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SALES PERFORMANCE INTERNATIONAL

## **From Product-Centric to Solution-Centric**

*Transforming Your Revenue Growth Engine  
For Sustained Growth*

An SPI White Paper

## Revenue Growth Problems

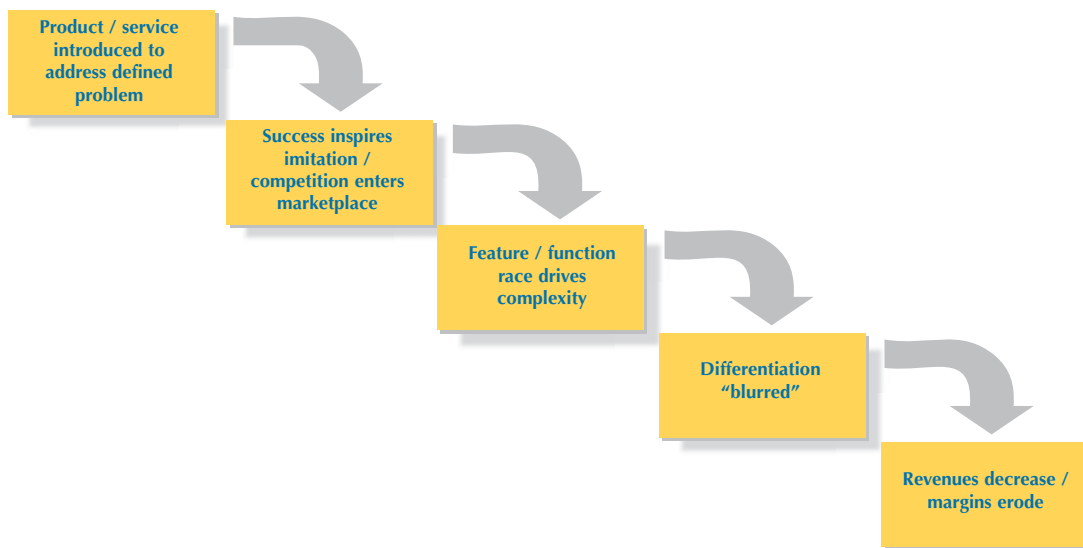
### The Elusive Goal - Sustained Revenue Growth

According to a recent global CEO survey, an overwhelming number of CEOs around the world are now more focused on growing revenue than slashing costs and want to be more flexible to keep up with changing customer needs. In spite of growth emerging as the top corporate goal, sustained revenue remains a persistent challenge for most companies. This is not an isolated phenomenon - since 1997, the corporations that comprise the Dow Jones industrial average grew at a collective rate of less than 5% with a mere after tax profit of 0.5%. While most companies view marketing and sales as key levers for growth, they readily identify with a set of problems that are almost universal in nature, including some of the following:

SOUND FAMILIAR?	FINANCIAL OUTCOMES
■ Increasingly perceived as a commodity and difficulty differentiating offering	■ Decreased market share
■ High cost per lead and lack of quality leads to fill the pipeline	■ Decreased wallet share
■ Limited use of marketing materials by selling organizations	■ Lower gross revenues
■ Closure rates too low to meet revenue targets	■ Lower margins
■ Productivity loss from chasing unqualified opportunities	■ Higher cost of sales
■ Steep discounts to win in competitive situations	■ Lower marketing yields
■ Lengthy sales cycles and frequent "no decisions"	■ Decreased valuation
■ Wide swings in forecast accuracy	

## Competition Inspires Imitation

Why does growth remain such a formidable challenge in virtually every industry? Not surprisingly, competition is seen as the most significant challenge in driving sustained growth. In fact, 80% of CEOs see increased competition as the greatest market factor to have a big impact on their companies. As Morningstar so aptly commented recently, “Success breeds competition as surely as night follows day.” As a result, the ability to create and sustain defensible differentiation becomes progressively more difficult in virtually all markets, which inevitably leads to a commodity perception accompanied by declining revenue growth and margin erosion.



