Think! Inc.

sales and negotiations insights

the evolution from sales and negotiation to value-based decision making

data-driven sales for the 21st century

Introduction – The Problem

Senior executives should know that, beyond mergers and acquisitions, every company's growth and brand equity is driven one deal at a time by the way salespeople sell and negotiate. According to the *Journal of Personal Selling & Sales Management*, American corporations spend $7.2 billion every year on sales process, account management skills, negotiation, and opportunity management training—an average of $347,000 per company. However, beyond proprietary (and perhaps biased) consultants' reports and high-level academic papers on change, little information is available on whether or not those investing these billions of dollars are achieving a return on their investment that is at least equal to—if not better than—what they are spending. In fact, in its "Sales 2.0 Whitepaper 2007," CSO Insights reported that while "…more than half of firms report investing $1,500 to $7,500 annually per sales rep in training…only a quarter of reps consistently use their company's accepted methodology more than half the time, only 10% resolutely (greater than 90% of the time)." Even more important, particularly given the connection between sales and growth, there are virtually no industry standards on how a company can link its sales training initiatives to corporate growth strategies.

The simple fact is that selling has evolved faster than the solutions that support it. As we are all aware, selling began as a personal relationship process. It then evolved to a point where the sales rep became a keeper of information relative to products, services, specifications, and other kinds of data. Today, however, since that data is readily available to customers on the Internet as well as from many other sources, the salesperson is no longer the keeper of the information. The salesperson's job now is to help the customer make supplier decisions on suppliers that help the customer's organization achieve their goals.

Because of that, sales "process" training is no longer the solution. As Mike Myatt reports in "To Increase Revenue Stop Selling" (*Forbes*, May 1, 2012), "The problem with many sales organizations is they still operate with the same principles and techniques they were using in the 60's, 70's and 80's. While the technology supporting sales process have clearly evolved, the traditional sales strategies proffered by sales gurus 20 or 30 years ago have not kept pace with market needs. They are not nearly as effective as they once were, and…in most cases they are obsolete." What salespeople need today is data that drives insight into their own value and how it applies to achieving the customer's business objectives at multiple levels. This is a fundamentally different role and requires consultants who provide these solutions, customers who buy them, and sales reps who sell to completely re-think the nature of connecting front-line sales efforts to corporate business strategy. In fact, it's the job of business-to-business salespeople to help their customers make better, value-based decisions that will benefit both those customers and their own companies.

At Think! Inc. we've spent the last sixteen years relentlessly driving to develop a solution to this problem. Our goal was to achieve better business results by forging a connection between sales and higher level business strategy, and executing that strategy at the customer-interface level. In order to do so we have conducted extensive primary research, reviewing over $20 billion in won and lost deals, and studied numerous secondary sources. Our intent was to gain understanding and determine the root causes of the suboptimal results delivered by the traditional approach to sales skills training. In the process we discovered there are essentially five key hurdles to achieving more sustainable ROI from investing in selling skills. Interestingly, while three of these are actually related to sales training, the two most significant ones are strategy-related. In priority order they are:

Strategy-related Causes

1. Unclear understanding and articulation of the company's value to customers

2. Lack of alignment between line-level sales and key strategic priorities

Training-related Causes

3. Use of generic processes to analyze sales opportunities

4. Lack of integration between sales and negotiation

5. Overly complex sales training

Dealing with fundamental issues like this may seem like a difficult if not impossible task, but the fact is that there are many examples of industries that have made giant leaps forward by diagnosing the root causes of their problems and subsequently developing effective solutions. For example, for many years airlines and hotels used the same static seasonal pricing that sub-optimized revenue. But with the advent of yield management and pricing structures based on real-time demands, both industries began yielding better revenue margins as well as providing more options for their customers. Professional baseball teams are now applying the same thinking to ticket prices, and there's no doubt they will experience the same increases in profits.

Other examples of industries that made these leaps can be found in the book *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant* by W. Chan Kim and Renee Mauborgne. One example the authors cite is the circus industry, which was experiencing lower attendance and decreased margins, and was being pressured by animal rights groups to treat their animals better. In response to this, Cirque du Soleil made a radical change in its approach to the industry, and as a result revitalized the entire industry, increasing both demand and margins.

As with most industries, for many years the criteria, boundaries, and rules for the circus industry were taken for granted. These included the idea that the market consisted primarily of children, that audiences wanted to see animals perform, that the circus had to feature star and/or famous performers, and that it had to provide multiple shows at the same time (i.e., three rings), among others. Rather than let itself be limited by the existing rules, Cirque du Soleil looked across market boundaries to alternatives to the circus and focused on customers and what they wanted—in this case, adults who were looking for sophisticated entertainment. As a result, Cirque du Soleil wound up being part circus and part theater. In other words, it eliminated or reduced many of the old rules and replaced them with new ones, in the process increasing value for its target market while lowering its own costs. This is what blue ocean strategy is all about—creating and capturing net new demand by ignoring boundaries defined by traditional competitors.

