The following is a highlighted summary of the book, Rethinking the Sales Force, *published by McGraw Hill. The statements below are key points of the book as determined by James Altfeld and have been made available at no charge to the user.*

Rethinking the Sales Force: Refining Selling to Create and Capture Customer Value

By

Neil Rackham

The Three types of Customers

Intrinsic Value Customers

They focus largely or exclusively on the cost elements of value.

They see the product or service as a commodity that is readily substitutable by competitive offerings.

Extrinsic Value Customers

Value is not intrinsic to the product itself but lies in how the product is used. Extrinsic value customers are interested in solutions and applications. The sales force can create a great deal of new value for them. They put a premium on advice and help. They expect salespeople to give them new understanding of needs and options.

Value Customers

They want more than the supplier's products or its advice. They also want to deeply leverage the supplier's core competencies. They are prepared to make radical changes in their own organization and its strategies to get the best from their relationship with their chosen strategic supplier.

Segmenting the Sales Effort by Value

- Transactional selling is the set of skills, strategies, and sales processes that most effectively matches the needs of intrinsic value buyers who treat suppliers as a commodity and are exclusively interested in price and convenience.

From the customer's point of view, in the transactional sale there are no additional benefits that the seller can bring to the party.

As a Wal-Mart spokesperson put it, "We'd rather their [sales force] salaries and commissions were taken off the price. Why should we pay for something that takes up our time without providing anything in return?" The issues in transactional selling are about cost reduction.

- Consultative selling…effectively with customers who are extrinsic value buyers. These customers demand, and are willing to pay for, a sales effort that creates new value and provides additional benefits outside of the product.

Consultative selling rests on salespeople who become close to the customer and who have an intimate grasp of the customer's business issues.

In the consultative sale the role of the sales force is to create value in three primary ways:

- To help customers understand their problems, issues, and opportunities in a new or different way
- To help customers arrive at new or better solutions to their problems than they would have discovered on their own
- To act as the customer's advocate inside the supplier organization, ensuring the timely allocation of resources to deliver customized or unique solutions that meet the customer's special needs.

Selling is the set of skills, strategies, and processes that work most effectively with strategically important customers who demand an extraordinary level of value creation from a key supplier. In enterprise selling both the product and the sales force are secondary.

- Consultative selling creates new value through the ability of the sales force to advise, customize, and bring expertise beyond the product.

Making Fatal Mistakes

- A manufacturer of packaging materials was in a marketplace where more than 90 percent of customers were intrinsic value buyers who bought transactionally.

Customers didn't need and didn't want help or advice. For them, all the value was intrinsic to the product. They needed packaging material, pure and simple—that's all they were prepared to pay for.

Cases like these—and hundreds of others like them—show that it's fatal to adopt one value-selling mode if your customers want another.
A sales force can't fundamentally transform customers who have decided to purchase transaction ally into ones who purchase consultatively.

The New Purchasing World

Purchasing is literally altering the way the world does business.

Purchasing is becoming an exciting and dynamic force for change. Even the deadly pages of purchasing journals have taken on a new excitement and flair.

The purchasing world buzzes with talk of "strategic purchasing," partnering relationships, and supply chain management issues.

Purchasing and supply chain issues are high on the agenda of most senior management teams.

Purchasing has changed—and selling will never be the same again.

This new energy in purchasing has created unprecedented changes in business-to-business sales.

Five years ago, Xerox corporation had 18,000 suppliers—now they have fewer than 500.
For has taken its supplier base from 75,000 down to 5,000.

The average Fortune 500 company has reduced its supplier base by half and projects a further 25 to 35 percent cut in the next two years.

The Confusing Customer

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

Value: The common Factor in a Confusing World

…customers are taking a harder and harder look at their spending, and they are much more willing to consider different options and to undertake significant effort to get better value.

New Realities shaping the Buying Environment

Older notions about debt capacity were replaced by a more aggressive breed of financiers who looked to free-cash flows rather than debt-to-equity ratios as their guideposts.

What we are most interested in is the impact on buyers, their attitudes and behaviors. One thing is certain: with massive debt payments due, the focus of business managers in these newly restructured companies quickly turned to generating the cash required to meet the looming burden of debt. And that led inevitably to a greater scrutiny on costs and expenses. Efficiency became the order of the day, by necessity. Company after company moved to squeeze as much cash as possible out of their operations and costs. "Downsizing," the closing of inefficient and redundant facilities and the elimination of excess people, became commonplace in these industries as well.

There is little question that American business, and eventually European business to, became tougher, leaner, and more competitive as a result. But in the process the drive for efficiency fundamentally changed the way people faced buying decisions. In the workplace, there was much greater sensitivity to the cost and value of incoming materials and supplies. It was clear that costs had to come down. While pressuring suppliers wasn't a pleasant prospect, it was certainly preferable to forcing further rounds of internal layoffs and others downsizing activities.

Changes in Business Buying

…advances in information technology have helped buyers to be better armed with facts to make smarter buying decisions.

Three fundamental purchasing concepts—the lifetime cost of ownership, supplier reduction, and supplier segmentation—have revolutionized business purchasing and have created a new reality for sellers to deal with.

Lifetime cost of ownership

It wasn't so long ago that a purchasing department's effectiveness was judged by how much it could limit annual expenditures—its ability to beat down suppliers prices and get good for the lowest possible amount.

But an increasing skepticism arose about whether the lowest-price deal actually lowered the total cost. There was an emerging and interesting notion that what counted was the "lifetime" cost of ownership, and not the initial cost.

Sure, even the most myopic purchasing department recognizes that how long something lasts is a key element in its lifetime cost—bust it's only one of many factors. Some equipment, for example, incurs higher maintenance and repair costs than others, and this certainly has an impact on the cost of ownership.

…some business equipment may require less operator time or perhaps need less skilled, and hence less costly, operators. This, too, counts in the total cost picture.

Each defective item a manufacturer delivers obviously increases the cost of each usable item.

A defective part, once assembled into the product, can cause the entire product to fail. This either leads to the additional cost of disassembly and replacement or, in some cases, to the scrapping of the entire product. Further, replacing defective parts eats up valuable manufacturing capacity and assets, increasing the time and cost it takes to produce net useable products.

