Partly Cloudy or Mostly Sunny?

Inside the Cloud and the IT Industry Are Lessons for Sales Forces Looking to Stay Ahead

By Lou Schachter and Rick Cheatham
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Introduction:

A Cloud is Coming Your Way

Imagine a world... where your mobile service provider decided what apps would go on your phone.

Imagine a world... where you had to pay for 10 songs just to get the one song you wanted.

Imagine a world... where your calendar was on paper in one place and could be updated only manually, and only by you.

Imagine a world... where your employer dictated what kind of mobile phone you could use.

For many of us, it’s not hard to imagine this world. This is the world we lived in until recently. Mobile phones had features predetermined by carriers. Songs were sold as part of albums. Colleagues’ calendars weren’t instantly visible and accessible. Employers provided technology; there was no such thing as “bring your own device.”

That world is gone. Today’s world is increasingly defined by pay-as-you-go, user-defined experiences. Software is increasingly sold on a subscription basis; files are stored remotely rather than on your computer, and users select which programs or apps they want on their devices. The hardware world has changed too. Historically, companies invested 70% of their spend on a new IT system before it was operational...that is, before a single user was on it. In today’s world, companies are paying for use of the system, on a pay-as-you-go basis that takes into account the number of users and the features they are using. The risk of adoption has shifted from the customer to the supplier.
What’s driving the shift in IT is the move to the cloud, which is to say storing information in distant servers outsourced from a service provider, rather than on local computers or servers. But the availability of the cloud has already had an impact well beyond storage. It is changing the fundamentals of the way hardware and software are sold throughout the IT industry. IT providers are being forced to build a new business for tomorrow without missing today’s revenue goals.

If you think, “Well, that’s IT. Good thing my industry is different,” then think again. These seismic shifts are starting in the tech world, but they are coming soon to an industry near you. As individualization becomes a more common expectation, this tech trend will become your reality. Before we explore how these changes are beginning to affect other industries, let’s take a quick look at a few more trends that are reshaping the tech world today.
Trends Start in IT and Move to Other Industries

Six trends are driving a new way of thinking among IT customers. As you read through them, count how many are already affecting your industry too.

- **“Good enough” is fine.** Customers have decided that having all the latest features and capabilities is no longer worth the added price. They are willing to make tradeoffs.

- **Less complexity.** IT customers figured out that they could lower the cost of their purchases by reducing the complexity of what they purchased and how they purchased it (e.g., fewer suppliers).

- **Pay as you go:** Pricing of IT systems and software has shifted from large upfront capital outlays to per-user fees linked to captured value. This consumption-based model was pioneered by salesforce.com.

- **Managed services:** Increasingly, suppliers provide needed IT staff instead of the customer. This shift means that outsourcing no longer takes place only in large chunks of the business (like manufacturing) and now occurs in hundreds of small ways throughout a business.

- **Consulting grows:** Integrating and optimizing IT systems to ensure customers reach their desired business results is now where the money is. Salespeople are no longer needed for products customers can buy directly online. The notion of "consultative selling" is shifting to "selling consulting."

- **Data drives value:** We are at a turning point where we are able to capture and analyze huge amounts of data from different IT systems. Customers know the value that can be extracted from this data, but they also know they can’t do it themselves. Suppliers that assist with data analytics have an advantage.
What the cloud and its related developments have created is a world where the focus of sales is shifting from selling the system to selling the service. Today we have “software as a service,” “storage as a service,” “security as a service,” etc. That is a jarring development, but if embraced it can be the catalyst for exponential growth. That is not just true in information technology. It is true across industries. That’s the "mostly sunny" way to look at the cloud, and it is what this white paper explores.
Sudden Impact:

The Immediate Effect on Sales Forces

How do the recent changes in the IT industry affect what defines sales force effectiveness? Here’s a quote from Consumption Economics, a brilliant book that lays out the path forward for hardware and software companies:

“Winning profitable new customers in cloud, managed service, and outsourcing deals will take very different skills and steps. We need consulting skills and service-oriented consumption models. We need salespeople who think on their feet, absorb complexity and uncertainty, and are uncomfortable selling with canned pitches—ones who are business experts much more than sellers of speeds and feeds.”

