Selling New Business

USING GENERATION 3 CUSTOMER SUCCESS

GEN3CS

SUCCESS OUTCOMES

Enabling customers' success outcomes lies at the heart of Generation 3 Customer Success. If this concept isn't familiar, please read the white paper entitled 'Introduction to Generation 3 Customer Success'. It will give context to this paper.

For clarity, we're talking here about sales to an organisation with which a vendor has no established relationship. They're sometimes referred to as Net New or New Logo sales.

For existing customers, Generation 3 customer success involves a joint planning process. Joint planning requires an established relationship. In new business sales, there's no established relationship. The vendor wants to establish that relationship by winning the initial deal.

In new business sales, vendors need a different sales process than the one for existing customers. Great methodologies have emerged over the years, including Solution Selling, Strategic Selling, SPIN Selling, Target Account Selling and more recently, The Challenger Sale. All provide a structure, processes and guidelines on how to prosecute complex sales. The good news is that Generation 3 vendors still use their current methodology.

How they sell new business deals doesn't change much. It's what they sell that changes.

How they sell new business deals doesn't change much. It's what they sell that changes.

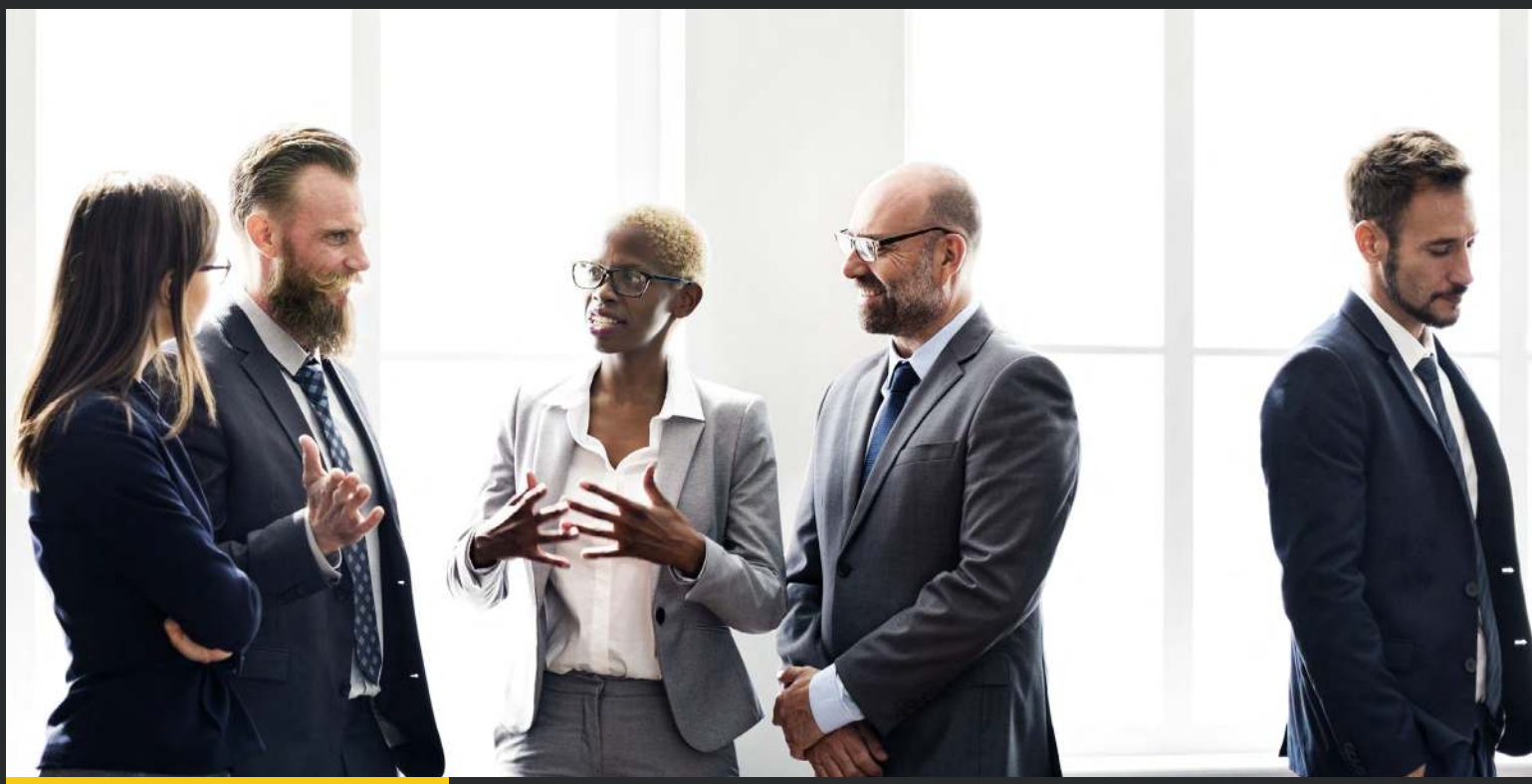
HOW GENERATIONS 1 AND 2 SELL NEW BUSINESS DEALS

Generation 1 vendors show how they meet the prospect's requirements. They respond, feature by feature, to the long checklists in the prospect's requirements documents. Vendors conduct lengthy demonstrations, hoping to gain more ticks in the spreadsheet than competitors. This approach dates all the way back to the 70's, when software packages first appeared. For the vendor and the prospect, the process can best be described as agonising.

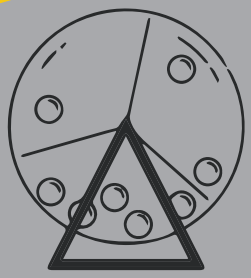
Generation 1 vendors respond, feature by feature, to the long checklists in the prospect's requirements documents.

The reason it's agonising is simple. It requires focus on something the buyer doesn't care about - the vendor's products and services. Buyers care about the outcome they want to achieve. While they know the products and services are a means to that end, they're mostly interested in the end result or outcome. But the Generation 1 approach forces vendors to talk about their products. For prospects, it's boring and mind-numbing.

Few commercial organisations buy this way anymore. But many regulated organisations such as government must still use this approach.



Generation 1 pre-sales consultants were product experts.