Erratic shipments cause excess safety stock, low-yielding ingredients cause more of the product or related materials to be used, large order-quantity requirements cause additional storage charges, and on and on.

This shift in focus from first cost to total cost is both a blessing and a curse for sellers. This shift provides increasing ways for sellers to differentiate their offering and to move beyond the confrontational game of negotiating price.

They need, and are demanding, more quantifiable evidence of superior value over a product's lifetime.

The competitive RFP process, that has been so central to purchasing for so long, is now under attack.

Leading thinkers in the purchasing field are increasingly challenging the conventional notions of competitive bidding, pointing out the hidden, and often excessive costs created by such systems. There's growing evidence to support the argument that the costs of maintaining all of these vendors far exceed any possible savings from the added competition. First of all, there's the cost of qualifying each of these suppliers, which by itself can be considerable. In addition, there is the cost of getting each supplier informed about the buyer's needs, which usually requires access to operations and discussions with others in the company.

The Movement Toward Supplier Reduction

To stay competitive, organizations have to develop the mindset of continuous improvement—that tomorrow has to be a bit better than today and that the more you learn about an operation, the more ways you'll find to improve it. So why not bring suppliers into the act? Working closely with selected suppliers opens up a lot more improvement options.

…with few suppliers, there's more commitment from them. This leads to greater familiarity…

Purchasers fully expect that they will see continuous improvement and cost savings from these selected suppliers and that their cost of managing suppliers will decline.

Once a supplier has won such a position, it isn't the time to exhale and relax—it's only the beginning of a long hard road earning the right to retain the business.

Segmenting suppliers

…supplier segmentation…

…purchasers have picked up the concept from marketing and are using it themselves to rethink their purchasing approach across different product categories, often to the seller's disadvantage.

One of the new models being widely adopted, that many companies have found useful in segmenting their suppliers, looks at two fundamental characteristics that practitioners believe should shape purchasers decisions. These are:

1. Substitutability and/or availability of comparable products. This dimension assesses how easily the customer could obtain an alternative supply, both in terms of cost and ease of substitution.

2. Strategic importance of the supplier's product. This dimension assesses the product's relative importance either strategically or in terms of cost.

…purchasers should be concerned primarily with products that are mission critical or those that represent the largest portion of cost for the company.

Second, the model suggests that purchasers should take a different posture toward those suppliers who have unique capability or product offerings than they would toward suppliers whose products could be easily replaced by alternatives.

…place products and suppliers along the horizontal dimension according to how unique their capabilities or offerings were.

The vertical dimension describes the strategic or cost importance of the product or service…

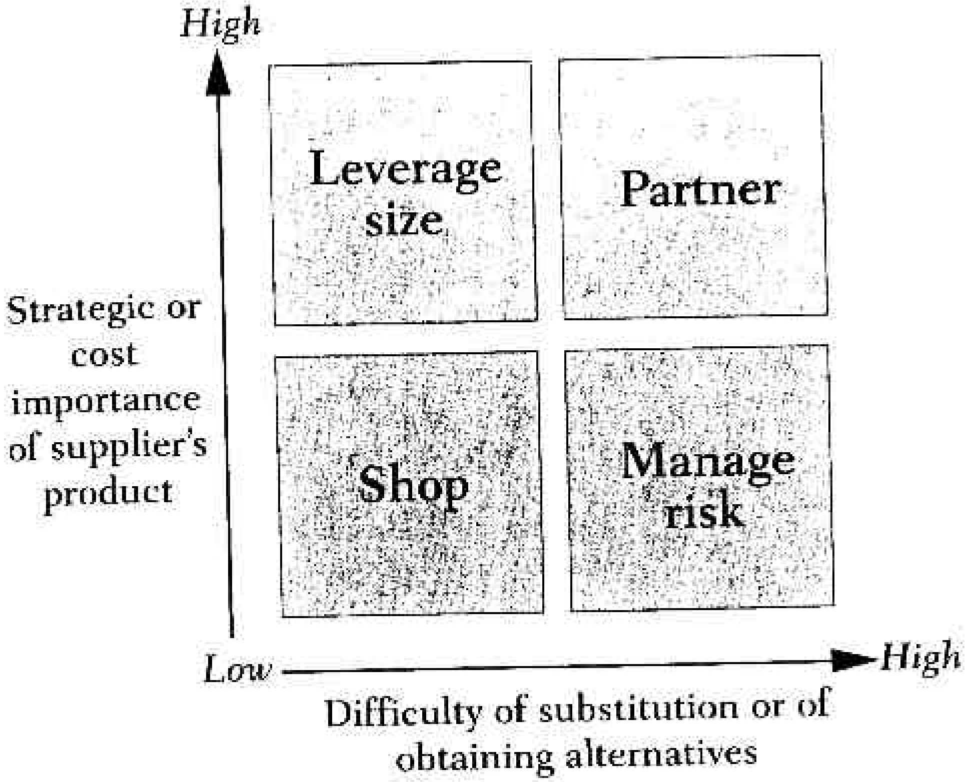

FIGURE 2-2. Supplier segmentation matrix.

The Shop quadrant

It's worth it to look around for a favorable price, and take the best deal of the moment—but not to waste a while lot of purchasing time, energy, or money chasing small change.

Increasingly, purchasing departments are squeezing suppliers in this quadrant, ending long-established relationships in favor of lower-cost alternatives and substantially cutting the amount of purchasing resources devoted to managing relationships in this category.

Not surprisingly, sellers who have found themselves in this quadrant have not adapted well to the new realities. After years of ongoing business and streams of repeat orders without questioning prices, prime customers have suddenly ceased the automatic reorder cycle and have turned to new, lower-cost suppliers.

“why would any rational purchaser want to develop a partnership arrangement with a paper clip manufacturer or other vendors with a –dime-a-dozen goods.”

Few know how to cope with buyers who will no long invest the time to see them and who are, frankly, uninterested in their products.

The Leverage quadrant

Products and services that fall in the upper left quadrant have greater importance to purchasers.