## Common Reactions to Revenue Falloff

### The Silver Bullet From Products and Services to “Solutions”

Companies have responded to revenue problems in a variety of ways, ranging from strategic “sales transformation” initiatives through tactical training projects, with a wide range of outcomes. Three of the most common reactions to sales revenue growth and margin erosion have been the following:

1. **We must “fix (i.e., train) the sales force”**  
Most companies genuinely believe that their products and services provide legitimate value to customers, but the customers aren’t “getting it.” The conclusion is that the sales force must be fumbling the ball at the goal line. That is, the sales organization must not be articulating the real value of offerings effectively to prospects; therefore, sales are off. In some cases, sales training is entirely appropriate, but here are many other factors in revenue performance that often go unattended.

## 2. We need to offer “solutions” versus products (or services)

Because success does invite imitation, over time many products are perceived as commodities. Or, as industries mature, products become so complex and feature-rich that differentiation “blur” sets in. With limited defensible differentiation, companies have responded by positioning themselves as “solution” providers. In many cases, this simply equates to bundling products with associated services accompanied with the declaration, “we now provide a total solution for the customer.”

## 3. A combination of 1 and 2

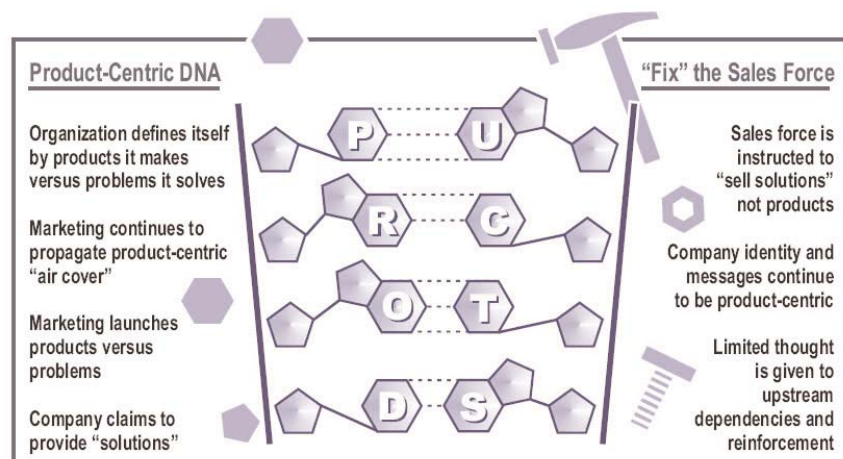
Often the effort to transition to a solution (or value) orientation is primarily focused on the sales force. In this case, some form of training is typically conducted to teach sales professionals how to “sell value” versus products and services.

### The Emergence of “Pseudo Solutions”

In many cases, companies focus more on “perception” and point-of-sales issues than understanding their revenue growth problems from a systemic perspective. Many companies strive to be “solution” focused at the point-of-sale while largely retaining product-centric DNA. Often, the result of this thinking leads to “pseudo solutions,” which are basically “packaging” manipulations that include the following:

- ❑ Substituting the term “solution” for product or service
- ❑ Offering products with associated services as a “total solution”
- ❑ Altering a product/service for a specific constituency and declaring it a “tailored solution”
- ❑ Confusing an operation of function as a problem (e.g., telecom management “solution”)

None of these approaches actually provide a solution for customers, nor do they seem to have a material impact on a company’s sales capabilities.



