



An occasional article from
Sales Productivity Pty Ltd

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Selling Strategies for Increasing Profits

Change – The Selling Challenge

Over the last few years, the dynamics of customer – supplier relationships have changed significantly. Globalisation and market consolidation have redefined the role of the sales organisation. Only in few cases however, have Australian companies kept up.

Customers are increasingly looking for closer partnerships with fewer suppliers. In one instance we have seen one company take the place of as many as seventeen suppliers. Relationships such as these are based on partnerships and integrated relationships. Suppliers in these relationships act as an extension of the customer's business and deliver measurable value. They do this through a strong customer focus and a relationship based on high levels of trust.

In too many Australian companies, sales people instead focus on the sale and service of products and services that are becoming increasingly commoditised. They sell in essentially the same way as they did a decade ago. They know all about their own products, but precious little about their customer or their business drivers.

Nor are these companies implemented processes for measuring the value that they provide to their customer. Value is developed through the relationship itself, it does not exist in the product. It is a concept mostly understood by decision makers with profit centre responsibility. These are rarely the people with whom most sales people have contact.

Whilst other business functions such as manufacturing and distribution have been re-engineered over recent years, the sales department is frequently the least automated. Accountabilities are poorly defined and alignment of day-to-day selling activities with the strategic plan of the business is poor.

In the worst case, these outdated sales organisations run a real risk of becoming irrelevant. At best, they will attract only the low value customers, not the ones who add the greatest value or provide the most profits.

On the other hand, world-class sales organisations clearly understand that revenue generation is a critical business driver. They know that revenue quality has an impact on the total financial health of the business. They ensure that business is transacted with customers who add value. They manage relationships with key accounts to build loyalty and positively influence business relationships. They sell aggressively and strategically.

Alternative Selling Strategies

Sellers have a choice of four levels of customer relationship on which they can base their sales processes. At Sales Productivity, we identify these as:

1. Transactional Selling
2. Product Selling
3. Solution Selling
4. Relationship selling

Some part of every company's selling activities will fall across all these levels. However, world-class sales organisations carefully determine their preferred selling strategy

and deliberately structure their sales operations around them. Most of our clients would prefer that their sales people operate at least one level higher than they do currently.

Transactional Selling - Transactional selling is high cost selling.

This is the sales process adopted by sales people who either wait until the customer produces another order or who spend most of their time prospecting for the next project or the next short term deal. These people eat up a sales budget in the same way as a casino empties a gambler's wallet.

Many companies sell in this way. They have a large number of small customers who buy infrequently. Alternatively, they perceive selling as just a series of individual transactions. It is the type of selling that occurs by responding to every tender or request for a proposal regardless of how little is known about the prospect and their needs. You can often see this type of selling in banks, car dealerships, professional practices and industrial suppliers. Some companies sell in this way by accident - their sales people just don't know another alternative.

Apart from high costs of competition, transactional selling makes it impossible to gain leverage from previous sales success. Some customers may however begin a relationship by initially trying out your products and then later moving to a more advanced relationship level once they see you as a credible supplier. Your key selling task is to develop sufficient confidence for them to come back for more.

In order to survive, transactional sellers need to find ways of inexpensively reaching large numbers of customers. They normally do this through strong marketing programs or by selling through low cost telesales operations or mail order processes. Where customers purchase small amounts of product infrequently, distributors often become an effective way of handling transactional relationships.

Product Selling - Product selling is low margin selling.

Many sellers operate in this way because the customer relationship has developed from a previous transactional level. Some simply have a product focused sales culture.

Product oriented sales people are much more concerned about the features and benefits of their product than they are about the customer. They believe that superior product performance will lead to sales.

Typically, the product seller's attention is focused on product support; therefore the majority of customer contacts are at technical and operational levels. This makes the product seller vulnerable to competitors who sell at more senior levels.

Product selling is a tough job. Products are increasingly becoming commoditised. Differentiation is hard to create and price becomes the most significant decision criteria. This is why product selling will continue to produce low margins. The problem for many companies is that this is the only way that their sales people know how to sell.

It is possible to be very successful as product seller. Dell Computer for example, sells over \$18 million of product per day over the Internet. They succeed because of very high levels of automation and low cost processes. To succeed as a product seller, you also

need to be a low cost producer. If this is not possible, then you must move to a more advanced selling strategy where the margins are higher.

Sales managers in product selling organisations must manage the productivity of their sales force. Effective territory coverage is critical because most product sales result from the seller simply being in the right place at the right time. This type of selling is a real 'numbers game' – revenues increase directly in proportion to levels of selling activity.

