

# Characteristics of the Successful Business Value Selling Organization

## Briefing Paper



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## Executive Summary

This Briefing Paper has been prepared following years of success working with senior sales executives, across diverse industries, in the transformation of complex, business-to-business selling organizations to 'Successful Business Value Selling'. *ProAct* assignments have produced outstanding business results and client ROI's in excess of 600% within the first year.

Despite millions having been spent in a myriad of sales effectiveness initiatives, in-depth studies by independent research firms show that sales effectiveness, overall, is not improving! Simply stated, many, if not most, sales effectiveness initiatives are not having the impact hoped for because, in a global economy loaded with commoditized products, tight capital markets, increased corporate governance, and executives who have to seek board approval for any large expenditure, these initiatives fail to address the problem from the customer's perspective and do not answer the overriding question in the executives' minds - *"will your offerings help me leap-frog the competition as well as grow revenue, profits, market share and customer satisfaction; will they significantly impact my business results and by how much?"*

The sales approach that addresses these market-driven requirements, while preserving the investments companies have already made in other sales effectiveness initiatives, is what *ProAct* calls **Business Value Selling**. Benefits of 'Business Value Selling' include:

- ✓ Selling the quantifiable impact that holistic solutions will have on the customer's bottom line
- ✓ Value propositions that resonate because they tie directly to the customer's business needs
- ✓ Larger deals resulting from the ability to position and cost justify more comprehensive, higher-margin offerings, including services
- ✓ Lower discounts by moving the sales conversation to the value-added and away from just price
- ✓ Proposals funded and approved; fewer losses to "no-decision"
- ✓ Higher win rates and better quota attainment
- ✓ Business conversations that differentiate a seller from its competitors, resulting in more executive engagement
- ✓ Stronger relationships with customer executives; gaining "trusted advisor" status
- ✓ Accurate forecasting
- ✓ Quality account plans that drive more effective use of sales team and resources

In this briefing paper, you will find, in depth:

1. the rationale for transforming to 'Business Value Selling'
2. the definition of 'Business Value Selling'
3. the key characteristics of a 'Successful Business Value Selling' Organization
4. ideas for measuring progress during the transformation process
5. a listing of the sales behaviors of the successful Business Value salesperson

## Introduction

This Briefing Paper has been prepared following discussions with many senior sales managers who have requested help in the transformation to a 'Successful Business Value Selling Organization'. The question that most often arises is "how does a real Business Value Selling organization behave and how can I measure progress during the transition?"

*ProAct* Business Development consultants have worked with many clients to help with this transformation both in terms of discrete consulting assignments, as well as in training and developing sales teams. The observations provided below are based on assignments carried out in over 20 countries, mostly within high technology, complex, business-to-business selling environments. These assignments have produced outstanding results for clients, achieving Level 4 and 5 metrics (as defined by the Phillips/ Kirkpatrick Learning Evaluation Models)<sup>1</sup>, and client ROI's in excess of 600% within the first year.

This briefing paper describes the rationale for transforming to 'Business Value Selling', provides a definition of 'Business Value Selling', describes the key characteristics of a 'Successful Business Value Selling' Organization, and offers ideas for measuring progress during the transformation process. A listing of the sales behaviors of the successful business value salesperson is included.

## Why transition to Business Value Selling?

Over the last two decades, driven in large part by economic forces like globalization, deregulation and commoditization, many companies began adopting a more consultative or solution selling approach to differentiate themselves from competitors. In addition, many sales organizations launched discrete initiatives like CRM, new lead-generation/qualification programs, automated account planning, Sales Knowledge Management (SKM), and others, to enhance their sales effectiveness. However, in-depth studies by independent research firms show that sales effectiveness, overall, is not improving; for instance: only 61% of sales teams achieve quota, 41% of proposals (as high as 55% in IT) are lost to customer "no-decision", average selling time is only 37%, average deal size is shrinking, almost 50% of companies need to improve their effectiveness introducing new products, and the inability of sales organizations to cross-sell or up-sell is getting worse<sup>2</sup>. Simply stated, many sales effectiveness initiatives are not having the impact hoped for and "traditional" consultative/solution selling no longer suffices.

Other facts underscore the need for a new sales approach. First, the true value-add of many products and services is being questioned. Surveys by *InformationWeek* show that over 80% of companies today are requiring a compelling business case and a quantifiable ROI be demonstrated before buying into new offerings – that is way up from just 45% of firms back in 1997. Secondly, tight capital markets, coupled with increased corporate governance, are requiring top executives, more than ever, to have to seek board approval for any large expenditure. Executives, who in their roles are tasked and compensated to leap-frog the competition and grow revenue, profits, market share and customer satisfaction, really only care about one thing from a vendor/partner – *"will your offerings help me accomplish those objectives; will they significantly impact my business results?"*

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<sup>1</sup> Phillips/ Kirkpatrick Learning Evaluation Model Metrics: Level 1 - Participant Reaction; Level 2 - Test Results; Level 3 - Behavior Change; Level 4 - Business Results; Level 5 - Return on Investment.

<sup>2</sup> CSO Insights: Sales Performance Optimization Survey Results and Analysis for the years 2006, 2007, and 2008 (each annual report has 200+ pages summarizing the sales effectiveness metrics from more than 1,000 sales organizations).