It doesn’t matter whether you sell parts to original-equipment manufacturers, consumer products to retailers, or professional services to finance organizations. You will increasingly need salespeople who master your customers’ businesses and are capable of providing insights and advice on the spot about more than just what they sell. In the remainder of this white paper, we will explore three themes that we believe are already extending beyond the IT industry.

1) The Platform Sale – Customers are making decisions now about what platforms give them the most flexibility, simplicity, and best pricing for the future.
2) Users Rule – Buying decisions are being put in the hands of the people who will use the product.
3) Seller’s Dilemma – Sales leaders must find ways to embrace the new ways of selling without giving up in the short-term the existing revenue streams their shareholders rely on.

It should go without saying that your entire company’s business model may need to be reshaped based on the changes happening in the way customers are making their buying decisions. It is also true that pricing approaches and sales compensation models will have to change considerably. Those issues are beyond the scope of sales leaders alone, and therefore are not addressed in this white paper. We will focus on what sales leaders and salespeople can control.
The Platform Sale

When you buy a new mobile phone today – whether you realize it or not – your first decision is whether to go with an Apple, Android, or Microsoft platform. That decision is based on a number of issues:

• The user interface and experience
• Available apps
• Interoperability with the other devices, files, and software you already own

It’s barely different for corporate buyers of most goods and services today. The buying decision is less about what features the product or service offers. It’s more about what flexibility each platform offers for the future.

Future Flexibility

More than ever, customers are making buying decisions not just on perceived value today but on the future flexibility and value a purchase will likely provide. Salespeople should already be shifting their conversations to include discussions of product roadmaps, planned upgrades, related third-party offerings, and interoperability.
Here are a few examples of how interoperability and “available apps” are already affecting buying decisions across industries:

- An automotive company choosing a supplier for a temperature sensor has to consider how that sensor will link to the vehicle’s increasingly advanced electronic control systems, to the “black box” data recorder, and soon, to the “internet of everything” that will capture all of a car’s data and make it available via the web.
- A Fortune 500 company selecting a payroll services provider is now looking closely at the provider’s web interfaces that employees will use. Are they mobile-enabled? Is the interface as friendly as what employees get with their personal online experiences (shopping, banking, etc.)? Is it easy and self-explanatory? In today’s world, if there has to be a training session to use a web interface, there’s something wrong with the interface.
- A chain of retail ski supply stores will look for goods that are embraced by third-party manufacturers that offer add-on equipment and features. It doesn’t have to be a technology-based “app.” The app-driven world means that consumers seek ways to individualize their own experiences based not just on what a supplier offers but on what other companies provide for that supplier’s equipment.

Selling a vision is more important than ever. To win in the platform environment, you have to sell a vision of the customer’s future that is simple and flexible.
Insights: Explanations of the Future

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The best way to anchor a vision that explains the future is to focus on the customer’s industry. Top salespeople today understand their customer’s industry. They know the trends that are shaping the market, the major industry challenges, the performance of the top competitors, how each player positions itself, and how new entrants are reshaping the competitive game. An explanation of the future is a description of what is likely to happen in the industry over the next several years and how an individual player can best prepare for that future. As we’ve outlined in our other recent white papers (see Closing the Value Gap), all of that requires a level of business acumen well beyond what the average buyer has expected of salespeople in the past. Today, salespeople require an understanding of how businesses make money generally and an understanding of what is unique about the industries they sell into.

Consulting First: Upfront Work Defines the Deal

Because platform selection decisions are complex, buyers can be overwhelmed by the information they need to gather and how to make the best decision. This confusion provides an opportunity for suppliers to help manage that decision process. Increasingly, top sales forces are offering to provide a small amount of consulting upfront, at little or no cost, to help the customer make a decision or set the parameters and requirements for the decision. Typically, this process involves meetings with stakeholders, benchmarking against similar companies, and several working sessions. The advantages for a supplier of being involved in this process are huge. They meet the stakeholders, get close to the decision-makers, and help shape the deal. They are extremely well positioned when it comes time to compete for the real business. Even if the consulting work is unprofitable, the advantages it provides – on average, across multiple deals – are well worth the investment.
The Platform Sale: What to Do Now

You don’t need to wait until customers in your industry shift all their purchase decisions to a platform mentality. Here are things you can do today:

