Closing the Value Gap

By Lou Schachter and Rick Cheatham
About BTS

The BTS Sales Practice partners with the most successful salesforces in the world to help them accelerate their results. BTS leverages customized simulations and experiential learning to give clients the alignment, mindset and capabilities to drive sales. BTS bases its approach on proprietary research into how today’s largest enterprises make purchases. This research shows that sales success depends on understanding customers’ business priorities, impacting those priorities and communicating that impact. BTS consultants bring passion and deep industry expertise to deliver sales transformations that help client salesforces achieve better results, faster.

Headquartered in Stockholm, BTS is a world-leading strategy implementation firm that has approximately 350 professionals in more than 25 offices located on six continents. Partnering with nearly 400 organizations, including more than 30 of the world’s largest corporations, BTS’s major clients are some of the most respected names in business: Anglo American, AT&T, Chevron, Coca-Cola, Ericsson, Hewlett-Packard, Rio Tinto, Sony, Telefonica, and Unilever. Among the current clients of the BTS Sales Practice are Accenture, Autodesk, Bancomer, Cisco, IBM, MetLife, Microsoft, Nike, Oracle, Pepsi, SAP, Schindler, Sodexo, Standard Bank, UCB, UPS, and VMware.

BTS is a public company listed on the NASDAQ-OMX Stockholm trading under the symbol BTS B.

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About the Authors

Lou Schachter is the global leader of the BTS Sales Practice. He is the co-author of the book, *The Mind of the Customer: How the World’s Leading Sales Forces Accelerate their Customer’s Success*, which was published by McGraw-Hill in 2006. Before joining the BTS team, Lou had a long career in sales for professional services firms.

Rick Cheatham leads the BTS Sales Practice in North America. Previously, Rick was a sales leader at Avery Dennison, a leading producer of consumer products and pressure-sensitive adhesives materials. During his tenure, he transformed his organization into one that changed its focus from selling products to accelerating its customers’ business results.

The research project that provides the data for this report is led by Eduardo Umanzor, the Director of Design and Innovation for the Sales Practice at BTS. Eduardo has 20 years of experience in sales, sales management, training and performance improvement. He is currently completing his Ph.D.
What if...?

What if it turned out that salespeople were routinely leaving money on the table? Despite all the seemingly legitimate reasons for why selling is harder today, what if it turned out that customers are actually willing to buy more and at higher prices, if salespeople would engage their customers in ways that better aligned with what customers truly want?

Those questions underlie the research study that BTS embarked on in 2012, and which continues today. Our early data suggests some interesting conclusions:

- Customers want salespeople to help drive their overall business results
- A significant gap exists between what customers want from salespeople and what they are getting
- Many of the steps that sales leaders are taking to drive more revenue and profitability do not address this gap
Is Sales Evolving?

Until about 30 years ago, selling was all about products. Customers had needs, and salespeople had products that filled those needs. Salespeople had to demonstrate great product knowledge and the skills to identify their customers’ needs and match them against their products. But starting around 20 years ago, almost every industry was invaded by providers with lower costs of labor or lower costs of raw materials, which drove prices down. Products became commoditized. At the same time, information about products became readily available on the web, so a salesperson wasn’t offering value just by having good product knowledge.

In response to this phenomena, “Solution Selling” developed. Selling solutions meant wrapping sets of products and services together to solve the problems that customers encountered. The services included offerings such as financing, training, integration with existing systems, customized specifications, service and support. Salespeople were trained not just to have great product knowledge, but also to find the “pain” in a customer’s business process and propose a solution. The great thing about selling solutions was that the added services typically offered higher margins than the underlying products. But, today everyone offers solutions and, just as with Product Selling, they have become commoditized.

