

Value-Added Sales Management

A Guide for
Salespeople and
Their Managers

**How to Get More Sold—
Profitably, Confidently,
and Professionally**

TOM REILLY

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Salespeople and
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To my wife, Charlotte,
who for the past twenty-two years
has added more value to my life
than any one man deserves

Other books by Tom Reilly

*Value-Added Selling Techniques: How to Sell More
Profitably, Confidently, and Professionally
Selling Smart*

Introduction

Congratulations! You're doing something that fewer than 10 percent of your peers will do this year . . . read a book on your profession. In my first book, *Value-Added Selling Techniques*, I shocked people with this statistic. Unfortunately, it's as true today as it was then. And fortunately, the same benefit that applied then applies now. As you read and use these ideas you're giving yourself the "Knowledge is Power" advantage.

I wrote my original book in response to salespeople's requests for help in dealing with price objections. Over five years, I tracked the number and kinds of objections salespeople brought to seminars. As you can imagine, price topped the list. It still does.

I've written this book in response to one of the most frequently asked questions I receive from sales managers, "Tom, how do we follow up on what you've taught us?" They recognize the fundamental truth of personal development and organizational change. All the sales training dollars in the world are meaningless unless management follows up.

Too often, companies spend incredible amounts of

money hiring the best people, give them the best training money can buy, arm them with amazing collateral support, and pay them well, but fail to give them the one thing that will make the difference: management attention and time. It reminds me of parents who spend enormous amounts of money raising their children but fail to give them time.

You build a value-added salesforce with consistent follow-up training by the first-line sales manager. To implement the ideas in this book successfully you must view training as the catalyst to change and management as the change agent. Sales managers looking for shortcuts are kidding themselves. Top-level management asking overnight results is unrealistic.

This book gives you insight into the value-added selling process, information on how to unleash the power of your salesforce, and substantive plans for execution. The need for value-added selling grows more urgent daily. As products become more similar, companies pledge to Total Quality Management, and consumers demand greater value, salespeople must rise to the occasion with value-added selling. Tough competitive selling is the game of the nineties and value-added selling is the price of admission. Are your salespeople prepared?

I've designed this book to help you achieve significant change. The first chapters offer a sales manager's perspective on value-added selling. Specifically, I'll walk you through the value-added selling process, offer statistical proof on what buyers really want, teach you to train your salespeople to sell value-added, offer ideas on how to handle price objections, sharpen your value-added negotiating skills, and challenge you to deliver value-added customer service.

The first chapters are for the salesperson in you, the later ones for the manager in you. I help you understand

how organizations and people change and your role in the process. Since I'm asking you to be the change agent, you must understand the process inside out. You'll notice that I switch usage in this book between you and your salespeople. I do this because you are "selling managers" and it makes it easier to write and read.

I elaborate on the key dynamics for a sales management system. It reads like a menu for success. One dynamic is motivation. It's such a critical issue for sales managers that I've dedicated an entire chapter to the subject. Also, I've included a chapter on one of the most fascinating topics for sales managers: the plateaued salesperson.

I conclude with a kaleidoscope of interesting topics for managers. Things like managing in tough times, maximizing your distributor network, management and leadership, and how marketing supports the value-added sales effort.

As I stated earlier, without your passionate commitment to follow-up training sessions the impact of outside training is minimal. To help you become an "in-house" trainer, I conclude with ideas for conducting your own sales training sessions.

By selling and managing the value-added way, you're giving yourself the competitive advantages of operating more profitably and focusing more strategically. Those who adopt this sales and management model experience the benefits of value-added selling. They lead instead of follow. Customers respect them. And their margins reflect their efforts. These benefits and more await you in the coming chapters. Read to understand. Practice to perfect. Apply to succeed.

Remember, it's the unique combination of your high level of initiative coupled with everyone else's apathy, indifference, and inertia that will make you successful.

Happy reading!

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1

Introduction to Value-Added Selling

If you asked the average consumer to respond to the cue word “salesman,” how would he or she respond? (Notice that I use the word *salesman* and not *salesperson*. This is not to discriminate against women: when you use the word *salesperson* it softens the response.) When I do this in seminars, salespeople respond with words like: liar, slick, pushy, mistrust, manipulative, high pressure, and then it gets worse!

These are salespeople telling me how they think consumers perceive our profession. This is particularly disturbing since this is *everything* I plan to do with my life. I’m proud of devoting my life to sales. Every time one of us sells something twenty-five American families benefit from it. As disturbing as this stereotype of salespeople is, there is a flip-side advantage.

