

THE THIRD WAVE SELLING NEWSLETTER

AVOIDING THE COMMODITIZATION TRAP™

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Vol. 1

How easily can you quantify the differences between your products and services from those of your competitors? How easily can your clients or prospects make those same distinctions? How can you continuously differentiate your company when market forces are constantly commoditizing your business? Think about *that* question for a moment. It is the biggest challenge facing businesses of all sizes in the 21st century.

Commoditization is the evolutionary process that reduces all products and services to their lowest common denominator. The Commoditization Trap is the situation businesses find themselves in when their focus is mainly on the product or service they offer instead of a quantifiable difference between their product and their competitor's.

Imagine Consulting has asked over 2,000 business owners and salespeople "Why should people buy from you instead of your competitors?" Here is what many answered:

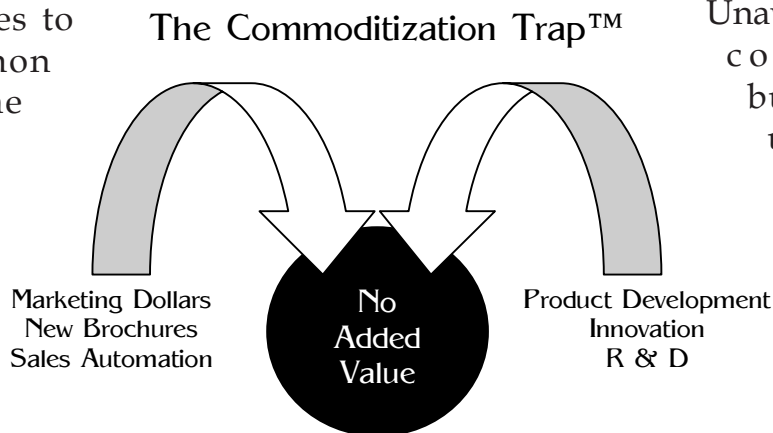
- We give *better* service.
- Our clients get *better* results with us.
- We know what we're doing *better* than our competition does.
- Our products and service are *better*.

These answers may sound familiar. But as nice as they sound, and even as true as they may be, these answers are all indicative of a *we are better* value proposition. Distinguishing your company in such a manner puts you in The Commoditization Trap™. These answers do not differentiate you. No one is out there saying: "We're not as good." Even companies for which price is the primary selling point insist that their products are just as good.

The Commoditization Trap, ensnaring businesses, impacts businesses in ways not readily apparent to them.

Unaware of the causes of commoditization, businesses often unnecessarily expend valuable resources. Addressing the symptoms of commoditization, rather than focusing on their origin, businesses look internally to solve the

problem. This actually propels them deeper into the trap. Businesses invest in new product development. They change their marketing plans. They change their advertising. They reprint their brochures. They change the sales process by eliminating salespeople if they have a sales force or hiring salespeople if they do not have a sales force. In an attempt to get out of the trap, businesses do all of this under the mantra of "giving added value" to their



customers. The problem, however, is that businesses fail to ask themselves if any of these changes actually add value.

What is "Added Value"

Colorful new brochures, catchy new advertising, Blackberry's for the salespeople – do any of these things actually give added value? Value creation is among the most common buzzwords used in business today. With so many uses it is important to define value. There is only one definition of value that is sufficient to use in business – *something someone is willing to pay for*. Your company can create great things, but if people aren't willing to pay for what your company creates it gives no added value. This is an economic judgment, not a worthiness judgment. This definition is both very simple and also very powerful. The only way to avoid or escape The Commoditization Trap is to identify how your company can deliver more of what people are willing to pay for. Nowhere is this issue more important than in the implementation of your business development systems.

In this issue of The Third Wave Selling Newsletter we will discuss how you can escape or avoid The Commoditization Trap thus giving your company a unique edge. We'll review how the trap came into being; take a look at how the trap is impacting businesses today; and finish by providing specific recommendations to ensure that your business development process is always adding value.

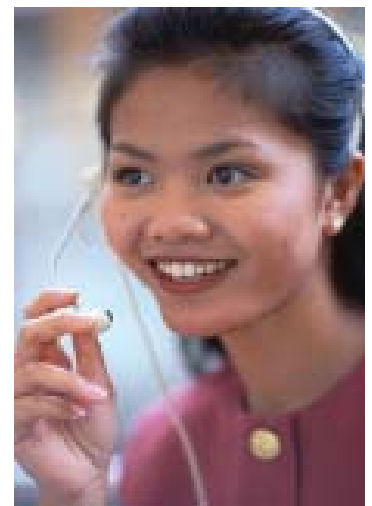
A Brief History of Sales and Marketing

Modern sales and marketing tactics came in being into the post-World War II period. America and much of the world had an economy primarily based in manufacturing. People and companies bought *things*. In the late 1940s most of Europe was focused on rebuilding its cities.