In this paper we will present an overview of the current hurdles to linking sales training to corporate strategies, and prescribe a new, practicable, and more thoughtful approach to installing organizational competence for improving decision-making for both a company and its customers.

The Causes of the Problem

(1) Unclear understanding and articulation of the company's value to customers

Of all the root causes of the poor results of traditional sales training, this one is the most important. The research we have done over the last twelve years proves that deals are won primarily because the supplier has met the customer's needs better than its alternatives, i.e., the competition, or doing it themselves. The ability to understand, articulate and capture value in a meaningful way, then, is the new and emerging definition of value, and the incremental reason customers buy, given their business needs at the strategic and operational level. In fact, it is the absence of understanding and articulating value in a meaningful way that leads to commoditization and price pressure. Unfortunately, simple as this is, the majority of organizations neither understand nor appreciate its significance.

More often than not, the most common approach companies take to expressing value is by providing their salespeople and their customers with a set of static statements on laminated cards produced by their marketing departments. Although many of these statements are directionally accurate, they are wholly inadequate to meet the needs of today's organizations, because they don't align value in terms of the buyer's business decisions at the moment of evaluating his or her specific alternatives. Nor are they capable of evolving as rapidly as the market evolves due to changes in the competitive landscape, products, regulations, etc. The result is what is referred to as the "sales and marketing disconnect."

As noted by Barbara Sullivan and Graham Ericksen in “Bridging the Marketing-Sales Chasm” (*Strategy+Business*, December 18, 2007), “There is often a fundamental disconnect between marketing and sales. Marketers…don’t pay enough attention to the point where their efforts should hit home, the moment of purchase decision. That is where sales support is absolutely crucial…. Rather than treating sales support as an afterthought at best, marketers should incorporate it into their overall strategic planning. Many large organizations regard tactical sales communications as necessary evils instead of critical tools.”

What’s needed, accordingly, is a new definition of value that will resonate with both salespeople and customers, which means redefining a company’s value as providing the data available to show a customer how it can meet its needs—at multiple strategic and operational levels—better than its alternatives at this moment in time. In fact, doing business in the twenty-first century is all about helping customers make decisions by enabling them to understand the criteria they need to be using to make those decisions. We call this “Real-time Marketing.”

In working with many Fortune 100 procurement organizations internationally we have found that approaching selling as assisting the customer in their decision making is much more in line with the way customers actually buy. Virtually every buy decision, even those of seemingly commoditized products and services, is made using a weighted attribute decision matrix. That is, most of the purchasers have completed analyses of multiple internal stakeholder needs as they relate to the purchase, weighted them according to their importance, and then scored suppliers against one another across multiple criteria. Thus, the company that helps guide a potential purchaser in making that decision is more likely to be chosen from among its competitors.

This is particularly important today because data on both a company and its competitors are much more readily available than they were in the past. In addition, technology has enabled companies to match any offers from the competition much more quickly than they used to. As a result, many companies are finding it more and more difficult to truly differentiate. If, though, a company can convey via data how it addresses its customer business decisions better than its competitors and even the customer itself, it can win a greater share of deals, even if they’re not significantly better than the alternatives.

In making this effort, however, it’s important to remember that the data provided must be relevant, clear, fact-based, and usable. That is, rather than presenting the data in high-level “marketing-speak,” the supplier must provide the customer with tangible, specific, and detailed facts about how it can meet the customer's needs better than its alternatives. The data must also be usable in the sense that sales people and their front line managers will be able to incorporate it into conversations with their customers and change the discussion from price to value and have the conversations at higher levels within the organization.

Results from our September 2012 research into company value and strategies to get compensated for that value:

- Overall, how satisfied are you that your company value is clear internally, has a champion and is seen as a valuable tool by the front line sales team to win deals externally?

  74% of management say not very satisfied

- Salespeople can connect a clear map of how specific customer needs align with our products, services, and competencies better than the competition

  77% of sales say they cannot

- The data that salespeople in our organization need to express the value proposition to the customer is both granular and easily understood.