There are a myriad of other reasons why many business-to-business enterprises need to transform their sales approach, dependent on specific organizational and market dynamics, some of which are customer driven while others are competitor driven. Typical drivers include:

- Customer demand for complete “one-stop shop” solutions
- Higher impact of particular/comprehensive solutions on customer core business competitiveness
- Falling margins for particular discrete elements, for example, hardware, software, break-fix maintenance
- Move toward selling more services and the need to prove the cost differentials for in-house vs. out-sourcing
- Increased competition - continuous need to differentiate from competitors
- Movement of decision making from the Technical to the Business / Finance function of a company, specially as executives must obtain funding approvals from the Finance Committee for new, strategic projects
- Companies asking the seller to quantify the positive impact that their solutions will have on the customer’s bottom line, a requirement now incorporated more often in RFP’s
- Customer desire to move CapEx to OpEx where possible
- 50% of companies recognizing they need improvement developing value propositions that tie directly into their customer’s business issues<sup>2</sup>
- 11% higher win rates, and 13% better quota attainment, enjoyed by salespeople holding “trusted advisor” relationships with their customers<sup>2</sup>

The sales approach that addresses the above market-driven requirements, while preserving the investments companies have already made in other sales effectiveness initiatives, is what *ProAct* calls **Business Value Selling**.

### Definition of Business Value Selling

Business Value Selling differs from traditional ‘product selling’ as follows: first, is the approach taken (when and how); second, the audience that is engaged; third, the components making up the proposed solution; fourth, it requires a keen understanding of how the proposed solution addresses the customer’s strategic and tactical business needs; and fifth, quantifying and articulating for the customer the positive impact that the offer will have on their business results.

Effective Business Value Selling exhibits the following key characteristics:

1. Engaging earlier in the sales process
2. Selling at different and higher levels
3. Business-oriented conversations
4. Bundling components to provide a business solution
5. Understanding the value and financial impact of the offering on the customer’s bottom line
6. Team selling
7. Business planning
8. Partnering
9. Commission plans that reward business value selling successes
10. Sales and financial tools to empower a different approach and conversation, including quantifying the ROI on the offer
11. Enabling infrastructure
12. Consistent manager-coaching and reinforcement of desired selling behaviors

Benefits of Business Value Selling include:

- ✓ Selling on the quantifiable impact that holistic solutions will have on the customer's bottom line; i.e., what customers desire
- ✓ Value propositions that resonate with the customer because they tie directly to the customer's strategic business needs
- ✓ Bigger deals resulting from the ability to position and cost justify more comprehensive, higher-margin offerings, including services
- ✓ Lower discounts by moving the sales conversation to the value-added and away from just price
- ✓ Proposals funded and approved; fewer losses to "no-decision"
- ✓ Higher win rates and better quota attainment
- ✓ Business conversations that differentiate a seller from its competitors resulting in more executive engagement
- ✓ Stronger relationships with customer executives; gaining "trusted advisor" status
- ✓ Accurate forecasting
- ✓ Quality account plans that drive more effective use of sales team and resources

## The Key Characteristics of Business Value Selling

### 1. Earlier Engagement

Business Value Selling organizations typically engage much earlier in the customer buying process – what *ProAct* calls the Purchase Decision Cycle (shown on the right). They will start at the 'Business Change Imperative' (BCI's) stage and, to a great extent, the customer conversations will revolve around the business challenges that the customer needs to overcome as well as the marketplace opportunities to be pursued – i.e., the key business drivers. At this stage, the customer has identified a business problem / opportunity they want to address, but has not yet determined the business solution and has not even considered a technical solution.



In contrast, 'product-selling' organizations focus on tactical selling which starts once a potential customer has defined their technical requirements. A Briefing Paper describing *ProAct's* Purchase Decision Cycle model is available for free download from [www.proactbd.com](http://www.proactbd.com).

In Business Value Selling, non-traditional qualification techniques will be required earlier in the demand creation / demand shaping phases. These techniques involve effective discovery questions to uncover the customer's Business Change Imperatives (problems and opportunities), and to begin sizing up the magnitude of the customer's business challenges (pain points). These techniques not only help qualify a true opportunity but also help create / shape demand early on.

Engaging earlier in the cycle will change the shape of the sales funnel / pipeline. Consider the length of the different phases of the sales cycle. In 'product selling', the pre-qualification phase is very short compared with the tactical selling phase of a qualified project. For example, the suspect-

to-prospect timeframe may be one month, whereas prospect-to-proposal may be three months. But, the proposal-to-decision phase may be quite extensive (several months or years) because, if the customer does not see an urgent need for the solution, and/or a positive ROI for the solution has not been calculated and clearly demonstrated, the proposal may never close and the opportunity is thereby lost to customer 'no-decision'. Since the worst waste of time for a salesperson is working on an opportunity that never really existed or went away, it would normally not be cost effective to approach the market this way.

In contrast, in Business Value Selling, the pre-qualification phase may be significantly longer than tactical selling. For instance, suspect-to-prospect could be 6 months, and prospect to win might be 2 months with the probability of customer 'no-decision' being significantly reduced.

*Potential measurements*

Consider the shape of your sales funnel. In traditional 'product selling', the funnel will have a suspect / prospect / win ratio of, say, 10:4:1, while in a Business Value Selling organization it will be 10:3:2.

Also, measure % of business that is uncovered and negotiated vs. % of business bid on RFP's

*Example: Medium sized total communications integrator. This client embarked upon the transition to a Business Value Selling organization and changed the role of the telephone-based, internal sales people. While their cold calling had previously focused on finding qualified projects, they now call at higher levels in their target accounts, searching for acknowledgement of potential business issues which can be addressed with their solutions portfolio. 'Qualification' at this stage involves mapping the suspect profile against a company designed 'best-fit' profile involving size, business state, vertical market, competitors present, management style, possibility outline and others.*

## 2. Multi-level Selling

Product selling is characterized by selling specific offerings which are well understood - maybe even perceived as commodity items - to medium and low levels within the customer's organizational ranks.