But while they are more important, the buyers is still in a strong negotiating position because the items are readily substitutable, with several possible suppliers.

In some ways the buyer’s approach here is not that dissimilar from the shopping quadrant. Price matters. These are also purchases that individually or I aggregate will make a real difference to the bottom line and the long-term success of the business. Consequently, it’s worth significant time and attention to get a good deal, or to try to time purchases to take advantage of favorable market conditions.

This doesn’t mean that purchasers should switch back and forth among suppliers.

Offering higher volume a fewer suppliers is an easy way for a purchasing department to begin executing a leverage strategy.

For sellers, this, too, is a difficult arena to play in. Life those in the shopping quadrant, many who see old established relationships eroding are driven to the same futile attempts at partnership or relationship building. **Part of the buyer’s advantage in this quadrant is the ability to play suppliers off against each other and to have them compete away some of the surplus they would ordinarily pocket. Few purchasers are going to be interested in deeper relationships with the supplier unless the price is right. Successful suppliers are those who recognize that buyers in this quadrant are likely to be intrinsic value purchasers who will be sharpest in terms of price-value assessments and who will pay the most attention to quantifiable value.**

The manager-Risk Quadrant

It’s certainly true that in these quadrants the landscape shifts in the seller’s favor and the seller’s negotiating position strengthens.

In the manage risk quadrant, purchasers recognize that they have more limited bargaining power, but these items aren’t mission critical or they are not that important a part of the cost picture. As a result, they don’t warrant a great deal of time and attention.

Because of the limited number of substitutes or suppliers who can provide these items, purchasers are prepared to invest more time and effort in acquiring them.

…purchasers are prepared to invest at least some time meeting and talking with potential suppliers.

Purchasers are likely to be somewhat less price sensitive in this area, at least within limits, but as the manage-risk title suggest, smarter purchasers might time purchases for favorable market conditions or take a quick look at possible substitutes just to be sure they don’t over-spend unnecessarily.

For sellers this is a more favorable position and clearly more comfortable than previous quadrants.

Smarter sellers will take a careful look at the relative value they are providing, and make sure that their pricing and service don’t get out of line with competitive offerings. This is a favorable position for sellers, allowing consultative selling, and successful players will try to stay on this side of the matrix. They will attempt to maintain the uniqueness of their offering and will try to stay under the “radar screen” so that buyers don’t find it worth the effort to actively seek an alternative supplier.

The Partner Quadrant

This last quadrant is the position most sellers think they want to be in . The goods and services in this quadrant are mission critical, that is, they are central to the success of the purchaser for either strategic or cost reasons. What’s more, the seller has a unique offering that is not easily substitutable.

These are items that make a fundamental difference to the purchaser, and, because of the limited number of possible suppliers, buyers will be willing, even eager, to form partnering relationships with relevant suppliers.

Many suppliers will leap to enter into some kind of partnering term relationship. Partnership certainly makes sense from the buyer's perspective in this quadrant.

However, from the seller's perspective, partnering is not necessarily a good idea.

Strategically, it's not always clear that it is in the seller's best interest to even try this route. From the buyer's perspective, a partnership relationship makes sense.

Sellers should tread carefully, even in this most advantaged of situations, to ensure that they are capturing a fair enough share of the value for themselves. They should certainly be wary of rushing headlong toward a partnering arrangement that is clearly in the customer's interest but, once entered into, may limit their options and restrict their opportunities to capture value.

…different types of sales require very different—and sometimes even contradictory—skills and strategies for success.

Creating value Across the Buying Process

The only single "truth" that seems to be holding for all sales forces is that they will have to create value for customers if they are to be successful.

All sales forces must create real value for customers to justify their existence. …there are different ways for sales to create value and, depending on the value orientation of the customer, some of these ways will be much more effective than others.

…the extrinsic value customer who wants advice, help, and problem-solving capability from salespeople may very well see salespeople as far more valuable than the products they represent.

The key to success will be figuring out which selling approach will best fit the customer and then creating the most value.

Figure 3-1 shows a typical buying process

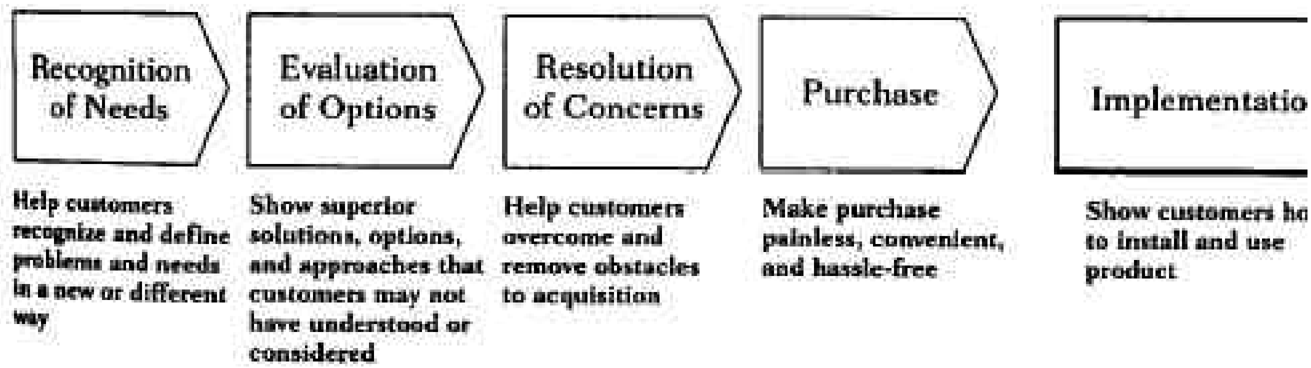

FIGURE 3-1. Adding value to a typical buying process.

Needs arise when customers no longer feel satisfied with the existing situation and become receptive to the idea of change or purchase.

By helping define problems, or by assisting customers in understanding the severity or consequences of problems, salespeople can create real value.

- Evaluation of Options. Once customers have decided that they have a need that requires action, the issue is not whether to purchase but how to purchase. Customers must choose from competing solutions.

Salespeople can add value to this stage of the buying process if they can help customers make better choices.

