

The most vexing problem confronting sales

 By [Peter Gilbert](#)

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In an increasingly commoditised and transparent global environment, it is becoming harder and harder for companies to maintain their profit margins selling traditional products and services. Well-established businesses are finding that product/service-based differentiation is more costly and difficult to maintain than ever before, and the resulting product differences are increasingly less meaningful.

Value has, in effect, migrated downstream from suppliers toward customers and, in some cases, has been "completed" out of existence. Rather than continue to resist the inevitable, companies of all descriptions in diverse industries are looking for opportunities to develop higher margin "solutions" businesses.

Solutions models

Early on in this trend, innovative companies began bundling products with value-added services as a way to differentiate themselves, but solutions models have progressed far beyond that today, in terms of both their sophistication and their level of customisation.

Many companies have developed a wide range of solutions offerings tailored to address specific end-customer problems. But few have captured the sustainable bottom-line benefits of a solutions-based business model.

The culprit is generally not the company's strategy to pursue a solutions business, but rather its inability to align its organisation behind the strategy and execute it effectively. Executives confront any number of practical challenges in aligning and adapting their traditional product-focused operations to compete in the new solutions space.

However, as early adopters of solutions selling discovered, the greatest challenge lies in developing a scaleable business model that captures the value created for not only the customer but also for the solutions provider. Many early providers of solutions fell into the trap of providing significantly more value for the customer, but finding themselves unable to get paid for it.

Arm sales and marketing people

Successful solutions providers find ways to arm their sales and marketing people with the skills, information, tools and (most importantly) the authority to make decisions on how customers will be served and charged to optimise both revenue and costs. The result is not only a better-equipped sales force but also a brand-new organisational model with structures, mechanism, and incentives that determine how decisions are made and how the work gets done.

As more and more companies migrate away from products or services towards integrated solutions for their customers, it becomes increasingly apparent that what separates the winners from the also-rans is the degree of alignment between their market strategies and their business models. This problem runs through and cuts across the entire organisation. To develop a successful solutions business, you need to do more than reorient the sales force. You need to revisit your existing organisational model and make swift and hard choices. Many sales personnel will not make the transition.

Given the imperative to address traditional products' value erosion by moving downstream (ie, closer to the customer), the transition to a solutions model is no longer an "if" but a "when". Because of the complexities in aligning and customising such a model, it's little wonder that developing a solutions business has become a top CEO priority.

Making money

So how do you make money?

McKinsey estimate that 75% of companies attempting to develop a solutions business experience a negative return on investment. These unsuccessful companies may lose a great deal of money. The most common concern expressed by suppliers looking to build a solutions business is not how to build the solutions themselves, but rather how to capture the value created to ensure profitability.

Without the tools to measure and track the value delivery, this task is often impossible.

Capturing the value or, more correctly, being paid a "fair share" of the value, is critical to the success of a solutions business. In rare instances, the parties (supplier and buyer) can accurately identify the value likely to be created. But generally without the necessary tools, it results in failure when the solution is complex.

In our experience, an organisation such as Lucidus in the UK (www.lucidus.co.uk) with extensive experience in value identification, value creation and value capture, can be of great assistance. In our estimation, companies that master these elements will emerge as the sales winners.

ABOUT PETER GILBERT

A sales veteran with over 30 years of experience, Peter Gilbert is MD of HRChally SA (www.challysa.co.za), an international sales consulting company specialising in talent management and recruitment. He is passionate about sales as a profession and the identification of real sales talent who can really sell! Email him at peter@challysa.co.za
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