



Book Rethinking the Sales Force

Redefining Selling to Create and Capture Customer Value

Neil Rackham and John R. DeVincentis
McGraw-Hill, 1999

Recommendation

In this new classic and hot-seller, Neil Rackham and John DeVincentis write convincingly about the need for sales forces to change with the rapidly changing times, and about how they can successfully adapt. Devoid of cutesy gimmicks, the book takes a solid look at what it takes to sell in today's market (no matter what your product or service). It gives plenty of strategies and corporate examples, all focused on the new imperative of creating value, as opposed to just communicating it. *BooksInShort* recommends this thorough, intelligent, and conversational book to executives, managers and everyone involved in sales and marketing.

Take-Aways

- In today's business world, sales is the last area to undergo radical change.
- Every aspect of selling is undergoing this change.
- The traditional view of sales is undergoing the biggest change of all.
- Sales departments were focused on communicating value to the customer, but are now changing to creating value for the consumer.
- Value can be summed up by the equation: value equals benefits minus cost.
- Intrinsic value customers focus on a product or service's cost and availability.
- Extrinsic value customers focus on solutions and applications and put a premium on advice and help.
- Strategic value customers want an extraordinary level of value creation and are limited to a few large accounts.
- Sales types include consultative, transactional, and enterprise.
- Sales processes must be changed to create value.

Summary

The New Selling: Creating Value

The area of sales is in an early stage of radical change comparable to the profound changes that began to transform manufacturing and other business areas 20 years ago. Every aspect of selling is changing, from the internal to the external:

- Sales organizations are restructuring.
- Geographical territory structures are disappearing.
- The role and nature of sales management is undergoing a transformation.
- Customers are fundamentally changing their expectations and purchase patterns.
- Customers have changing expectations of sales relationships.
- Technology is changing the function of sales and how customers make purchases.
- Electronic commerce is creating a continuously changing method of selling.
- The meaning of selling is shifting - the purpose of sales is being rapidly redefined.

“By some estimates, at least half of today’s selling positions will be gone within five years.”

The traditional view of sales - "The purpose of a sales force is to communicate the value of your offerings" - is undergoing the biggest change of all. While sales people have focused on communicating the value of products or services to customers, the rest of the business world has restructured and realigned to create more value for customers. Any activities that don’t add value have been cut back or eliminated. New work methods have been introduced, including continuous improvement, business process re-engineering, and self-directed work teams. These innovations have led to the less costly, more efficient creation of quality products and services. Every function in an organization now consciously creates value. In today’s business climate, organizational functions - and even individuals - don’t survive or prosper unless they clearly give the customer something of extra value.

Beyond Communications

In the past, you could argue that the sales team added value simply by communicating product information to customers. But, now, consumers know as much or more about products as the sales force does. The sales force’s mission as value communicators is over.

“Brand loyalty has continued to decline, with consumers becoming increasingly fickle and almost eager to abandon the tried and true and experiment with alternatives. That also goes for their choices to where to buy as well as what to buy.”

In *Reengineering the Corporation*, Michael Hammer writes, "Sales has been curiously resistant to a value-driven process approach. No other area of business has proved so stubborn." One reason is that sales people already think of themselves as their organizations’ preeminent value creators because in making sales they create tangible and measurable value for their company: they sell the product. But the sales person’s sales volume is valuable to the company, not to its customers. Value creation must directly benefit the customer. Companies are realizing that their survival depends on their ability to create direct and tangible customer value in every part of their enterprise, including the sales force.

“Today, there is a wealth of information available to consumers. They appear much more willing to do their homework and research their intended purchases. They are much better armed with hard facts and less vulnerable to softer, less tangible elements like ‘reputation’ or ‘image’.”

With so many similar products competing in today’s market, a company can create new customer value by focusing simply on how the consumer acquires the product. Consumers increasingly place value on how the product is sold to them rather than on the product itself. The sales process itself plays an increasing role in creating customer value. Since customers place increased priority on their preferred acquisition environment - store, specialty store, catalog, Internet, phone, mail-order, discount center or in-person sale - if you focus on meeting that need, you’ve created value via sales.

“What makes sales-force change so hard? For one thing, most executives grossly underestimate the difficulty that is involved in changing the sales force.”

Simply put, value is this equation: value equals benefits minus cost. Thus, a sales function can create value two distinct ways: create benefits or reduce the cost of existing benefits.

Three Kinds of Customers, Three Kinds of Sales

In terms of value issues, customers can be divided into three distinct types:

- Intrinsic value customers - Value is intrinsic to the product. These customers focus mostly or exclusively on cost and view any product or service as easily replaceable by a competitor. They are concerned with favorable cost, either in terms of price or ease of obtaining the product or service. Therefore, a sales force can add little or nothing for these customers, who, in fact, tend to resent any time spent with sales people.
- Extrinsic value customers - Value isn't intrinsic to the product itself, but in the benefits of extrinsic elements. These customers focus on solutions and applications and put a premium on advice and help, so a sales force can create a lot of new value for them. These customers don't resent sales people. Quite the contrary, they expect salespeople to teach and guide them. They are eager to invest time, effort, and cost in working with salespeople to create customized solutions. They want salespeople to understand their business needs and issues.
- Strategic value customers - These customers want more than your product, service or advice. They demand an extraordinary level of value creation. This is a relationship between business equals who are working together to create a very high level of new value that neither could create without the other. These kinds of customers are highly selective, and most businesses have just a few, very large, strategic value customers.

