

Collaboration to Bridge the Value Gap

Closing the Gap Between Value Creation and Value Delivery

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The Value Gap: the high-cost disconnect between the value that products and services are designed to deliver to customers, what is promised to customers and the value that customers actually achieve.

How big is the Gap? Studies and statistics indicate that over half of all the complex or whole solutions sold in the sophisticated and diverse business-to-business marketplace *do not* live up to their promise in customers' eyes.

Are you in danger of being swallowed up by the Value Gap? You may be if you are experiencing symptoms like these:

- You can't get full price for complex products and services;
- The sales cycle is chaotic and increasing in length;
- It is increasingly difficult to forecast results and plan for the future;
- Your customer base is eroding;
- Customer satisfaction and retention rates are dropping; and
- You are unable to capitalize on lucrative opportunities for expanding current customer relationships.

Frustration and animosity are stifling the business-to-business sector. Executives are frustrated because they can't translate the differentiated products and services that they work so hard to create into bottom-line profitability. Their customers are frustrated because they



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frequently don't achieve the benefits they expect after purchasing those same solutions. Sellers and buyers stand on opposite sides of the value gap and blame each other.

Sellers frequently will blame their customers by saying, "They don't have the right culture and mindset," or "They can't execute." But the correct answer is simple and hard to dispute: when the customer does not realize the full value of the solution, the

seller must shoulder the blame.

Here are three major reasons why customers don't achieve value from a purchase:

1. The product or service is unable to deliver on the promise made. Translation: The seller has either developed or delivered a product or service that is fundamentally flawed or, more commonly, has prescribed a solution that cannot solve the customer's problem;
2. The customer was unable to properly implement the product and service. Translation: The seller has abandoned the customer before the value of the solution has been realized; and

3. The customer's expectations were over-inflated or, in an ironic but surprisingly common twist, the value has been delivered but the customer is not able to fully understand it. Translation: The seller did not equip the buyer to comprehend the value of the solution.

That being said, when executives look internally they will point an accusing finger at their sales organization and ask, "What's wrong over there?" In many instances, this is the wrong question to ask. The right question needs to frame a broader perspective of the dilemma. It needs to reflect the fact that neither the sales organization nor any other single dedicated function in a complex business has the authority and the resources to develop and deliver whole solutions on its own. The focus needs to move beyond the sales organization to the fundamental causes of the problem. The right question is rooted in the most overused and under-delivered word in the business lexicon—value. The question is: "Why aren't we fulfilling our value promises?"

The high stakes business-to-business sector is confronting a substantially unaddressed value gap. This can be disastrous for the seller, who has a dissatisfied customer that will neither buy again nor recommend it to other organizations. But this is not a credo of gloom and doom. There is a huge and attractive opportunity in this value gap that is being left untapped. Identify it, manage it, close it, and your company will reap the rewards of an under-served and value-hungry marketplace. The key to this treasure trove of profits is a collaborative effort, using collective knowledge to bring *compelling prime solutions* to your customers.

Let's look at the three main bodies of collaborative knowledge in your organization:

1. **R&D and Manufacturing:** The people who create and build the product or service. This is the group of people who understand the offer, what it

does, how it does it and why it was designed and built a specific way;

2. **Marketing and Sales:** The people who create and translate the value proposition and connect it to the customer's business; and

3. **Customer Support:** The people who make it work. This is the group that lives in the customer's world

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and experiences the implementation with the customer. It has the final responsibility to ensure that the solution is working and the customer has achieved the value promised.

Collectively, this is a powerful team of individuals when their combined knowledge is leveraged to build a unique competitive advantage for the customer. The ability to deliver prime solutions to your customers will be assured when you create the following three capabilities:

1. The ability to leverage value within your customer's organization;
2. A quality decision process to guide collaboration between your organization and the customer's organization; and
3. Implementation support that ensures the expected value is delivered, recognized and measured.

Let's explore these three capabilities and how they will enable you and your team to bridge the value gap between you and your customer.



Leveraging Value

First and foremost, a prime solution leverages your value capabilities to create impact at the highest level in your customer's organization. Complex solutions can deliver benefits to customers across three levels of the value spectrum: product, process and performance.

