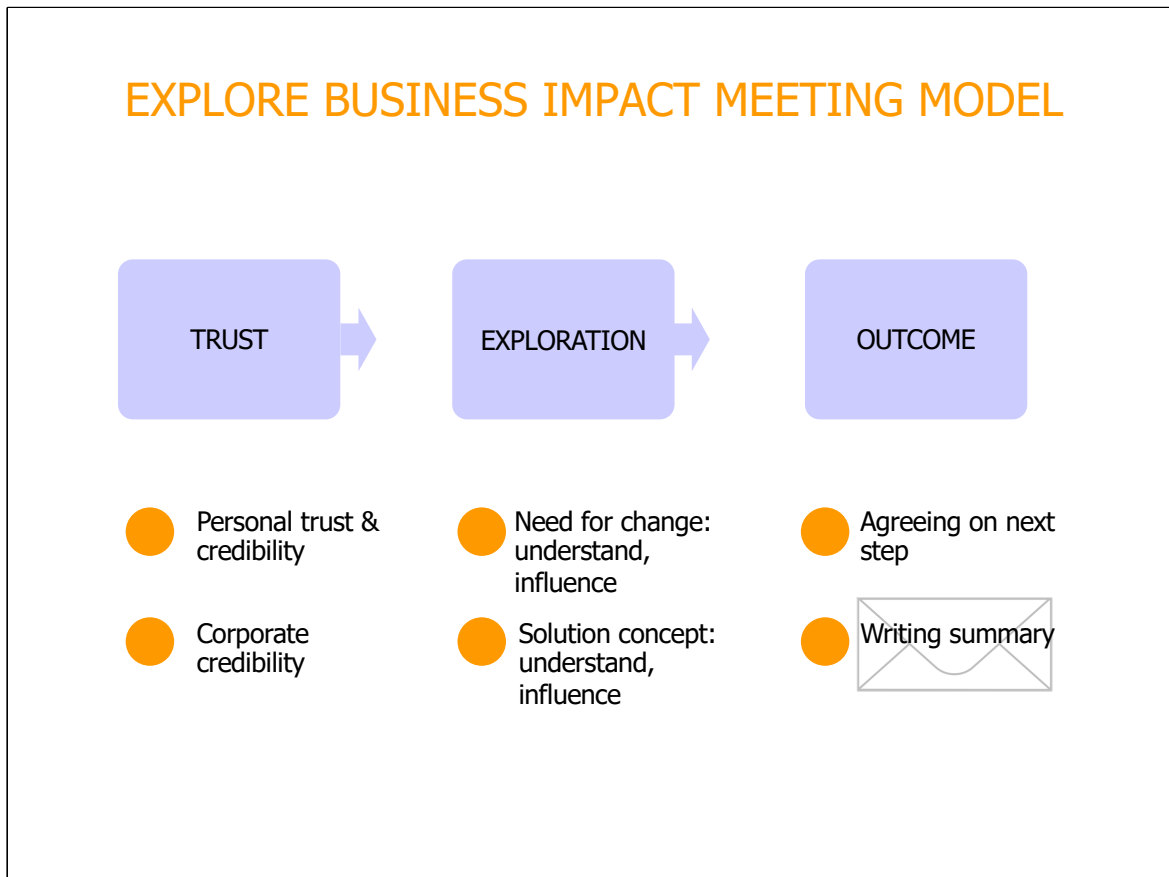
- **Interrupt skillfully**

In order for you to achieve your goal, you need to steer the conversation to stay focused on the pre-planned business topics. You also need to make sure you have understood. Both these goals often require that you interrupt the other person. Maintain balance between talking (1/3) and listening (2/3)

- **Repeat the other person's message in your own words**

The classic rhetoric technique is at the end of a topic to summarize the conversation with your own words to make sure you have understood. You may open this by, for example "let me summarize my understanding …"

- **Pay attention to the body language**

Our body language signals interest, excitement, attention, and other important non-verbal means of communication.

EXPLORE BUSINESS IMPACT MEETING MODEL

| TRUST | → | EXPLORATION | → | OUTCOME |

- Personal trust & credibility
- Corporate credibility

- Need for change: understand, influence
- Solution concept: understand, influence

- Agreeing on next step
- Writing summary

The first meeting/call with customer ideally follows the model described here.

PERSONAL TRUST AND CREDIBILITY

- Apply the trust-building tools discussed: small talk to identify common sources of interest, etc

CORPORATE CREDIBILITY

- Short company presentation. At least our "elevator speech" telling who we are, what we do, who are our customers and what are our strengths. More formal and longer version could be supported by powerpoint presentation, flipchart presentation or similar

EXPLORE BUSINESS IMPACT

- Create/understand/influence customer's needs
- Fact finding on customer current situation/process
- Understand the explicit needs the customer may have. Understand also the reasons behind the needs
- Explore the impact of the other process changes (see "conversation model for explore business impact").

