about people
inside the mind of business

Sales & Marketing Strategic Perspectives

This document contains two AboutPeople articles: 1) *Are you really customer-focused or just pretending?* and 2) *How are you creating value for your customers?* These articles are part of a longer series called *Changing Perspectives*, designed to help organizations recreate themselves to better attract, engage and serve their customers.

Are you really customer-focused or just pretending?

It's much easier to claim that you're customer-focused than to actually demonstrate it in your day-to-day activities. In fact, most companies can't even identify what these behaviors look like, much less consistently demonstrate them.

If you want a quick way to determine where you fall in the seller-focused versus customer-focused continuum, look at what you pay attention to, and in particular what you measure and reward.

For example, is your focus all about the numbers – sales volume, profitability, earnings or share price? Or is it all about efficiency – production costs, price per widget, productivity, leanness? If the answer to either of these questions is yes, then you are probably seller-focused, not customer-focused. I'm not suggesting that you stop paying attention to profitability and operational efficiency. Those are vital to maintaining your business. I am saying that those things are no longer enough. Such data is important – but only to you, not the customer.

- Operational efficiency is important. But, customers don't care how efficient your operations are; they only care about the end result - how well it produces the outcomes they want.

- Quality is obviously important, but not the quality of the production process. What's important is the quality of the end result. And, that quality can only be defined by the customer, not by you.

- Price matters to customers, but it's not price per se, but value-for-money and cost to own or use that matters to the customer.

Change your focus or become a dinosaur

The seller-focused approach is an obsolete remnant from the Industrial Age, and the post-WWII production frenzy. Both were times of mass markets when the customer had limited options and no control. But, that model has already changed. Slowly over the years, power began shifting from the corporation to the customer, as more choices became available. But, in the past two years (with the birth of social media) we've seen a radical change. Power and control have been seized by consumers.

This fact is evident in the vast universe of consumer written product reviews and consumer blogs. The buying public now relies on those sources for information, rather than the one-way sales pitches delivered by the companies. Strangely, many companies have yet to realize this change. In order to capitalize on this new dynamic, companies must shift their focus!

The Risk. Continue to focus internally on production and profitability and you risk finding yourself doing a really good job producing something customers don't want. You'll have great profit margins for a product that no longer sells.

Conversely, when you shift your focus to understand customers and involve them in the design, development and marketing of products, you'll be better positioned to meet current and future needs. When you proactively measure your ability to deliver what your customers want, you'll be well on your way to becoming truly customer-focused.

What does the customer care about?

Research by Redline Advisors indicates that customers consistently look for four or five specific types of attributes in virtually all products, whether tangible or intangible:

- Ease of use
- Timeliness
- Certainty (consistency, accuracy, reliability, predictability, safety)
- Cost to own/use
- Variety/choice

In spite of that research, companies rarely measure their product attributes from a customer perspective. As a result, organizations are unable to proactively address customer wants and expectations. As those wants and expectations evolve and change, data-focused firms risk losing more and more of their market share. How willing are you to put that at risk?

Revisiting Rewards

In most companies, rewards are focused on production and volume. The more widgets you make at a cheaper price, the better. The more people you call on and the more widgets you sell the better. Again, there's nothing inherently wrong with this approach or these kinds of measures. It's simply that business has moved on and this type of measurement breeds and rewards goals that are no longer relevant.

Bringing it all together with the customer at the center

It is unrealistic to expect organizations to dramatically change overnight. That said, companies that don't begin to shift their focus place themselves at risk of quickly losing customers. People tend not to buy from firms that fail to solve their problems or meet their wants.

One simple way to adjust your direction is to begin adding customer-focused measures. Rather than give rewards based on short-term goals, reward sales people based on their network of key relationships, the value-add they provide the customer or their contributions to a customer information databank.

A second way is to begin to think and communicate in terms of outcomes rather than products . So rather than focus on what the product is, focus instead on what it does. As Peter Drucker said "Customers don't buy products, they buy results" or as we like to say – customers don't buy drills, they buy holes.