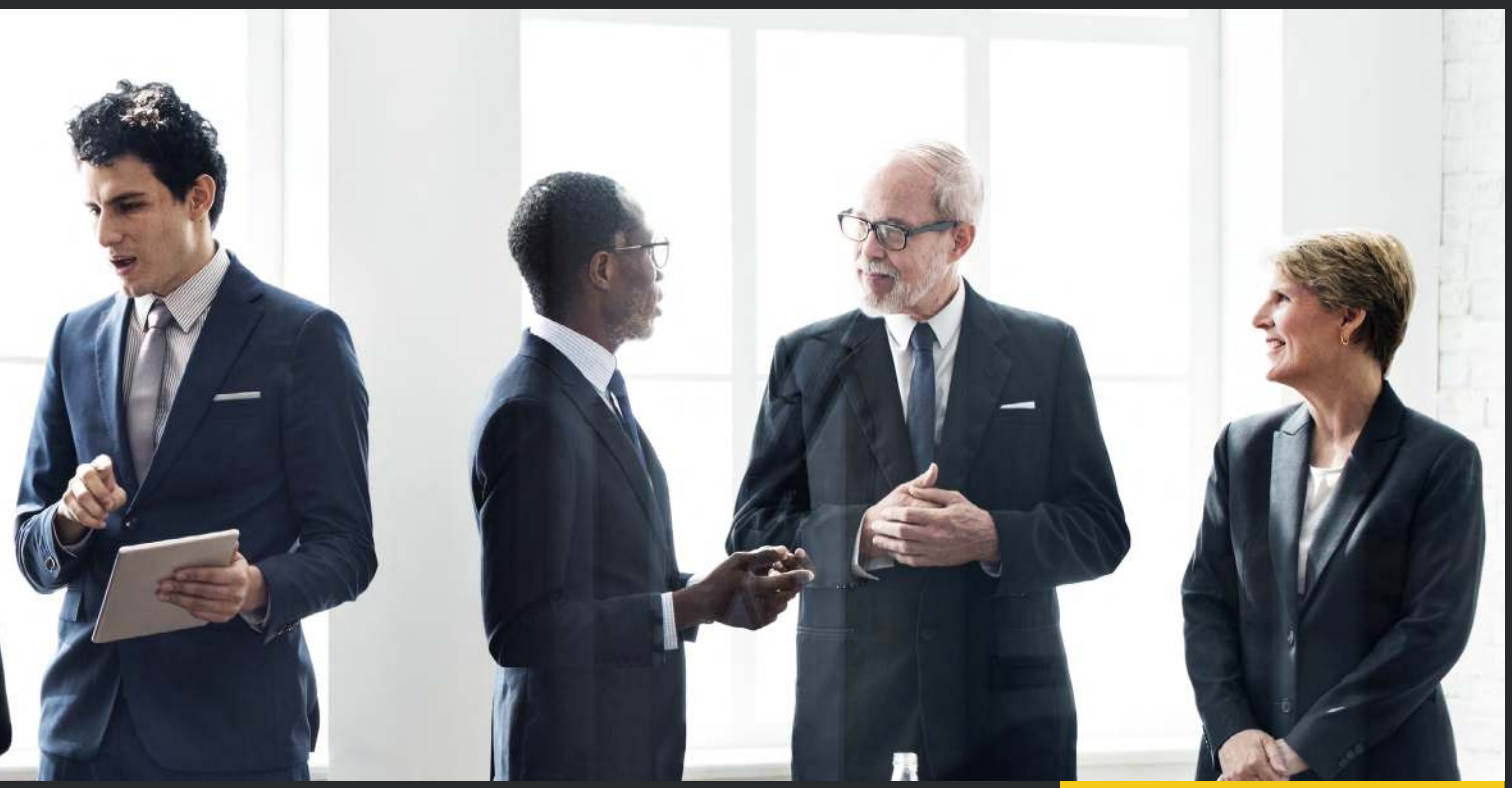


Generation 1's checklist approach produced a lottery – anyone might win.

In the late 80's and early 90s, Generation 2 took over. There were sighs of relief from vendors and prospects alike. The impetus came from Generation 2 vendors, who realised that competing using a Generation 1 approach was too hard. The checklist approach produced a lottery – anyone might win. And sometimes the lotteries weren't fair. If someone in the prospect wanted one vendor to win, they based their requirements document on the vendor's product. The preferred vendor nearly always won.

Generation 2 vendors took a different approach. They asked to visit the customer's business in person. The vendors wanted to understand the business and its problems first-hand. With that first-hand knowledge they'd then apply experience solving similar problems in other customers. They told the prospects they could thus develop a better solution to the problems.

In the early days of Generation 2, prospects often resisted. They didn't want vendors talking to line management. The IT Department wanted to control everything, including access. The prospects warned vendors if they approached management directly, exclusion from the process would follow.



Generation 2 vendors persisted. They brought a new breed of consultant to the pre-sales process. Generation 1 pre-sales consultants were product experts. They knew the detail of the product and they impressed prospects with their depth of knowledge.

Generation 2 pre-sales consultants had an extra skill. Not only did they have expertise in the software, they became experts in solving the customers' problems. And the best of these consultants wouldn't need to be told a prospect's problems. They'd win credibility by asking the prospect if they had a particular set of problems.

Because the consultants knew the prospect's industry well, they usually got it right. This hooked the prospect. The prospect assumed that if these consultants knew the problems they faced, the vendor must have a solution.

Generation 2 ushered in the era of solution-selling. More than a quarter of a century later, solution-selling still dominates the industry. That's quite remarkable given the speed at which everything else in the IT industry changes.