A true Business Value Selling approach means calling at all levels in an account, from CXO to technical specialist. Calling early and at the executive level has several key advantages - it: (1) helps differentiate the seller, (2) helps identify the customer's Business Change Imperatives, (3) can help uncover confidential projects/strategic initiatives, (4) can identify the business performance metrics that the executive decision makers are measured on, (5) establishes if there is a strategic fit between the BCI's and the seller's offerings, and

(6) because CXO's control budgets, they can divert moneys from one opportunity to another, especially when they can see a positive ROI on a business solution.

The different levels are met at different times in the sales process and, clearly, those discussions focus on different aspects appropriate to that organizational rank. Senior executive-level individuals are approached at very early stages to understand their business issues and generate possibilities, and again at very late stages during the final closing phase. Mid-level management will potentially be involved in early scouting for possibilities and remain involved throughout. Lower level specialists will only be engaged during the tactical selling / evaluation phases, where they will consider the technical, usage, and procurement aspects, making recommendations to others.

*Potential measurements*

In addition to measuring the total number of meetings for your sales team, analyze the number of meetings being had at the Executive Level (typically EVP and CXO), Management Level (typically Director and VP) as well as Specialist. Typically we would expect to see at least 15% of meetings at the Executive Level, and 35% at the Management Level.

*Example: Significant global communications equipment vendor. This client embarked upon a campaign to develop higher level relationships into target accounts and organized a battery of activities including breakfast / dinner informal 'roundtables' for executives, and a formal Executive Sponsorship Program which paired their own senior level executives with their functional equivalents in their target accounts.*

**3. Business Oriented Conversations**

Top executives are compensated to maximize stockholder wealth, something they accomplish by growing the top and bottom lines while scrutinizing all investments in the business. When approached by a potential business partner (or vendor), executives seek to know the following about the solution being proposed:

- will it grow sales and profits?
- will it reduce costs dramatically?
- will it gain me a competitive advantage?
- will it minimize my downside risk?



*Improving business results is the prevalent theme!*

Busy customer executives may not know, or care to learn, the seller's industry acronyms and technical language thus, to make an impact with this audience, it is more important to know their business model and the terminology common to their industry and business. With sales, profits, total cost of ownership and risk-mitigation being the conversation topics executives really care about, vendor / partners that can address those concerns in effective business parlance will differentiate themselves, gain access to the executive suite, speed-up executive decisions to move forward on proposals, and develop stronger C-level relationships.

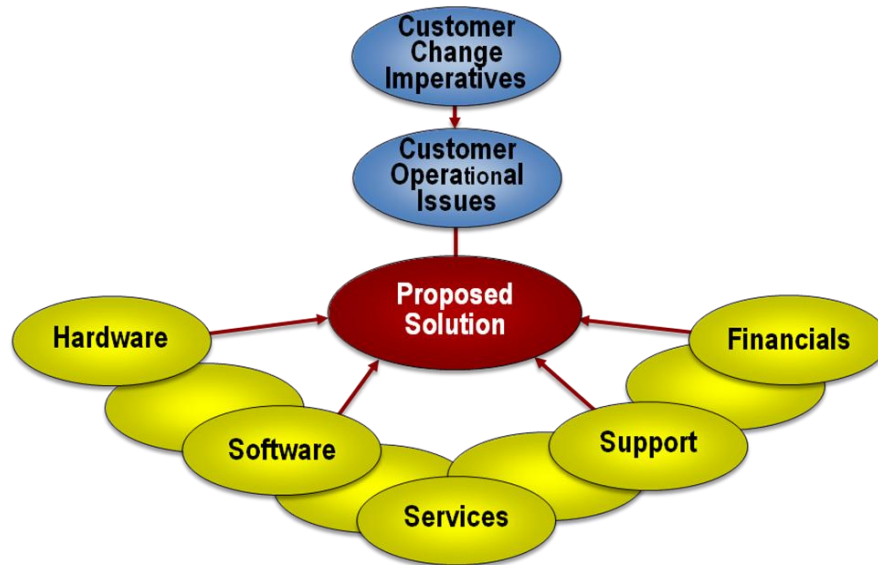
*Potential measurements*

In addition to tracking the number of sales team interactions with customer executives, monitor the ability of frontline sales people and managers to launch into meaningful conversations with executives around: their business, span of control and reporting structure, how their performance is measured, strategies / tactics to sustain and grow the company and stave off competition, improve cash flow, eliminate impediments to sales and sales effectiveness, other projects competing for funding, and the ROI's they are aiming to achieve in their business investments.

*Example: The world's largest provider of commercial office furniture experienced dramatic overcapacity in their industry, product commoditization and the attendant margin erosion. The company refocused its strategic vision, developed a sales conversation targeting customer executives and empowered their frontline sales force to hold executive conversations around how the use of furniture and workspace design can positively impact worker collaboration, speed-to-market, and their customer's business results.*

#### 4. Bundling

Business Value Selling differs from 'Product Selling' in that the starting point is the customer issue, rather than the offering itself. In this context, then, a business solution is an offering normally made up of a number of discrete components which are required, bundled, and proposed as a solution to a specific set of business issues or challenges that a potential customer is experiencing.



Using this definition, a Business Value Selling approach could include sales of 'products' but, typically, the solution would be made up of different items of hardware, software, services, support and financing, which may be 'standard' and/or 'customized components'. Interestingly, and this is a new departure for some organizations, several of these components may come from external third parties requiring effective partnering with them (refer to section on Partnering).

There are several advantages to bundling not the least of which are one-stop solutions that lock competitors out of the account, the 'elegance' of a more comprehensive solution to a customer's business problem commanding a higher price tag, bigger deals at better margins, and greater customer "stickiness" (in other words, holistic, comprehensive solutions make it more difficult for the customer to cancel contracts and go with a competitor).

##### *Potential measurements*

Average deal size and gross margin % trends.

