

# Whitepaper on Value-Added Selling

## **Value-Added Selling: A go-to-market strategy**

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Can your organization compete on your value-added?

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## Executive Summary

Today's sales and marketing executives, along with business owners, face unparalleled challenges in modern times. They are staring into the abyss of a domestic economy that is reeling from the effects of the worst recession since the Great Depression and relentless global competition that seems hell-bent on selling cheaper goods. These forces have today's leaders challenging their value propositions and scratching their collective heads over their go-to-market strategies.

Of the myriad choices available to them, many choose a value-added strategy to win customers and maximize profits. This strategy is not for everyone. Some lack the value-added resources, some lack the motivation, and some simply lack the knowledge and skill. For those who have embraced a lean business model and enjoy operational efficiency, the groundwork has been laid for a Value-Added Selling strategy. These competitors are able to compete aggressively and profitably in their markets. They can grow the top line, increase market share, and guard the bottom line.

## The Challenges Facing Today's Sales and Marketing Executives

Today's sales and marketing executives face enormous strategic challenges that are unique to this time in history:

- A domestic economy that is emerging from, yet still reeling from the effects of the greatest recession in six decades;
- The commoditization of products, convergence of services, and consolidations at the demand and supply levels;
- Opportunistic global competitors have created a host of look-alike products;
- Supply channels facing relentless pressure from big-box superstores and the Internet;
- Ongoing internal pressure to fully leverage resources—human as well as capital resources; and
- Boardroom pressure to grow market share while retaining existing customers and protecting profitability.

The strategic forces that challenge today's sales and marketing executives are seen in the tactical responses from their salespeople:

- According to a study reported in *Sales and Marketing Management Magazine*, two-thirds of sales managers claim that selling value is the most perplexing problem facing salespeople today;
- Several studies have shown that more than half of all salespeople rely on price as their primary selling strategy; and
- Two independent studies reported that more than half of all salespeople fail to differentiate their solution from the competition.

These trends and tactical responses have sales and marketing executives second-guessing their go-to-market strategies:

- Which is the best channel for us—direct or distribution?
- Should we innovate or imitate?
- Should we compete on all that we offer or adopt a low-price strategy?
- Can we even compete with a value-added strategy?

## Competing on Value-Added

This go-to-market strategy is one of several ways companies compete in an industry. This presumes that the value-added philosophy is firmly entrenched in the organizational culture: *Do more of that which adds value and less of that which adds little or no value.* For organizations that have subscribed to a lean operating philosophy, a value-added go-to-market strategy is the logical next step in wielding one's competitive advantage. This philosophy challenges its proponents with tough questions:

- Do we *really* add value? How do we know that?
- How do we measure this value?
- Whose notion of value—ours or the customer's—do we sell?
- Can we be compensated equitably for this value?
- Is our value unique?
- How well do we communicate our value in our customer messaging?

## Is Value-Added the Right Philosophy

Before adopting this approach, a company must ensure it is right for them and their customers: *Are we selling the right product to the right customer for the right price?*

Like most philosophies, the value-added philosophy challenges its proponents with tough questions in the pursuit of its truth:

*> Will you commit to engagement?*

To do more of something implies action. A company cannot engage if its culture is passive or static. It cannot reach out and up if it is stuck in a comfort zone. A company cannot rest on its laurels and live the value-added philosophy. The value-added philosophy represents a dynamic and expansive flow of energy. Companies operate either in the expansion or the contraction mode. In the expansion mode, they are growing, evolving and emerging—becoming more of the raw material imprinted in their organizational DNA. If they are contracting, they are cutting back, retreating, and playing not to lose. With expansion, their energy and efforts are on the offensive. With contraction, their energy and efforts are on the defensive.

*> Will you commit to excellence?*

A passion for excellence reveals itself in the positive addiction to doing all things well. Value-added companies make habitual what others consider a hassle. Committing to excellence means challenging the status quo: *Does this policy, procedure, or process really add value to what we do?* Excellence demands the best from people: *Is this the best and the most we can do?* This maximum performance commitment leaves no doubt about potential. A commitment to excellence and a desperate curiosity about potential drive companies to demand more from employees' efforts. An empowering organizational humility facilitates this pursuit: A company cannot get better unless it first admits it *can* get better. Contrast this to the organizational arrogance that offends so many customers.

*> Will you commit to effectiveness?*

It is not enough to do things the right way; it is more important to do the right things to begin with. This is effectiveness—pursuing the right things. This power of discernment—knowing what to do and more importantly what *not* to do—guides the efforts of those who pursue a value-added path. Effectiveness commands disciplined effort. It means locking in on high-value priorities and locking out distractions along the way. This economy of effort ensures no wasted energy on low-value activities. These value-added proponents invest their resources in areas that create value for them.