Such rebuilding generated a tremendous demand for products¹.

As the 20th century progressed, a new force propelled the evolution of sales and marketing: information. The sales techniques that are used today were developed when information was not easily available to buyers. As recently as the early 1990s if a traveler wanted to find out a flight schedule or how much an airline ticket cost, she had to call a travel agent. If an investor wanted to know the price of GE stock, he had to call a stockbroker. If a company wanted to know how to install a new printing press and how much that installation would cost, they had to call a salesperson. A salesperson's primary job was to communicate the value provided by a



¹ Wherever the word products is used, we mean anything a business sells.

business' products and services and to process orders. Companies implemented control-oriented systems because they were efficient. Commoditization was not a significant issue because there was not enough supply to keep up with the demand.

As the 21st century neared, buyers were able to get more information on their own. Consequently the value of what salespeople provided (information) decreased, and buyers began controlling the sales process. This has created the need for new sales and marketing tactics.

Giving Added Value Instead of Communicating Value

In 2004, information is ubiquitous, and supply exceeds demand. Buyers often have more information than the people selling to

An excellent way to determine if your sales and marketing efforts are giving sufficient added value is to answer the question, "Would your clients and prospects be willing to pay for those efforts?"

today's consumers. The primary value a sales force provided in the past is no longer valuable today. The impact of commoditization is impacting businesses more powerfully and faster everyday. How can business successfully compete in this new era?

Businesses must change their focus. The sales force must give added value. Salespeople can no longer simply *communicate* information about the product the company provides *they must give added value themselves*. A good way to test whether or not your sales department is sufficiently giving added value is to answer the following question:

Would your prospects or clients pay for a sales call from your salespeople?

The point of this question is not to encourage you to start charging for sales calls (though there are some organizations that have begun to do this). Imagine Consulting has studied the concept of value creation in depth. We have discovered that one of the rules of value creation is: if your actions don't create value, then your actions decrease value. If your sales presentation does not increase the perceived value of your products or services, it decreases the value your clients or prospects perceive they get from you.

Our study of best practice value creation demonstrates that there are three opportunities when your sales force can add value: The Diagnosis Phase™, The Collaboration Phase™, and The Solution Phase™.

The Diagnosis Phase

It is very difficult to position yourself as a value added provider if you do not participate in helping your clients/prospects define the problems they are trying to solve. One of the most meaningful ways a salesperson can give added value is by helping

business a client or prospect identify and understand a problem they either didn't know they had or didn't fully understand. This area of value to focus on is The Diagnosis Phase. If your clients/prospects are coming to you with pre-defined problems and they are simply looking to you for a solution, you are being perceived as a commodity.

If your sales process helps clients more fully understand the issues they are dealing with, you will immediately differentiate yourself from so-called solutions providers. While this does not guarantee a completed sale, it puts your company in a stronger position and will enable your company to spend its time and resources more effectively.

The Collaboration Phase

Another way salespeople can add a significant amount of value is by helping someone identify a solution they didn't know was available to them or helping them clarify a solution they did not fully understand. We will spend more time discussing The Collaboration Phase in future newsletters.

The Solution Phase

A third way salespeople can give added value is by coordinating the overall capabilities and talents of the seller's organization with that of the buyer's organization. We refer to this as The Solution Phase because this is when the capabilities of the seller's company come in to play. One of the biggest mistakes salespeople make is jumping to the solution too early. We will be writing extensively about this phase in future newsletters.

Conclusions

The deeper you have fallen into The Commoditization Trap, the more you must look outside your company - to your customers, clients and prospects - to find, and, more importantly, understand the unique problems that face them. Companies must stop being "solution" specialists and become "problem" specialists. Companies that want to avoid or escape The Commoditization Trap must find ways to give added value (something people are willing to pay for) before the solution is presented.

Sales organizations must focus more on giving added value instead of efficiently managing a sales territory. An organization must review all aspects of its business development systems to make sure those systems are supporting value creation and not unwittingly placing the organization into The Commoditization Trap.

The sooner companies re-orient their business development systems to the market realities of the 21st century, sales will be completed more quickly, margins will be expanded, and competition and, commoditization will become an afterthought.

Join Us

Each month this newsletter will focus on a topic that will help you break free from The Commoditization Trap. In next month's issue we will focus on how customers define value.

Feel free to pass this newsletter on to people you feel would benefit, or send us their e-mail address and we'll send it for you.



For more information about how your company can avoid The Commoditization Trap, cut your pipeline time in half and increase your margins call 410-647-8943 or e-mail: avoidthetrap@imaginellc.com