EXPLORE MILESTONES AND CRITERIA

- Explore customer's "vision of solution", what requirements and expectations the customer already has on the solution and why?
- Once we have understood (and often influenced) customer's requirement and "vision of solution" we move on to link the requirements to our solution.
- How is the customer planning to move ahead and decide? Who else is involved?
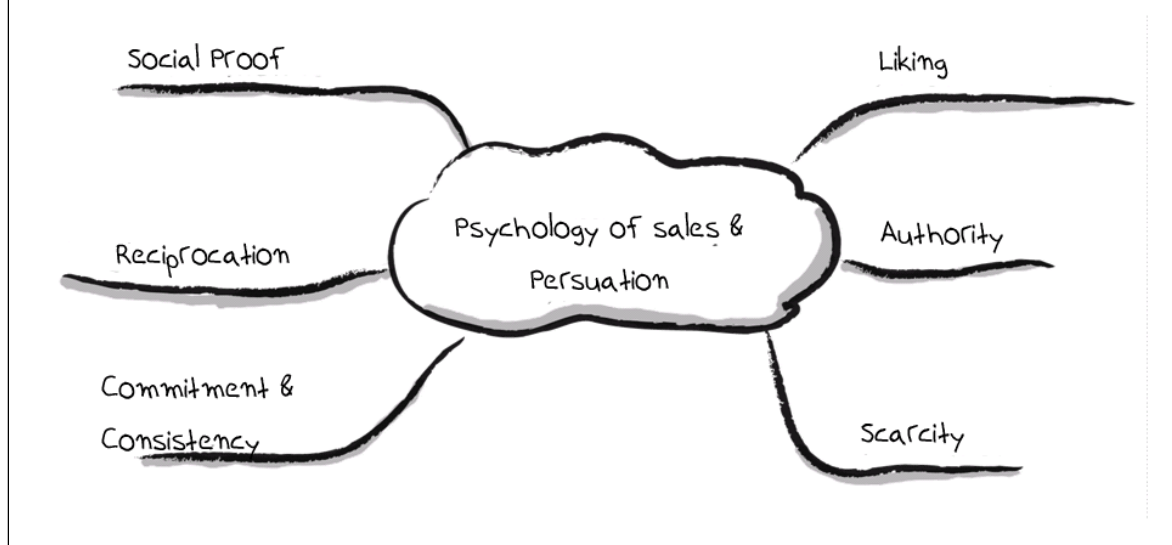
GETTING COMMITMENT

- What is the best alternative to progress the opportunity?

THE PSYCHOLOGY
OF INFLUENCE

There a large number of different cognitive biases
affecting decision making

Psychology of Persuasion

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Reciprocation

The rule says that we should try to repay, in kind, what another person has provided us. By the virtue of the reciprocity rule we are obligated to the future repayment of favors. It is not polite not to repay favor received. Favor provider may, however, decide to do favors proactively thus taking advantage of this rule in his favor. It works based on another social code that says that it is not polite to refuse gift. Examples exploiting this rule can vary from free samples to bribes. In Tupperware-concept, each quest receives small gift from the host.

Social Proof

Human is a social creature. We follow and according to group which we belong to. When one does something silly, often others will follow. There are number of examples of this behavior in fashion on other sides of life. Principle of social proof states that one means we use to determine what is correct is to find out what other people think is correct. Simple examples of social proof are canned laughs in soap operas or Bestseller books. Sales executive may refer to other clients and what they have bought etc.

Liking

We most preferably say yes to requests of someone we know and like. One of the clearest illustration of exploitation this rule is Tupperware party. In the party true request to purchase does not come from the stranger, it comes from the friend, the housewife who has arranged the party. Referrals use similar mechanism. Beautiful people are more likely to get yes to their suggestions.

Authority

We are more likely to comply requests of authority on topic than others. Principle becomes exploitable by the fact that it is often enough to just look like authority. White coat can make anyone to look like doctor or alike and allow them to make expert statements.
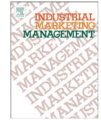
Scarcity

The idea of potential loss plays a large role in human decision making. People seem to be more motivated by the thought of losing something than by the thought of gaining something of equal value. Scarce things are more desirable than things that are available to everyone. Collectors of everything form baseball cards to antiques are keenly aware of the influence of the scarcity principle in determining the worth of the item. Examples exploiting this principle are creating scarcity by limited editions, numbered items, long queues and long waiting times.

ARTICLE REVIEW

Value-based selling: An organizational capability perspective

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Töytäri. P., Rajala, R. (2015) "Value-Based Selling: An organizational capability perspective". *Industrial Marketing Management*.