  83% of sales and 81% of management do not strongly agree

2. Lack of alignment between line-level sales and key strategic priorities

It is of course a company's executives who set financial and strategic targets. And it's the next level of management that sets key initiatives and, ultimately, operational processes to achieve those strategies. But it's the sales team that actually achieves many of those targets, and they do it one deal at a time. However, in the course of our research, when we asked legal, pricing, and product and service managers what their priorities are, and how those priorities are communicated to those on the deal level, their answers were surprisingly vague. Unfortunately, this vagueness extends throughout many organizations. For example, the CEO of a freight forwarding company recently told us, "I want sales people doing what I want them doing." However, when we asked how they knew what he wanted, he said, "That's the problem, they don't know, and as my priorities change, those that can be impacted at the deal level don't get connected." Clearly, in this company, as in many others, there is a serious disconnect between company strategy and the execution of that strategy.

Even more important, it's not just what the CEO wants that isn't getting communicated to those actually making the deals. In order to reach the targets set by senior management, salespeople have to be aware of the strategic concerns of a variety of stakeholders. In any given company, for example, there might be a situation in which:

- The CEO wants to drive more business from channels A and B to C and D.
- Legal wants risk shifted in the company's contracts.
- Pricing wants a rollout of new standards for global agreements.
- Service is attempting to move from being a cost center to being a profit center.
- A product manager is rolling out a new product.
- Marketing wants to embed specific value messages into customer conversations.

These are the kinds of priorities that sales training needs to focus on, but in most companies it isn't happening. In fact, to a large extent the opposite is true. Rather than finding ways to decentralize negotiation decision making so salespeople can focus on these priorities, 80% of the sales leaders we surveyed with the Strategic Account Management Association (SAMA) reported that their organizations are moving toward greater centralization, which results in longer and more complicated internal negotiations and deal approval processes.

When decision making is centralized internal negotiations becomes more difficult because those approving deals are not looking at the whole deal but just at their own concerns. For example, legal simply redlines contracts based on risk and doesn't take into consideration how much risk should be assumed based on potential rewards. In addition, while salespeople are selling broad solutions, when each internal stakeholder is concerned only about its department's P&L, individual line items get approved but are not connected to any other line items. These problems can, however, be avoided by finding ways to communicate senior management's priorities to salespeople and providing them with the data they need to execute those priorities.

Results from our September 2012 research into company value and strategies to get compensated for that value:

- Overall, how satisfied are you with your internal deal approval process?

  83% of sales and 77% of management are highly satisfied

- How effective (quality) and efficient (speed) is the internal deal approval process?

  86% of sales and 80% of management say it's not highly effective

3. Use of generic processes to analyze sales opportunities

Twenty-five years ago, when formal sales processes were introduced, selling changed from a practice based on individual skills to one based on a corporate process that virtually anyone could learn to use. That is, it discredited the idea that salespeople were born rather than made, and it was a breakthrough at the time. And even today there is a wide-spread belief that using common language and processes in selling provides an organization with certain benefits, including higher margins, faster sales cycles, and more revenue, among others.

The reality, however, is that using such processes, in which salespeople "fill out a sheet on their account," more often than not is just continuing the use of a process that doesn't work. The reason for this failure is that using a generic process and blank forms is essentially zero-basing each deal, and making each rep and front-line sales manager recreate the same inputs over and over. And incorporating the process into an organization's customer relationship management system, which many companies have done, only serves to make a suboptimal process work faster. In fact, in a study we conducted with the Strategic Account Management Association, global corporations reported only a 2% increase in negotiation effectiveness after such "process" training.

As a first step, what salespeople really need is not more processes but more data, that is, more information concerning their customers' needs and how they can meet those needs better than the customers' alternatives. While it is true that customers all have different needs, and that both the solutions a supplier provides and its alternatives have wide ranges, when needs, solutions, and alternatives are viewed from a high enough level, it becomes obvious that the issues that must be dealt with fall into very specific areas, and repeatable patterns within those categories. And while these areas may change with different customer verticals or solution types, they continue to be similar. These categories include:

- The customers' strategic and operational needs
- The types of products, services, and competencies a supplier can bring to bear to help customers achieve their desired outcomes
- The products, services, and competencies that differentiate the supplier from its alternatives
- The items most commonly receiving the most negotiation pressure, such as price, service, terms, conditions, etc.

While differences do occur, we found that tracking these attributes of any deal enables sellers to see that 80% of the time they follow certain patterns. And since these patterns can be anticipated they can be leveraged, creating greater organizational learning, faster new rep ramp ups, more customer value, and higher returns for the organization. This is the key to shifting from simply *selling* to helping customers make better decisions and creating more value for both sides in any sale. In fact, it is recognizing and understanding these patterns, and making sure a company's salespeople know how to leverage them, that allows organizations to create more business value and be compensated for that value in both better prices and more equitable risk sharing.

