

Avoid the Commoditization Trap

Don't allow your company's valuable solutions to be treated as mere commodities.

By Jeff Thull, CEO and President of Prime Resource Group - As published at  Leadership - 2010

In today's business environment, senior executives have to be careful that their customers and clients don't start treating their high-value products or solutions as commodities. For clear examples of commoditization, consider how industry pioneers like Hewlett-Packard, Boston Scientific and IBM once offered high-value technologies but are now facing multiple competitors who profess to offer the "same" value.

It happens more often than you might think, and what executives may not realize is that their own companies are likely more to blame than any outside force or competitor. Self-commoditization can significantly threaten just about any company's success and profitability, whether you produce consumer products or complex business-to-business services and solutions. Ineffective sales and marketing processes and tools are probably the biggest cause of this problem.

Here are some of the biggest traps that get you caught in self-commoditization – along with ways to avoid them.

The first trap is the tendency to rely on the customers' decision-making processes. Instead, great leaders and highly effective sales and marketing organizations are skilled in helping potential customers fully evaluate their current requirements and determine viable solutions that truly work for them.

To do that, gather the best minds in your business, including representatives of all of the company's critical functions, and ask them the following question: "Knowing what we all know, if you were our customers, how would you go about deciding whether to purchase our products and services?" Your team should then make a list of the questions that arise about the problems to be solved for

your customers and the questions those customers should be asking a potential solution provider. If those questions are positioned correctly, you'll be able to expand your customers' awareness of how you can address their situation, increase your credibility, and ultimately set yourself further apart from your competition.

Without this level of questioning, and its focus on your company's broader value, your customers' decisions will degenerate to the lowest common denominator – price. That leads to the second trap to avoid falling into, competing on price. We know that price is not always the most important consideration for customers. You must also consider return on investment, net profit impact, and effects on other key metrics. To help ensure that your customers or clients look at the big picture, you need to help them create an effective decision-making process and – this is important – make sure your salespeople help guide them through it. Providing this guidance will significantly set you apart in today's marketplace.

Another trap is assuming that customers know how to measure the full value and financial impact of your solution on their net profit. Often customers don't have enough understanding or a method to effectively evaluate and measure your value. Net profit impact is critically important, and customers will welcome your company's assistance in gauging it.

Fully examine the impact your solution can have on a customer's situation and how it can benefit them long-term. The only true measure of value is how your solution changes their net profit. Instruct

your team in how to clearly and effectively relay such information by helping your customer see value from their point of view – not in terms of industry averages, past experiences with other customers, or through generalizations, but in ways that will make them want to defend the validity of your solution, even to their own colleagues. That's when you'll know you've succeeded.

Ensuring that your organization has a superior process for guiding customers to make the best decision, based on tangible measure-

ment of the net profit impact of your unique value, is your strongest defense against commoditization. It will enable you to successfully compete – and win – in this highly competitive market.



“Tangible measurement of your unique value is your strongest defense against commoditization”

Jeff Thull is the CEO and President of Prime Resource Group and a leading-edge strategist and valued advisor to executive teams worldwide. Jeff is also published in hundreds of business and trade publications and has just released his newest book, the best-selling *Second Edition of Mastering the Complex Sale*. Thull is a compelling and thought-provoking keynote speaker with over 2,500 speeches and seminars delivered globally. To bring Jeff to your team, contact us today!