- Purchase. Salespeople can add value to this stage by ensuring that the purchase is painless.

- Implementation.

Salespeople can create significant value here by showing customers the most effective way to use the product or by providing training, implementation advice, and support.

There are usually a number of potential suppliers in a transactional sale, and this, coupled with well-informed buyers, makes this type of sale highly competitive, somewhat confrontational, and very cost-price sensitive.

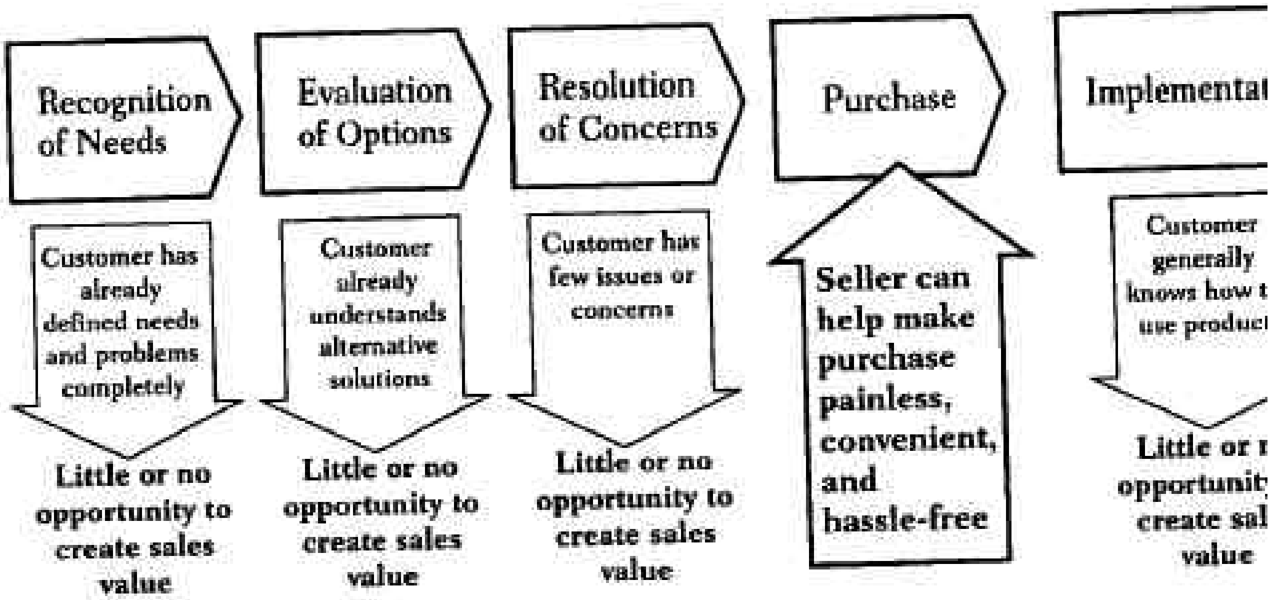

FIGURE 3-2. Adding value to a transactional sale.

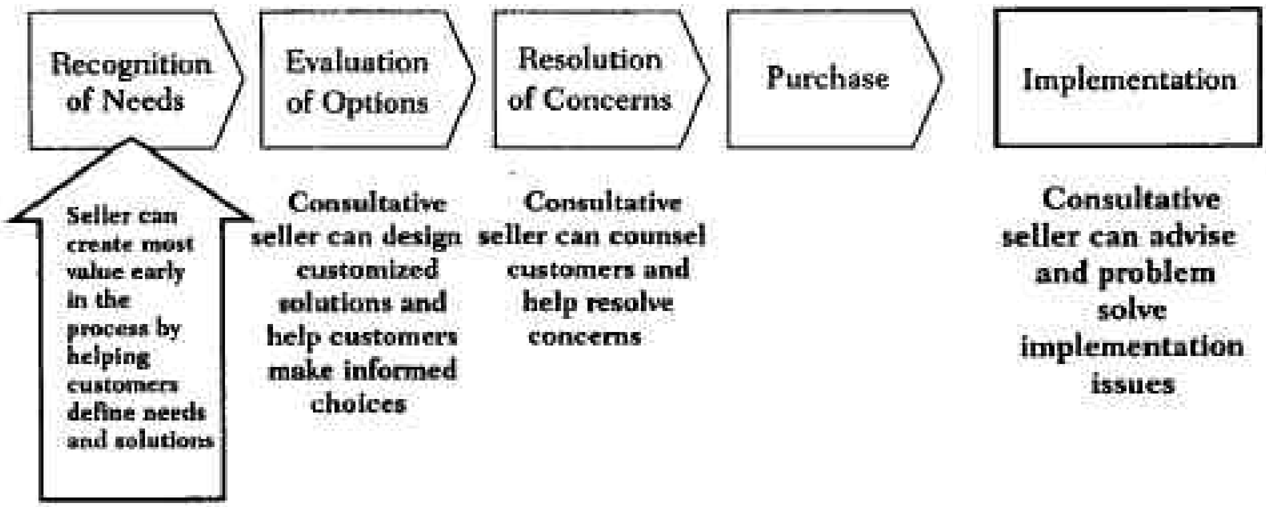

FIGURE 3-3. Adding value to a consultative sale.

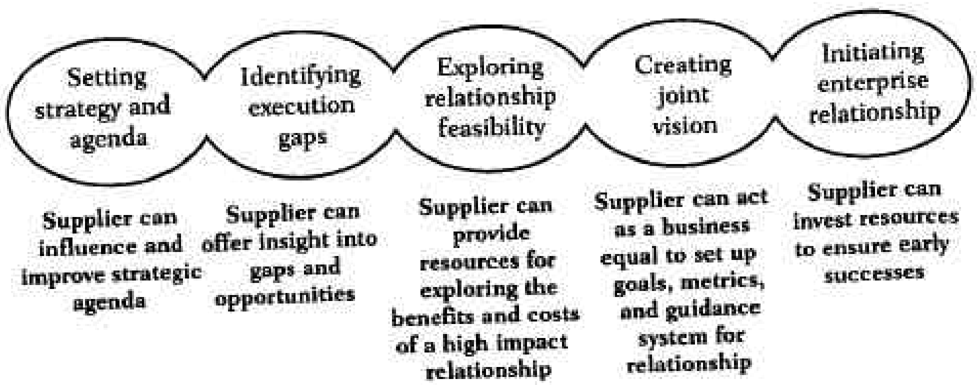

FIGURE 3-4. Adding value to an enterprise sale.

