

# Growing the pie, and sharing it too: from Price to Value in B2B technical sales

■ Focus of this presentation

**Marketing & sales transformation** as part of a ~\$700M p.a. multi-year RTS transformation of a **leading global mining products and services provider (ClientCo)**. Strategic Marketing & Sales transformation has delivered ~50% of that impact through:

1. Segmenting major customers (“markets of one”) in terms of **propensity to invest in ClientCo’s technology to maximise value** from operations
2. Implementing **commercial best practices** (“the way we sell”) and embedding them in every large bid through commercial excellence engines deployed across the globe
3. **Changing the major account teams to engage customers on Transformative Value Sharing (TVS)** – an innovative approach to unlock hundreds of millions of impact for ClientCo’s customers
  - Selling solutions at value-based pricing – not products/services at cost plus margin pricing
  - Delivering transformative “only ClientCo can partner with us to deliver this” step-changes in customer’s production output, cost to operate and (most importantly) safety outcomes

# Growing bottom line through growing CLV: from price to value in B2B technical sales

## Growth



**\$300M impact/ year  
through cost  
reduction**



**\$700M impact/ year  
through gross profit  
increase**

## Actions



- Delivered **company-wide RTS program** to ensure profit uplift
- **Freed up cash to reinvest** in the long-term future of the business



- **Outlined new differentiated Customer Solutions** – end-to-end combinations of (largely commodity) products and services that solved specific and valuable customer problems
- **Created the know-how** to 1) unlock step-change improvements in customer performance, and 2) value this step-change and share a proportion of this value creation with the customer



- **Developed portfolio of value sharing tools** (value driver trees, customer benefit valuation models, commercial approaches, proposal templates etc.) to support account teams to implement this
- **Rolled out client globally** through a joint ClientCo and McKinsey SWAT team: performed commercial deep dives across globe to:
  - **Show by doing:** work on upcoming key bids together with the regional commercial teams
  - **Educate and coach:** ran client training and awareness for executives



# 3 messages: 1. Changing the client to do TVS is hard; 2. For our client, it is strategically critical; and 3. TVS can deliver major impact!