The source of customer value at the **product level** derives from the quality, availability and cost of the product itself. Typically, the salesperson is dealing with purchasing and competing with like products and services. This solution is likely seen as a commodity by the customer, and the seller will probably be treated as one vendor among many. Unfortunately, many organizations do not market or equip their sales team to provide value beyond this level.

At the **process level**, the source of value is the ability of your product and expertise to improve your customer's business processes beyond what your customer can accomplish on its own. If you have this ability, the solution now has a value to the customer that extends beyond its base characteristics and the you, the seller, will probably be seen as a limited partner and a more integral part of the customer's business at the operational level.

The **performance level** delivers strategic customer value. At the performance level you are impacting

multiple processes within the customer's organization. Now your solution enables the customer to better serve its customers, acquire new customers, provide distinct competitive differentiation and perhaps expand into new markets. In the customer's mind, by collaborating at the performance level you become a true business partner.

A prime solution is designed to leverage value across all three levels of the value spectrum, with the cumulative impact reaching the strategic performance level. To accomplish that level of impact, you must be able to link your solution to the customer's business

strategy and goals. In addition, you must identify and address the absence of value (the consequences and costs that the customer experiences in the absence of your prime solution). Your team must understand the business drivers that critically concern customers, as well as the markets and the competitive forces impacting your customers' customers.

By providing a prime solution, you are maximizing the impact range of your products and services through each step in the process of developing and delivering solutions to your customers. R&D uses the value spectrum in the solution development process to ensure that the anticipated products and / or services can create maximum value for the customer. It is used by Marketing to successfully identify and segment the market. Marketing will also identify the impact of the product or service across the value spectrum—specifically, how value is created in various job responsibilities within the customer's organization. Finally, Marketing will introduce the solution to both current and potential customers. The sales organization uses the value leverage across the spectrum to structure its approach to individual customers, and to guide the thoroughness of its communications throughout the decision process. It is used by Service and Support

to implement the solution, measure its results and drive the enhancement of value achievement.

When you begin to collaborate at this level, you move far beyond competitors who are only thinking or operating in the product range of the value spectrum and continue to operate

THE SALES ORGANIZATION USES THE VALUE LEVERAGE ACROSS THE SPECTRUM TO STRUCTURE ITS APPROACH TO INDIVIDUAL CUSTOMERS, AND TO GUIDE THE THOROUGHNESS OF ITS COMMUNICATIONS THROUGHOUT THE DECISION PROCESS.

as isolated functions. Those competitors are leaving a tremendous value gap that is yours to close.

Creating a Quality Decision Process

As the problems you solve and the solutions you offer become more complex, it is increasingly unlikely that your customer will have a precise decision process with which it can recognize the value you can provide and quantify that value with an accurate dollar amount. A decision process that enables customers to determine the optimal impact of your solution can also be described at three levels of collaboration: reactive, proactive and interactive.

At the **reactive level**, customers dictate the purchase decision or procedure and sellers get trapped in that flow. The customer issues requests or demands and the seller complies. If the customer's purchasing department is unilaterally driving the transaction, the seller will be working in a reactive mode. The infamous RFP (request for proposal) resides here. At the reactive level, there is little or no collaboration with the affected parties.

The word proactive is typically described as a positive approach. It is certainly more positive than the reactive

approach we just described. In our view, a proactive approach is not as collaborative as is required. At the **proactive level**, the seller tries to predetermine the customer's needs and the decision process the customer will use to select a solution. The seller then attempts to create the "perfect presentation." At best, there is some collaboration as the salesperson confirms the customer's requirements and expectations, but typically the salesperson and his team will put together a solution recommendation without the customer's involvement. This leads to a presentation or proposal in which the customer is seeing the solution offered for the first time and will undoubtedly have many questions or objections. The outcome of such an approach can be unpredictable.

At the **interactive level**, as the valued resource, the seller provides the collaborative process that will guide the customer's decision process. The seller acts as a physician would (including the ethical precept to "do no harm"), collaborating with the customer in an accurate diagnosis of the absence of value and recommending the design elements of an optimal solution that will deliver value to the customer. As a result, the customer gains complete ownership of the solution design as an active participant, and the seller experiences a very predictable outcome. In fact, more often than not, the customer has decided to buy during the collaborative process and the final presentation or proposal of the solution becomes a mere formality to reconfirm the implementation plans.