1) Explain how your products and services are supported by third-party offerings.
2) Emphasize interoperability between your offerings and what the customer already owns or uses.
3) Invest in detailed understanding of the dynamics of the industries you sell into. Know the likely implications of current trends.
4) Create simple explanations of what the future is likely to hold in the industries you sell into. Describe how your products give players in that industry a competitive advantage as the future gets closer.
5) Rethink how you allocate resources to the largest opportunities. Should you keep the designated account managers leading each of those giant deals by themselves? Or should you have a special-forces team assigned to help with the largest, best opportunities.
6) Have you done enough analysis to know which giant opportunities you are most likely to win? (Here’s a test: Which kinds of giant opportunities are your competitors most likely to win?)
7) Offer consulting services to help your customers make better decisions as those decisions get bigger, create higher risk, and have more long-term implications.
Users Rule

Think about how customer relationship management (CRM) has changed in just a few years. Today’s CRM environment, pioneered by Salesforce.com, is based around individual users. Companies pay based on the number of users and the package of features they have access to. That’s a long way from the legacy approach where a company bought an enterprise system, decided what features everyone should have, paid for the bulk of it upfront, and maintained the responsibility to drive usage. In the world of the cloud, it is the supplier who drives usage, and they have a big incentive to do so: they get paid based on the number of users and what features they use.

That same approach of measuring value by user is coming your way, no matter what industry you’re in.

The Stakeholder Sale

When value is measured at the user level, the buying and selling processes change. Now it’s no longer a centralized decision. Users have to be represented in the buying process. That adds significant complexity for sellers, who now have more stakeholders to work with and more business cases to prepare. But it’s actually for the best, as those suppliers will ultimately get paid based on user adoption.

One concept that is helpful in sorting out stakeholder complexity is separating “consumers” (or users) from “shoppers” (procurement, central staff functions). Our white paper Learning from S’mores explains this concept in depth by describing how the Fast Moving Consumer Goods (FMCG) industry works, but the point is this: consumers and shoppers have different priorities and need to be addressed differently.
Functional Acumen

There is wide agreement on the need for salespeople to have general business acumen today. Yet, we are at the beginning of a phase where even strong general business acumen will not be sufficient. To sell in this user-driven stakeholder environment, reps also need to display functional acumen. That means they need an understanding of how different corporate functions work. They need to know the drivers, metrics, and priorities of marketing, supply chain, operations, manufacturing, finance, etc. Without that knowledge they can’t engage in substantive conversations with users and decision-makers from those functional areas.

Stakeholder Management Skills

In addition, we often see that reps today don’t have basic skills in stakeholder management that would allow them to identify the interests of each stakeholder and to aggregate them into a presentation. They need more skill in putting together solutions that maximize the interests of as many stakeholders as possible. Instead, what they frequently do, is maximize the interests of the person they perceive as the primary buyer. The only way to succeed with a stakeholder sale is to understand each stakeholder’s interests, organize them, explain the tradeoffs, and propose a solution that achieves as much as possible for the greatest number.
Buy Direct

One of the benefits of a shift to a user-driven buying environment is that sales forces will be able to sell beyond centralized buying functions. Companies that are taking advantage of this shift are making it easier for individual users to buy directly. Increasingly, options for individual users to buy are being negotiated into the enterprise agreements. Examples that go beyond the IT world include making it easier for warehouses to initiate reorders directly when stocks run low and offering menus of add-on offerings to users of services.

In the IT world, there are tons of stories of business leaders who discover it will take too long and be too expensive to add a new server required for an important initiative. These leaders just call Amazon and arrange the server capacity through the cloud, charging the expense to their business credit card. Soon, lots of purchases will be made that way.

Users Rule: What to Do Now

Just as it was with the platform sale, you don’t need to wait until customers in your industry shift all their purchase decisions to a user-driven approach. Here are things you can do today:

1) Focus on users (“consumers” of goods and services, even inside businesses). Learn what results they are trying to achieve and address them, even in your conversations with central buyers, who have more of an enterprise mindset.

2) Proactively shift the conversation to your customer’s user experience and demonstrate how your unique capabilities enable the results they seek.

3) Build functional acumen among your reps, so they can manage stakeholders by identifying their individual interests and priorities, and addressing them explicitly.

