

The Sales Dilemma

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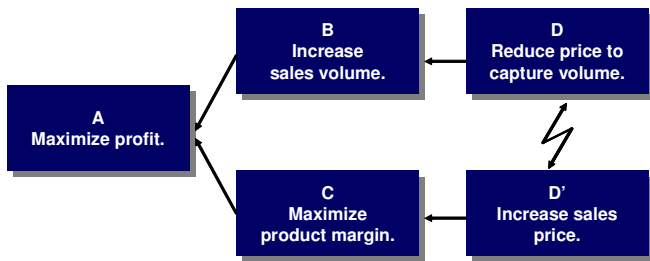
Introduction:

Are you stuck in the performance improvement cycle by the inability to sell more to increase profit? This is a common problem, when you have reduced costs dramatically and yet it never seems to be enough to meet profitability goals. Customers continue to push for lower prices due to competition, “poor” market conditions and a whole host of other reasons and you cannot increase profit from the cost side, you need more revenues. So how do get out of this cycle? You thought taking cost out of the business was all that was needed to improve profitability and growth, but this has not been the case.

Most executives are waiting for markets to improve, working harder at selling into the current business environment, or even making deals they will regret later. These are not the answers. Anyone can compete on price, at least until negative cash flow drives you into receivership. Is there a better way...?

What’s The Problem?

If we asked what decisions were being made to improve sales and profitability, what would we hear? Typically, there is some contention between the pricing required to capture sales and the need to be profitable on each sale. We can show this “conflict” as two approaches to reach the same goal, increased profitability:



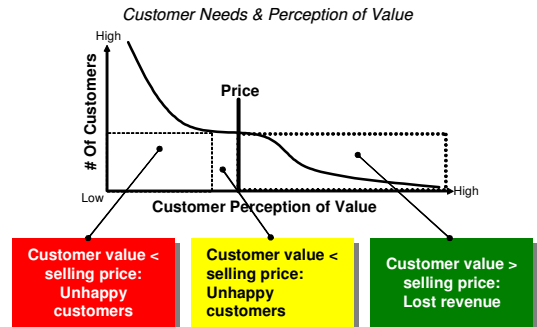
Theory of Constraints (TOC) calls this an Evaporating Cloud conflict diagram. This “cloud” reads: if I want to maximize profit (A), then I need to increase sales volume (B) and maximize product margin (C). We all agree with A, B and C; but, there is a conflict between D and D'! We cannot both reduce sales price (D) and increase price (D'!

TOC’s view is that any conflict ends up in “compromise” (between D and D’) which by definition yields sub optimal results. Therefore, TOC seeks to identify and resolve conflict to align people, processes and measures to optimize results. The trick is to identify conflicts, focus on the main ones and develop creative alternatives to D or D’.

Back to the sales question. So what constrains increasing sales and profitability? Is it really the market? Maybe there are other conflicts we have not addressed. Like the customer’s side of the selling price conflict above.

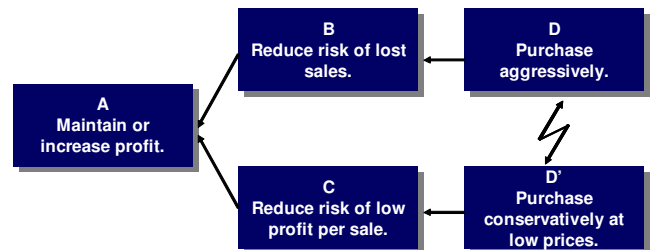
If you were the customer, how would you look at the purchase decision? Lower price is always better. Right? Well, is there any

consideration for the VALUE of the product or service? Most companies talk a lot about features, benefits and value; but how does the customer view it? The chart below shows responses to price/value propositions we typically see:



Why this disparity? Do we expect customers to have different benefits, even from a similar product? If benefits differ, why doesn’t our sales approach and pricing? So, from a customer’s perspective, we have “trained” them to push us on price, because it is our closing strategy or point of differentiation?

To make matters worse, most companies have difficulty clearly articulating the customer’s conflict or evaporating cloud. Can you create a cloud that describes why your customers hesitate to buy more? Is it really price? How does a lower price on your product equate to higher profits for them? What you may find is a cloud of the following type:



How is your sales strategy resolving this conflict? Does it resolve the conflict for your customer?

So What Is The Answer?

Let’s focus our sales energies on resolving customer conflicts. This may be the tough part, because it requires a lot of listening before we talk about our product. It requires a lot of study before we know how to develop a sales strategy, which must be different for each customer type. And most importantly, the sales approach must be a win-win. This means it clearly increases profit for both.

Time to create some clouds....