	Transactional	Consultative	Enterpr
Product or service characteristics	• Well understood • Readily substitutable • Standard items	• Differentiated • Customizable • Hidden capabilities	• High strategic and/o cost importance • Limited substitutabil
Key buyer concerns and decision criteria	• Price • Availability risk • Ease of acquisition	• Importance of problem • Solution fit • Price-performance tradeoffs	• Platform fit • Values fit • Sustainability • Sufficient value for e
Time horizon	• Event	• Purchasing stream	• Strategic plan
Nature of relationship	• Cost - based • Buyer-seller • Confrontational	• Benefits - based • Client-adviser • Cooperative	• Trust - based • Business equals • Insider • Both parties change
Prerequisites for success	• Access to decision maker	• Access to influencers	• Access to strategy
Nature of sale	• Doing the deal	• Problem solving	• Agenda setting • Boundaries blur—un ing and who is buyin

FIGURE 3-6. Comparison of sales models.

The changing Meaning of Trust

Trust is an essential ingredient in every sale, from routine transactional selling all the way to deep enterprise relationships. But the meaning of trust changes with the type of sale.

…research has long shown that customers are more likely to trust sellers when:

- They Interact Frequently
- They Show consistency
- Trust in Transactional Sales primarily means trust in the product and its ability to perform.

	Transactional Sales	Consultative Sales	Enterprise Sales
Trust what?	Trust the product	Trust the person	Trust the institution
To do what?	To provide me with reliable, effortless, and cheap supply	To understand and solve my problems	To share my bu ness future
Based on?	Product performance and personal relationship	Individual expertise, track record, and problem-solving ability	Institutional va and core com tencies

FIGURE 3-8. What *trust* means.

Which Selling Model is Best?

One of the most frequent strategic mistakes made by sales forces is the attempt to "move up" from transactional selling to consultative, or from consultative to enterprise.

Strategy 2: Adapt by Stripping Costs

Today, we suspect, price is likely to be even more important compared with relationships. Buyers in the new purchasing organizations are busy people, increasingly measured on performance and value. They are prepared to invest time with those salespeople who create true value, but, at the other end of the scale, they don't want to waste time with salespeople who have nothing to add.

An even greater risk may be keeping the relationship but, because of your inevitably higher costs, losing the business to a competitor who has ruthlessly stripped away every element of the sales force that customers are not prepared to pay for.

Drastically Reduce the Cost of the current Sales Force

Another area that a number of companies have found fruitful is to take a much harder look at the customer base and rethink the amount of time and sales expense devoted to each customer or territory.

One sales executive facing a transactional market put it this way: "Rigorously using the 80/20 rules showed us that we simply couldn't afford to call on more than half of our customers. The 80/20 rule used twice suggested that half of our customers would account for less than 5 percent of our sales—we checked it and found that to be true. When we looked at it that way, we realized that we were really losing money on these accounts—half of our sales expense was chasing this 5 percent of potential. We finally faced up to reality, stopped calling on these customers, cut our sales expense in half, and dramatically improved our profit picture."

…divide activities into those that drive near-term customer revenue and those don't, time spent directly with customers, developing proposals, or customized presentations would fall into the revenue-producing set. Time spent writing administrative reports, attending sales meetings, traveling, and waiting or firefighting are not. The typical sales force finds that only 20 or 30 percent of their time is spent on revenue-producing areas, while the most tightly managed sales forces get closer to 40 to 50 percent. It doesn't get any better than that, but the range by itself is a huge gap. A sales force operating at a 40 percent level has twice the firepower of one operating at 20 percent, with the same amount of people.

Do we really need a weekly sales meeting? And does it need to be as long as it is? One very creative company took all the chairs out of meeting rooms, and banished donuts and coffee from sales meetings, resulting in a 30 percent reduction in the number of meetings, with the average length of meetings cut in half.

Strategy 2: make the Market

Instead of looking at transactional selling as a way to move products, they are looking at the transaction itself as a source of profit. This third approach to transactional selling—making your money from managing the transaction rather than the product—represents some very fresh and innovative thinking.

This approach is especially interesting for transactions that have a great deal of volatility in price and/or supply and availability.

The New consultative Selling

In the good old Henry ford days, when you could have any color as long as it was black, suppliers held all the power, and their products tended to be designed more for the convenience of the manufacturers than for the needs of the customers. Consumers were generally undemanding and, by today's standards, amazingly compliant. Manufacturers pushed their products with only a token interest in understanding customer requires.

Generations of salespeople were trained to recite product advantages, to close hard and often, and to batter reluctant customers into submission through pressure and persistence.

At a time when the focus was on the product and not the customer, value wasn't a noticeable part of the selling lexicon.

By the Mid-Seventies, the World was Changing

It wasn't only technology companies that were feeling the winds of change. Similar stories could be told about many other corporations at the time. Their products were becoming more complex, their customers less accepting of pushy or arrogant selling. Competition, was increasing, and, as a result, customers were given choices that allowed them to select suppliers who offered the most value. The world was changing, and the change would have dramatic consequences for sales. Power had begun to move from the supplier to the customer.

The Three Pillars of Consultative Selling

Consultative selling allows a sales force to add unique customer value in three distinct areas:

1. Consultative salespeople can help customers understand their problems, issues, and opportunities in a new or different way.

2. Consultative salespeople can show customers new or better solutions to their problems.

3. consultative salespeople can act as advocates for their customers within the supplier organization.

Only the sales function does an effective job of uncovering and developing problems and opportunities that customers didn't even know they had. Similarly, several groups in the supplier organization, including technical support, product development, and product management can play a role in the second pillar—showing customers new or better solutions to their problems.