*Example: Large manufacturer of computer hardware transforms their business model and becomes a leading systems integrator, resulting in tremendous growth, increased profitability and business sustainability.*

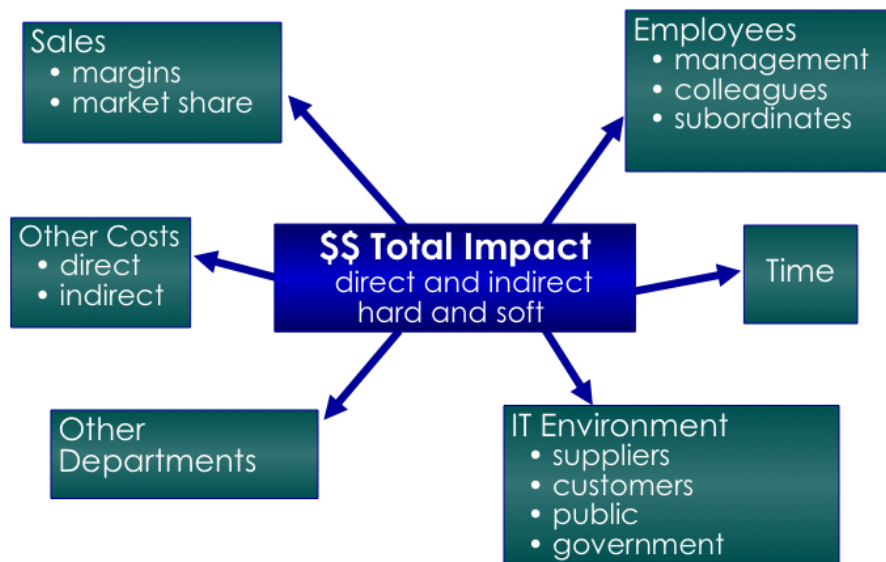
#### 5. Understanding the Value of Offerings

***Value that is not quantified and well understood cannot be priced, marketed or sold!***

As products become highly commoditized in a global economy, sales organizations often fight competitors vigorously on price while lacking a keen understanding of the value that their offerings bring to customers. The true value that an offering brings to a customer can only be measured and

sold based on the positive impact that the offering will have on the customer's bottom line. For instance, if a product lists for, say, \$100.00 but can resolve a \$200.00 problem for a customer, selling it at list price will still net the customer a very significant 200% ROI (*ROI analysis is being oversimplified here for illustrative purposes only; more on this can be found in Section 10 of this briefing paper, under 'Financial Tools to Empower a Different Conversation and Approach*). In a commoditized, price-competitive sector - and which one is not in today's global economy - the temptation is to try to win the business on price (as a differentiator) by offering the customer a 20% discount. The resulting \$20.00 loss in gross margin on that deal can be considered an "ignorance tax" – the tax the seller is paying for not fully understanding the magnitude of the impact that the solution will have on the customer's business.

There are two potential root causes for this very typical problem: (1) the Marketing organization may be setting prices by surveying the competitive landscape but without an in-depth analysis of the impact that the offering can have on a typical customer's business results; and (2) the Sales organization is not engaging the customer in in-depth discovery questions to ascertain the financial magnitude of a customer's business problem and/or challenges. It is of paramount importance to note that in a Business Value Selling organization, pricing is not established without a full understanding of the financial benefits that a solution brings to the customer and this can only be determined by exploring and quantifying the ramifications of the potential solution on all operational aspects of the customer's business, as diagrammed below.



*Potential measurements*

Monitor how often discounts are given on a price quote without first performing a cost-benefit analysis for the customer on the proposed solution.

Track how much is being invested on an annual basis to elevate the business acumen of the sales force as well as the ability of sales management and front line salespeople to effectively engage in business value conversations.

*Example: A leading manufacturer of sophisticated, movable walls marketed a product that was three-times more expensive per lineal foot than standard drywall construction. However, following a Business Value Selling approach, and conducting cost-benefit analyses for the customer, in many situations the company was able to justify the cost differential for the more sophisticated architectural solution and win the business against much lower cost bids for standard construction.*

## 6. Team Selling

Business Value Selling is not an endeavor for the 'lone-wolf sales person', because, rather than selling discrete products, very often a comprehensive business solution is proposed and these solutions will involve developing, configuring and crafting offerings with many different components, possibly even including the financing, all of which will need expert inputs and representation.

In addition, the need for multi level selling means that the Business Value Seller needs to be an orchestrator of different people, with different skills and levels of seniority, interfacing into the account. We call this role the 'Virtual Team Leader', as the sales person needs to lead this team effectively, usually with no 'management' authority. The ability to effectively team-lead is essential to ensure that the sales campaign is coordinated, effective and efficient (avoiding the need for multi-legged calls)!

### *Potential measurements*

Some organizations track the effectiveness of team selling directly but this is difficult to measure unless the teams are totally self-contained and pursue each opportunity as a unit. Since this is not always the practice in many sales organizations, team-selling behavior is best considered as part of the total Selling Expense metric, together with measures for multi level selling.

*Example: Independent business unit of a significant global IT services provider. In addition to developing Business Value Selling skills for the entire selling force, all members of the account team were trained in 'Virtual Team Working'. In addition, the organization developed 'Virtual Management' skills for all Account leads. The training and development of these people across the global organization was funded by the particular business unit who tracked and reported: (1) increases in the effectiveness of account teams, (2) improved customer satisfaction, and (3) the number of new opportunities identified and developed within the first six months.*

## 7. Business Planning

The proactive nature of Business Value Selling requires effective planning at all junctures allowing the sales team to focus on the "want-to-win", "must-win" opportunities and to ensure the effective use of available resources in a Team Selling and Partnering environment. Planning, however, need not, and should not, become a tedious, paper-intensive process, which busy, "paperwork adverse" salespeople will try to avoid at all costs.