The question then, concerns how the data, and the patterns that emerge from it, can be gathered, housed, retrieved, and used, and it's modern technology that provides the answers. More specifically, what's needed is technology that:

- Houses real-time, up-to-date sources of value specific to vertical markets and against specific competitors or alternatives
- Creates a conduit that puts the strategy of the cross-functional stakeholders (legal, pricing, service, etc.) directly into the hands of salespeople rather than forcing them to go through a multiple-level approval process

In other words, what salespeople need is not the traditional customer relationship management system that gathers information *from* them and sends it to their superiors. Rather, what they need is a technology that delivers data *to* them in a way that helps them uniquely demonstrate value. That technology must also, however, be able to communicate strategies developed at the executive level to the people executing those strategies at the deal level, and enable companies to be compensated for that value. Providing this kind of technology will be of enormous help to sales reps in articulating value and obtaining compensation for that value without complex approval processes.

> "In general, CRM is a one-way technology. Sales reps, much to their dismay, pump data in, and their managers extract data for reports, forecasts, pipelines, etc. Sure, CRM systems can provide traditional sales force automation (SFA) functions, but the broader salesperson-focused capabilities of CRM are rarely leveraged."
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> - Dave Stein, ES Research Group*

**ES Research Group's in-depth industry research, groundbreaking reports on sales training trends and independent evaluations of sales training companies helps your company make the right decisions about sales training programs and maximize the results of your training investment.*

4. Lack of integration between sales and negotiation

At the risk of oversimplifying the relationship between selling and negotiating, the former is about meeting the customers stated needs while the latter is about capturing that value in a deal that benefits both sides. In other words, they go hand-in-hand, or at least they should. For example, even if a salesperson does a great job selling, that is, creating value, without a sound negotiation strategy it's unlikely that full value will be captured, and the salesperson will probably end up with a deal that rewards him or her with less value than the customer receives. Alternatively, when a salesperson does a poor job selling, even if he or she is fortunate enough to have a negotiation, it will almost always default to a price-only discussion.

Unfortunately, even among those organizations that provide salespeople with training in both sales and negotiations, more often than not sales training is offered in one fiscal year and negotiation training in the next, so they appear to be separate and seemingly unrelated activities. As a result, the training fails to address the interconnectedness between the two processes. In effect, training salespeople like this is the same as training a carpenter to use a hammer one year and a saw the next. The salesperson (or the carpenter) would essentially be out in the market for a year with only one half of his or her toolbox. And to make matters worse, the supplier who provides the sales process training is usually different from the supplier who provides the negotiation training. So the sales team now had two disconnected processes designed to fill out two different kinds of blank forms. This is not only difficult for salespeople to deal with given their daily challenges, it's also difficult for coaches to coach and for management to embed into the customer relationship management process.

An even bigger problem with this approach is that it doesn't match the reality of the market. Based on our research with Strategic Account Management Association, most sellers are in relationship markets rather than transactional ones, that is, customer relationships are becoming more complex and longer-term. Most sales organizations, in fact, have been transacting with the same customers for many years. And while it's true that both salespeople and leaders change, there is still organizational memory on both sides of the table about how deals are done, who pushes back on what, what items are given away, etc. At a higher level, as noted earlier, the market follows patterns in the way deals are negotiated. For example, many follow the razor and razor blade model, in which aspects of value are simply given away as a cost of entry. In addition, past deals between a particular buyer and seller, as well as industry norms for doing deals, all set precedents that impact on the next and later negotiations.

If, however, companies integrate selling and negotiating they will be able to develop a Value Exchange that is neither selling nor negotiating but both. Doing so will enable them to supply their salespeople with the kind of data they need to develop value, recognize and leverage patterns in selling, and keep up with the competitive landscape, changing corporate priorities, customer needs, and regulatory and other changes taking place in the market. This approach to assisting customers in making value-based decisions when choosing a supplier and helping salespeople make better commercial decisions for their companies yields great results in terms of process, market share, and margin.

> "We see the B2B customer buying cycle/supplier sales cycle as being a series of negotiations. Winning salespeople negotiate for access to senior executives, information, mini-agreements all along the way. To think selling and negotiation are separate is old thinking and serves to hinder, rather than help, sales effectiveness."
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> \- Dave Stein, ES Research Group*

5. Overly complex sales training

In working with sales leaders and sales teams we've often seen people who have been trained in processes that include as many as twenty steps at each stage. While the need for many of these steps and stages is clear, given the day-to-day challenges of most sales reps and front-line sales leaders, complicated processes like these often don't work. If further proof of the problem is required, consider the recently published book, *The Truth About Negotiations* by Leigh L. Thompson, a professor at the Kellogg School of Management, which identifies fifty-three such truths. How can salespeople execute and sales managers coach against fifty-three negotiation truths and twenty steps to qualify an account?