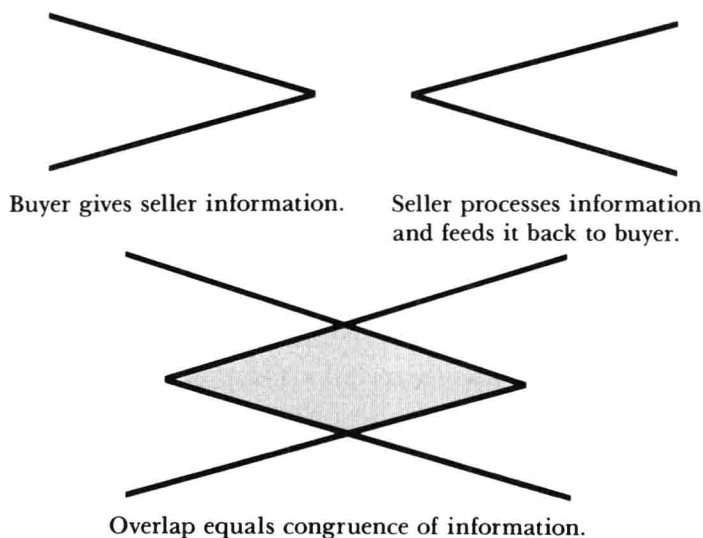
I have a theory that buyers have a collage of faces on the wall directly across their desks. On this collage are the faces of all the salespeople they know. When you call on buyers, you either blend in with the collage or stand out. If you use the same tired routine that every salesperson

brings to the table, buyers treat you like every other salesperson.

On the other hand, if you bring to the table something creative, innovative, and solution-oriented, your face jumps out in 3-D fashion. If you bring a value-added package to the table, the buyer treats you uniquely. In spite of the negative biases consumers hold toward salespeople, you can use it to your advantage to differentiate yourself from the crowd. This is the message you must take to your salespeople.

The essence of value-added selling is differentiating yourself and your package within a customer-oriented environment. Buying and selling is an information exchange. The buyer gives you a certain amount of information, you process it and feed back more information to him. The degree of overlap between the information he gives you and what you feed back determines the likelihood of your doing business (see Figure 1).

FIGURE 1
INFORMATION EXCHANGE



In traditional selling, the salesperson “firehoses” the buyer with product information and technitrivia before giving him an opportunity to explain his needs. There’s no exchange. It’s one-way communication and the salesperson does all the talking. Imagine the impact this has on the buyer! He perceives the salesperson as a “me-oriented, product-driven, I’m-going-to-sell-something” individual.

Conversely, buyers perceive the value-added salesperson as interested in the buyer. Value-added salespeople are honest, customer-oriented, and proactive. They have a strong concern for people and results. That’s what this book is about—how you create the value-added sales organization.

WHAT IS VALUE?

Before defining value-added selling, we must define value. We could use complex economic jargon, but for salespeople value is simple. It’s three things. I call these the three Ps: personal, perception, and performance.

First, value is a very *personal* thing. Like fingerprints, everyone has his own definition. To some, it’s quality. To others, it’s service. And to others, it’s technical support. And yes, there are some who define it as price.

Last year I spoke to a health-care industry association. Before my presentation, a panel of hospital presidents discussed industry trends. The audience was manufacturers of health-care related items. The panel members were their customers. One panel member boldly stated, “As far as I’m concerned all this value-added stuff you guys talk about is trivial.”

The air was thick with animosity. The audience recoiled at his impertinence. And I thought to myself, “This is great. I’m supposed to give them ninety minutes on value-added selling and one of their customers just said it’s trivial!”

He finished with, "The reason I say this is that every one of you will call on me tomorrow and dictate to me your notion of value-added. Yet, not a one of you will ask me how I define value-added." He paused, and the group slowly nodded their acceptance. I breathed a sigh of relief. He laid the perfect foundation for my talk.

Value is a personal concept. Each person defines it in his own unique way. I've always believed this, and this experience reinforced my convictions. For your salespeople to sell value, they must first define it in customer terms. Why would anyone pay more to do business with one company over another? Why should your customer pay more to do business with you?

Second, value is also a *perception*. You've heard the old saying, "Seeing is believing"? Well, perceiving is believing. It's ultimately the customer's perception that counts. Perception addresses cosmetic and stylistic issues. Image plays an important role in reassuring buyers that they are making the correct buying decision.

Please understand that style and image are cosmetic but not superficial. When buyers evaluate two packages, one generic and the other a well-known brand name, the buyer reacts differently to the brand name. Packaging plays to perception.

In my seminars, I demonstrate this to the audience. I present them with two boxes. One is tattered and contains a moderately priced, new ballpoint pen. The other is a new package. It reads "Cross™, 10 kt. gold-filled, model 4502." When I remove it from the cardboard sleeve, I point out the leatherette box with brass trim and a hinge. I ask the group, "Which would you prefer?" They unanimously choose the Cross Pen.* When I ask why, they respond that

*Cross Pen is a registered trademark of the Cross Pen Company of Lincoln, Rhode Island.

it looks better and has a brand name. Perception. They decide on perception. Packaging influences their decision. Imagine how they feel when I open the box and remove an inexpensive plastic pen. It's the same functionally but has less perceived value.