### **Opportunity Planning**

During the 1990's and early 2000's, there were many sales opportunities to bid for and rigorous qualification and planning methodologies were necessary to ensure that salespeople invested time and resources in opportunities that they could, and wanted, to win. To provide better focus to winnable opportunities and, thus, improve sales effectiveness, many organizations invested in Opportunity Planning and Opportunity Management methodologies. But, because of market conditions at that time, most of those planning activities were 'reactive' in that they were applied to projects that were well defined from a technical standpoint, generally to the point of 'Statement of Requirements' or equivalent. Rarely was the salesperson involved in the earlier stages of the Purchase Decision Cycle or helping shape the technical definition of the solution.

As mentioned in the previous sections of this Briefing Paper, through multi-level selling, earlier engagement and business oriented conversations, Business Value Selling organizations take a proactive approach and often help create opportunities. Therefore, Opportunity Planning takes on a more strategic focus. *ProAct* offers *MAP2* and *MAP2.Q* as easy-to-use support tools for

Opportunity Planning; these forms are available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com).

### ***Account Planning***

In order to engage in the earlier parts of the Purchase Decision Cycle and become a Business Value Selling organization, proactive Account Planning needs to be implemented. We distinguish between the implementation of an Account Planning methodology - a 'Strategic Thinking Process' designed to support the account team and make them more effective - and the implementation of an Account Plan 'template', which is seen as a form filling exercise and just another overhead by the account team.

Business Value Selling organizations recognize that Account Planning is a proactive endeavor designed to change the way in which they sell to large accounts; it is not simply a repository for current account information. Effective Account Planning involves: (1) a careful analysis of the relationship with an account, and where the seller can add significant value to the customer's bottom line today and in the foreseeable future, (2) a clear and agreed vision of what the s/he wants to accomplish in the account, and (3) a detailed plan of how to get there. This, then, becomes the Account Plan - a roadmap to help the seller 'Win the War' and 'Win the Peace'.

The Account Plan is, subsequently, executed as a team. Along the way, the sales team will fight many 'Battles' where Opportunity Planning and Opportunity Management methodologies come into play. Opportunity Planning and Account Planning methodologies, therefore, are parts of an integrated whole, requiring constant monitoring and review. To assist clients with Account Planning, *ProAct* offers *MAP3* and *MAP3.Q* as comprehensive, but easy-to-use, support tools; these forms are available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com).

### ***Portfolio Planning***

In a Business Value Selling organization, Sales Management will be using the concept of Portfolio Planning to proactively manage, at a macro level, the portfolio of accounts available to the sales team. The objective of effective Portfolio Planning is to ensure that a Sales Manager has the optimal set of accounts, with the optimal level of resources engaged in the optimal manner, to meet overall business goals. To assist clients with Territory Planning, *ProAct* offers the *MAP4* support tool available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com).

#### *Potential measurements*

The implementation of an integrated Portfolio / Account / Opportunity Planning Methodology that is driven successfully by sales management and account teams to proactively change the way in which they conduct business with their major accounts. The support of line executive management is crucial.

Indicators here include the number of Account Plans completed as well as the frequency of regular Account Plan reviews completed by senior management, using the Account Plans as inputs to the resource planning / allocation process as well as an integral part of bid review processes.

Tracking planning performance measures is crucial to ensure an adequate return is achieved on the time and money invested implementing a planning system as well as developing the Account Plans themselves. Particular measures include: (1) accurate visibility of Possibilities, (2) the number and currency value of proactively generated projects and deals won with support from Account Plans, and (3) % forecast accuracy.

*Example: A global IT consulting organization re-engineered account allocations based upon the desired profile of relationship (using the ProAct Account Segmentation Matrix), implementing Account Planning, and rigorous Opportunity Management. The result was a major change in the shape of the future business pipeline, and a dramatic increase in long range forecast accuracy.*

## **8. Partnering**

Business Value Selling organizations engage at the 'Business Change Imperative' stage, where the customer has identified a business problem or opportunity that they want to address, but have not yet determined the business solution. The Business Value seller's role is to help shape the customer's thinking in determining the business solution and then jointly develop the operational specification and technical solution.

As organizations transition to Business Value Selling, effective partnering with other entities becomes a key component of the sales activity. The need to effectively partner is driven by the need to address more complex customer issues and requirements for things like, hardware, software, managed services, financing, and others, combined into a 'Complete Solution'. This 'Complete Solution' will often involve third party products and services. Business Value Selling organizations must work cooperatively with these suppliers to be able to provide the customer's complete solution.

There are a myriad of relationships possible including the simple reseller model, joint bidding, and prime contracting. In any case, the role of 'Virtual Team Leader' highlighted earlier includes the role of managing these third party relationships in relation to the specific engagement.

### *Potential measurements*

- Percentage of business where partnering applies (defined as a significant joint sales effort)
- Win ratios in partnered bids versus traditional, one-supplier only business
- Percentage of the customer spend (bid or account) that the partnership team bid

*Example: A major vendor of voice and data communications hardware, having enjoyed only moderate success with a traditional channel model within a strategically important division, embarked upon a strategy of focused partnering with major systems integrators. Initial engagements were focused on particular bids, leading to joint business planning into selected vertical markets. Success was realized within a short period of time measured in terms of increased win ratios, revenue growth and reported levels of customer satisfaction.*

## **9. Commission Plans**

Business Value Selling organizations use commission plans to proactively drive the change in sales behavior and results that are desired. They will typically be gross margin based and strongly reward the sales of the key solution offerings. Often, the development of an organization's commission plan can lag the fast changing goals of the business. In such situations, it will generally be the commission plan, not the business goals, driving sales behavior.