Changing training programs so that rather than concentrating on generic processes they concentrate on installing data that can be used by salespeople will make the process not only easier to follow but more likely to result in success. Toward this end, training needs to focus on the two most important aspects of the process:

- Determining value
- Being compensated for that value

These are what really matter, not fifty-three truths, not twenty qualifiers, and not ten key behaviors. Since, as mentioned earlier, winners win when they show how they meet their customers' business needs better than their alternatives, this should be at the core of the next generation of sales training.

To be fair, there is a certain amount of complexity in providing and being compensated for value, but it's not in the sales training process. Rather, it's in gathering, housing, retrieving, and leveraging the data a company needs to determine what its value is and how it can be compensated for it. Sales reps accordingly need to know what data is appropriate given their situation, where the data is, when it is updated and how it can be applied in preparing and presenting offers. It's important to note, too, that flexibility is essential in applying this approach. It's true that understanding and getting paid for value applies to any deal regardless of size, complexity, or importance. What does change, however, is the amount of data needed given the reality/importance of the opportunity and the length of the sales cycle. This, then, is where the focus must be in terms of modeling how to determine value and get compensated for that value given the data relevant to the seller's situation.

> "For twenty years, some leading sales methodology/training providers attempted to differentiate themselves by adding layers of complexity into the opportunity management and account management planning forms. This is not to say that the additional layers were irrelevant or unneeded. What did happen, however, is that added complexity resulted in less compliance with their process rather than more."
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> - Dave Stein, ES Research Group*

The Solution

In order to establish a connection between high-level strategy and deal-level tactics, over the past sixteen years Think! Inc. has pioneered an approach to sales and negotiation training that presents it not as a generic process requiring salespeople to answer questions on a form about each deal but, rather, as a value-based decision making process that enables a company to align its value with its customers' strategic and operational needs. Looked at in this light, sales process training becomes not an end in itself but a means to an end—providing customer value in order to achieve senior management's goals. In order to accomplish this, preparing the sales team of the future requires an integrated approach that combines leveraging real-time, applicable data, and learning how to use that data to drive customer value and achieve price and risk premium. In other words, this method replaces the outdated version of sales and negotiation training with a new integrated business process that leverages facts in order to create a Value Exchange between sellers and buyers.

This approach essentially requires organizations to implement a six step process:

1. Determine the sources of the company's unique value in its products, services, support, software, competencies, etc.
2. Determine the key priorities of the company's internal stakeholders and which items salespeople control at the deal level—e.g., price, service levels, support, legal terms, and enable the company to be compensated for its value without a lengthy approval process and in line with the priorities of the company's leaders and the strategy they have developed.
3. Agree on acceptable ranges for price, service levels, support, legal terms, etc.
4. Warehouse information about those items in a technology that can be accessed directly by the salespeople and can be updated in real time.
5. Train functional leaders and salespeople in how to access and leverage the information in order to create differentiated customer solutions and get fairly compensated for them.
6. Store and share knowledge among stakeholders and salespeople of existing and new breakthrough value created for customers.

Think! Inc. developed this process to help our clients more efficiently use data to create more value at the deal level as a means of reducing commoditization attempts and the resulting focus on price in selling/negotiation. We are not, however, either a software or a training firm. Rather, we are a consultancy that has an application for data collection and analysis as well as training workshops to implement that application.

There are essentially four areas in which our process enables companies to use data in a way that will give their leaders and front-line salespeople an edge. These are:

1. Believing that each sales situation is unique
2. The importance of value and why it's so difficult to demonstrate that importance to customers
3. The internal negotiation and deal-approval process and its connection to business strategy
4. The disconnect between sales and negotiation

1. Believing that each sales situation is unique

Contrary to popular belief, buyer behavior follows certain patterns. In fact, our primary research, as well as subsequent work with our clients, shows that 97% of buyer behavior in sales/negotiation can be anticipated. And that means a company can develop strategies to deal with it. For example, buyers can virtually always be counted on to refer to their alternatives (the seller's competitor, doing nothing, or doing it themselves), and/or ask for concessions (price, free support, extended warranty, etc.). Globally, the most common buyer tactic is "I can get the same thing cheaper," which follows the pattern of referring to an alternative and asking for something. In addition, even though the words change—"Your contracts are so much more difficult than everyone else's" or "Everyone else provides that for free"—the pattern still holds. About half the time, though, customers don't even reference their alternatives—they simply ask for concessions with phrases like "Lower your price," "It's not in my budget," "Sharpen your pencil," "I want favored nation pricing," etc.

The main problem is that salespeople and leaders do not anticipate these tactics and do not have data ready to counter them. It shouldn't be a surprise that buyers refer to their alternatives and the supplier's solution as the "same thing"—it's clearly in their best interest to commoditize the supplier's efforts and use that pressure for price reductions, discounts, and other giveaways. And yet, our experience suggests that sales teams lose millions of dollars every year because they neither expect nor prepare for these kinds of arguments. Some of this may seem “tactical” rather than “strategic,” but the reality is that this is what’s happening on the front lines. And the effect is to put downward pressure on margins and upward pressure on contract risk.