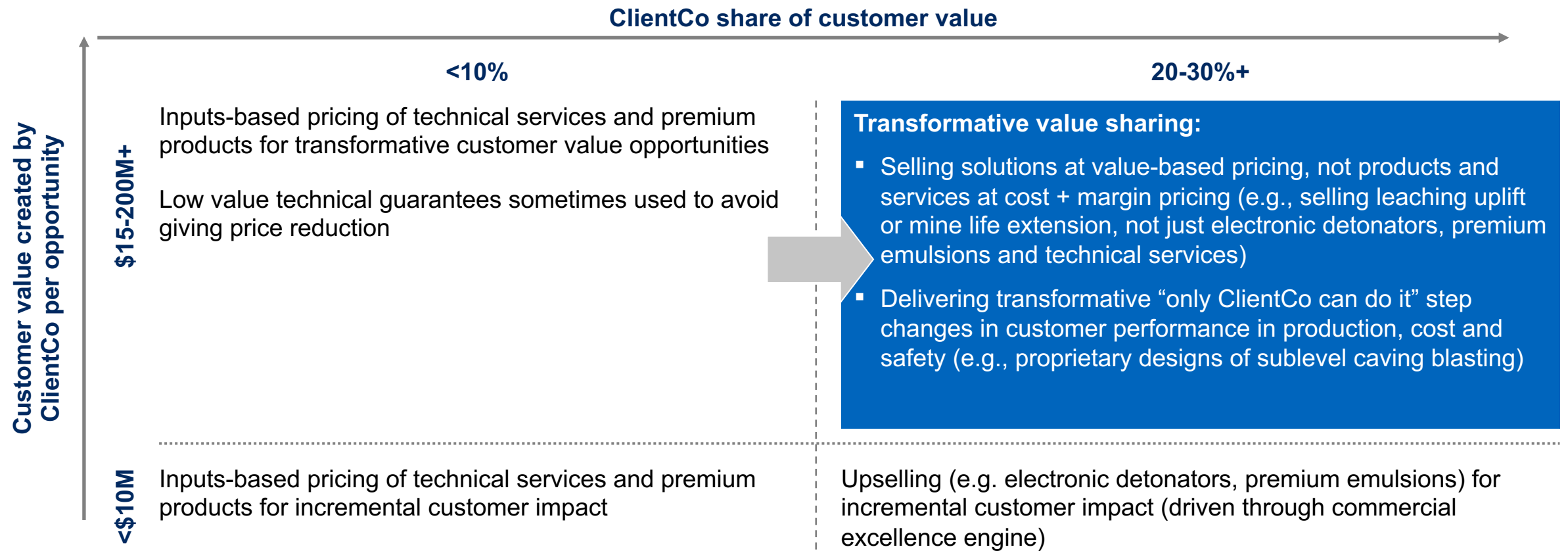
Client context	Approach	Impact
<ul style="list-style-type: none"> <li>Leading global mining products and services provider undergoing a broad RTS program</li> <li>Industry-leading technology and know-how supported by 9-figure annual R&amp;D budget but <b>no clear path to realize superior returns from this technological advantage</b></li> <li><b>Engineering-driven conservative culture focused on technical details more than commercial outcomes</b> (e.g., no individual sales incentives; aversion to articulate 80/20 quantification of customer value to customers)</li> <li>Leading market share in mature market under siege from lower cost competitors means <b>growth has to come from increasing Customer Lifetime Value</b>, not new customers</li> <li><b>Very decentralized regional operating model</b> with limited sharing of best practices &amp; lack of role clarity across marketing &amp; sales</li> </ul> <p>Client name: X Team set-up: X Fees Structure: X</p>	<ul style="list-style-type: none"> <li><b>Experience is about selling products –</b> <ul style="list-style-type: none"> <li>Account managers have a long history of selling products – with some technical expertise added on top at no cost or at best small margin</li> <li>Customers also have a long history of buying products. This is exacerbated by price-focused procurement (rather than technical or executive) teams leading the relationship from the customer side</li> <li>client demands a complete mind shift in the discussion and the relationship between the organisations</li> </ul> </li> <li><b>Reactive mindset</b> – Account Managers are used to bidding against RFPs. client demands engaging senior customer executives (Mine Managers, CFOs, etc.) in value creation discussions – the customers do not issue RFPs for these discussions!</li> <li><b>Ease of selling products</b> – ClientCo has the world's leading premium products. These are easy to sell, particularly when they are discounted to be at the same price as competitors (who invest far less in technology). Changing this is tough</li> <li><b>Compensation not aligned</b> – There is a leap of faith required for Executives and Sales Leaders that this is the future and they need to put in place the necessary supporting changes</li> </ul> <p>What was unique: X</p>	<ul style="list-style-type: none"> <li><b>TVS is the most fundamental strategic imperative for ClientCo</b> –learn to be good at selling value, <b>OR</b> stop spending on technology and become an undifferentiated commodity supplier – GAME CHANGING FOR CEO AND BOARD</li> <li><b>An industry first</b> – not accepted today in ClientCo's sector (but some customers do use it for some other differentiated categories). Note: provides a template for other B2B industries with large (~\$20M+ p.a.) contract values</li> <li>End customer impact exceeds \$1B of potential value creation p.a.</li> <li>Pilot customer signed up to <b>\$30M-\$50M EBIT upside</b> for ClientCo through client (note: TBD how many years ClientCo can retain this as benefit commoditizes)</li> <li><b>For ClientCo, client represents a ~\$200M+ EBIT upside potential – the business today generates \$600M (declining) = 30%+ uplift</b></li> </ul>

# Capture share of value through ClientCo's differentiated technology

ClientCo is successfully capturing 20-30% of the value from small (\$<10M) sales opportunities through upselling at strong product/service prices

It has not yet cracked the code on successfully capturing 20-30% of the value from sales opportunities where the value creation is large (\$15-200M+) – this is where client plays a distinct role

client does not replace the current product strategy (in most cases). Having the right products at the right price will continue to be a core part of ClientCo's sales and marketing strategy. This foundation paves the way for client