In large organizations, with complex solution offerings, there is often more than one sales person who may be rewarded for a particular sale. For example, 'Specialist' or 'Overlay' sales people responsible for certain specific solutions or solution areas are common in the technology sector. It is crucial that the commission plan drives the desired behavior of sales people, both individually and, collectively, as an account team. In these cases, it will often be necessary to pay commission to a number of different people for the same piece of business. Business Value Selling

organizations realize that this is a necessity and they pay particular attention not only to the design of the commission scheme, but also to the targeting.

Commission plans can be a very effective tool in driving the process of cross selling but, all too frequently, they can also be an inhibitor. An audit of the commission architecture should concentrate on examining potential complex solutions scenarios to identify inhibitors and motivators.

*Potential measurements*

Sales force retention and satisfaction with the commission plan are good measures. Another key measure is % attainment of sales targets on strategic products and/or new market launches to ensure that the commission plan is not impairing the required sales behavior for those offerings.

*Example: A large Network Integrator overseas, with a key business objective of increasing sales of Managed Services, used the commission plan very successfully to change the behavior of the sales people. Qualifying sales are paid at a higher commission rate, double counting of revenues is controlled against a dynamic, double targeting model and the organization gives an attractive bonus for selling a service over a particular value threshold. This has generated a huge recognition value and competitive spirit within the sales teams, and helped drive the change in business profile that was desired.*

## **10. Sales Aids and Tools**

Effective Business Value Selling organizations require effective sales aids. These include both traditional sales support materials as well as financial analysis tools that help quantify the value of the offers being proposed and, thus, help close the sale by cost justifying the solution for the customer. It is important to note that more and more customers are incorporating into their RFP's a requirement that the seller assist in creating the business case for their solution, and especially so for IT/IS offers.

### **Selling Tools**

As the Business Value Seller engages earlier in the Purchase Decision Cycle, s/he will need strong 'proof-points' to support the sales activity at multiple levels within the customer's organization. This will crucially include:

- Strong customer references of where they have provided similar solutions before, preferably by market sector
- Detailed Case Studies (including detailed ROI's) assessing the real business impact of various solutions on the customer Business Change Imperatives and their Operational Resistors and Accelerators
- Sales & Marketing collateral that is tailored to the three distinct levels in an organization: Executive, Operational and Specialist

### **Financial Tools to Empower a Different Conversation and Approach**

Such tools would include the types bulleted below and they can be designed to be simple or complex, high-level or in-depth, and for use by the Account Executive, a Technical Overlay, or a Financial Subject Matter Expert (SME), possibly an in-house Leasing Specialist. One very important characteristic common to all of these tools is that they can be effectively employed at several stages of the sales process – referring back to the Purchase Decision Cycle: to create possibilities in the Strategic Selling quadrant, to create demand for a solution in the Solution Selling quadrant, and to help close the sale during Tactical Selling.

Financial tools can be categorized as follows:

- **Profitability Analysis Tools:** these help the seller or support person analyze the profitability, cost structure, and/or business results of a target account. This type of tool, and the resulting analysis, can be very helpful in several ways:
  - ✓ helps the seller generate insightful questions, prior to the sales call, surrounding the customer's business issues
  - ✓ can help identify specific problem areas and/or trends of the business that the salesperson could impact with his/her solutions
  - ✓ the ensuing conversations differentiate the Business Value salesperson from competitors and are more conducive to executive-level engagement
- **Return on Investment (ROI) Calculators:** analyze and illustrate for the customer the positive return on investment they can expect on the offer they are being sold. The ROI will be a key component of the business case that helps sell the proposed solution because, among other things, **they help steer the purchase decision away from purely initial price!**

The ROI analysis conducted by the Business Value Selling organization must be thorough enough to be credible and, for any large sale, must pass the scrutiny of a CFO who, undoubtedly, will be one of the decision-makers in any significant purchase/investment. To that end, the payback computed must factor-in the time-value of money and the analysis cannot overlook significant variables that could adversely affect ROI results. It is also highly desirable that ROI calculations involve customer participation as well as customer-provided inputs to ensure customer's buy-in of the results.

A final word on ROI – the Business Value Selling person need not become an expert financial analyst; however, they will need some familiarity with business and financial terminology, such as cash flow, Internal Rate of Return and Net Present Value, to speak effectively to the financial outputs of an ROI analysis.

- **Total Cost of Ownership (TCO) Analysis:** a recent Internet search on the key word "TCO" produced 39 million "hits" – that's how prevalent the concept of TCO has become.

The difference between ROI and TCO is that Total Cost of Ownership looks at all of the costs - hard and soft, direct and indirect costs - associated with acquiring, implementing and operating an asset over a specified period of time (usually five years, or the life of the asset or contract). A thorough TCO analysis can take a bit of time to complete, especially if the customer has little data to provide on its cost of operations, but a TCO analysis can be very helpful in the sale of vended or outsourced services because, when done accurately, they allow for a true comparison between the total costs of outsourcing a service versus performing the same service in-house. In comparing in-house vs. outsourced services costs, it is particularly useful to employ third-party provided benchmarks (or industry averages), rather than the seller's own data, to add objectivity and credibility to the analysis. TCO analyses (or ROI analyses for that matter) conducted with the vendor's own data are easily regarded by customers as a marketing ploy and "TCO-light" tools that generate over-simplistic analyses are easily dismissed as a "marketing toy". But, well-constructed TCO Tools capable of producing in-depth TCO analyses can open a new realm of opportunities for the Business Value Selling organization.