And, a third way is to refocus marketing so it is accountable for results. Borrow a page from direct response marketing and continually test to improve results. What drives results? Delivering to the target market a product that those people want, and communicating the benefits in a language that they are comfortable with. Give them choices and initiate a dialog with them.

Customers are constantly looking for better ways to achieve the outcomes they want. If you as the producer continue to concentrate on the process of making widgets, or the mass marketing of those widgets, rather than on delivering high value outcomes, your future success is clearly at risk.

As our friends at Redline Advisors remind us, "Do you think customers will be buying your lamp oil after some enterprising Edison invents the light bulb?"

*This article was inspired by work done by Dar Schwanbeck at Redline Advisors in Edmonton, Alberta, Canada. Please see www.redlineadvisors.com and his article *Seven Steps for Creating a Customer-Centered Culture.*

How are you creating value for your customers?

Are you really creating value for your customers, or merely *claiming* to? When we ask salespeople to say *exactly how* they add value, responses typically fall into one of three categories: 1) avoidance/no response; 2) A response based on a naïve (sometimes arrogant) belief that the product or service itself constitutes enough value; or 3) A description of pre-packed value as defined by someone in the corporate office with little or no understanding of real customers and their unique challenges. Suffice it to say, it's a whole lot easier to *claim* value than actually *create* it.

Whose value is it, anyway?

Part of the disconnect lies in who defines the value. If you believe that "you know best" and can decide what constitutes value for your customers, then you could be imposing your definition of value on them. And, unless you're a talented psychic, what you perceive as value and what your customer perceives as value are probably very different.

In the end, value is personal. It's a perception, like credibility and likeability. And it's not *your* perception that matters, the *customer's* perception of value is the ONLY one that matters.

Now, let's look close-up at a more effective way to define value and present it.

You can't add value to the customer until you truly understand your customer

Now, here's the next wrinkle - You can't add value unless, and until, you truly understand that customer. And we're not talking about basic demographics or sales information, we're talking about real knowledge of his/her business, industry, challenges and personal values and criteria.

Can you quantify how versed you are on these issues? Let me help. Answer the questions in the survey box on the next page to get a quick idea of where you stand.

(We'll pause while you take the survey).

If you realized after answering the questions that maybe you don't know as much as you thought about your customers, you're in good company. The fact is, few salespeople really understand their customers well enough to create meaningful value. This is true in all sales but especially in high-end B-to-B sales.

Here's what happens. Sellers often lose important sales because they lack credibility in the eyes of the buyer. And, the main reason they lack credibility is they simply do not understand their customer's business. Amazingly, those same sellers insist they are adding value.

It's a simple fact of psychology; prospects are not going to listen to you pontificate about how important you are to them, or what you can do for them, once they recognize you do not understand them or their business. And, there's no way to hide what you don't know.

As Barry Farber says in *State of the Art Selling*, "You cannot relate to a man in business without understanding his business. A man in the oil business wants you to understand the oil business, and what a drilling rig is, and what upstream and downstream means, and what crude and refined is, and what's OPEC and domestic, and who his competitors are, and his recent history – has it been good or bad and why. Too many salespeople don't know anything about business, let alone the client's business."

How Much Do You Know about Your Customers?

1. **About the Customer's Industry & Market**
   On a scale of 1-10, How would you rate your:
   a. Understanding of the customer's industry including history, structure, processes, and terminology (Can you credibly speak the language?)
   b. Knowledge of Industry trends and current events
   c. Understanding of and ability to help customers deal with market challenges

2. **About the Customer's Business Focus**
   Can you identify your customer's:
   a. Strategic focus/vision
   b. Strategic Business objectives
   c. Top 5 Challenges, Worries, Concerns, Fears
   d. Ideas for how best to deal with Challenges and Constraints

3. **About the Customer as a Buyer**
   Can you identify:
   a. Why they buy or consider your product or service
   b. What it "buys" them (the benefits in their terms)
   c. What they're using now, feelings about or problems with what they're using now
   d. How they see you (you personally, your company and your product/service)
   e. Their personal values, criteria and decision-making style and what you need to do to connect

Know Your Customers

The first step in becoming a true Value-Adder is to *Know your Customers*. Remember, value is a perception, the customer's perception. So don't assume you already know what's important to your customers, or how they define value. Don't assume that everyone's challenges and reasons for buying (or not buying) are the same. Don't assume that what worked for the previous person is going to work for the next one, or what worked for a customer last year is what will work for them next year.