An extract from a sample letter in our own files would be typical: "Ken Webb helped us understand the size and scope of the issues we were facing and helped us plan a more effective response. Without his insights we would not be where we are today…We're thankful for the way Ken has worked to understand us better than we understand ourselves." Letters of this sort are a simple measure of the success of any consultative selling effort.

From Product Communication to Value Identification

It would clearly be a more powerful contribution to value creation if the sales organization provided tools that helped their salespeople to diagnose customer problems or understand customer issues more deeply—tools, in other words that played an active role in helping salespeople to identify and create value. Increasingly, there is a shift in consultative sales forces toward developing better analytical tools. Consulting organizations, for example, have developed a wide variety of diagnostic frameworks and tools to help them understand client problems, financial services companies have a range of financial analysis tools, utilities have energy audits, and so on.

In consultative selling, these diagnostic and analytical tools allow the salesperson to do a more efficient and effective job of understanding the customer's needs.

The more that the institution invests in good diagnostics, the more the institution itself contributes to creating customer value and the less it depends on rock stars.

The Enterprise Offering

Put simply, in the enterprise sale, the enterprise is the offering. The product is secondary. What the customers "buys"—although that world no long adequately describes what happens in the relationship—is a supplier organization's total value-creating capability.

Equality in the Relationship

The hallmark of an enterprise relationship is that it's almost impossible to tell the relative status of the team representing each side.

"Two business equals working together to create value for the customer's customer.

Preconditions for a Successful Enterprise Relationship

- will both parties be prepared to make changes to create value?
- Is there sufficient potential for new value creation that would not be possible from a transactional or a consultative relationship?
- Is there cross-functional capability and commitment on both sides?
- Will there be access to each other's strategy?
- Is there compatibility of organizational values?

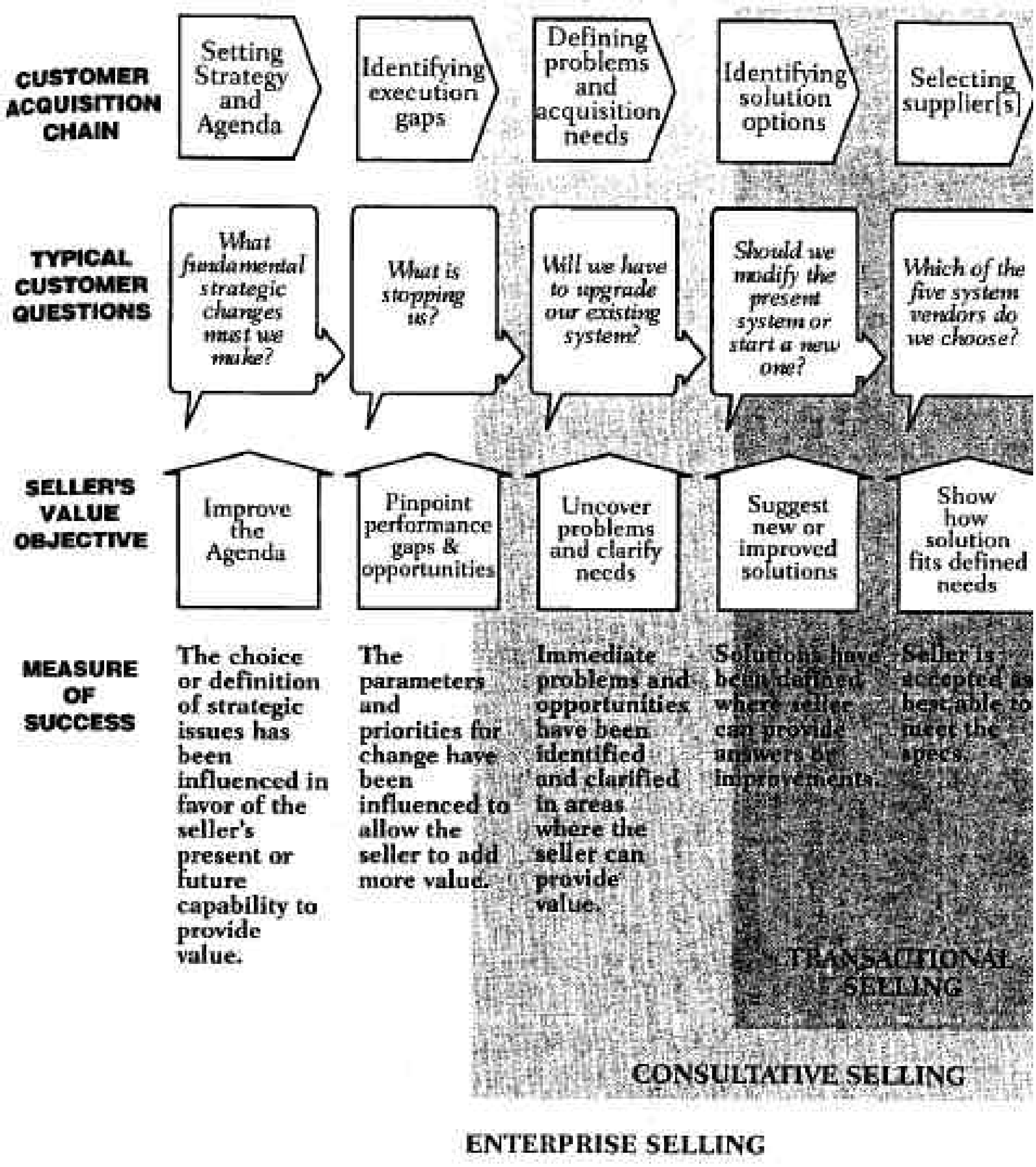

FIGURE 6-1 Adding value to the customer acquisition chain.

Is There compatibility of Organizational Values?

Unless the two organizations have very similar underlying values, there's little hope of creating a successful enterprise relationship. Values are shared beliefs and assumptions about the world that align and guide the actions of people within the company.

Do they have a collaborative culture? How open are they to change and to new ideas? Are they risk averse?

As Frank Wingate, president of Industrial Computer corporation, told us:

> I think you have to look at the corporation that you're going to be doing business with, and look at the values of the corporation. Both the established values and the values that your antennae pick up on early in the sales cycle. If the ethics are not the same and the business practices are not the same, it's just going to really inhibit the relationship.