## Brutal Facts

In spite of best intentions, and multiple initiatives to drive increased revenue and profitability, the large majority of companies continue to struggle with sustained performance improvements. In fact, research, conducted by the American Marketing Association, B2B Magazine, CSO Insights, Aberdeen, and others reveal some sobering evidence to this effect, some of which includes:

STUDY FINDINGS	CONCLUSIONS
<ul style="list-style-type: none"> <li>Effective value positioning occurs 10% of the time</li> </ul>	<ul style="list-style-type: none"> <li>Companies remain inept at differentiating and positioning value with customers</li> </ul>
<ul style="list-style-type: none"> <li>70% - 80% of marketing materials are unused</li> </ul>	<ul style="list-style-type: none"> <li>Marketing and sales remain disconnected and misaligned</li> </ul>
<ul style="list-style-type: none"> <li>Less than 50% of sales people make quota</li> </ul>	<ul style="list-style-type: none"> <li>Gaps in fundamental selling skills and process discipline continue to be widespread</li> </ul>
<ul style="list-style-type: none"> <li>The half-life of typical sales training is one month</li> </ul>	<ul style="list-style-type: none"> <li>Systemic reinforcement and change management is not well understood and practiced</li> </ul>

## There is More to “Selling” than Sales People

Research by CSO Insights, Sirius Decisions, Aberdeen, and Primary Intelligence tend to support the thesis that “sales effectiveness” is dependent on a number of factors. Findings suggest:

1. **Many sales organizations have “hit the wall”** - overall sales performance improvements have leveled off in recent years in spite of “sales force” initiatives
2. **The sales organization is important, but is one of multiple “sales performance” factors** - extensive win/loss studies and C-level surveys indicate that the sales organization is one of four to five key factors in the ability to drive sustained revenue improvement
3. **Marketing and sales integration offer significant potential for performance improvement** - integrating key elements of the overall “revenue engine” offers great potential, if a structured approach is taken

It is important to note that sales training (and other sales force initiatives) can be highly valuable. However, it is equally important to understand that “sales effectiveness” is highly systemic. It is critical to have a framework in place to understand where fundamental gaps in the “revenue engine” exist and how to take meaningful, prioritized action.

