

Intelligence for Wholesale Distribution Professionals

How to Get Customers to Fight for You

Adding value isn't enough if you forget to tell your customers about it

Tim Underhill of Strategic Business Solutions (sbs4me.com) says distributors often struggle with proving value to their customers. He provides best practices on implementing a formal system that can help retain and get more business from existing customers.

By Lindsay Konzak

Customers are willing to pay more when they recognize value beyond the short-term. For example, manufacturers have done a good job providing data on the dollar impact of buying energy-efficient light bulbs, including the new bulb's life expectancy and wattage, says Tim Underhill, president of Strategic Business Solutions.

The price can be several times that of an incandescent. But their popularity is a testament to the fact that the customer recognizes long-term value that is more than the difference in price.

"That's what selling value is all about," Underhill says. "... Are you willing to pay more for a product when it's proven that it will save you more? The answer for most companies is yes."

The Challenge of Differentiating

Most distributors are showing more interest in developing better ways to prove value. The challenge, Underhill says, is that while they likely already provide a lot of value, they don't always do a great job documenting it.

"Most of the documentation is around price savings and a little bit of inventory savings," Underhill says. "What's happening is you're telling customers that your real value-add is the lower price if that is all you're documenting." And with inventory, the savings is usually one-time.

Documenting lower price and inventory savings is easy. But documenting benefits like technical support and

problem-solving is much harder. Many distributors have not developed the skill set and processes to be able to do that well, he says.

As larger distributors implement value-documentation processes and more customers demand it, distributors who aren't providing it may fall behind. As MDM has reported over the past few months, the competitive landscape is not getting any simpler. With e-commerce's increased impact on B-to-B markets, the global nature of distribution and growing collaboration in local markets, distributors need to implement a formal process for documenting the value they provide to customers.

It can be hard to differentiate yourself. Everyone is offering the same products and in some cases, services like VMI, and focused on offering them for less. But price can only get you so far. "It's difficult to keep that competitive advantage," Underhill says, "unless you can show the customer the value, and the other guys can't provide the value you're bringing."

Another challenge: One distributor may come and offer a product that costs more but has more benefits. A competitor may say: "Me too." "A lot of the value you have gets diluted even if the other distributor can't really do it – they're going to say they can," Underhill says.

The idea behind documenting value is proving the savings and building a more integrated relationship with the customer. "What I tell people is you're providing solutions, and you're letting most of the business go somewhere else," he says.

"The customer is the smartest person in the world. They're getting all of one distributor's value, and they're getting a lower price somewhere else. If you're going to provide solutions, you want to draw

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a line in the sand. If we're going to help you, we need the business."

Building Better Relationships

Technology, including the solution Underhill designed to help distributors sell value more effectively, is helping. And mobile devices have increased the mobility of the sales force, making it easier for salespeople to document the value they add and have conversations with customers on-site.

Customers are one of the main drivers for documenting value-add, according to Underhill. "Customers are under tremendous pressure to reduce operating costs," he says. "The easiest way to do that is to go to the supplier and ask them to reduce the price. A lot of us have given up price, but you get to the point where you can't give up anymore."

Some customers are demanding a set percentage savings each year in their contracts with distributors. Many distributors are already providing a lot of value, Underhill says, so the ability to document those savings is critical to meeting these upgraded customer requirements.

When you can prove that value, the customer gets excited. "If I can show the customer real-dollar savings," Underhill says, "I can change the conversation from 'You have to lower the price.' to 'What else can we work on together?' That is a great conversation to have."

It's about building a different relationship, he says. "You want to be a supplier of choice based on the fact they really can't afford to go anywhere else, because you're helping them so much."

Best Practices

Underhill's approach is a simple application that asks salespeople a series of questions based on the type of solution being offered. The worksheet then provides a bottom-line savings based on a number of variables that go beyond price. The benefits may include increased production rates, decreased downtime, lower energy costs, reduced disposal costs for rejects, decreased payroll or contractor expense, or reduced accounts payable time.

The critical piece, Underhill says, is the write-up that results from that worksheet. "This is where you get buy-in from the solution," he says. The write-up outlines customer needs and what the distributor has done to meet those needs and save that customer money.

The customer must agree with the need, whether it be the need to reduce energy costs or inventory carrying cost. "Share credit with the customer," Underhill says. If the maintenance manager knows what the distributor is doing, but his boss' boss does not, it will not help the relationship. "If I share credit, he's far more likely to pass that around the organization because it's making him or her look good," Underhill says.

Even more critical is sharing the value you add immediately. "That value diminishes over time," Underhill says. "... If you wait six months to document or you wait a year, you'll be lucky to get that value."

It's also important to document cumulative value, so that when the contract is up for renewal or you do a quarterly business review, that data is readily available.

"Demonstrate what you've brought to them for the entire relationship, as well as what you've done for them lately," Underhill says. "... Most (distributors) will bust their rear ends to get customers up and running and then just walk away. They never beat their own drum and remind their customers what they do for them."

The importance of this comes when a competitor offers to do the same thing for less. "When you don't document (what you've done), it typically gets equated to 0," Underhill says. A customer is most likely to remember only what the distributor has done for it lately.

"There's a low perceived risk of jumping suppliers," Underhill says. But if the value is documented over time, and the customer signs off on those cost savings, the risk to switching becomes much higher.

Obstacles

One obstacle to adopting formal processes for documenting value is making sure that the system you adopt is consistent company-wide and is easy. Also, salespeople must be incentivized to do the work. "It adds up," says Underhill. "It shows the customer everything I'm doing."

Underhill offered three areas distributors should focus on:

Skill Set. Building the necessary skills starts with training, but it doesn't end there, Underhill says. "The best thing to do is practice it," he says. Have salespeople do one documentation a week, and start simple.

Focus on the write-up and get customers engaged. Then move to more common solutions

such as VMI. "Repetition helps," he says. "You can copy and paste a record and change a few numbers."

Build skills at the lower level before moving to more complicated value documentations, such as technical support or improved production rates. "Where the dollars are bigger, it will take more skills to do."

Support. Underhill recommends tapping one person that salespeople or others can go to if they are struggling with value-add. "That person has to be able to answer questions," he says.

Accountability and recognition. This piece may also be overseen by the same person tapped for support, Underhill says. "He holds them accountable for doing the documentation and then he gives them recognition," he says.

The bottom line for accountability: "Candidly if you're not asking about it, it must not be important," Underhill says. "That happens with value-add. Management likes it, they do some training, they think it's done and walk away."

The value-add documentation needs to be integrated into a company's key performance

indicators and, in turn, compensation plans for salespeople to recognize the importance to the company.

Customers Fighting for You

It's not that distributors aren't providing value-add, Underhill says. It is that they're not telling their customers about the impact of the relationship on their bottom lines. The ability to document and communicate value can help retain and even get more business from current accounts.

In the end, distributors want customers on their side. "You want the people in the customer's organization fighting for you because you're fighting for them," Underhill says. "You're helping them so they'll help you."

Customers don't document value well, if at all, he says. It's the distributor's responsibility.

"If you can document what you've done, and you can take that information to the user, then they have something to fight for when purchasing says you can get it cheaper over here."

Learn more about Strategic Business Solutions and the SalesStrat solution for documenting and communicating value at www.sbs4me.com.