

System development. Where value selling begins: Part 1

The first of a three-part series exploring the topic of system selling.

In the May 2010 Business Corner column, we commented on new value selling techniques including Winning on Value vs. Losing on Price-Competing Successfully in a Me-Too Marketplace. As an after thought, I felt that a return to the basics, upon the shoulders of which Value-Selling is supported, would make sense.

I believe I've read just about every book available over the past 20-plus years regarding methods to improve profitable sales battling averages of success. At least it seems that I have.

Do you agree with the following statement?

"There is nothing more vulnerable than a naked commodity product: naked to its customers and its competitors because it has been stripped of the unique performance benefits it once enjoyed."

A commodity is vulnerable to three inter-related business elements:

- Price/margin reduction;
- Substitution; and
- Losing a customer while acquiring a competitor.

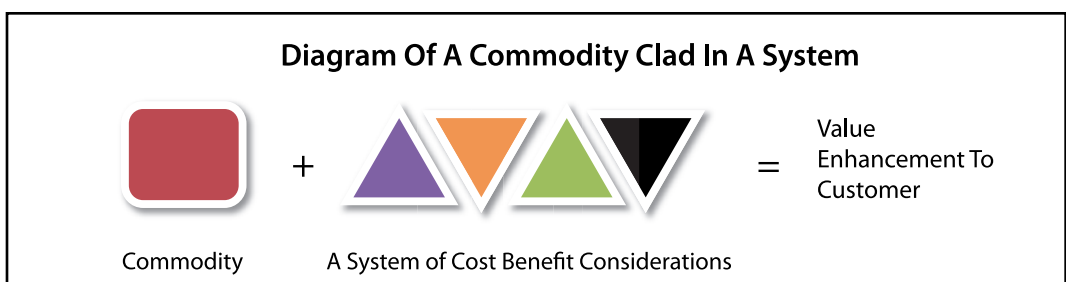
Since a commodity product offering can no longer provide itself with protective barriers of uniquely advantageous performance, it must be able to add value to its users in other ways if it is to survive at all.

One of the most popular ways to add value is to reduce price. The customer pays less for the same value. Therefore, the value is enhanced. A second method to add value is to maintain price but give more in exchange for that price. For example, free services, like better terms conditions, a larger inventory float, deals and discounts. The customer pays the same price but receives a greater perceived value.

I would urge you to consider a third method of value enhancement. I would not suggest that all so-called commodities can be converted, but I do know that many can be converted to higher value to both your customers as well as to your own company. What I'm referring to is a method of wrapping the 'commodity' is a system.

A Commodity System is a package composed of a commodity product and one or more other products and related services. It is then sold as a single unit whose price is based on the system's ability to add value that the commodity product alone cannot offer. This value is the economic effect of solving a customer's cost problem by reducing the cost or solving a customer's revenue problem by increasing sales.

A commodity product that is packaged in a system undergoes a conversion. It takes on some of the most desirable selling attributes of



branded products. For instance, it can bear a premium price that is based on the total system's contribution to the customer value, NOT the commodity product's cost. Additionally, it can be sold on the basis of the system's unique beneficial effects, NOT simply the commodity products' specifications, terms and conditions. Lastly, a system can become proprietary, enabling it to establish customer preference as contrasted with mere acceptance, which is the best response that a commodity product can hope to generate by itself.

SYSTEM VS. COMMODITY, THE "SELLING ACT" IS MUCH DIFFERENT

To sell a commodity, the seller must

know the product, its technology and its cost. These considerations are all internal. The only elements the seller must know are their specifications, and their purchasing practices, policies and people.

To sell systems, a seller must know a great deal more about the customer's business, especially in two key subject areas:

- Where major costs cluster in customer functions and processes that the seller's systems can affect; and
- How a customer's ability to sell can be increased on the other end of the supply chain.

A successful selling system requires knowing how to cause a significant beneficial effect and prove that it will occur in a customer's cost or revenue

structure as a result of the sale. Specifically, the seller must know in detail:

- Customer's costs so that the customer profit can be increased as a direct result of reducing these costs with a system; and
- Customer's sales potential so that the customer profit can be increased as a direct result of installing the system.

This monologue is easy to discuss, but how does system selling work in the real world? In the next two columns Chemark will provide examples and details describing the tactical art required to bring a commodity back to acceptable profitability, provide competitive barriers and account stability. **CW**

Successful Strategies for Decision-Makers



THE CHEMARK CONSULTING GROUP

- Core Competencies
Value Implications for CLIENTS
- Value Systems Analysis
 - Customer Relationship Management
 - Market Integrity Assessment
 - Position, Growth, Competitive, Image Analysis
 - New Business Development
 - Market Research
 - Strategy Business Assessment & Planning

Chemark Consulting Group is a 30-year-old management consulting firm that concentrates on tactical & strategic activities surrounding all industries pertaining to **coatings, adhesives, sealants, resins, polymers and additives.** Since 1975, its global clients include product formulators, raw materials and application equipment suppliers and end-users.

COATINGS ADHESIVES SEALANTS & SPECIALTY CHEMICALS

230 N. Bennett St., Ste. 3 • Southern Pines, NC 28387
910-692-2492 • E-mail: phillips@chemarkconsulting.net
Web Site: chemarkconsulting.net

Partner Offices: Dorking, ENG • Research Triangle Park, N • Detroit, MI

LOCATION LOCATION LOCATION

When it comes to fast service, location means everything. Our MIN-U-SIL[®] and SIL-CO-SIL[®] Ground Silica are shipped daily from FIVE convenient mining and processing locations.

OTTAWA, IL
PACIFIC, MO
MILL CREEK, OK
COLUMBIA, SC
BERKELEY SPRINGS, WV

Call (800) 345-6170
<http://www.u-s-silica.com>
(304) 258-2500 FAX (304) 258-8295
P.O. BOX 187 BERKELEY SPRINGS, WV 25411