Generation 2 pre-sales consultants became experts in solving the customers' problems

THE IMPACT OF CLOUD AND AS-A-SERVICE ON NEW BUSINESS DEALS

Generation 3 vendors have learned to sell something bigger than a product outcome.

Cloud and as-a-service pricing changes everything for IT vendors. They have never previously had a compelling financial reason to ensure customer success. Now they have.

With perpetual licenses and project-based services, the vendor received most of the revenue early. The customer paid for software licenses upfront, then paid for services as implementation progressed. By the time the vendor finished the implementation, they had most of the revenue they'd get over the first 3-5 years.

With Cloud, the customers invest less in the early years. If an implementation isn't a success, it's less costly to drop the vendor. Of course, the internal disruption of starting a new project with a different vendor shouldn't be underestimated. But for many customers who haven't enjoyed the success they expected, the disruption is worth it. Most vendors have experienced the anger of customers who failed to achieve success.

Cloud vendors face a bigger issue – usage. If the customer isn't successful, their usage doesn't grow. And that has a big impact for the vendor's revenue. In the past, traditional vendors sold the licenses the prospect might need for the first two or three years. The licenses would sit, waiting for usage to increase. The term shelfware emerged for these

licenses-in-waiting.

With Cloud, customers don't buy everything upfront. They buy the smallest number of users possible. They know that as usage increases, they will need more users. But they don't want to pay until they're needed.

The vendor hopes everything will go smoothly and usage will quickly increase. But that doesn't always happen. A delay in an implementation will delay increased usage. A lack of success in the project will cause usage to stagnate. Or even drop. In each of these cases, the vendor takes a financial hit. The potential loss of revenue provides a significant incentive for the vendor to ensure customer success.

Before Cloud, new-business sales teams focused on the initial deal. They'd joke that implementation was a post-sales issue. With Cloud, the 'sale' never stops. Customer success should lead to increasing revenue. But if success doesn't occur, revenue will remain flat or reduce. The initial sale is no longer a 'big win'. Now, it establishes the relationship. And sets the scene for growth only if the customer enjoys success.

Cloud new-business sales teams understand they need to set the relationship and the initial project up in a new way. They can't just focus on the initial deal. They must maximise the chance of increasing revenue over time. Generation 2 Cloud vendors focus on ensuring the customer has success with their products and services. But as we've discussed, product outcomes aren't the end-result. The prospect wants to achieve a success outcome, not a product outcome.

Generation 3 vendors have learned to sell something bigger than a product outcome.

GENERATION 3 VENDORS SELL THE DREAM

Generation 3 vendors develop a to-be state the customer will find appealing and they sell the dream.

Generation 3 vendors don't sell product outcomes. They sell a to-be state. They help the customer envisage a new to-be state. And they show how they can help the prospect achieve this to-be state.

To provide a simple example, think of a travel agent. When you walk into a travel agent, the posters on the wall show relaxed people sitting on golden beaches sipping a cool drink. Or swooshing down a snow-covered mountain. Or wandering the streets of exotic cities. The posters depict the to-be state. People can envisage themselves in the scenes on the travel posters.

Of course, what the travel agent does is find flights, arrange transfers, arrange hotels, obtain visas, provide insurance and so on. But they never mention that in the posters. They sell the dream of sitting on a golden beach sipping a cool drink. That's the to-be state the customer wants, so that's what they sell.

Generation 3 vendors do the same thing. They develop a to-be state the customer will find appealing and they sell the dream.

EARNING THE RIGHT TO SELL THE DREAM

The marketing messages from Generation 3 vendors focus on the success outcome the vendor serves. If the vendor has chosen their success outcome well, it will resonate with the target market. When key executives hear the message, it should create a mental picture of a to-be state. And a good percentage of them should think, "I want that". To continue the travel poster analogy, they can see themselves on the ski slope or relaxing on a golden beach. And they want to be in that picture. When this occurs, the Generation 3 vendor has already won the right to sell the dream – the to-be state they can help the prospect achieve.