How we use data to help solve this problem

Because negotiating and, to a degree, selling are often thought of as tactical and reactive, the notion of developing a data warehouse that connects strategy to the deal level hasn’t occurred to most people. However, by enabling leaders and salespeople to have data at hand to anticipate and respond to these problems, technology can help them change the conversation from price to value early in the deal cycle, when value is created, rather than later, when value is divided. Think! Inc.’s process enables our clients to use technology as the organizing principle to house value and pricing data and make the transition from tactical skills to organizational competency.

2. ***The importance of value and why it’s so difficult to demonstrate that importance to customers***

We know that buyers will attempt to commoditize a supplier’s offering in hopes of lowering prices and shifting risk in contract terms and conditions back to the supplier. We also know, however, that establishing value results in price premiums and risk-sharing commensurate with the return the seller expects to receive from the opportunity. For that reason, when we start working with a client we ask the company’s leadership three questions:

- What is your value proposition?
- Who owns it?
- How is value connected at the deal level?

Not surprisingly, the answers we receive invariably tell us a great deal about the companies. As noted earlier, when we ask several executives in an organization about the company’s value proposition, more often than not we get a number of different answers. But if an organization can’t clarify its value internally, what are the chances its sales team or its customers will be able to understand it? When we ask who owns the value proposition, the answer we usually get is “marketing.” What that means, though, is that the company’s value proposition is likely to be a fixed statement that's written once a year and is typically out-of-date the moment it's printed. This is where the classic "sales-marketing disconnect" comes from. And finally, when we ask how value is connected at the deal level, the answers we receive are inevitably vague. That is, even the company's top executives don't know how the company's value proposition is communicated to those who are making deals every day.

The fact is, though, that defining value is actually much easier than most people think. As noted earlier, it is essentially the way a company meets its customers' needs better than its alternatives. In other words, it's not based on static value statements from marketing but, rather, on real analysis that's conducted one deal at a time, taking into account all the company's sources of value, and focuses on the customers' needs as well as their alternatives to a seller at the moment.

When, for example, we asked the sales team and sales leadership of one of our clients how often they thought customers executed rational analyses before stating that they were "the same" as a given competitor, the answer they gave was "Hardly ever." In fact, we found that in this particular case, for the company's customers to legitimately argue that it was "the same" as another supplier they would have to begin by force-ranking forty-three different decision criteria across six different buying influences. Then, keeping in mind their strategic and operational business needs for this transaction, they would have to score those suppliers against the weighted criteria to see who better solved their business problems. When we then asked our client if making the effort to understand how they scored against an alternative would give them an advantage and help the customer make a better decision, the answer was a definite "Yes."

How we use data to help solve this problem

The first step in breaking a company's customers' efforts to commoditize what it has to offer is to use fact-based data embedded in technology to produce what we call "Real-time Marketing," a process that is easy for salespeople and their coaches to execute and can be adapted to apply to anything from a small local transaction to a large global agreement.

How we use data to help solve this problem (continued)

We begin by determining the criteria the customer should be using when comparing a company to its alternatives (many times working with the company's marketing department), and embedding that data into the software, which then contains information about different competitors and different sales force levels, such as inside sales, outside sales, and national/global account teams, to reflect the reality of their selling market. Then, using customized, simple drop-down menus, salespeople can execute quick but powerful analyses to determine what the company's value is in this opportunity and help the customer make the best decision at this time given its needs and its alternatives.

What is accomplished at this level is internal alignment on what the company's value actually is, who owns it and how it connects to the deal level. It creates what we call a living, breathing, Value Ecosystem that can be updated instantly as market conditions change. Moreover, our experience has shown that this data is well received by sales teams as it helps them solve daily, street-level negotiation problems in an extremely user-friendly way.

3. The internal negotiation and deal-approval process and its connection to business strategy

A Harvard Business School study issued in 2009 evaluated forty-five companies and determined that the most significant negotiation problem they faced was the internal negotiation between and competing needs of silos, that is, a lack of internal negotiation alignment. Each silo (legal, pricing, marketing, sales, product managers) viewed the negotiation through its own lens rather than viewing it holistically. The study found, for example, that legal departments were simply redlining contracts in an effort to reduce risk to zero without factoring in or weighing the reward, and then adjusting risk profiles accordingly.

