Moving from price to value: building business-to-business trust

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"All that my customers care about is price" is a commonly held belief among sales teams, managers and executives, especially as they start losing market share or an economy tightens. Of course everyone includes price in their decision making, but the key point is where price sits in their list of buying criteria. For some buyers price is No. 1. For many more, price is much lower down the list, provided they see value for the price they pay. That value could be perceived in terms of quality, technical excellence, reliability, size, speed or trust. Increasingly and particularly when market conditions toughen, trust becomes a key differentiator. Without it, in markets where technical differences, reliability and speed are hard to differentiate, price becomes the dominating decision criterion. Trust can even be the difference between survival and extinction. In a recent strategy discussion one of our clients indicated that it needed to reduce the number of subcontracted manufacturers of its product from seven to four, owing to market conditions. Our customer said that it based its decision on who it found to be easiest to work with. When pushed, our client admitted that its decision came down to the manufacturers it felt that it could trust.

Returning to price, we find that as buyers become more trusting of their suppliers, they not only worry less about price, they worry less about the offering itself and the extent to which it is the right offering for them. This is because the buyers trust that the person selling to them would only sell them things they value. It is the trust level that individuals within organizations build between themselves that matters in a business-to-business relationship. Trust is so critical because it is the lever that moves personal and by extension organizational relationships to new levels. The benefits of moving from price to value are many. Value buyers seek more help, so sales increase and these buyers look for opportunities to refer their trusted partner to other people within their organization and to other organizations. Competitive bidding, with all the associated time and costs, reduces. The strategic account manager or salesperson often enjoys the

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interaction more, makes more sales and gets a bigger bonus. The organization has a more motivated sales force. Revenues increase because more customers buy more. Profit margins increase because with less competitive negotiation, prices increase. All this leads to higher market share and a higher share price.

Buyer motivation

As trust builds, other criteria, including price, become less critical, and people can be moved from price busters to deal hunters and value buyers. Even within price-buster organizations individuals can be found who behave as value buyers. Regrettably the opposite is also true. The trick is to work out which you deal with and whether and how you can move them. Here are some examples:

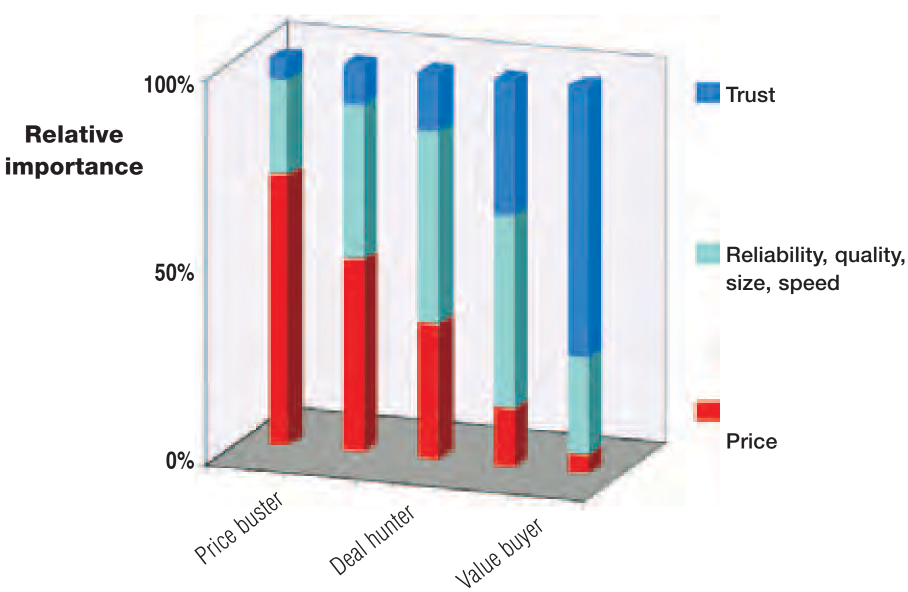
- Low-cost, high-volume businesses such as security, building materials and freight typically fall into the price-buster category.
- Government and commercial procurement functions often claim to be in the deal-hunter category but frequently display many characteristics of price busters.
- Technical buyers of information technology generally fall into the deal-hunter category.
- High brand-value organizations buying items of high exposure (such as advertising) are usually value buyers.

Building trust

The past two years' events have seriously impacted trust. According to a *Harvard Business Review* survey in June 2009, 43 percent of respondents trusted consultants less than they did a year earlier, and 21 percent similarly trusted suppliers less. The good news is that trust can be rebuilt – with the right behaviors – and it does not have to take a long time. Initial trust can happen quickly and effectively. The most important element is intent. If the SAM or salesperson intends to help as opposed to sell and from the first word demonstrates he is there to help, then a level of trust can be built in minutes. Such behavior can lead to trusting relationships forming within a half-hour between individuals, and this can be achieved either face to face or by phone. Broken trust takes a little longer. Replacing compromised team members is one option. Admitting individual mistakes while focusing on the broader relationship's value is another.