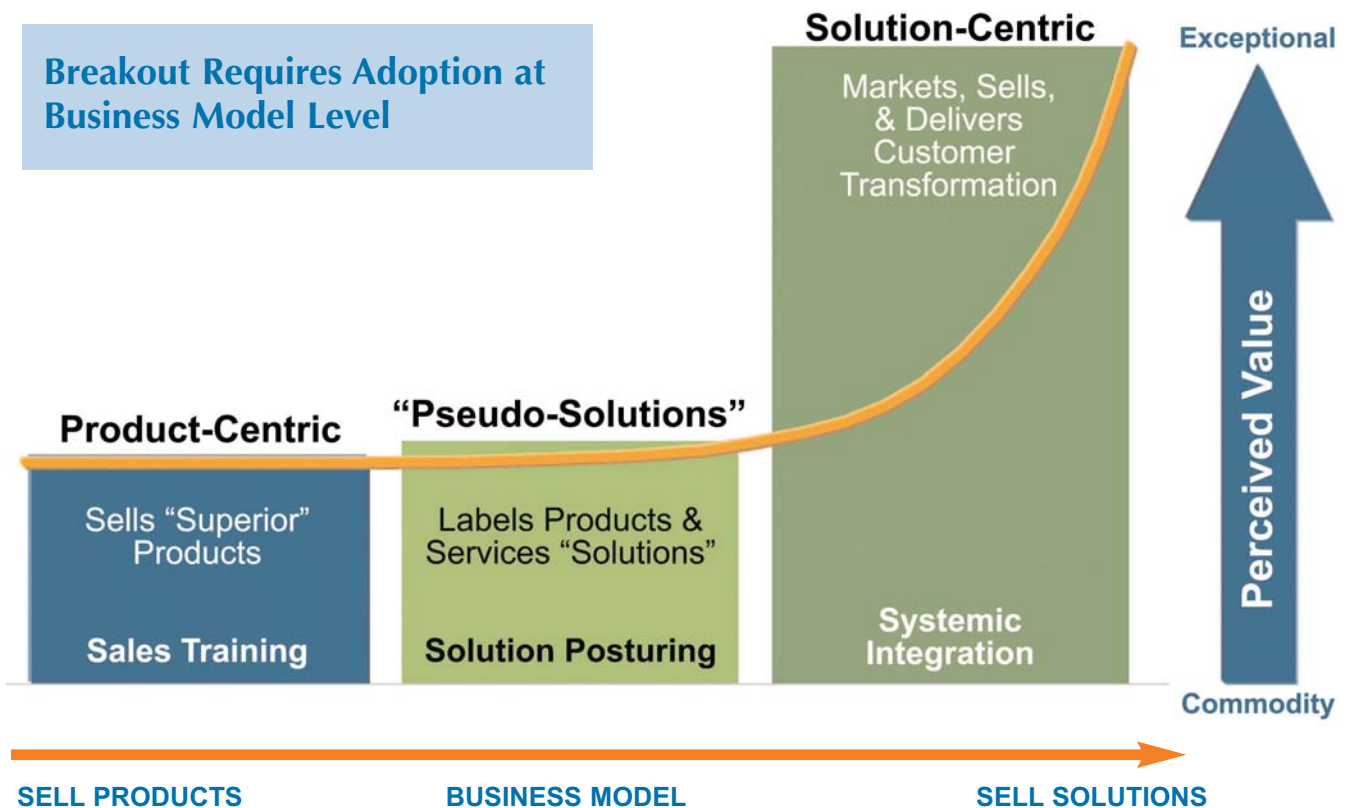
# The Solution-Centric Framework™

## Calling Products “Solutions” Doesn’t Help

First, it’s important to consider what the term “solution” means in a business context.

*A “solution” is a mutually agreed-upon answer to a recognized problem that provides measurable improvement (value).*

That means a “solution” has a clear, direct linkage with a specific problem (or problems). In addition, the solution must address the actual causes of the problem and have a traceable impact on casual outcomes. Becoming truly solution-focused as an organization requires more than superficial packaging manipulations or bundling services with products. Sustainable change and results require a systemic adoption at the business model level.



## The Transformation from Product-Centric to Solution-Centric

Overcoming the systemic barriers to sustained revenue growth requires, in parallel, a systemic approach to business transformation. You can't address all revenue performance problems at once. However, most initiatives to drive revenue performance are silo-ed, and focus on one aspect of improvement or transformation. Often, there is no blueprint or framework in place to objectively assess gaps and set appropriate priorities. In some cases, temporary or incremental improvement is realized - but without an understanding of key interdependencies, momentum quickly stalls and practices often revert to their prior state. In order to successfully and consistently market, sell, and deliver high value solutions, organizations need to understand four fundamental transformations, as illustrated below:

KEY BARRIERS	REQUIRED TRANSFORMATION	
Ineffective Value Positioning	<b>THINK</b> Differently	Define yourself by the problems you solve versus the products you make
Sales and Marketing Disconnects	<b>COMMUNICATE</b> Differently	Align all aspects of marketing execution with a well defined problem / solution framework
Gaps in Fundamental Selling Skills and Process Discipline	<b>ENGAGE</b> Differently	Apply solution selling disciplines across all channels (direct and indirect)
Systematic Reinforcement Not Well Understood and Practiced	<b>REINFORCE</b> Differently	Provide comprehensive support for solution-centric disciplines

## Setting Priorities Intelligently - The Solution-Centric Framework™

While companies widely acknowledge the need to better position value (solutions) consistently with customers, they lack a practical, structured framework to make the transformation from product-centric to solution-centric. To that end, Sales Performance International has created the Solution-Centric Framework™, an integrated methodology to help organizations make the transformation to a solution-centric business model. This framework provides an assessment template to understand where key gaps exist in successfully marketing and selling solutions. This allows your organization to intelligently invest in improvement areas that have the highest payback potential.