Consultative Sales

Value creation is the cornerstone of consultative sales. Consumers don't enter the buying process ready to make an informed buying decision. They either have an incomplete understanding of the product, or they haven't fully defined their needs and solutions yet. This is where the sales force can create value by raising awareness, educating, adding insight to customer problems, and developing tailor-made, innovative solutions. Some buying situations are naturally consultative, because of the complex nature of the product or service. Other buying situations are consultative only when customers need assistance and information in order to stay current, such as when purchasing high-tech equipment or financial services. First-time buyers also benefit from consultative style sales.

“Salespeople who only communicate the value of their products don't cut it.”

The seller can create most of the value early in the buying process by helping customers define their needs and solutions and resolve concerns and obstacles. The value continues beyond the sale, when the seller helps customers through installation and training, implementation, and education about allied products or services.

Transactional Sales

The transactions themselves are the primary functions in transactional sales. These involve intrinsic value buyers, those who look for value in the product itself. These buyers already know their needs and they already know about the products or services they will purchase, so they don't need information or advice from salespeople. A transactional buyer simply wants a good price with as little hassle as possible. The seller has very little, if any, opportunity to add value, though some businesses have discovered innovative ways to do so.

Enterprise Sales

Enterprise sales are usually limited to very large, strategic business-to-business sales. The product or service may actually be of secondary importance. These joint business relationships create opportunities for significant creation of value. The two parties don't play the role of supplier and customer, but rather are business equals.

Sales Process

The way you design your sales processes can permit a smoother integration of functions in enterprise sales. Good process design can reduce costs and increase customer convenience in transactional sales, all of which add value. Your organization can benefit greatly from breaking down the traditional boundaries between sales and other departments. Companies that can break out of traditional processes will be able to meet the needs of the changing marketplace. To craft a good sales process, ask yourself these questions:

1. Does your sales process reflect your customers' acquisition process?
2. Is your process self-correcting?
3. Does your process create value and increase efficiency?
4. Does your process allow mortals to succeed, or only top salespeople?
5. Is your process scalable - does it allow for quicker and more certain performance that, in turn, permits growth?
6. Are your milestones objectively measurable events?

Rethinking Channels

Every company is facing an onslaught of new channel or distribution options. Some are potential partners; some are potential competitors. Some are based in new technology, such as the Internet, and others have grown out of traditional retail formats. You cannot ignore these new channels unless you are willing to risk losing your competitive position to companies that are using them, exclusively or not. In many areas, the channel - not the product - has become the crucial motivator in buying decisions. Especially in areas where product differences seem slight, the key differentiating value often comes from the means of acquisition - the channel. When contemplating entering new channels, ask yourself:

- Does the channel reach a new or different type of customer?
- Will the new channel expand consumption - or just divide it among more players?
- Does the channel offer real new value to customers?
- Can you delay entry until the channel's potential becomes clearer?

“Not only is the sale itself more complex but the salespeople will also tell you of the constant treadmill of seemingly endless demands for greater and greater price concessions, and of ever higher service standards, all just to keep the business.”

By focusing on creating customer value, you can broaden your perspective on channel management and focus channel resources where they count the most - on customers.

Changing the Course of the Sales Force

Change is tricky in any area, but sales forces have shown to be the most change-resistant of all business departments. To facilitate change, keep these four cautions in mind:

1. It takes longer than you think - Implementing your vision for change won't happen overnight. Don't expect instant results.
2. There's no silver bullet - Improved sales performance won't happen as a result of any single action or change. It requires aligning many actions from strategic to incidental.
3. You can't hire your way to capability - Hiring better, more experienced or more innovative people won't work if you don't also improve your sales processes.
4. You can't improve salespeople without improving sales management - Don't focus your improvement efforts exclusively on salespeople. Sales supervisors are, in fact, even more critical for creating long-lasting changes in sales performance. Mediocre or difficult supervisors make it impossible for great sales people to deliver.

“Through the 1970s, consumers satisfied virtually all of their grocery needs at supermarkets. Today, despite all of the increased demands on their time, the average consumers will satisfy only 66% of their grocery needs there.”

Four elements are needed to support your sales force's shift to creating customer value:

1. A clear vision of where and how to create value in the market.
2. New structures to focus on value-creation strategies.
3. Capability building to enable value creation.
4. Measurements and compensation aligned to value-creation strategies.

“Starting in 1994, IBM began to rethink its process approach to its whole market, including its enterprise customers. The company designed a customer relationship management process, beginning with the best local practices and

adapted them for worldwide use.”

In the past, selling was based on having the energy to sell hard and the tactics to close deals. Today, selling relies on completely different criteria: selling smart, and understanding and implementing strategies that give the customer extra value.

About the Authors

Neil Rackham is the founder and CEO of Huthwaite, Inc., a sales consulting, training, and research firm, and author of *SPIN Selling*, *The SPIN Selling Fieldbook*, *Major Account Sales Strategy*, and *Getting Partnering Right*. He has worked to bring research and analytical methods to the field of sales force management. **John DeVincentis** is a sales and marketing consultant. He was previously a partner at McKinsey & Co., where he led the firm’s Sales Force and Channel Management practice from 1986 to 1998.
