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SALES & MARKETING INSIGHTS

ZS Interview: Value-Based Selling Moves From Theory to Practice to Results

Participant: Ty Curry

For years, sales and marketing executives have understood the power of value-based selling: the ability to generate business based on customer value, as opposed to relying solely on product features, personal relationships and low price. But companies have found it difficult to implement value-based selling at a high level.

A new study demonstrates the effectiveness of value-based selling and reinforces the urgency for sales and marketing organizations to improve their value-based selling capabilities.

“Value-Based Selling: Building a Best-in-Class Capability for Sales Effectiveness,” a research report prepared by the Aberdeen Group and sponsored by ZS Associates, surveyed more than 200 companies. The findings showed that best-in-class companies—top-performing firms in terms of customer retention, average growth and deal size—consistently implemented value-based selling practices at a far higher rate than average.

Ty Curry, a Managing Principal for ZS based in San Francisco, talked about value-based selling in light of the findings, how companies thought to have a value-based selling model might not at all and the most important ways to ensure value-based selling success.

About the Expert

Ty Curry,
Managing
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ZS Associates,
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Ty has helped clients improve market coverage and productivity in numerous industries, including high tech, media and publishing, energy, apparel and life sciences. He works on sales-effectiveness issues that include sales force design, sales process design and implementation, resource optimization and incentive compensation.

Why is there an urgency surrounding value-based selling?

TY CURRY: The urgency starts with increased buyer sophistication. The procurement business is becoming a science with more people involved in making purchases, and there are active attempts to reduce overall spending in organizations. Another dimension is that there's increased competition in every market, which makes differentiation much harder. Those things strain companies that can't offer value through their sales forces.

The reality is people are not going to buy on personal relationships in this kind of environment—they're buying on economic value and trust. The value that customers perceive that they're getting is driving decisions. If companies can't demonstrate and prove that value to customers, they're going to lose business or be forced down on price.

Did the high correlation between value-based selling and performance surprise you?

TY: The correlation is not surprising to us—when we have worked with organizations to enhance these capabilities, strategies and skills, we have seen significant improvement in terms of performance. We've seen some part of a sales force in any organization that's intuitively following a disciplined approach that is fundamentally different than what average and low performers are doing; the company may not be fully effective in value-based selling, but its top performers intuitively use rigorous, value-based approaches.

Do some executives mistakenly think they have value-based selling?

TY: Absolutely, yes. If you talked to most sales organizations about the processes, behaviors and skills that make up value-based selling, a large percentage would say, "We already do that."

It's almost a knee-jerk reaction when presented with these concepts to say you have them, but the reality is when you dig deep, interview people and challenge them on their sales interactions, you'll find what they see as "value-based selling" is pretty superficial. The majority of the sales force isn't doing that type of sales. You need a formal, structured approach.

How important is a sales process in value-based selling?

TY: It's a critically important aspect of value-based selling. Having a process that everyone in the organization understands and adopts is critical to success—in fact, it's the backbone of success. It's difficult to achieve success in value-based selling without a process or a playbook that lays out what a company's best salespeople are already doing intuitively.

How important is training to adoption of value-based selling?

TY: Training is important, but just rolling out a sales process and providing training doesn't work.

What works instead is first-line sales managers apprenticing salespeople on skills. The skills for value-based selling are not something that can be trained—they have to be driven and reinforced through coaching. Companies that try to put value-based selling in place are going to live or die on sales managers' coaching skills. You're simply not going to pick it up in a classroom.

A majority of the best-performing companies embraced customer segmentation. But don't all companies segment their customer base?

TY: Some form of segmentation exists everywhere, but may be simplistic. When segmentation is too simplistic, you don't get information that enables you to provide a value offering to each segment that resonates with them.

You need to know what customers and prospects will find valuable to show their potential. How valuable are certain customers? What is the amount of sales opportunity? There are a lot of segmentation schemes that are based on how much companies have sold to those customers in the past, not their addressable sales opportunity nor their needs and buying preferences.

Why do companies choose simplistic segmentation schemes?

TY: It's a lot easier. You can segment on dimensions that are clearly visible. Is what I've previously sold to a customer clearly visible? Absolutely. But is the sales potential for that customer clearly visible? What about needs, and buying preferences? Those are more challenging.

Another thing we've observed is often segmentation is done as a marketing exercise without a clear link to how it relates to sales force execution, or to when the sales force actually makes sales calls. There has to be alignment between sales and marketing.

How important is alignment to achieve a value-based selling culture?

TY: Extremely important. Value-based selling is not all about the sales force. One thing the report makes evident is companies that develop deep insight into different segments truly know customers' different wants and needs. Determining the specific customer insight needed—and making the right decisions based on that insight—means marketing and sales have to collaborate.

How important is follow-up after a sale?

TY: One of the things we've seen—and what's evident in the research—is that companies are going to be more successful when they reinforce the value they delivered after a sale. If they don't reinforce that value, the customer isn't going to remember all the value they're receiving. As a result, the next time a customer is making a purchasing decision, there may be additional price pressure, or they could open their business to competitors.

Ultimately, what separates success from failure in value-based selling?

TY: There's no one single thing, but I would say the biggest factors are a combination of an ingrained and rigorous sales process, having the tools to support that process, and first-line manager commitment and coaching.

Salespeople need to understand and accept a new way of interacting with customers, and building new skills. The first steps to getting there are for salespeople to spend more time on quality account and call planning, and use value-based selling tools. If they do just these two things, they'll start to see success, which will lead to greater personal adoption of value-based practices and serve as proof to the rest of the sales force.

About ZS Associates

ZS Associates is a global leader in sales and marketing consulting, outsourcing, technology and software. For almost 30 years, ZS has helped companies across a range of industries get the most out of their sales and marketing organizations. From 20 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost-effectively. ZS comprises multiple affiliated legal entities. Learn more at www.zsassociates.com.



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