A new way of selling is beginning to emerge. Today’s leading sales forces have discovered that the way to stand out is to focus on accelerating the customer’s desired business results. That means not just filling a need or solving a problem (though salespeople still have to be able to do that, too), but finding ways that their products or services can directly enable the customer to accelerate the desired performance. When salespeople practice Accelerator Selling, they are developing a deep understanding of the customer’s overall business strategy, priorities and objectives.
Then they use all of their company’s capabilities (certainly products, services and solutions, but also data, information, insights, expertise and experience) to help that customer achieve the desired business results, faster.

BTS was the first to document this evolution in *The Mind of the Customer*, published by McGraw-Hill in 2006. Today, the industry recognizes the shift sales forces have begun to make. This new approach is referred to as “Results Selling”, “Value Selling”, “Insight Selling” or “Outcome Selling”. We call it *Accelerator Selling*. Now, there is data that shows customers seek exactly this type of selling. Furthermore, our data shows that what customers want is more than just someone to challenge or provoke their thinking with new insights. Future white papers will describe these customer behavioral expectations in more detail.
What Kind of Selling Do Customers Want?

Our research contains both quantitative and qualitative elements. BTS has conducted hundreds of interviews with executive-level customers to identify the behaviors that customers seek from salespeople. These behaviors were used to develop a survey instrument to quantify the validity of the research across different industries and geographies. At the core of our survey is the opportunity for customers to choose their preference across 15 behavioral dimensions. Each of the behavioral dimensions has a unique expression across three distinct types of selling: Product Selling, Solution Selling and Accelerator Selling.

### Product Selling
Focuses discussions on the **product or service needs** the customer needs to fulfill

### Solution Selling
Focuses discussions on the **specific problems or issues** the customer needs to resolve

### Accelerator Selling
Focuses discussions on the **business results** the customer’s company needs to achieve

Survey respondents are not exposed to this model, and the model is not apparent from the way the questions are asked. In fact, the behaviors that align to each type of selling are randomized, so that the respondents cannot easily detect the underlying pattern.
Beyond Solution Selling

One way to assess the data is to look at overall averages to determine where in the continuum of selling customer preferences emerge.

Our data shows that a clear majority of customers want an approach where the salesperson is working to accelerate their overall business results, not just solve problems or fill product needs. Solution Selling is insufficient to reach these customers, and Product Selling does not connect with their requirements. Customers seek salespeople who have moved on from only discussing business process problems and solutions to discussing the overall business results the customer’s company is trying to achieve.

Our interviews, and a longer body of earlier research we conducted, suggest that customers’ desired approach is shifting to the right (toward accelerators) over time. Most sales forces we encounter are also moving to the right, but at a lagging speed.
The data points to a bigger issue that is directly affecting the ability of companies to grow revenue today. The sales approaches that customers want are not what they are getting. Customers tell us they would buy more, and at higher prices, if they could get salespeople to sell in a way that aligns with the way they want to buy.

The chart to the right shows what customers seek and what they see.

What customers typically encounter are salespeople who focus on filling product needs or, in some cases, salespeople who focus on finding and solving problems. The vacuum between what customers want and what they are getting represents a significant competitive opportunity for sales forces that can shift the way they sell to better align with what customers want.
Customers’ Desired Approach and Rating of Typical Sales Behavior They See

<table>
<thead>
<tr>
<th>What Customers Want</th>
<th>What Customers Get</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Selling</td>
<td>17%</td>
</tr>
<tr>
<td>Solution Selling</td>
<td>29%</td>
</tr>
<tr>
<td>Accelerator Selling</td>
<td>55%</td>
</tr>
<tr>
<td>Product Selling</td>
<td>49%</td>
</tr>
<tr>
<td>Solution Selling</td>
<td>35%</td>
</tr>
<tr>
<td>Accelerator Selling</td>
<td>15%</td>
</tr>
</tbody>
</table>
The Value Gap

The difference between the sales behavior that customers seek and what they actually get from salespeople can be considered a value gap. In the chart below, we focus on the value gap for customers who prefer accelerator selling because this is where the greatest potential exists for increasing revenue and margins. But it should also be noted that better aligning sales activity and behavior with the desires of customers who prefer product or solution selling is also beneficial. Not only will it increase customer loyalty, it will also likely reduce the cost of sales.