*> Will you commit to equity?*

What is value? Value, like beauty, is in the eye of the beholder. Value is the outcome of one's efforts and energy. It is the return on investment. Value is generally expressed as a ratio of outcome to input. When

someone gets as good as he or she gives, it is a good value. Something acquired cheaply is not value if it produces nothing meaningful for the person who acquires it. In fact, the lack of return makes it a terrible value. Value implies equity. Is there an equitable exchange for the time, energy, and resources someone sacrifices to acquire something else? When two people are involved in the exchange, equity demands a win-win outcome. Both must benefit in measure to what they give. If one sacrifices and the other gains, it is not win-win. One winner implies one loser. Nothing is to be gained from a relationship based on loss.

Those who are willing to engage actively, commit to excellence in all that they do, and work effectively on equitable outcomes, find that the value-added philosophy is right for them.

## The Value-Added Selling Strategy

A company that chooses to compete on its value-added must have a selling strategy that is a natural extension of its operating philosophy; otherwise, a cultural dissonance confuses customers and frustrates salespeople. Value-Added Selling is a strategic response to the market forces that demand more and more for less and less.

Value-Added Selling is a philosophy of doing business. It is proactively seeking ways to enhance, augment, or enlarge one's solution—the three dimensions of value—to meet the dynamic needs of the customer. It is contributing maximum value to and extracting value from customer relationships. It is selling *to* the customer's needs, not necessarily *against* the competition. It is promising a lot and delivering more. It is achieving a win-win outcome by pursuing equitable relationships.

As a philosophy, Value-Added Selling is built on a set of principles:

- Value, like beauty, is in the eye of the beholder. It is not value until the person making the investment perceives the value.
- Sellers achieve higher levels of success by helping their customers achieve higher levels of success.
- Suppliers may sell products, but they serve people.
- Trust is the currency of great relationships. When two people trust each other, price is less of an issue.
- If it is not a good deal for both parties, it is not a good deal for either party.

Because Value-Added Selling is a *proactive* philosophy, salespeople do not wait for customers to reject the salesperson's price or for the

competition to imitate one's solution to begin the selling process. Value-added salespeople constantly strive to create more value for their customers. They seek ways to enhance their value proposition with innovation and streamlining.

Value-added salespeople sell more than a naked product. They provide *three-dimensional solutions* to satisfy the customer's needs. This includes the product, the company, and the salesperson. The same product from the same company, from two different salespeople is two different solutions altogether. In our *Best Sales Practices Research*, we discovered how customers weigh each of these three variables. We asked buyers, "How much of your buying is based on the product, the company, and the salesperson?" Here is what they said,



Value-Added Selling is a process, not an event. Because it flows naturally from a culture of growth and development, Value-Added Selling is a blend of two dynamic forces—*offensive* and *defensive* selling. *Offensive* selling is the pursuit and acquisition of new business; *defensive* selling is the retention and growth of existing business. Because Value-Added Selling is built on a philosophy and stresses the importance of *defensive* selling, this go-to-market strategy stands alone and apart from other technique-based strategies. To execute the Value-Added Selling strategy, salespeople do the following:

- Focus strategically by identifying high-value target accounts, fully penetrating these accounts (from the shop floor to the top floor), and thoroughly understanding the buyer's needs.
- Persuade buyers with positioning, differentiating, and presenting compelling reasons for why the buyer should choose the salesperson's total value.
- Support customers by making it painless for the customer to buy and by building personal and professional relationships with customers.

- Sell deeper after the initial sale by seeking ways to re-create value, getting credit for their value-added, and fully leveraging existing customer relationships.

When salespeople embrace the Value-Added Selling philosophy, adopt its attitudes, and execute its strategies and tactics, they compete aggressively and profitably in their markets.

## Conclusion

The value-added strategy is right for some companies. Companies that have meaningful value-added to offer and who want to compete based on how effectively they execute for customers can wield significant competitive advantage with this strategy. Those organizations that embrace a lean business philosophy and enjoy the operational efficiencies that come from this are especially predisposed to success with this philosophy. They find Value-Added Selling is an effective way for their salespeople to take this message to the field.

Value-Added Selling uniquely integrates sales and operations in a go-to-market strategy. Because it is philosophically based, salespeople are not limited by the techniques they are taught, rather their creativity is liberated by the way they are taught to think about selling. This means they naturally seek additional ways to create and re-create value for their customers and their companies.

## About the Author

Tom Reilly literally wrote the book on *Value-Added Selling* (McGraw-Hill). His pioneering work in this area has earned him the reputation as the global expert on Value-Added Selling.