Solution Selling - Solution selling is high margin selling

Companies provide solutions when they understand their customers operating problems and address them through 'solutions'. These are typically produced through a combination of product, services and technical expertise.

Differentiation is easier to achieve at this level of selling. It comes, not from the product itself, but from the way that it is applied to solve the customer's problems. Higher margins can be gained as a reward for increasing levels of customer efficiency or productivity.

Effective solution sellers need high levels of 'application' knowledge. Regardless of whether sales people come from a technical background or from a sales background, the ability to generate revenues is dependant on their ability to build relationships and define opportunities. Legal firms, equipment companies and many other technical suppliers are staffed with people who are excellent problem solvers, but poor at identifying additional opportunities or leveraging relationships.

Sales managers in solution selling organisations must focus sales and support people on revenue generating priorities. They need strong qualification processes to avoid unnecessary application of expensive technical support resources. Sales management processes must manage a series of complex selling steps over an elongated sales cycle.

The biggest risk to solution selling organisation is the propensity to provide products and give away the technical support as part of 'customer service'. This is really product selling. It increases costs of sale and fails to provide a reward for the value provided to the customer.

Relationship Selling - Relationship Selling is High Value Selling

This is a strategic form of selling in which a supplier aligns its people, operations and processes to provide value to its key customers. Relationship selling companies aim to operate as trusted advisers to their customers. Their goal is to develop sufficient trust to work as a 'partner' with their customer. They frequently integrate the resources of third parties to develop a complete offering.

These sales people understand their customer's business and apply the capabilities and resources of their firm to provide measurable value. Understanding a customer's operating problems (solution selling) is not enough. Value is developed by contributing directly to your customer's business goals.

Relationship sellers focus on value to create loyalty because they know that customer satisfaction alone is insufficient to create customer longevity. Even highly satisfied customers will move to

a different supplier if they perceive that they will gain more value. Adding value to customers increases customer longevity, which in turn increases profits. You can win more by stealth. Profits increase because there is no longer the need for expensive tendering and competitive selling processes. High levels of trust make your competitors less relevant.

Relationship sellers achieve significant levels of differentiation. No longer do they need to rely on superior products, the relationship is itself the differentiator. Price is now much less important than the value that the customer gains from the relationship.

People who can sell at this level are hard to find. They possess a strong business focus and are capable of selling strategically. Political astuteness is a prerequisite. These people earn high salaries and the good ones are worth every cent.

Customer segmentation is a critical requirement for relationship sellers. Building relationships is a time and resource hungry process. It is impossible to have the same level of relationship with every customer. This type of selling also requires formal selling processes and methodologies. Key relationships are far too complex and valuable to manage in an informal way.

Maintaining Relevance

By now, you will have either confirmed that your sales function is making a solid contribution to your business or else you will have recognised a need for improvement.

Changing your sales process is a complex task. Simple solutions won't work. Too commonly companies attempt to achieve change



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by throwing well meaning training at their sales people. This, on its own is rarely enough.

We have found that four elements need to be combined in order to create enduring change. You will need to ensure each of these elements work together to create your desired selling process.

1. Sales systems need to provide appropriate information at each sales relationship level.
2. Sales management must monitor appropriate key performance indicators and act as an effective coach of the process.
3. Selling skills must be developed to a level that ensures sales people are competent in performing necessary selling tasks.
4. Selling strategies must reflect the business model that you have defined as appropriate for your type of business.

Only by getting every one of these elements in place can you be sure of a solid stream of predictable and high quality revenue. Each factor supports the others as a piece of the total puzzle of achieving sales success. Your sales team must be aligned with your business strategy and operate with a clear focus.

Never underestimate the importance of your sales force as a contributor to your business objectives.

Sales Productivity Pty Ltd

Founded in 1994, Sales Productivity is Australia's leading sales productivity consultancy. With offices in Sydney and Melbourne, we have proven capabilities in increasing sales performance at each selling level described in this article. Each of our principal consultants have a track record of personal sales success.

Sales Productivity works closely to understand its clients key issues and implement specific improvement processes to increase their sales performance. Our expertise exists across three key areas:

- *Engineering of sales processes to increase sales productivity*
- *Sales management consulting and support*
- *Development of high level selling techniques and expertise*

Our clients include leading organisations such as National Australia Bank, Toll Group, Caltex, Rydges Hotels, Marsh Limited, Shell Australia, Medical Benefits Fund, Smorgon Steel, Air New Zealand, Ford Credit, Royal & SunAlliance, Sericol, Smith & Nephew and Orica

Please contact us on (03) 9850 7683 if you would like to achieve more from your sales operations.