Of the customers who prefer an accelerator-selling approach, only 16 percent typically see those behaviors from salespeople.
The remaining customers who prefer an accelerator-selling approach get product-selling behaviors (49 percent) or solution-selling behaviors (35 percent). This value gap translates into lost revenue and lower margins for sales forces that are misaligned with their customers.

Another way of expressing the value gap is that 84 percent of customers who prefer to be sold to in a way that accelerates their overall business results are not being sold to the way they want to buy.

The value gap is also useful as a benchmark to measure component behaviors. Some individual sales behaviors have a larger value gap than the overall set of behaviors; others have a smaller value gap. This ranking process can help sales forces prioritize which behaviors to address first.
BTS has examined multiple behavioral and knowledge dimensions of that value gap. In future reports, we will provide more detail on those individual dimensions, as well as how value gaps differ by industry and global region.

What should now be apparent is that the majority of customers want their salespeople to understand their business objectives, priorities, opportunities and challenges, which implies that these customers have higher expectations for salesperson behavior. These customers clearly want salespeople to behave in a way that is aligned with Accelerator Selling. They are not satisfied with the product-selling approach they receive from most salespeople today.

What becomes critical, then, is identifying those customers and closing the value gap, ensuring that the salespeople who serve them behave in the ways these customers prefer. When that happens, these customers buy more and at higher margins. When this does not happen, customers will either seek lower prices or will turn to competitors.
Do Sales Leaders Know What to Do?

The implications of the value gap can be seen in longer sales cycles, more price pressure and less customer loyalty.

The critical point is this: Salespeople who want success in today’s marketplace must shift beyond a product-driven conversation with the majority of customers who clearly want a different approach. Most sales leaders know that at some level. But here’s what is different: Shifting to a problem-finding, solution-selling approach is not enough. In fact, it may be the wrong direction entirely, as the number of customers seeking a solution-selling approach is actually diminishing. We will explore how to address the 35 percent of customers who want a product-selling approach in future white papers.

Salespeople who want to succeed in today’s business environment need to align with their most valuable customers by having business conversations that go beyond today’s challenges. They must discuss more than the potential implications of a purchase on the customer’s business. These business conversations must explore the customer’s own customers, their value proposition to those customers, the trends in their markets, and what metrics they use to measure success. Sellers who are able to close the value gap take the time to understand their customers holistically. They have the business acumen to turn their understanding into insights and their insights into results.
The failure to close this value gap—the difference between product conversations and business conversations—is driving longer sales cycles, greater discounting, more frequent customer churn and slower acquisition of new customers.

With the best of intentions, what many sales leaders do when they see those developments is two-fold:

1. They double-down on driving activity metrics, hoping that more sales activity will compensate for fewer deals at lower margins that take longer to close
2. They initiate a back-to-basics approach or “blocking and tackling” focus that actually reinforces a set of product-selling behaviors that further misaligns salespeople with what customers want

The good news is that there are simple, specific and high-impact actions that sales leaders can take instead.
What to Do

When customers are asked to choose the sales behaviors they value most from salespeople, the top behaviors are:

1. Demonstrates knowledge of customers’ business objectives, priorities, opportunities and challenges

2. Demonstrates an appropriate sense of urgency by responding quickly and diligently

3. Fully leverages other individuals and resources in their own company to get the results customers need

Focusing on these three behaviors is a very good start when driving salespeople to close the value gap and better aligning with what their customers expect. All three behaviors are characteristic of an accelerator-selling approach.