# FROM/TO: client success demands major change across ClientCo (1/2)

Standard Commercial Approach		Transformative Value Sharing	
Products at list prices	"We are selling electronic detonators for \$45 a piece – this is a great price and the customer loves us for delivering value to them"	Solutions at value prices, not just products	"We will deliver \$100M p.a. in production uplift through fragmentation at a price of \$20M"
Competitive base and premium products	"Emulsion X and Detonator Y are superior to CompetitorCo alternatives and we are offering them at the same price – you should buy them"	"Only ClientCo can do it" solutions	"We see a \$100M p.a. benefit that we can deliver using our unique strengths including Detonator Z and blast design expertise"
Conservative value guarantees	"Instead of the discount you requested, why don't we give you a \$2M value guarantee"	Ambitious aspirations and big numbers	"There's \$200M value opportunity in your operation through leaching improvement, automation and rapid advance – let's partner to deliver it"
ClientCo technical advantage explained	"Mr. D&B Superintendent, ClientCo has superior technology for your operation as we can solve your reactive ground and high temperature issues"	Value story told to decision makers	"Ms. CEO, we can add 5 extra years to your mine life which is worth \$400M NPV for you through unlocking areas you cannot currently access due to high temperature and reactive ground"
Upside as a "nice to have"	"Customer is not open to share value but we were able to sell them premium products and get a margin on technical services to uplift their production"	Commercial discipline: "win-win or no deal"	"Ms. CEO, this is worth \$200M NPV to you. It will cost \$25M to deliver – if you are not willing, we will have to take this technology and expertise to other customers"

# FROM/TO: client success demands major change across ClientCo (2/2)

Standard Commercial Approach		Transformative Value Sharing	
Price-based contract with optional value guarantee clause	"We have protected our product margins by giving a \$2M value guarantee though it will be hard to prove to the customer"	Upside-focused execution and contractual discipline	"ClientCo will be paid \$10M p.a. for achieving and maintaining fragmentation at X level as measured by a third party Y sensor installed at Z points in the process"
All sales through account managers	"I was able to sell them Emulsion X based on a previous example where it worked well with another customer"	Dedicated solutions sales team	"Our solutions specialists will be on site over next 3 weeks for detailed scoping of the value opportunity – you will get a report to discuss how we partner to capture that value"
Discretionary bonus based on overall business performance	"We have achieved 94% account retention and high customer satisfaction at the cost of some price resets"	Incentives closely linked to individual financial performance	"I will bring the best of ClientCo to maximise account EBIT – 30% of my compensation is directly tied to it"
Technical resources focused on product stewardship & upsell	"Our technical experts help customers use our products, resolve technical problems and identify incremental upsells"	Deep technical capability dedicated to execute & sustain client	"Our technical experts are mine consultants focused on identifying and communicating new high value opportunities to senior client executives"

# Selling solutions to customers

Example customer solutions	Value drivers	Target customers	Key enabling technology	Solution owner
Mine-to-mill & leaching productivity	<ul style="list-style-type: none"> <li>Production uplift (ore recovery increase and mill throughput increase) and mill energy savings through fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>Metals mines with downstream operations</li> </ul>	Digital blasting tool	Michael
Open cut productivity	<ul style="list-style-type: none"> <li>Productivity uplift, mine life extension &amp; Safety through fragmentation, steeper walls and automation</li> </ul>	<ul style="list-style-type: none"> <li>Open cut mines</li> </ul>	Digital blasting tool, Detonator X	Johanna
Underground advance/ productivity	<ul style="list-style-type: none"> <li>Production uplift and development acceleration</li> <li>Labour savings and safety through automation</li> </ul>	<ul style="list-style-type: none"> <li>Underground mines</li> </ul>	Digital blasting tool, Automation	Johanna
Sub-level caving productivity	<ul style="list-style-type: none"> <li>Ore recovery</li> <li>Redrill reduction</li> <li>Drawpoint productivity</li> <li>Operator safety</li> </ul>	<ul style="list-style-type: none"> <li>Sub level caving operations</li> </ul>	Detonator X	Ann

The ClientCo Global Marketing and Technology team develop set of customer-centric solutions, each has:

- Clear basis to articulate customer value creation
- Pricing guiderails for ClientCo to share in the value creation
- Global experts to support the Account Team to engage the customer in the “right conversation”

# The Team

## Working team



**James Deighton**

*Partner*



**Andrey Mironenko**

*Engagement Manager*



**Tino Grabbert**

*Associate Partner*



**Rod Speering**

*Associate*



**Stephan Görner**

*Senior Partner*



**Wesley Walden**

*Senior Partner*



**Adrian Finlayson**

*Partner*

## CST leadership