But in lots of sales situations, the vendor's contact with the prospect begins much later in the prospect's buying process. The prospect has already moved a long way through their buying process. The team from CEB in their Challenger Sales[1] series suggest this occurs 57% of the way into the prospect's buying process.

When this occurs, Generation 3 vendors sell differently. If the prospect has a Generation 1 buying process planned, the vendor must first give confidence they can meet the requirements. If the prospect has a Generation 2 buying process, the vendor must give confidence they have a solution to the prospect's problems. In both cases, the prospect's confidence doesn't have to reach 100%. It just has to be high enough to make the Generation 3 vendor a contender for the deal.

Once the prospect has enough confidence, the Generation 3 vendor moves the prosepct's thinking towards a possible new to-be state. Again, borrowing from the work of CEB, this is where they offer Commercial Insight. And it centres around imbuing the prospect with a vision of a new to-be state. Achieving the to-be state will solve the prospect's problems. But it will also do more than just solve current problems. The focus of the Generation 3 vendor's sales process is the desirability of the success outcome and why they can best enable it for the prospect.

The focus of the Generation 3 vendor's sales process is the desirability of the success outcome and why they can best enable it for the prospect.

GENERATION 3 VENDORS MAKE THE STRONGEST EMOTIONAL CONNECTION

Buying has two steps – making an emotional decision to buy, then rationalising that decision.

Buying has two steps – making an emotional decision to buy, then rationalising that decision. Buying IT products and services isn't different. The prospect first makes an emotional commitment to one vendor, then comes up with good reasons to support that choice.

There's always a success outcome the prospect wants to achieve. There's a reason they've decided to spend money on IT. Someone has decided they'll be better off. And prospects don't care about a vendor's products and services. These are just a means to an end. The prospect has a bigger outcome they want to achieve – the success outcome.

As a result, vendors whose sales process focuses on their products and services make a weak emotional link to the prospect. Vendors who show they can solve the current problems make a stronger emotional connection. But Generation 3 vendors go further. They sell their ability to enable the success outcome. They appeal directly to the thing the customer cares about most – getting the outcome they really want. This creates a much deeper emotional connection.

Establishing the strongest emotional connection produces the greatest likelihood of winning the deal. The prospect will always find a way to rationalise and justify their choice.

QUALIFYING LEADS

Generation 3 vendors are learning it's better to put effort into finding prospects who love the success outcome.

Generation 2 emerged as a way for vendors to compete on a new basis. Their products had matured, so the differences in features and functions weren't enough as a differentiator. They wanted to compete on their ability to deliver a solution to a set of problems. They hated Generation 1 sales deals.

They knew if a prospect wanted to follow a Generation 1 approach, the chances of winning were small. So, unless the prospect was an organisation such as government required to follow a Generation 1 approach, they qualified out.

Now, most vendors are capable Generation 2 vendors. They know how to analyse problems and develop a solution. For vendors in mature markets, the ability to differentiate their solution has grown more and more difficult.

Generation 3 vendors sell a to-be state or success outcome, not a product outcome. And they're now finding that, if a prospect wants to follow a Generation 2 approach, they may be better off qualifying out. They're learning it's better to put effort into finding prospects who love the success outcome, not competing for a Generation 2 deal anyone can win.

SUMMARY

Generation 3 vendors have learned to sell the dream. They sell a to-be state that has an emotional connection for the prospect. They don't ignore the prospect's current problems. They know these problems must be solved. And the customer won't consider a new to-be state until they know their current problems can be addressed.

Once the customer has confidence their problems will be addressed, Generation 3 vendors introduce the potential new to-be state. They show the prospect how they can enable the success outcome. And that sets them apart from the competitors. And because the success outcome has an emotional connection for the prospect, they have a higher chance of winning.

REFERENCE

[1]Adamson, Brent, Dixon, Matthew, Spenner, Pat and Toman, Nick. (2015). *The Challenger Customer*. Penguin Group.

GEN3CS