A prime solution incorporates a decision process that leverages the relationships among you, your customer and your teams; it allows you to close the value gap by elevating the process to an interactive level. Managing such a decision process requires you to walk your customer through a series of decisions and mutual understandings. Each decision represents a critical milestone in the customer's

understanding—you must ensure that a mutual understanding is achieved at each step of the process. A mutual understanding represents a meeting of the minds, a clarity in which you understand what your customer is experiencing, thinking and communicating, and your customer understands exactly what you are thinking and communicating. In short, a mutual understanding leaves no room for any misunderstanding.

This process, which we characterize as *multiple decisions, mutual understanding*, is driven by a questioning sequence that is constructed through the collaboration of your entire team and is traveled by you and your customer as the decision unfolds. Like the physician, through diagnosis you will verify that the customer is experiencing symptoms of the absence of the value your solution can provide, and that the solution you will mutually design addresses the customer's business objectives. The customer is then empowered to make a rational and high quality business decision. Remember that your role is to guide the decision process. Like the physician, you make the recommendation, but ultimately it is the customer's decision to accept the recommendation or not.

Ensuring Successful Implementation

Finally, a *prime solution* includes an implementation path that ensures that the customer is able to achieve and measure value; let's call it return optimization. We should be busy creating business processes and a team that enables us to work side-by-side with our customer's team to ensure that the value of the expected solution is achieved. We should also take much more responsibility for our customer's value outcomes (outcomes, by the way, for which customers willingly pay extra). A critical step in bridging the value gap is embracing that final element of a prime solution – return optimization – by providing successful implementation support.

The implementation of a solution can also be defined at three levels: purchase,

installation and results.

At the **purchase level**, the seller drops the solution on its customer's dock and abandons it, leaving the customer to achieve the value on its own. This might work if you are selling paper clips, but customers need more help with complex solutions. Amazon.com and Staples are examples of the purchase level; their value is focused on the delivery or transfer of the product, not the use of the product. Both of these companies are very responsive to customer issues, but those issues are more related to the receipt of the product than to its use.



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At the **installation level**, sellers undertake the implementation of the solution and leave the customer engagement only after they ensure that the solution operates as intended. In this context, value is achieved when the solution is up and running. Unfortunately, as many of us have learned the hard way, installing a complex solution – think of ERP or factory automation – is simply the first stage of value achievement.

Many companies today are attempting to operate effectively in the installation range, but many are not succeeding. Some have built growing businesses around ease of installation, a good example being CRM solution seller Salesforce.com, which operates on a business model that is dedicated to adding value at the installation level of response.

The **results level** represents the highest level of return optimization. At this level, the seller actively participates in the successful implementation of the solution as well as the measurement and ongoing enhancement of results produced by the solution. In this context, value is achieved when the solution is producing tangible, measurable results and those results are meeting the targets promised by the seller and expected by the customer.

A *prime solution* provider embraces this higher standard of value accountability and leverages customer outcomes to the results level. It requires a change management process designed to ensure successful implementation. Change is what the customer must undertake to realize value, and the prime solution provider plays an integral role in providing a means of managing change and the risk of change in partnership with the customer.

A *prime solution* represents a quantum leap forward for most providers of complex products and services. It provides a means to break down the functional silos in both your organization and the customer's organization. Think of how you would respond to an account manager who brought these competencies to your door. A resource with these capabilities can make a major impact on your business performance and profitability. It would not only ensure that you purchase the best solution for your hard-earned dollars, but would also assist you in the achievement of a successful implementation and finally, help you quantify and maximize your return on investment. This resource sounds like a highly valued business partner and source of continual competitive advantage. Isn't this the position we all want to occupy in our customers' minds? 

For the past 23 years, Jeff Thull, President & CEO of Prime Resource Group, Inc. and author of Mastering the Complex Sale, has gained a reputation for his expertise in the arena of sales and marketing strategies for companies involved in complex sales. He is a leading authority and valued advisor for executive teams of major companies worldwide. He counts among his clients household names like 3M, Microsoft, IBM, Citicorp, Shell and Georgia-Pacific.