TCO analyses can be just as useful in determining the lifetime cost differential between acquiring one asset vs. another and, just like ROI-based business cases, **they, too, help steer the purchase decision away from purely initial price!**

An added benefit of ROI and TCO Tools is that they can help the Marketing organization validate/calibrate the pricing on new products. All of the other perspectives and recommendations mentioned above for ROI analyses, apply to TCO as well.

- **Lease vs. Buy Tools:** are used frequently by hardware or industrial equipment suppliers to assist the financing decisions of potential customers. As mentioned in *Section 4 – Bundling*, financing can be a component of the holistic solution offered to customers and can be a differentiator, especially when suppliers have their own captive-finance subsidiaries. These tools can be used by a savvy Account Executive but normally are the province of the Leasing SME
- **Access to Annual Reports:** required to obtain business information on target accounts

Examples of Tools that empower a different conversation or approach:

To help clients perform a high-level business analysis on existing or target accounts, *ProAct* offers the *Profitability Analysis Tool* available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com). Following is a sample output:

<b>Profitability Trend Tool</b> <b>Financial Analysis for Target Company</b> <small>(please input customer financial information in corresponding yellow highlighted fields only)</small>			
	Most Recent 12 Months Results	Previous 12 Months Results	12 Months Results 2-years Prior
<b>Inputs</b> (enter values in yellow highlighted fields only)			
<b>Total Sales</b> (from the P&L)	\$ 1,516	\$ 1,338	\$ 1,222
<b>Gross Profit</b> (from the P&L)	\$ 531	\$ 488	\$ 455
<b>Selling, General &amp; Administrative Expenses</b> (from the P&L)	\$ 378	\$ 354	\$ 330
<b>Profits (Earnings or Income) Before Tax</b> (from the P&L)	\$ 153	\$ 134	\$ 125
<b>Total Assets</b> (from the Balance Sheet)	\$ 1,020	\$ 915	\$ 820
<b>Stockholder's (Owner's) Equity</b> (from the Balance Sheet)	\$ 430	\$ 370	\$ 310
<b>Profitability Ratios</b>			
<b>GM%</b> <small>(Gross Margin as a % of Sales)</small>	35.0%	36.5%	37.2%
<b>SGA%</b> <small>(Selling, General &amp; Administrative as a % of Sales)</small>	24.9%	26.5%	27.0%
<b>EBT%</b> <small>(Earnings Before Tax as a % of Sales)</small>	10.1%	10.0%	10.2%
<b>ROA</b> <small>(Return on Assets)</small>	15.0%	14.7%	15.2%
<b>ROE</b> <small>(Return on Stockholders Equity)</small>	35.5%	36.3%	40.2%
<b>DEBT to EQUITY RATIO</b>	1.4 : 1	1.5 : 1	1.6 : 1

**Notes:**  
All fields not highlighted in yellow are locked  
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To help clients compute the ROI for a proposed solution, *ProAct* offers the 3-Year ROI/Net Present Value Tool available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com). The following is a sample output of that tool:

<b>ProAct Simplified 3-Year ROI / Net Present Value Calculation Tool</b>				
(please input customer, or your cost analysis results, information in corresponding yellow highlighted fields only)				
INPUTS:	Now	Annualized Savings		
		1 Year from Now	2 Years from Now	3 Years from Now
Customer's Weighted Average Cost of Capital ( default is 10% )	10%			
Initial and/or on-going investment costs (if any)	\$ 150,000	\$ 30,000	\$ 40,000	\$ 50,000
Net IT Savings (annual costs based on Current Mode of Operation less Proposed Offer)		\$ 248,013	\$ 339,975	\$ 429,114
Other Potential Savings from Increased Worker Productivity, Sales, etc.		\$ 46,000	\$ 54,000	\$ 68,000
Net Annual Cashflow \$	\$(150,000)	\$ 264,013	\$ 353,975	\$ 447,114
<b>NPV (Net Present Value):</b>		<b>\$ 90,012</b>	<b>\$ 382,553</b>	<b>\$ 718,477</b>
<b>IRR (Internal Rate of Return) - ROI factoring the Time Value of Money</b>		<b>76%</b>	<b>165%</b>	<b>192%</b>
<b>Notes:</b>				
All fields not highlighted in yellow are locked				
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TCO Tools are highly customized and must be designed to support specific offerings or product applications. There are no generic TCO Tools but, for illustrative purposes, this is what a sample output might look like:

Total Cost of Ownership over 5 Years	Current Operation	Outsourced	Savings / Benefit	Savings / Benefit %
Hardware / Software / Maint	\$1,680,232	\$6,818,756	(\$5,138,524)	-305.8%
Setup, Install Labor, Fees	\$100,287	\$1,376,786	(\$1,276,499)	-1272.8%
Managed Services / VoIP Calling PI	\$0	\$14,062,500	(\$14,062,500)	0.0%
Supporting IT / Telecom Staff	\$20,259,511	\$2,405,747	\$17,853,764	88.1%
Moves & Changes (MACs )	\$956,272	\$0	\$956,272	100.0%
Transport / Line Costs	\$9,975,423	\$4,105,491	\$5,869,932	58.8%
Calling Charges: Fixed & Usage	\$5,707,412	\$3,481,523	\$2,225,889	39.0%
Employee Reimbursement	\$0	\$0	\$0	0.0%
Training	\$25,017	\$687,678	(\$662,661)	-2648.8%
Downtime / Availability	\$1,001,676	\$33,175	\$968,501	96.7%
<b>Total</b>	<b>\$39,705,830</b>	<b>\$32,971,656</b>	<b>\$6,734,174</b>	<b>17.0%</b>

*Potential measurements*

An audit of selling tools will typically involve a matrix of materials applicable to specific vertical sectors, by the main levels of audience (Executive, Operational Management and Specialist).

Track the percent of deals lost to customer “no-decision”.

