"# The Third Wave Selling Newsletter

Avoiding The Commoditization Trap™ Part 3
Selling Prescription Drugs

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Debbie Arnold was frustrated. While her company was growing at a rapid rate she was experiencing two significant problems. First, despite the fact that her customers were highly satisfied with her services, they were constantly putting pressure on her to reduce her company's prices. Every year price competition increased. Instinctively, she knew that cutting costs was not the answer. She also knew that if she cut prices she would only be putting herself further into The Commoditization Trap. Second, and perhaps more distressing, Debbie was finding it difficult to effectively differentiate her services from her competition's services. What should Debbie do? She wanted to continue her company's growth rate, but she was worried about maintaining the bottom line. And she also wanted to continue to provide the added value she knew her company offered to her customers.

Debbie is aware she is being caught in The Commoditization Trap, and she needs to find a way to escape the trap – quickly. The first question Debbie needs to answer for herself to solve this problem is: "Does her company sell a prescription drug?" You may be wondering what prescription drugs have to do with successful selling. In this issue of The Third Wave Selling Newsletter we will focus on how businesses can determine whether they are offering a value-added proposition to their customers, and then we will provide guidance on how they can best articulate what that added value is.

Do You Sell A Prescription Drug?

What is the difference between a prescription drug and an over the counter drug? The basic difference is that one drug requires the authorization—a prescription—from your qualified medical professional who prescribes the medication to address your particular malady, and the other drug does not. You don't need a doctor's expertise to allow you to purchase it, which you can from almost any store. You simply buy it and take it as directed on the package.

Why do some drugs need to be authorized by a qualified professional and others do not? Because the FDA has determined that some drugs (prescription drugs) can cause significant damage to the person taking the drug, *if the drug is used improperly*. Put another way, if you misuse a prescription drug, there is the potential that significant harm will come to you, including possible death. The FDA wants to protect you from this and so requires you to have the guidance of your physician.

You may be asking yourself: what do prescription drugs have to do with avoiding The Commoditization Trap. The answer is, a lot. The key to staying out of The Commoditization Trap is to create significant value for your customers so that they do not consider looking elsewhere. In the first issue of this newsletter we defined value as something people are willing to pay for. In the second issue we described the two different ways buyers understand value (fundamental or total value). The analogy of the prescription drug, which we present in this issue, completes the foundation for effectively creating a value added business development model.

Getting Trapped Over the Counter

Take two aspirin or four, or, if your head is really hurting, a few more. Which brand? Aspirin are all pretty much aspirin. Your solution may be similar. If nothing bad happens to someone if they misapply your solution, you will be very limited in the amount of value that you can add. For example, one of the industries with which we have done consulting is the travel industry. One of a travel agency's greatest challenges is that they often position themselves as a value-added provider yet regularly they provide little, if any, added value at all. They are not selling prescription drugs. My parents own a travel agency, yet I do not use the services of a travel agent when I book most of my airline tickets. The reason is that there is very little that can potentially go wrong when I book an airline ticket. Traveling from Baltimore to Chicago is a direct flight. The most likely problem I'll encounter is a delay, which a travel agent can't protect against, and while I may spend a few extra dollars, going online and booking the travel on my time is easier and more convenient than calling or e-mailing someone. A travel agency just isn't able to add much value to me in this situation because there isn't much that can go wrong.

Now, if I were overseeing the travel of 100 people going different places at different times there are things that can go wrong. The many small things that can go wrong in an individual transaction can quickly add up to be meaningful expenditures of time and money. When selling a simple point-to-point ticket, a travel agency is selling a non-prescription drug, because not much can go wrong. If they are managing the travel for a corporation, a travel agency is, essentially, selling a prescription drug, because the potential for negative consequences to happen if the solution is not handled properly is enormous.

What Can Go Wrong?

What harm can come to your prospect, clients and customers if they apply the solution you offer inappropriately, if they select the remedy of one of your competitors or were not to seek out any solution? Your answer to this question will determine the amount of value you can add to anyone's situation. Commoditization, in its essence, is the reduction of what can go wrong when a solution is applied without your expertise. If the answer to, "what can go wrong?" is "nothing" then you are selling a commodity. You will not be able to regularly charge a premium over the prices of your competitors. Your focus should be on reducing your costs to provide the solution, and you need to implement a sales model designed to support selling commodities.

To answer the "what can go wrong?" question effectively, you should begin by considering as many aspects of your prospects'/clients' needs as possible, as well as clearly articulating all of the good things that the prospect/client will miss by using an alternative to your solution. Consider the following:

- What is unique about the products/service you offer when compared with the products/ services of your competitors?
- What wisdom can you offer that your competitors do not offer?
- What are the potential negative consequences to your prospects/clients if they tried to solve the problem alone?
- What are the potential consequences to your prospects/clients if they ignore the issue?

The So What Conversation

Imagine Consulting has created The So What? Conversation™to help companies more clearly articulate how they add value. The So What? Conversation is a simple, yet powerful, conversation you should have before you are going to market and sell your product or service solutions. The So What? Conversation has six steps. To prepare, get a pad of paper and find a quiet space to think.

