

# The IT Sales Model Is Broken

We are in the midst of a genuine revolution in the way IT sales are made. At the heart of this revolution is the issue of competing on value. In many cases, the differences between traditional sales approaches and value-based selling appear to be subtle, but in fact, they are profound, requiring changes in strategy, corporate culture and selling skills.

 By [Peter Gilbert](#) 1 Jan 1900

## Selling As A Value Exchange Process

In today's markets, where products are rapidly commoditised, it is seldom possible to compete on the basis of product features and benefits for any length of time, if margins are to be maintained or improved. Increasingly, the question being posed to suppliers, by their most important customers is - "**How much better off will my company be if I buy your product/service or business solution?**" If suppliers cannot answer this question in precise terms, (and they invariably can't) price becomes the primary determinant of which buying decision is made.

However, this is but one side of the equation. It is all very well delivering demonstrable value to the customer. But, for obvious reasons, it is also vital that the supplier earns an equitable return on the value delivered. In far too many cases, suppliers struggle mightily to enhance the value they provide through a range of so-called value-added services, only to receive "commodity" prices for their products. This leads to the disastrous situation where margins erode **and** costs increase.

## The Value Exchange

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## The Incentive To Purchase

Value - Price = Incentive To Purchase

In virtually all sales interactions, price is crystal clear. However value is usually extremely unclear. In fact, in most cases, neither supplier nor customer has the faintest idea whether any value was delivered or, if it was delivered, how much or when! If sales organisations are to professionalise, the capacity to **identify, quantify, deliver and track the monetary value** provided by their offerings will become a core competency required for success and survival. This is no trivial task and in hundreds of discussions with senior executives in IT, chemical specialties, banking, telecoms, financial services, software, outsourcing and manufacturing, we have yet to find an organisation that has dealt with the issue successfully.

Increasingly, customers are demanding proof - **hard evidence** - that IT offerings are delivering added value in excess of price. However, for IT sales professionals the challenge is even greater when client executives are asking:

1. Is there an ROI and, if yes, how much?
2. How do I convince the board to vote the budget?

3. How do I prove to the board that the return has actually been delivered and when?

The IT industry's inability to respond creates a major communication problem that results in slower decision making, protracted selling cycles and staggeringly high selling costs.

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## A More Helpful Approach - Value-Based Selling & Delivery (VBSD)

To date, IT industry responses to these challenges have centred around **TCO** (total cost of ownership), which has nothing to do with the delivery of value, and traditional **ROI** calculations, which are typically complex, cumbersome and simply not believed by the client or the supplier. Neither approach has proved terribly useful from the customer's perspective. Furthermore there is no mechanism for tracking the actual value delivered.

A more helpful approach is **Value-Based Selling and Delivery** which assists suppliers to:

- Build a financial model for an IT offering (e.g. call centre, ERP, CRM etc.)
- Isolate the value drivers impacted by the offering. (These are not always obvious).
- Assign measures and monetary benefit to them
- Populate the model with these numbers
- Make them accessible, obvious and easy to understand (no 200 page reports)
- Encourage the client to challenge, change and **verify** the numbers
- Show how the value will actually be delivered
- Reach consensus based upon the **agreed** facts.
- Do it all **fast!** (In days or weeks rather than months)

## A Radically New Way Of Selling

"It is becoming increasingly difficult to differentiate yourself by **what** you sell. If you are unwilling to differentiate yourself in **how** you sell, then you will, by default, end up differentiating yourself by **how** much you sell it for."

IT delivers little business value of itself. Actual business value depends on how well I.T. investments are targeted and how well they positively impact the identified **value drivers** and **unlock the value** that exists. In the new world of IT selling, sales teams will develop the skills to build financial models for their offerings; run preliminary numbers through the model and then engage senior client executives (typically CEO or CF) in a process of debating and verifying the predicted value. This positions the salesperson as a business consultant, achieves buy-in and support from the highest levels of management in the client organisation and dramatically shortens the sales cycle.

A further element of value-based selling and delivery is the ability to **gain closure** on the predicted value by developing a robust **work program** linked directly to predicted value and combined with a tracking process that provides a clear view of what value is or isn't delivered. Deviations are highlighted, their financial impact highlighted, and executive attention focused on what action needs to be taken. This approach is dramatically different from the traditional approaches still employed by IT companies.

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## The Changing Role Of Salespeople

IT sales professionals need to have a new focus. Selling is no longer a world of overcoming objections, educating customers, negotiating deals, conducting demos, answering questions, or any of the other well-known traditional selling activities. Sales professionals need to have a new focus:

- Demand creation
- Value delivery
- Philosophical alignment
- Business fit
- Positioning
- Financial literacy
- Executive credibility and
- Organisational savvy

The primary role of the salesperson has changed:

- From day-to-day transaction management, specialised technical support and customer service
- To customer **business consultant**

As "consultants" salespeople must first **understand** their customer's business (perhaps better than they do), **elevate** their points of contact beyond the customer's purchasing, IT or administrative personnel (CE, CFO, CIO), and then **add measurable value** (beyond delivery of the billed product/service) to the **customer's business results**.

"Sales reps will add value by their knowledge or they will be replaced by technology-enabled selling. They must become more like consultants and business managers." - **Wendy Close, Gartner Group**

In our experience based on work with many of the major IT players worldwide, IT salespeople do not make the transition to consultative selling easily - even when armed with the tools and methods of value-based selling and delivery. In many cases, the best approach is to create a small specialist or pathfinder group, staffed by innovative salespeople and given the necessary coaching and guidance. Successes with a few carefully targeted deals then reinforces the "buy-in" and commitment and releases funds for further transformation of the salesforce.

## The Financial Case For Improving Sales Force Performance

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The improvements projected in the table above are modest, but difficult to achieve, with the current sales model. However the combined impact of 10% improvement in **activity**, **win rate** and **cycle time** is dramatic - **47.62%** profit improvement. In many industries the best way and, in some industries the only way, to enhance salesforce effectiveness, is a new focus on delivering and receiving value.

*Growth Partners are specialist in B-2-B salesforce transformation Value modelling and Value-Based Selling and Delivery. If you would like to learn more, e-mail Peter Gilbert on [pgilbert@icon.co.za](mailto:pgilbert@icon.co.za).*

## ABOUT PETER GILBERT

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