A number of industries are clearly trying to escalate their trust level. This includes the banking industry in the United States and Europe in particular. Prior to 2008 most large organizations chose their bank based on the name or brand. This was typically because they assumed that the brand meant that it was trustworthy. The events of 2008 showed that in many cases the brand had nothing to do with whether the people within the bank were trustworthy. As a result many companies have moved their money to other financial institutions. In reaction to this, many banks focus their marketing message on their trustworthiness ("Refinance now with the bank you trust," Bank of America Corp.'s website, June 2009). Many banks are also re-skilling their people to behave in ways that will rebuild trust with corporate customers.

Repairing broken relationships or moving existing relationships to a higher trust level is more easily achieved when a matrix of trusted person-to-person relationships supports the organization-to-organization relationships. Too often we see individuals holding their organization hostage because they have directed its relationship through them and them alone. Organizations should actively discourage and disincentivize (i.e., penalize) such behavior as in the long term it exposes organization-to-organization relationships. Bringing in other team members to form new relationships and create a matrix should be encouraged and rewarded. For example, if a SAM serving an IT customer has a deep level of trust with the IT procurement manager, that is great news. However, if the chief operating officer still says price is the key, the strategy should be for the SAM to develop the same level of trust with the COO. There should also be a plan for another person on the sales team to develop the same level or trust with both the procurement manager and COO. This protects everyone should the SAM leave the company. Thus a matrix of trusted relationships is formed, the B2B trust escalates, and price becomes less important to all concerned.



Source: IoweU International Ltd.

Self-harm

So while most organizations say they focus on increasing the number of value buyers they work with, why is it that many then undermine their own intent? Interestingly in many cases the reason a customer is a price buster or deal hunter is that the sales organization itself has driven its customer to focus on price. There are three common ways organizations do this:

1. They promote price as their No. 1 differentiator.
2. Their marketing focuses on their offering and its features rather than on the customer and the offering's value to the customer.
3. Their salespeople are much more comfortable with and capable of talking about their product and its features than understanding their customers and the value that customers look for.

Do you, for example, train your SAMs to:

- Explain to the customer your intention that she (the customer) should get value out of the sales discussion itself as well as from the actual offering?
- Listen carefully to the words and structure of what the customer says in the first minute or so and then adapt the SAMs' language patterns accordingly to help the customer with her thinking process?
- Offer the customer an opportunity to change the conversation's direction even when the SAM sees an opportunity to close?

Many wholesale salespeople focus their conversations with retailers on the product they sell and number of units retailers should buy. How many focus the conversation on understanding the retailer's business and thus understand how they can help the retailer sell? It is our contention that by changing their approach, organizations can move customers from being price busters and deal hunters to value buyers.

Promote value above price

Google most retail, telecommunications or service industry websites from Tokyo and Toronto to New York and London, and on the front page will be a caption about price. Small wonder then that by the time the customer comes to buy, its thoughts focus solely on price. One of the world's largest personal computer companies is very good on its retail site about describing the benefits of its computers to users. However, on the page aimed at corporate accounts, the first line refers to cost saving. Now we are not suggesting that promoting offers and bargains should not be done, but what we do suggest is that making price an organization's emphasis or official tagline does not help buyers and sellers focus on an offering's value. That being said, if an organization wants to change its marketing emphasis away from price, then that is a significant strategic decision, one that may be laced with risk. After all, one could argue, a price focus has worked before; why change it now? Well, one reason is that in many parts of the world the economy has changed. Price has become even more important to customers, so if you start spurring them in that direction they will push harder on price than ever before as their business leaders try to cut costs across all parts of the business.

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Consultancies tend to "buy" work from a strategic target with the assumption that they will be able to increase the rate and drive scope creep in the future. But when they never manage to raise the rate, sadly this is one reason many have high revenues but minimal profits from some clients. Consulting firms win the work based on price, thus helping the client become a price buster, then try to change the price. There are also an increasing number of easily accessible competitors in all industries. It is easier for customers to find a preferred supplier, and if they are encouraged to focus only on price, an Internet search very quickly provides alternatives.