4) Make it easier for users to buy directly from you without going through a central purchasing function. Is there a way you can make it possible for people to order from you via a web interface and charge the cost to a credit card?
The Seller’s Dilemma

Sales leaders are faced today with a difficult challenge: How do they create a new sales model while they protect the quarterly revenue they deliver today? That quandary has been named the “seller’s dilemma” by Tiffani Bova, vice president at Gartner Research. Her white paper explores challenges and opportunities similar to those described in this white paper. She makes a compelling case that this dilemma is the defining challenge for sales leaders over the next few years.

The seller’s dilemma means that sales leaders first must deliver the results that are expected of them each quarter. That means they need to continue to generate results from the existing business model with existing customers. Accomplishing that means keeping sales reps focused on the traditional way of selling. Even as (across almost every industry) it gets harder to deliver revenue and margins, leaders must extract the necessary business from the opportunities that exist. This is, of course, where most sales leaders focus their efforts today.

But the best sales leaders also see that the existing business model is yielding less success than in the past. They are seeing declining marginal returns from added effort applied to the old model. That means they have to invest in new approaches. Typically, that involves some version of a shift toward a platform sales and a focus on selling to users, as described above. As we mentioned, these sales cycles are longer, and the revenue and profitability payoff comes even later, well after the big sale is closed. That means these new sales don’t pay off until much further down the line.

Managing the tension between the declining short-term business and the longer-term business of the future is the seller’s dilemma. This tension is exacerbated by salespeople and sales managers who have been successful with the old model and are reluctant to change. It is made also more complex by existing incentive models that are built around the old approach. It is further complicated by the need to align executives and leaders throughout the company (along with frontline managers and reps) to the new approach.
The Seller's Dilemma: What to Do Now

What to do? We see the top performing sales organizations applying several approaches:

1) Experiment with new selling models. An increasing number of sales leaders are applying innovation techniques once thought of as only applying to manufacturing. These leaders are creating big ideas for how they can serve their clients in new ways. Their approach is to look hard at their top customers and what those customers are trying to achieve in their businesses over the next three years. Then they are identifying new and clever ways to use their resources and assets to assist those customers in achieving their desired results. Only once they have their ideas do they consider pricing and delivery questions.

2) Because it can be disruptive and distracting to deploy a new sales model that is not yet fully defined, leading sales organizations are creating special teams to create and apply the new approaches. These teams are kept separate from the legacy sales force that continues to work with accounts as they have in the past. Such teams provide the space for experimentation, failure, and learning...as well as giant success.

3) Sales leaders are beginning to approach customer segmentation in a whole new way. It is becoming more important to segment customers by how they buy rather than their industry, location, or size. By identifying those customers looking to buy platforms and serve users, sales forces can separate out the most likely candidates for new approaches. They can then serve these customers with the special teams mentioned above, or they can train the reps assigned to these accounts to begin applying new sales models.
Conclusion:

The Mostly Sunny Outlook for Sales Forces beyond IT

So, there is a cloud, but it is still mostly sunny outside. Regardless of your industry, you are likely to see already a shift in the way your customers buy. The shift is likely to parallel what has happened in the IT software and hardware industries.

Customers are moving to the extremes. They either want less complexity or to be amazed by your wisdom and offering. They are willing to accept less than perfect solutions, if the price-value tradeoff is better. To balance the simplicity, they seek advice on key decisions and new offerings that can enable step-change improvements in their results. They want more data and help from suppliers in analyzing it.

Here’s the benefit: A platform sale gives you the chance to lock in customers for years. If you can design your offering to truly serve users, you will build brand loyalty that will pay off well into the future.

The trick is managing the transition. But companies are figuring out ways to do that, and you can too. Start by deeply understanding how your customers buying patterns are changing and figuring out new ways to serve them. Create a vision for how your offerings can enable your customers to achieve amazing results they could not accomplish any other way. If you can get this right, there is an incredibly consistent and reliable revenue stream just around the corner. Welcome to a new era of exponential growth.
Looking to Innovate Your Sales Approach?

BTS is 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 have developed standard learning platforms that accelerate the ability of salespeople to drive the results of their customers, and we build highly custom learning platforms for salespeople and sales managers as well. All of our platforms leverage business simulations and other forms of experiential learning to drive knowledge acquisition and behavior change that lead directly to improved sales results.

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