A book buyer at one of the major chains reviewed my first book and told us to redesign the cover. When I pursued the issue, he responded with, "Because buyers judge books by their covers." We redesigned the cover!

Here's a caveat to live by: You may get the business by creating the perception of greater value, but you keep it through the performance of greater value. This is our third P: *performance*.

What perception is to style, performance is to substance. Your package must have substance to satisfy customer needs. Perception makes the buyer feel better about buying your product while performance makes him feel better about owning your product. Customer satisfaction is a function of your performance relative to the customer's expectations. If you outperform expectations, you have satisfied customers. If you underperform expectations, you have dissatisfied customers. It's OK to promise a lot if you always deliver more than you promise.

Style and substance work hand in glove to achieve maximum selling advantage. Refer to the matrix in Figure 2. Quadrant one is the ideal scenario. You have plenty of perceived value (style) and plenty of performance value (substance). In quadrant two, you have no style but plenty of substance. A tough sale on the front end. In quadrant three, you have plenty of style with nothing to back it up—a sure way to lose the business in the long run. Quadrant four is the least desirable: no style and no substance. Good luck!

Your salespeople must understand that selling value-added is predicated on their defining value in customer

terms, reinforcing customer perceptions that you are the value-added supplier, and exceeding customer expectations.

FIGURE 2
STYLE AND SUBSTANCE

		STYLE	
		<u>Yes</u>	<u>No</u>
SUBSTANCE	<u>Yes</u>	1 You have maximum advantage.	2 A tough sale to make, but you'll probably keep the business.
	<u>No</u>	3 You'll have an easier time selling it, but you'll struggle with repeat business.	4 Good luck!

WHAT IS “VALUE-ADDED”?

In my research, I discovered the first reference to value-added circa 1916. It related to manufacturing and the source was the U.S. government. Today the Department of Commerce defines value-added as the “difference between raw material input and finished product output.” In simple terms, it’s everything your company does to the product from start to finish. And finish includes postsale treatments.

There are two types of value-added: qualitative and quantitative. *Qualitative* value-added is more subjective and addresses perceptual issues. Some refer to it as “soft” value. This includes how long your company has been in business, your reputation, brand name recognition, and your company’s position in the market. All are important

for reassuring the customer emotionally that you're the best solution.

Quantitative value-added is objective and measurable. Some refer to it as "hard" value: the financial impact your solution has on the customer. It's efficiency, productivity, and effectiveness. Quantitative value-added is logical reassurance for your prospect.

Every product has intrinsic value for the customer. This is what goes into your product to make it good. Some of it the customer needs and wants. Other parts of it the customer may not want. To sell intrinsic value means your salespeople are selling what you deem important. In a market-driven business, customers define value-added for you. In a production-driven business, companies dictate value-added to the customers and spend time and money arguing customers into submission.

THE VALUE-ADDED SELLING PHILOSOPHY

Value-added selling is a philosophy of doing business. It's proactively looking for ways to enhance, augment, or enlarge your bundled package for the customer.

Value-added selling must be a philosophy. It's a passion, attitude, or mindset toward doing business. It's not a cliché, an annual theme, or a sales training course. It transcends a knee-jerk reaction to a price-sensitive market. It's permanent, not faddish. It's a simple belief system of going the extra mile all the time.

Proactive. It's everything you do before price becomes an issue. Being proactive means initiating, preempting, and anticipating. Proactively selling value-added is "never having to say you're sorry" when it comes to price. The concept is sound. Invest substantial value on the front end so that price becomes less of an issue on the back end.

When the customer buys, he gets three things: the

product, the supplier, and the salesperson. This is the bundled package concept. The salesperson is an important part of the package. Research from two Fortune 100 companies indicates that the salesperson contributes between 35 and 37 percent of the value that customers receive. At most, the product and company are each one-third. The salesperson is *at least* one-third the value that the customer receives!

This concept intimidates some salespeople, while others find it exciting. It means that the same product from the same company sold by one salesperson is substantially different from the same product from the same company sold by another salesperson. The buyer purchases a bundle of value, not just the product. The salesperson is a viable part of the bundle.

When salespeople tell me that their products and companies are no better or worse than the competition, I ask if they personally are worth anything to the customer. They hesitate before responding to that question.

Train your salespeople to sell value-added by helping them redefine and understand what they're selling. Teach them that value, like beauty, is in the eye of the beholder. Encourage them to be proactive.

There are five conditions under which value-added selling happens. You can review any piece of business your company lost because of price and determine which of these was missing. First, you must arrive early in the decision process. When you penetrate early, you have an opportunity to sell the prospect on the concept of value-added. You can help write specifications unique to your product. If you arrive too late in the process, it is more of a price and product decision.

Second, focus long-term. Value-added is not a short-term concept: it typically involves ideas whose time must come. To experience the scope of benefits the buyer must own the product for a while. Much of the value-added