Adding value is a dynamic, custom, customer-specific process. Important customers are not looking for pre-packaged value or one-size-fits-all solutions. They want a problem-solving partner who know their business and are able to create value on an ongoing basis.

The Process of getting to know your customer

The process of getting to know the customer may involve complex market research, or it may be as simple as engaging your customers in a meaningful conversation. Generally, it involves both. The bottom line – the more you know, the easier it will be, not only to engage them, but to make a real and sustainable difference for them.

Step 1: Do the research

Do the work. Start by doing some research on the market in general. Look for industry studies, reports, and articles that provide insight into your customers, their competitors and what's important to them. This may take some time and effort, but you will find that the return far outweighs the effort.

If you're in corporate sales, ask your marketing department what they have in the way of insight into your customers. Identify the key research sources for your industry. Do your own Google searches. Get and stay plugged into the *buzz*.

Step 2: Start a *meaningful* dialog

Most business professionals love to talk about their business. Unfortunately sellers fail at listening. Worse, they fail to engage customers. It's well documented that sellers cannot listen because they are too focused internally on what they're going to say next. A better approach is to make the effort to genuinely listen and understand people within a customer organization. Here's why.

When you get them to talk about their business, their goals and their frustrations, you'll find all the information you need to add actual value. So, before your next meeting, vow not to talk about yourself, or your product or service. Instead, ask some simple questions that will help you understand the customer's business model, how his world is changing, what is working and not working, and where you can help. That simple adjustment just might mean the difference between yes and no. It would certainly take you a giant step closer to providing real value to them.

Step 3: Ask the *RIGHT* questions

It's unlikely that you could create value without asking the *right* questions. You want to ask your customers the right questions to you can learn more about them and determine how you can best add value.

You also want to make sure you're asking yourself the right questions. True value-adding salespeople keep this question front-and-center in their minds, "Where can we have the greatest impact on the customer's business?" True Value Adders also inherently believe that they win by helping the other person win. It's easy for them to focus on the customer because they genuinely believe this is their path to success.

Your Personal *Value Add*

Research suggests that a big part of the value equation is you, the salesperson. You and I can sell the same product or service, and even work for the same company, but our solutions and ultimately our "value-add" will likely be very different. Each of us brings to the table different competencies, attitudes and behaviors.

In fact, every solution is really a three-dimensional solution: your product or service, your company, and you. According to the research, salespeople contribute at least one-third the value that customers receive. The company and product contribute the balance. To represent true value, all three must be world-class!

As you begin to create your value-add, keep this 3-dimensional model in mind. The tendency is to focus only on the product or service, overlooking the other two thirds of the equation. When you focus on all three, you triple the impact, thus greatly increasing your chances of writing new business and keeping that business for a long time.

The Payoff

The payoff for becoming a true value-adder is real and substantial. For starters it makes for an easier sale. Customers look forward to your visit. They already want to do business with you. They seek you out.

Another payoff from value creation is that you rarely ever have to worry about price. That is, so long as you keep the focus on the customer's definition of price. Tom Reilly, author of *Value Added Selling Techniques*, said, "If you define value in customer terms, they pay for it with a higher selling price. Conversely, if you define value in your terms, you pay for it with a bigger discount."

Stay Tuned. In Part II of this series we'll provide some exercises and more specific how-to for creating value for your customers. In the meantime, if you want to learn more or get a jump start, contact us today.

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