Process 101

A process, says Michael Hammer, one of re-engineering's founding gurus, is any linked group of tasks, carried out by several groups or functions, that together create customer value.

At a recent meeting of chief executives, we asked 40 CEO' to describe, in a single phrase, the mission of their sales force. The most common response was a variant on "to bring us business efficiently and effectively"—in other words, to provide value for us as a corporation. Few of those CEOs mentioned customer value.

The Idea of "Individual Process"

- Process. A linked group of tasks that together create customer value, such as the order fulfillment process. Such processes are normally cross functional.
- Subprocess. A linked group of tasks within a single function that is a part of an overall process, such as the sales process.
- Individual Process. A linked group of tasks carried out by an individual or a team without hand-off to other individuals, groups, or functions.

Link to the buying Process

- Recognition of Needs, where the buyer comes to understand the problems that make a purchase necessary and decides to go ahead with the decision to look for a solution
- Evaluation of Options, where the buyer sets decision criteria and evaluates the alternatives against those criteria.

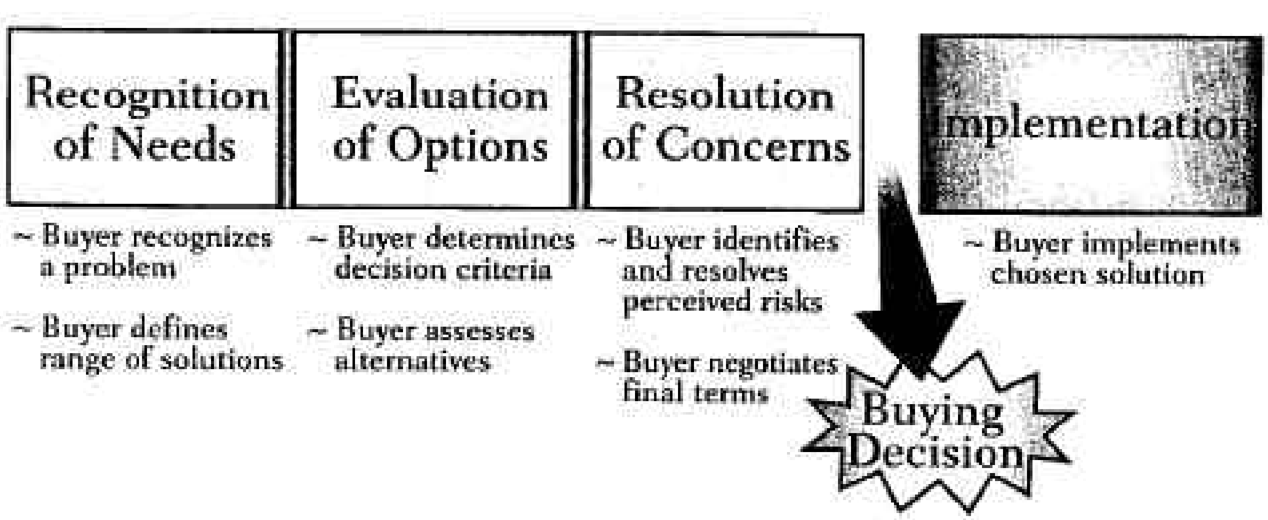

FIGURE 7-4 A simple buying process model.

- Resolution of concerns, where the buyer resolves perceived risks and barriers to purchase
- Implementation, where, following the decision to buy from the chosen source, the buyer focuses on how the preferred will be implemented or installed.

Seven characteristics of good Sales Process

1. Does your sales process reflect your customers' acquisition process? Selling steps, as we've seen, are of no value—or even detrimental—unless they are firmly rooted in how your customers buy. So ask yourself how well your sales process maps the customer acquisition process, and redesign any areas where there's a gap.

2. Is your process self-correcting? Can your sales process learn from real-world feedback? Too many sales processes are theoretical dreams generated in the

bowels of some corporate staff office. There's nothing wrong with a theoretical process model as a starting point, provided that it's continuously improved by real-world feedback from customer experience. Good sales process—like any other—learns from its environment. Yet few sales processes do this.

3. Does your process create value? Good sales process earns its keep by adding value to their separate constituencies. First and foremost, it must add value to customers. Ask yourself whether your process makes life easier or better for the customer, and, if not, be prepared to go back to the drawing board and redesign it. The second constituency is the institution. As we've seen, good process provides institutional value by reducing dependency on rock stars. The final constituency is salespeople themselves. Rest assured that unless they feel the sales process actively helps them, they will fight and ultimately subvert it. So, if your present process is encountering resistance, ask yourself whether it could be improved to create more value for your salespeople.

4. does your process increase efficiency? Good process doesn't just put light in the tunnel, it actually makes the tunnel shorter. So a good test is to ask yourself whether your selling cycle has become shorter as a result of your sales process. If not, it's a red flag that should alert you that you may need to redesign the process by reducing steps or building in new thinking based on analysis of what your successful performers are actually doing to reduce sales cycle length.

5. Does your process allow mortals to succeed? The test of good process is not the performance of top salespeople; it's whether or not middle-of-the-road performers are doing better. So ask yourself how your process is affecting the performance of your average salespeople. Is it, for example, brining them more quickly up the learning curve to proficiency? Are they getting better results from a given amount of selling effort?

6. Is your process scaleable? One of the great strengths of good process is that it provides a track to run on that is replicable and scaleable. In other words, it allows for quicker and more certain performance that, in turn, permits growth. Sales forces without good process must learn by trial and error—mostly error—and that makes it harder for them to grow. Conversely, back process can inhibit growth. Rigid sales procedures out the touch with how the customer buys often masquerade under the name of "sales process." So ask yourself whether your present process is a growth enabler or a growth inhibitor.

7. Are your milestones objectively measurable events, not on activities. Review your process and cut out garbage in—garbage out activities such as "make presentations" or "submit proposals" and, in their stead, put objective milestones like "complete a three-week product trial" or "take the customer on a site visit to see the equipment in action."