Identify the number and usefulness of other tools available to assist the salesperson analyze a target or existing customer’s business, as well as quantify the value, ROI or TCO on a wide spectrum of offers, especially on new, strategic products.

Measure how much is being invested on an annual basis in ROI/TCO Tool development as well as in the ability of sales management and front line salespeople to effectively deliver the financial outputs of those models.

Track the frequency that an ROI, TCO or cost-benefit analysis is completed before sales management grants additional discounts.

Monitor the times that ROI and TCO Tools helped the Marketing organization validate/calibrate the target pricing on new products.

*Example: A global telecom provider developed a TCO tool and simple structure to support the sale of a new strategic offer. The total TCO program cost the company less than US \$400K to develop and implement and yielded incremental closed sales of \$26 million in under 10-months.*

### **11. Enabling Infrastructure**

A particular issue for organizations moving to a Business Value Selling approach is that infrastructure tools will often lag behind the change in business behaviors, acting as an anchor on transformations. A successful Business Value Selling organization will, as a minimum, have reviewed all infrastructure tools to eliminate or change processes, procedures, systems and tools that inhibit the change. Typical operational infrastructure areas to address include:

- Customer records - the need to differentiate individuals, according to their position and profile in the buying process, is paramount
- Forecasting processes (especially processes which include burdensome specific product forecasting)
- Qualification tools (often tuned to single product opportunities)
- Review meetings
- Bid Review processes (where sales and delivery risk management need to be scrutinized)
- Availability of easy-to-use design, pricing and quoting tools
- Web-based product information in the company intranet that is hard to access
- Sales guides that are convoluted, difficult to follow, and/or hard to read
- Order entry systems that do not encumber the salesperson and detract from customer-facing activities

An audit of the sales infrastructure should be carried out at when the Business Value Selling transformation process is launched and a corrective action plan needs to be created to resolve inefficiencies and breakdowns. The corrective action plan should also be monitored on an on-going basis to ensure quick progress is being made in resolving sales-impairing issues and barriers. The infrastructure should also be re-evaluated periodically, specially as new products or products sourced from partners impinge on the sales infrastructure over time.

#### *Potential measurements*

Percent completion on the activities in the corrective action plan.

*Example: As a leading provider of commercial office furniture expanded into the architectural components business, a thorough review of the solution design, quoting and order-entry process was conducted both for its own internal processes as well as for its solution provider/dealers. New design and quoting tools were developed and implemented to support the launch of a new US \$200 million product line.*

### **12. Consistent Sales Manager Coaching and Reinforcement of Business Value Selling Behaviors**

In a traditional product-selling environment, the role of Sales Manager will focus heavily on planning and control of the revenue generation process. In a successful Business Value Selling model, because the sales team is intimately involved in the customer's business, the role of Sales Manager needs to evolve to being considerably more of a coach to sales people and as a resource in Executive relationship development.

It can be argued that the first line Sales Manager is the key change agent within the selling force. Training, executive communication, tools and other reinforcers will have little impact unless Sales Management both enthusiastically champions the transformations required and, through their daily behavior, expressly reinforces the practices of Business Value Selling.

*Potential measures*

Behavior of sales managers cannot be easily measured. However, some good indicators include:

- the number of accompanied and unaccompanied customer visits, in addition to 360-degree feedback concentrating on a coaching rather than directive style of management.
- how much is being invested on an annual basis to elevate the business acumen of sales management and their ability to effectively engage in business value conversations.
- track the frequency that an ROI, TCO or cost-benefit analysis is required before sales management grants additional discounts.

*Example: A major global PC manufacturer attempted many initiatives to transform the selling operation away from 'box shifting' to Business Value Selling in the enterprise market. The initiatives were only moderately successful until first line Sales Management were included in the change process, with Executive Management briefings, heavy involvement in sales training activities, and personal development in management style and coaching skills.*

## **Successful Business Value Selling Sales Person Characteristics**

The 'Successful Business Value Selling' salesperson needs many of the same attributes as a 'Product Selling' salesperson, such as drive, enthusiasm, honesty, inter-personal acceptability, effective communication skills, etc. There are several additional characteristics, however, which must be developed or enhanced for the sales person to perform successfully in a Business Value Selling manner. These skills and characteristics include:

- Effective questioning
- Listening skills
- Business acumen, understanding basic financial terminology, with the ability to read an annual report and, with the aid of simple tools, perform broad-brush profitability and trend analyses of the business results of a customer or target account
- A deep understanding of the customer's business issues and processes, especially the issues common to a vertical market
- Political awareness
- Style adaptability
- Being a 'Team Player'
- Leadership skills 'Orchestrator' or Virtual Team Leader
- Having longer term vision building skills

## Conclusions

The characteristics highlighted in this Briefing Paper must be viewed as a 'blended whole', rather than taken in isolation. Measuring these characteristics over time will allow a sales organization to evaluate the progress they have made in transforming from product selling toward Business Value Selling, and also ascertain the areas where further change is required.



*ProAct* Business Development specializes in the transformation of sales organizations into Business Value Selling. Many tools and aids are available for free download from the Client Resources link at [www.proactbd.com](http://www.proactbd.com).

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### *In Europe:*

*ProAct* Business Development Europe  
Bournemouth Enterprise Centre  
Ferndown  
Dorset BH24 2BQ UK  
Tel: +44 (0) 1425 485180

<http://www.proactbd.com>  
[info@proactbd.com](mailto:info@proactbd.com)

### *In USA:*

*ProAct* Business Development, USA  
3308 Preston Road  
Suite 350 – 289  
Plano TX 75093 USA  
Tel: +1 866-357-4468

<http://www.proactbd.com>  
[info@proactbd.com](mailto:info@proactbd.com)