Most companies have one of two kinds of internal negotiation strategies. The first is a highly centralized one in which all deals have to be approved by a committee of multiple stakeholders either in person or using deal-approval software. The result of this approach is less variance but slower response to the market. The second strategy is to simply allow salespeople and regional leadership to make their own negotiation decisions. The result of this approach is faster decisions, but with more exceptions. Our solution is a middle ground, which we refer to as radically centralized strategy with radically decentralized execution.

How we use data to help solve this problem

Having determined in the first step what a company's value is in a given opportunity at a given time, the next step is to leverage that value for price premiums and risk reductions.

At the outset, we work with cross-functional stakeholders—those who own approval of negotiating variables such as pricing, contract terms and conditions, SLA's, etc.—and embed these variables into the tool. Each variable has a high- and low-end of pre-approved ranges. For example, items like price will have ranges from $X-$Y, raw materials clauses from $X-$Y%, and so on. Salespeople may still need to get deals approved, but those deals get to the approval stage earlier, in better shape, and with less variance.

In addition, the priorities of the various stakeholders can be embedded in the tool so that leaders can be certain they are being applied at the deal level. For example, one company we worked with wanted to begin getting compensated for services rather than giving them away as a cost of doing business. This priority was accordingly highlighted as a "key trade" to make sure sales people were embedding it in their negotiations. Similarly, in another firm, two legal clauses were tied together so that liquidated damage clauses were only allowed when customer performance metrics were in place. Perhaps even more important, much like the marketing/value data, this information can be updated in real time as new products emerge and market conditions change. Finally, all the data is housed in a cloud-based platform, which we call a Value Blueprint, that sends it to sales people as well as collecting it from them and reporting it back upstream.

4. The disconnect between sales and negotiation

As noted earlier, there are inherent problems in thinking of sales and negotiation as being separate processes, as well as in salespeople being trained in these areas at different times and by different consultants. We have pioneered an approach to integrating these two functions and reframed the process of doing business deals in the twenty-first century as a two-step value exchange process that, first, enables a company to determine its value to its customers, and, second, enables the company to be compensated for that value. Both commercially and operationally, this approach eliminates the need for two separate workshops over a period of time, the cost of multiple plane tickets and days out of the office, and the need to deal with two different consulting firms.

Even more important, from a strategic point of view, this approach matches the way the market actually behaves, and changes the framework from selling to helping customers and salespeople make better, value-creating business decisions. Finally, it also leverages data on a company's value drivers and, in the process, guarantees better execution of strategic stakeholders' aims at the deal level, thus substantially decreasing the need for complex and lengthy deal-approval processes.

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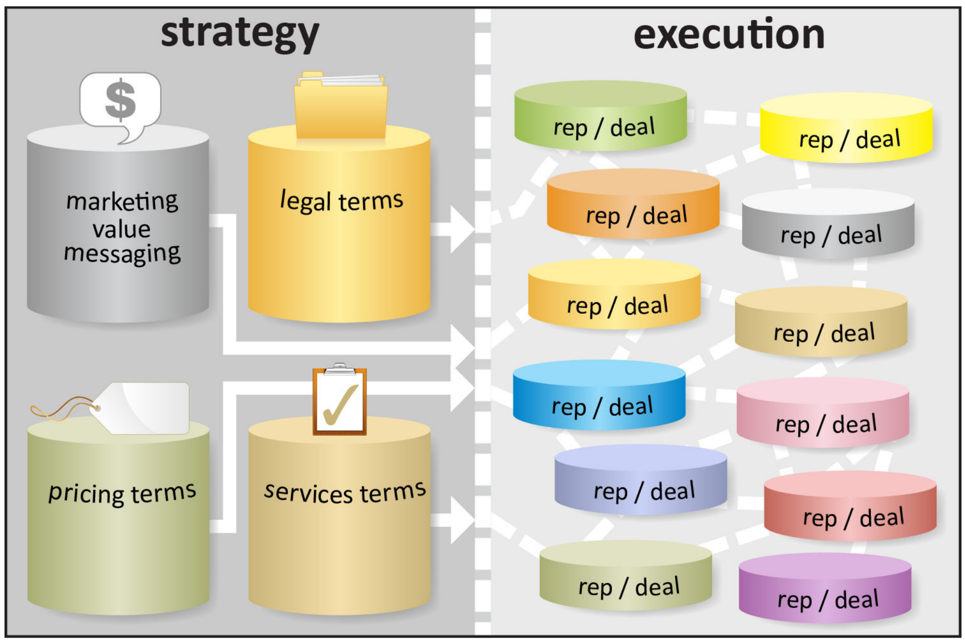
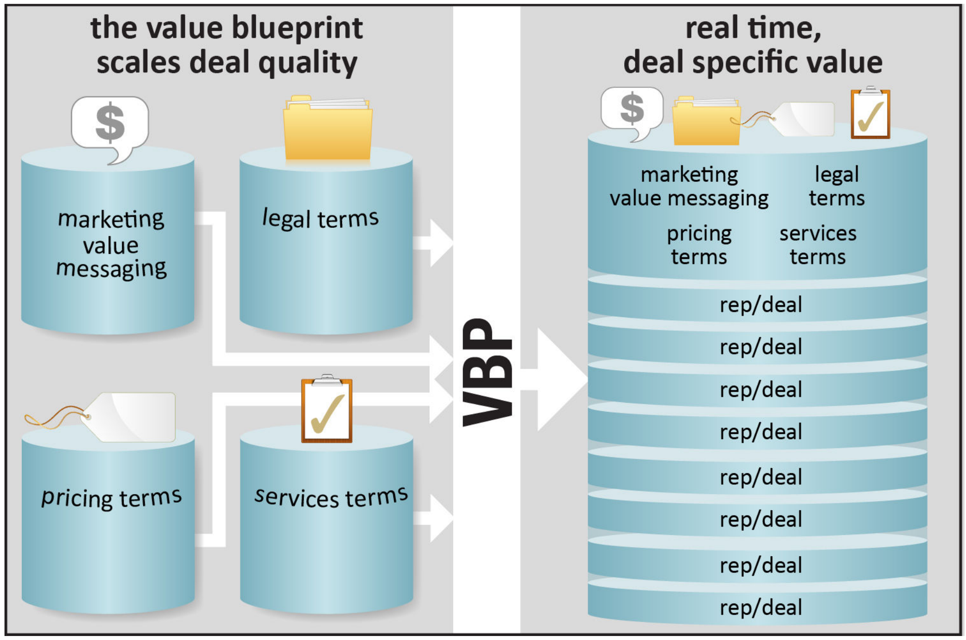
The graphics below illustrate the disconnect between company value, how to get compensated for that value for decisions being made at the deal level.