1. At the top of a page identify one of your target markets. This is done by answering the question "Who Cares?" Who would care about what you do? The answers you provide are the people you should be reaching.
2. Describe this market using demographic (statistical & factual) and psycho-graphic (personality) descriptions. The point of this step is to get a clear idea of what the people you are dealing with are like. Whether you are selling to individuals or to other businesses, you'll want the description to read as a brief biography.
3. Answer the question: "What keeps them up at night?" This is their worry list.
4. What solutions do you offer these people? Explain your solutions as fully as possible.
5. Take your answer from step 4 and answer, "So What?" What could go wrong if someone did not have access to your solutions? What would happen if they bought a solution from a competitor? What would happen if they tried to do it themselves or ignored the problem entirely? When you've finished answering The So What Question, take your answer and ask So What? again. After you've answered the question three or four times you'll begin to see the real value that you add.
6. Repeat steps 2-5 with each of your target markets.

There is an old sales story relating that despite the number of drills sold in a year, no one buys a drill. They buy holes. Drills are the feature and holes are the benefit. And, the theory arises, people don't buy features, they buy benefits. The reality is that people don't buy benefits, either. They buy what benefits will do for them. In the case of the drill, people aren't really buying holes, they're buying the ability to build something—a bookshelf, perhaps. But they aren't really buying a bookshelf. They are buying a place to put their books. And, actually, they aren't really buying a place to put their books. They are buying a clean office so the books don't pile up on the floor. So what are you selling? What does your solution *really* provide?

No One is Your Competition

Let me add a word of caution here. The biggest mistake we have seen in the thousands of sales and marketing plans we've reviewed is a propensity for a company to forget that *no one* can be their biggest competition. What I mean by this is that customers could choose to solve the problem themselves and not enlist the assistance of your company nor any other company that offers solutions similar to yours. Your customer can also choose to ignore the problem or to focus on a different problem, one that is more critical. That means that not only must you articulate how you are differentiated from your competition, you must also clarify that your client/prospect is in need of a prescription drug solution—which you alone can provide.

I experienced this myself recently in dealing with a seller. Imagine Consulting reviewed its CRM (client database) provider. In the context of reviewing this need, we realized that we could use some help in migrating the data from one CRM to another. In every case the providers who could help us with this compared their offerings to those of their competitors. They never compared their offering to our ability to do it ourselves. After considering the value being offered to us, we decided to do just that – to do it ourselves. None of the providers were able to articulate what could go wrong (other than the loss of time) if we didn't use their solution. We calculated the economic impact of the loss of time. We determined that doing it ourselves would cost nearly half the amount of hiring a firm, and we would be up and running in half the time. Because the salespeople who were selling to us failed to take this option into consideration, they all wasted a significant amount of their time, energy and resources.

How to Avoid the Commoditization Trap

As we discussed in the first newsletter, commoditization is the biggest challenge businesses face today for long-term profitability. We call commoditization a trap because it ensnares businesses and causes them to get stuck. Businesses typically respond to the Commoditization Trap by working harder and harder to *sell* their products and services, causing sales costs to go up, and margins (and, all too often, prices) to go down. The key, then, to avoiding The Commoditization Trap is to provide a unique offering so that when your prospects and clients compare what you do against what others do, they have no desire to do business with anyone but you. To do this, first you must ensure that every part of your business development process is designed to *create* value, instead of merely to *communicate* value. To accomplish this you must focus your business on the uniqueness of each of your *clients*. The best way to create value for your customers is to help your clients/prospects uncover either problems or solutions they were unaware of. This requires that you stop focusing your business on what *your* products and services *do* and start focusing on and understanding the unique problems your clients and potential clients face. (We will be discussing how to do this more completely in the October issue of the newsletter.) Remember, creating value is creating something people are willing to pay for. If your clients and prospects would pay for the privilege of your salespeople calling on them, you are well on your way to avoiding the commoditization trap.

Second, once you have ensured that your business development process creates value, it is time to segment your customers, dividing between total value buyers and fundamental value buyers. With total value buyers you'll want to focus on your value added processes and work to increase the reward side of the cost/reward equation. With fundamental value buyers you'll want to focus on reducing the costs (both hard and soft) associated with purchasing from you.

Third, you'll want to implement what we've discussed in this newsletter. Develop a well-articulated value proposition that focuses on your prescription drug – how you can prevent the potential negative consequences from happening to your clients, and how your company can maximize the good things that can happen. It is a simple psychological equation that people will go out of their way to avoid pain and to increase pleasure. Given a choice between the two, people will do more to avoid pain. You must make sure that your value proposition effectively communicates both sides of this value proposition.

This issue of The Third Wave Selling Newsletter completes the foundation to Avoiding The Commoditization Trap. By successfully integrating the concepts from issues 1, 2, and 3, Debbie will enable her company to break free of the commoditization trap and enjoy increased growth *and* profitability, and you can too.