Changing Customer Values of the 21st Century

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Changing Customer Situations

- Reorganizations, restructures, down-sizings, mergers, break-ups, start-ups, spin-offs
- Your customers are undergoing vast amounts of change
- Understanding the customers of the future will definitely require hitting a moving target!
Changing Customer Values

1. Relevant features and functions, with the ability to customize
2. Choices and Flexibility
3. Relationships based on trust and rewarded with loyalty
Changing Customer Values

4. Sufficient knowledge and information
5. Complete and full satisfaction
6. Speed and Convenience
7. Environmental impact
Changing Purchasing Function
The Changing Purchasing Function

- Purchasing is a business process -- no longer just a specialized function
- Purchasing people involved in engineering, production, marketing/sales, quality, cost control -- i.e. the overall business
- Avoidance on overemphasis on any single element of the value chain
Reasons for the Changing Purchasing Function

- More decision makers involved in the buying process
- Longer sales cycles
- Shorter product life cycles
- Less inventory being kept -- shorter delivery cycles
- Companies want partnerships with suppliers
Reasons for the Changing Purchasing Function

- Companies are outsourcing more products and services
- Rapidly changing technology and increased global competition are shortening your customers’ product life cycles
- Combined effects of TQM and JIT
- Vendor Reduction Programs
What Are the Implications of All This Change?
Implications

- The way you **sell** must change
- The way you **market** must change
- The **brand** is more important than ever
Implications For Selling

• Sales force will need to **create** value, not just communicate it.
• Sales force will need to **match** selling strategy to customer type
How Have Customers Changed?

- JIT
- MBOs
- Six Sigma
- TQM
- Outsourcing
- Higher automation
- Reduced staff sizes

- Everyone is a “manager”
- Continuous improvement
- Re-engineering of business processes
- Self-directed work teams
- Kaizen attitudes
How Has Selling Changed?

• Powerful new forces have begun to change the world of selling.
• Sales functions everywhere are now in the early stages of a transformation comparable to the one that reshaped manufacturing 20 years ago, according to McKinsey.
How Has Selling Changed?

- Wider range of products
- Shorter product life cycles
- More complex products
- Competition is more intense
- Work pace is faster
- The “hard sell” is discouraged
- Selling through relationships
How Has Selling Changed?

- Sales forces have existed to communicate the value of their companies’ offerings.
- Today, especially for technology marketing, sales forces are being restructured and realigned to create more value for customers.
How Has Selling Changed?

- Previously, it was feasible to argue that by communicating product information to customers, the sales force was adding value.

- Today, buyers know as much about products as do the people selling them.

- Remember: bringing in revenue means creating value, not collecting it!
The Professional Salesperson of the 21st Century

- Advisor
- Helper
- Consultant
- Friend
- Assistant
- Business Executive
- Problem Solver
- Trusted
- Honest
- Knowledgeable
- Professional
- Empathetic
- Reliable
- Concerned

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Role of the Professional Salesperson

• Sell on value, not price
• Understand why customers really buy
• Understand the role of negotiations in the sales process
• Know when to negotiate
• Know when to negotiate on price
• Know when not to negotiate
Role of the Professional Salesperson

- Identify customers who are changing their purchasing practices from lowest total cost.
- Fully understand how these customers integrated business operations and activities.
- Be more efficient time managers.
- Lead coordinated team selling efforts.
- Lead internal process/delivery efforts.

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Professional Salesperson

Can no longer:

• sell on price and performance (product selling)
• let third parties come between you and your customers
• allow customers to see all vendors as equals
• engage in adversarial relationships with customers
• treat customer requests as unwarranted
Role of the Professional Salesperson

- Understand reasons behind customer requests
- Open sales connections wider and deeper within each customer organization
- Anticipate customer needs
- Know and understand own delivery capabilities
- Have a good picture of your customers’ customers - who, why, future growth
Matching Strategy To Customers

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4 Quadrants of Value

Relationship Value

Partnership Value

Transactional Value

Information Value

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Identifying What Customers Value

- Closed Questions
- Open-Ended Questions
- High Gain Questions
Selling in the 21st Century

The manner in which high-performance sales people establish, build and maintain relationships is a key ingredient to their success.

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Selling in the 21st Century

It will be a mistake to focus selling efforts only on persuasion.

Sales people must be taught to understand customer needs, and how to bring new insights and value to customers by diagnosing problems and needs.
Selling in the 21st Century

“Communicate self-confidence.
Demonstrate leadership.”

Louis V. Gerstner
CEO
IBM

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What Are the Implications of All This Change?
Implications

• The way you **sell** must change
• The way you **market** must change
• The **brand** is more important than ever
Implications For Marketing

• **Create** value for customers
• Implement **Relationship Marketing** strategies
Creating Value For Customers
Creating Value For Customers

Great organizations have a commitment to drive customer-valued action throughout the organization:

General Electric (Jack Welch)
Allied-Signal (Lawrence Bossidy)
Federal Express (Fred Smith)
AT&T (Michael Armstrong)

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Creating Value For Customers

“Create customer intensity everywhere.”

Lew Platt
CEO
Hewlett-Packard
Understanding Customers

Success Stories

SCI Systems -- supplying Dell Computer’s needs
Creating Value For Customers

“Companies succeed by providing superior customer value. And value is simply quality, however the customer defines it, offered at the right price.”

Bradley T. Gale
Managing Customer Value

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Understanding Customers

Success Stories

RS Components -- using its Web Site to personalize customer interactions
Creating Value For Customers

Three Strategies for Creating Value:

1. True passion for customers.
2. Organizing around customers.
3. Deep understanding of customers.
Upon first seeing the Internet:

“This is great, this is a new channel for business. How do we make it real for customers? How do we make money on it?”

Louis V. Gerstner
CEO
IBM
How Do Customers Buy?

• *Perception of value* is the primary buying decision factor.
• This *perception of value* is formed through all the experiences a customer has throughout the buying, purchasing, and usage cycles.
Relationship Marketing

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Relationship Marketing

Companies have switched from a transaction perspective to a customer loyalty-building perspective.
Customer Loyalty

• Customer Satisfaction is an *attitude*.
• Customer Loyalty is a *behavior*.
Customer Loyalty

**Loyal customers:**

- Stay longer
- Cost less to service
- Provide higher margins
- Provide an early indication of future business performance
- Work *with you* to define value
Building Customer Loyalty

1. Stop defections by removing the dissatisfiers that push your customers toward the competition.

2. Improve satisfaction in the key attributes of the customer value propositions used to differentiate your products and services.

3. Move them up the loyalty ladder beyond the reach of competitors through your Relationship Marketing efforts.
Building Customer Loyalty

• Understanding customer requirements
• Appreciating customer needs
• Being flexible in applying policies
• Quality control
• Interactive, two-way dialogues
• Reward customer loyalty -- don’t buy it

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Earning Customer Loyalty

- Commitment to quality
- Deliver upon promises made
- Quality = Customer Satisfaction
- Customer Satisfaction = Repeat Buys
- Repeat Purchases = Customer Loyalty
Rewarding Customer Loyalty

• Like raising children -- reward, don’t bribe
• Provide value-added information
• Surprise gifts of appreciation
• Say “Thank You”
Keeping Customer Loyalty

• Delivering upon promises made
• Product/service consistency
• Anticipating future customer needs
• Solving future customer problems
• Cultivating long-term relationships
Relationship Marketing

- Understanding customer needs
- Relevant product offer at appropriate time
- Relevant reward at appropriate time
- Relevant surprise at appropriate time
- Two-way, interactive communication
- Forward looking, long-term, bi-mutual engagement