This graphic represents the technological conduit, the Value Blueprint (VBP), that centralizes information about a company's strategy and enables the decentralized execution of that strategy. In essence, it makes the insights and strategies traditionally housed in the minds and documents of a variety of functional leaders available to reps at the deal level and, in turn, helps them make better, faster decisions. Equally important, it allows the data to be updated in real time as market conditions and corporate strategies change, and applied to each new customer opportunity.



Most sales software collects data from salespeople when they "fill out the form" and provide answers to questions about their customers/opportunities at the account and opportunity level. This information is, in turn, sent to management as part of the standard reports that management has come to expect. It is then incorporated into complex approval processes to make certain that executive priorities are being met.

Think! Inc., however, has developed what we consider to be an important breakthrough in the field, a systematic framework that enables a company to collect and organize all the sources of its value and get them leveraged one deal at a time to get fairly compensated for that value without lengthy approval processes. It does so by providing technology that not only asks questions but also provides the answers salespeople need to assist their customers make wiser decisions on behalf of their customer's organization. Equally important, it arms a company's sales team with data and strategy that is not only in line with leadership's priorities but capable of being changed in real time as conditions evolve. Having spent many years working to increase our impact on our clients' business, we have found this enabling technology to be a powerful weapon in any company's arsenal in its fight against commoditization and irrational actions by its competitors. It is the only way to make sure, as the CEO of a global shipping company put it, "…to make sure my salespeople are executing my priorities, not theirs."

SUMMARY

Selling has evolved from personal skills and the belief that great sellers are born and not made to a business process. This evolution brought great value to companies by installing common process and creating common language.

The next level of selling in the 21st Century has to move from:

- Unclear or generic value statements on laminated cards
- Complex deal approval processes
- Blank form approach to segregated sales and negotiation training classes
- Blank form CRM that is a tax on reps and doesn't provide data TO them

To:

- Real time, living, breathing value ecosystems that can be leveraged one deal at a time to help customers make enhanced value based decisions
- Deal parameters put in the hands of the sales team to improve effectiveness and efficiency of their decision making
- An integrated approach to selling and negotiating (The Value Exchange) that reflects the way market decisions are actually made
- Technology that not only reports back up but pushes data on value and getting compensated for that value to the deal level

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Think! Inc. was founded in 1996 by Dr. Max Bazerman, a Harvard Business School professor and member of the Harvard Project on Negotiation, and Brian Dietmeyer, who held numerous positions over a period of seventeen years with Marriott International, ending his career there as VP, National Account Sales. Brian is also the author of *Strategic Negotiation* (with Rob Kaplan) and *B2B Street Fighting*. Since its inception, Think! has worked on over 20,000 business negotiations in forty-seven countries with companies such as Coca-Cola, Microsoft, United Airlines, Alcatel-Lucent, Merck, and Allstate.

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