For the first desired behavior, salespeople must research their customer’s overall business before a client interaction, ask smart, business-focused questions, and possess enough business acumen to carry on a business conversation. When sales leaders mention that salespeople need to sell higher, or that they struggle to get executive access, it is often because these salespeople simply do not have the business acumen or conversational skills to engage in a meaningful executive interaction.
Not long ago, a 24-hour response time was acceptable to most customers. Those days are gone. In today’s mobile-enabled world, customers expect answers within the hour. That’s often because they have to get back to their bosses within the hour. Even over the weekend. They also want to know that the salesperson is helping to move their buying process forward.

Finally, accelerating the customer’s overall business results means bringing to bear all of a selling company’s resources to help the customer succeed. That means not only products and solutions but data, information, insights, expertise and experience to help that customer achieve their desired business results, faster. Sales leaders who take an inside-out view call this Cross Selling. Here you have customers saying they want Cross Selling, as long as it helps them achieve their desired business results faster.

An initial focus on these three high-impact behaviors will go a long way to closing the value gap. More broadly, and over the longer term, closing the value gap requires sales leaders to look differently at the behaviors and knowledge they seek from their teams.

Our work with a number of major, well-recognized sales forces over the last decade, helping them enable major shifts in the way they sell and better aligning them with the changing expectations of their customers, suggests the following conclusions about sales transformation initiatives today:
**Vision:** Effective change efforts begin with a clear vision of how sales leaders want their reps to sell in the future. This vision can come from a new leader from the outside, a realization on the part of existing leaders, or a research-driven effort that seeks alignment with customer preferences.

**Agility:** Change is happening faster than ever before. Customers are changing due to new forces in their markets. Sales leaders’ own companies are changing to reflect new economic and marketplace realities. Salespeople are changing due to generational shifts. And unrelenting technology changes are affecting everyone. Sales transformations today are less about finding the one right way to sell than they are about building agile sales forces that can quickly adapt the way they sell to align with customer expectations.

**Execution:** Skill building is a critical way to change salesperson behavior. But the most frequent mistake in a sales transformation initiative is relying only upon skill training to drive the needed change. New capabilities only stick if the overall sales transformation initiative is executed in a way that (1) aligns people to the strategy, so that they fully understand why they have to behave in new ways, and (2) creates a shared mindset in which each person believes that the strategy is the best one for customers, the company and themselves.

Our experience indicates that a successful sales transformation initiative today requires between 18 and 36 months. Given the pace of change in today’s business environment, companies can expect to embark on the next transformation initiative shortly afterward.
An Invitation

BTS can help you identify the value gap between what your customers expect and what your sales force is delivering today. We can also benchmark you against your competitors. But BTS is not, at the core, a research organization. We are an execution consulting company, and we excel at helping your sales force build the alignment, mindset and capabilities needed to sell in a way that reflects what your customers want today.

We welcome your participation in our global research effort and your interest in ways we can assist you in executing your sales strategy. Learn more at bts.com/sales-transformation. Or contact us online or by phone:

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How Our Research Was Conducted

At BTS, we continually conduct research with executive-level customers and sales leaders about what makes salespeople successful. The results in this report represent a snapshot of our findings as of early 2013. Currently we have:

- Surveyed 286 executive-level customers about their buying preferences
- Interviewed 45 executive-level customers about their buying preferences
- Surveyed 54 sales leaders and interviewed 18 sales leaders about what drives success in their sales organizations today
- Surveyed customers representing a wide swath of industries
- Surveyed a global audience
Global Survey Responses

- Brazil 5%
- Mexico 6%
- Spain, Italy, Germany 4%
- Finland 7%
- United Kingdom 8%
- Australia 8%
- Singapore 1%
- Japan 13%
- China 8%
- USA 42%
Industry Responses

Not Selected 16%

Education 3%

Professional Services 7%

Retail 5%

Information Technology 4%
Aerospace 2%

Mining 1%
Chemicals 3%

Manufacturing 15%
As the research project continues, we expect to gain greater diversity in our respondents across industries, geographies and all major economies. Subsequently, you can expect additional articles or reports highlighting the differences in customer preferences across industries and geographies.
Strategy made personal
We create powerful experiences that help leaders build the future of their business