Tell stories to demonstrate how your offering benefits buyers

Some companies place a strong focus on their offering's features: "4G processor," "global network," "fast wireless service," "independent suspension," etc. While some customers can link the feature statement with what value they will receive from the feature, many cannot. Also, since everyone gets different value from the same offering, how do you ensure that the feature you list relates to the value the customer is looking for? What many suppliers do is list all the features and hope the customer sees the one it is searching for. Unfortunately this is a little optimistic. The longer the list, the less likely a customer is to find the feature the customer wants and the more likely it is to think the offering is overpriced or suffers from being a jack of all trades and master of none—e.g., "Is speed important to you?" "Are you looking for a network with no black spots?" "Is safety your key concern?" or "Are you looking for comfort?" A customer-led approach is more likely to hit the right buttons. Compare these two Web messages from banks competing for the same corporate customers:

Bank A

We want to help you if you are:

- Making an acquisition
- Consolidating debt
- Wanting instant access to someone who can help

Bank B

We offer:

- Treasury management
- Interest bearing/money market
- Traditional loans/overdrafts

Bank A looks at the situation from the customer's perspective, and bank B looks at the situation from the offering's perspective. Neither method is ideal for focusing on value. Instead of promoting specific features, some organizations promote broad capability:

- We care about our customers.
- We are innovative.
- We will reduce your risk.
- We have great backup service.

Sadly life teaches us that grand statements often disappoint. This approach dulls the impact of statements that run against our general experience while providing little evidence to support grandiose claims. Frequently such proclamations are also similar to statements competitors use—hardly a differentiation source. And unsupported capability statements run the risk of alienating customers that object to the self-focused, egotistical tone. Instead focus on true stories:

- "The key feedback we get from customers is we 'cared' about their needs."
- "Our largest banking client recently said our new approaches saved it 10 percent of costs."
- "Working with us, one of our largest construction clients managed to reduce instances of litigation by 50 percent."
- "Our 2009 customer survey showed that customers rated our backup service as No. 1 in the industry."

Stories and citations are the best way of proving capability.

Build impact skills

For every $100 that the typical large corporation spends on advertising and marketing, how much is spent on training salespeople and others in the organization who interact with customers to ensure that everyone speaks from the same script? And of that money, how much is spent on building impact skills—the ability to shift people's thinking and help them get what they want? Of any sales training spend, typically more than 80 percent is devoted to product knowledge. This is important of course but inevitably leads to salespeople using most of their time talking to customers about a product's technical features. Think about your own experience in everyday life as a customer, especially where technical sales are concerned. How many times have you encountered that moment when you stop listening because a salesperson bombards you with technical information? As well as turning off some people, this focus on product features leads quickly to comparisons and encourages price-buster and deal-hunter behavior in customers.

The traditional kind of skills training for salespeople also drives this point. Much of the consultative sales training in the market focuses on highlighting problems facing the customer and effecting a sale, particularly to less sophisticated buyers. The challenge, however, is that though the sale is made, a relationship is unlikely to have been built. A price negotiation will almost certainly occur, and some sort of discount will quite likely be made. Most importantly, if the customer returns, price is a key criterion because the first time the sales process was not engaging. Equally, if the sale is not achieved in the first interaction and the customer comes back for a second conversation, chances are high it will become a price discussion.

More-sophisticated buyers do not allow themselves to be pushed into quickly buying something, so if the behavior in the first meeting was of this type, then they are unlikely to want to buy from that provider. If they do they will haggle on price until they feel they have won a great deal. And when those buyers win, you lose. Again consider your own experience in everyday life as a customer. Think about someplace you choose to buy from, especially where you make multiple purchases. Is your choice driven by the offering's unique technical superiority, or do you buy from the most helpful place? For most people it is the latter. To develop impact skills and begin to build trusted relationships with customers, the three key areas for skill development are:

- Opening discussions in a way that helps the customer want to be in the conversation rather than feel that it has to be in the conversation
- Reading, understanding and adapting behavior to help the customer feel comfortable talking to the salesperson
- An engagement process that genuinely helps the customer identify, understand and prioritize its desired outcomes

These skills are not easy to develop. They impact behaviors, and anything impacting behavior patterns takes time and commitment to change. There is also an element of personal risk involved for the salesperson. Here's why: If he relies on the product or price to sell and the customer decides that it doesn't want to buy, then he can attribute the decision to the product or price. If, however, he sells himself and his ability to build trust, then the customer decides not to buy, he may feel he failed personally. The good news is that when these skills are developed and aligned with customer-centric marketing, then loyalty increases, customer spend increases and customers recommend you to others.

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Additional resources

For more information on this subject in SAMA's library, the editors recommend: Greg Nesbitt, Paul Hesselschwerdt and Michael Wolf, "On-demand webinar: As key customers change, how are you changing with them? Key factors for successful sales force transformation," May 25, 2010, www.strategicaccounts.org; and Brian Kiep and David Longmuir, "Owens Corning's metric: The fundamental reason corporations exist is to create value for customers," *Velocity*®, Vol. 12, No. 2, Spring 2010, www.strategicaccounts.org.