Channel role in Value Creation

Success in the future is going to require thinking much more about value both to end users and to the channel players themselves.

In addition to focusing on value for the customers, suppliers need to rethink their role in ensuring channel performance, especially when it comes to intermediary channels—those that are not supplier owned. One of the major mistakes most suppliers make is to treat intermediary channels as self-managing and to assume that the channel doesn't need the management time and attention that it would get if it were a direct, owned sales force.

Every supplier using channels needs to play an active role in improving the value that each channel is creating for customers.

Caution 1: It Takes Longer Than You Think

The first caution of improving sales force performance is that it will take longer than you could decently imagine. As a general rule, efficiency can be built more quickly than effectiveness.

Change Lever 1: A Value Creation Vision

An effective sales vision is a powerful change tool in three ways. First, it exposes the gaps in the current sales force value creation capability, and it illuminates the size and nature of the changes that are required to close those gaps. Second, a clear vision serves as a guidance system. It provides a "north star" that helps the organization make the day-to-day decisions that collectively shape what the sales force will become. With a vision, the organization has a sound context in which to make these decisions. Without one, each decision becomes as random as the Whit Rabbit's choice of roads. Third, a vision communicates the future to both salespeople and customers.

So the first step in changing a sales forces has to be the development of a clear sales vision.

How do you develop a vision? A good place to start is with some fundamental judgments about the nature of your customers and the type of sale that you are making. Are your targeted customer's primarily intrinsic value buyers, for whom value is only in the product itself?

Or are they extrinsic value buyers, for whom a large part of the value lies in the seller's ability to advise and educate buyers about their needs and to customize products to fit those specific needs?

Change Lever 2: Structure for Value Creation

We would argue that, in the new era, it's no longer enough to design the value creation capabilities of your company merely in terms of what products your customers want.

…products and services have become commoditized and product differentiation increasingly hard to sustain.

The business systems and structures of the future must be designed to deliver the kind of value that these new customers demand.

…the product is no longer the most important element in value creation.

We must design the business chain—its systems and its structures—from a perspective that starts with the value needs and expectations of the customer and works backward to align the elements of the business system to create value for that customer set.

Design must start with the customer's value expectations, then look at the sales force structure required to deliver that value. >From there, work backward through the business chain of order fulfillment through manufacturing and, finally, look at the structure of research and development..

Structuring for Consultative Selling

The distinction between efficiency and effectiveness is an important one that may not be readily clear in the context of a sales force. Put simply, efficiency is about opening doors—covering as many customers as cost efficiently as possible. Effectiveness, in contrast, is what happens once the door has been opened, whether the seller can create enough customer value to win the business. The effective consultative sale has potential to create value at many points in the buying process—not just at the transaction itself—and can justify much greater sales investment if the result is higher value for customers.

Figure 9-1 illustrates a possible approach to “dual” systems. Starting with the sales organization itself, you need two separate approaches—an efficiency-driven structure to serve transactional customers, using low-cost elements (telesales, electronic commerce, and so on), and an effectiveness-oriented structure for consultative customers, organized around key accounts, vertical markets, or products.

The practical reality is that we’ve never seen a sales force succeed in the split task of selling to two radically different customer types where the value creation needs of one customer are contradicted by the requirements of the other.

Type of Sale	Key Objectives	Typical Sales Structure	Organizational Linkages/ Alignment
Transactional	• Sell the product. • Minimize cost. • Facilitate acquisition ease and convenience.	• Telesales • Electronic commerce • Indirect channels • Geographic field force	• Low-cost manufacturing • Efficient order fulfillment • Standard product-service mix
Consultative	• Sell the problem-solving relationship. • Support individual customer value creation.	• Account- product-, or industry-based direct sales force	• Flexible design and delivery • Customization capability
Enterprise	• Sell the institution. • Leverage core competencies and total assets for strategic customers.	• Senior management led cross-functional and cross-company teams	• Function-to-function relationships • Joint staffing • Top priority from both parties

FIGURE 9-2 Summary of structural guidelines.

Measure the Important Rather Than the Urgent

Urgent problems get attended to immediately—usually at the expense of the things that people know they should be doing.

In most sales functions, things that don't have to be done by Friday will be perpetually put off until next week and will never be finished.

Use Metrics That Salespeople Can Influence

If you measure things salespeople can’t control, then your measures will never result in improved sales.

Measure What Matters, Not Just What’s Measurable

In our experience, struggling to measure the important is one of the most worthwhile of all management activities. Customer satisfaction is a good example.

Team-Based Measures

Salespeople are a fairly independent lot, with an ingrained “lone-ranger” mentality.

…the lone-ranger notion of sales has to change for consultative sellers to succeed in the future. They must become an integral part of a company’s value creation and value delivery system. And a key element of that change will be to shift away from individual- to team-based measures, recognizing the interdependencies that will drive successful performance.

Two types of team measures

Value Creation Proxies

Creating value for customers is what the new selling is all about, but how do you measure it?

Surveys alone are inadequate. They measure customer perceptions, not true performance, and customers may be wrong about the value they are receiving in either direction.

So, while customer surveys can be helpful for understanding what customers think your performance is, you need another set of measures that can give you a sense of your actual performance.

…try to measure the value created for customers directly, and, when that isn’t possible, you should use proxies that can at least give you a ballpark estimate of where you stand.

Support continuous Improvement

Another key element of the enterprise sale is continuous improvement and the learning that underpins a continuous-improvement methodology. To learn, an organization has to understand not only what happened but it also must gain some measure of why it happened. It also has to understand how much the outcome varied from expectations. It's a curious thing, but our memory of what we expected to happen is heavily colored by the outcome itself, and unless those expectations were carefully documented, it's virtually impossible to go back and re-create them. Hence, to support the learning for continuous improvement, measures need to document these expectations and the assumptions behind them. Only then will you be able to look at the real outcome and understand which assumptions held and what needs to be done to make further improvements. One outcome of the quality movement in manufacturing has been extensive literature on metrics. These developments in manufacturing metrics are becoming increasingly applicable to enterprise sales, and we're likely to see more of the type of metrics used in manufacturing to measure the continuous-improvement aspects of enterprise relationship.

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