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SELLING SUPPLY CHAIN SOLUTIONS, NOT JUST PRODUCTS OR SERVICES

Resources, whether people, cash or materials, are costs to any business. As such, managers must be careful in how these resources are expended. We consider market research before allocating dollars to new product research and development. We compute the ROI carefully before investing in new technology and infrastructure. We calculate the incremental revenue to be derived from adding one additional salary in sales. However, most companies do a very poor job at managing costs and results in the sales process. The evidence is found in sales cycles that are too long, missed forecasts, high costs of sales, and resulting transactions which yield less than the expected operating margin. In short, management of the sales process is critical to business profitability, whether a company sells products, services, or a mix of both.

Supply Chains do not begin with procurement – they start with a sell (or order) to a customer. Business managers who understand and act on this – those at Dell, for example – focus on selling the right product/service to the right customer at the right price, and then deliver the value promised. In other words, the profitability of the supply chain is only as good as the sell. Selling the wrong product or selling to the wrong customer results in products which do not perform as sold, dissatisfied customers, and ultimately, lower profit margins. Let's define "the product" and discuss how solution selling should be employed to assure market success of your products and therefore, the profitability of your supply chain.

A commercial airline's product is not just a seat on a plane. It is transportation, provided to and from the right cities at the right price, which takes place (hopefully) at the advertised departure and arrival times. The product also includes the ease of booking and purchasing the seat, as well as the service and comfort (hopefully) provided during the trip. Moreover, a competitive market offering must provide a well-defined and easy to follow process for resolving any conflicts which may arise from the use of the product, such as incorrect billing, delays in transit, frequent flyer credit, customer schedule changes, etc. As Professor Leavitt of Harvard Business School so aptly stated, "Customers do not want a 3" drill … they want a 3" hole!"

The first step, then, in achieving a profitable supply chain is to define your product in terms of a customer solution. It is far easier to align supply chain strategy, design, and execution with a clear market solution. It is also easier to target and attract customers with the most to gain from doing business with you.

There are many challenges to address in producing and delivering your solutions across all the supply chain processes: sell, buy, make, move and plan. For far too long, companies have focused on selling their "widgets", and not their solutions. The solution is defined by your entire supply chain, as in the airline example above, and must be aligned to the value derived for each customer. While based in common sense, this is not intuitive to the traditional selling approach. Business Development (Sales) continues to promote features and functions even with a decade of books on Solution Selling, seminars, and training programs. In our consulting/advisory work (SCEA), we believe that solution selling cannot be taught but it can be learned.

One of the Supply Chain Management objectives is efficiency. An objective of solution selling is to maximize the effectiveness of the selling (and marketing) process. How often do you find that you've wasted time and money trying to sell good solutions to the wrong customers; the wrong products to the right customers; or, as is prevalent to manufacturers, products that are looking for needs? Solution selling forces discipline on the organization to target the right customers, craft a compelling value proposition for each customer, and build relationships with the customer efficiently through the process to achieve satisfaction, loyalty, and repeat business.

The first principle of Solution Selling is the right type of customer relationship. While groups of customers may have similar characteristics, each customer will value different aspects of your solution by different

measures. This does not imply that your core product must be customized for each - but the manner in which the solution is delivered may be. Understanding what is valuable to your customer will help you connect quickly and determine how best to promote your solution and your company. This is not done from afar, but through meaningful relationships that provide insights with current and lasting value … building the foundation for repeat business and expansion.

The relationship strategy aligns the right people to facilitate quick closure, and loyalty, and head-off problems before they arise. This highlights a second principle of solution selling - team selling. Today's companies tend to buy through teams, so why do so many suppliers not sell through teams? Your solution needs to highlight the value for finance, and other interests, as well as operations. Marketing managers must understand the benefits your solution provides for future growth with their customer base. Financial managers need a clear articulation of value in financial terms. Business expertise advances value discussions, thus aligning the right people not only communicates your product/service value; it also gets the right questions on the table early. This improves your chances of eliminating unproductive sales activities by:

- Quickly determining when the solution or relationship is in jeopardy
- Gaining information to streamline value propositions and negotiations
- Focusing sales teams on profitable sales to profitable customers.

The third principle of solution selling is effective delivery. Delivering on the promise is not only essential for your solution to help the customer; it also creates new opportunities to sell more, to expand the business, and to gain a valuable reference. Selling to a customer with whom you have value-added relationships is more efficient than finding new customers. While companies need to do both, most companies stop selling once the business is awarded, or the transactions begin. Business managers need to recognize and reward customer satisfaction as well as customer sales. They are equally important!

How do the best companies continue to sell to their existing customer base?

- Continuously innovate and improve their solutions based on customer needs
- Proactively manage changes in their customers' business
- Make it easy for them to do business over the long-term as well as in the beginning
- Monitor and measure performance, and share this, so that all parties continue to understand the value of the relationship.

The sell process is critical to a well-run and profitable supply chain. Solution selling is the method used by the best. It is important to note that solution selling is process AND behavior change. Behavior change is needed to better manage and develop value-added relationships. While supply chain management focuses on the processes of buying, creating and moving the right amounts of products and services, companies miss powerful opportunities for value creation in the sell process. The fundamentals of right solution, right time, and right place continue to hold true. Today's highly competitive business environment requires us to add additional dimensions – RIGHT CUSTOMER, RIGHT WAY, and RIGHT VALUE!

About The Author

Gene Tyndall is currently founding partner with Supply Chain Executive Advisors, LLC, a global partnership firm providing advice and counsel to senior-level executives interested in improving their companies' supply chains. Previously, he was exclusive vice president and leader of The Ryder Global Supply Chain Solutions Businesses, and a leader of the global SCM consulting practice of Ernst & Young. He is a globally recognized expert in SCM and a leader in its definition and evolution.

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