## The Solution-Centric Framework™ provides a structured template to assess the current state of your organization.

### THINK Differently

**1. Solution Positioning:** The organization rigorously defines itself around problems and needs that it addresses.

Problem / Solution Framework

Defensible Differentiation

Solution Messaging

### COMMUNICATE Differently

**2. Marketing Alignment:** Marketing execution and programs are systematically aligned around a well defined problem / solution framework.

Solution Definition

Marcom Alignment

Lead Generation Alignment

### ENGAGE Differently

**3. Solution Selling:** Selling channels (direct and indirect) apply solution selling disciplines masterfully.

Selling Skills

Sales Management Skills

Selling Processes

Sustained Revenue Growth

**4. Reinforcement Integration:** Comprehensive support is provided to reinforce solution-centric behavior and culture.

Technology and Job Aids

Performance Measurement and Reward

Culture, Executive Commitment, and Change Management

### REINFORCE Differently

# The Business Value of Solution-Centric Transformation

## Improving Realistic Probabilities of Success

Making a successful transformation to a solution-centric organization will have profound and lasting impact on the “revenue engine” of your organization. The Solution-Centric Framework™ is a fundamental application of management science. It addresses the systemic aspects of connecting your organization with real problems and needs of customers. In turn, the realistic probabilities of successfully marketing, selling, and delivering real solutions (value) to customers increases significantly.

A recent study by CSO Insights explored the relationship between consistent customer message management (the ability to deliver highly effective, relevant messages that address customer problems and needs) and overall sales performance. Companies with world class customer message management (CMM) correlate to significantly higher sales performance metrics. Of course, this is only one facet of a solution-centric approach. Applying solution-centric principles effectively drives four fundamental outcomes which directly impact key operational and financial results.

KEY OUTCOMES	WHY?
1. <b>You will significantly improve your ability to position value with customers and differentiate your offerings.</b>	<ul style="list-style-type: none"> <li>- Organization is “framed” around customer problems and the value of solving them</li> <li>- Messaging is highly customer relevant and “sales ready”</li> <li>- Differentiation is clearly defined and highly defensible</li> </ul>
2. <b>Marketing’s direct contribution to sales effectiveness and revenue generation will increase</b>	<ul style="list-style-type: none"> <li>- Customer value is an integral factor in formulation of your solutions</li> <li>- Marketing communications are comprehensively aligned with real customer problem states</li> <li>- Lead generation is focused on customer problems versus products</li> </ul>
3. <b>The sales organization will significantly improve its ability to diagnose problems and engage with real buying power</b>	<ul style="list-style-type: none"> <li>- Opportunities focused on critical business issues</li> <li>- Significant improvement in “situational fluency” of sales organization</li> <li>- Well understood opportunity management process and improved coaching environment</li> </ul>
4. <b>Performance improvements will be sustainable and provide a basis for further improvement</b>	<ul style="list-style-type: none"> <li>- Proactive consideration given to key reinforcement vehicles</li> <li>- Technology, tools, and culture aligned with solution-focused goals</li> <li>- Change management is formally addressed versus an afterthought</li> </ul>

A rigorous, solution-centric approach provides a solid foundation for exceptional customer message management (CMM) as well as a formal alignment methodology for marketing and sales. Industry studies by leading research organizations indicate that these factors correlate to significant sales effectiveness improvement.

- ❑ Extensive win-loss studies indicate that winning sales opportunities are directly impacted by multiple factors: strategy, marketing integration and sales effectiveness
- ❑ Exceptional customer messaging integration correlates to significantly higher close rates, quota attainment, and margin preservation
- ❑ Three of the top five barriers to revenue growth are strategy and marketing-related versus sales-related
- ❑ Formal marketing process integration correlates to high impact on sales effectiveness

## Are Your “Sales” Problems the Result of Product-Centric DNA?

Many of your company’s “sales” issues may have a deeper set of causes. Before embarking on a sales improvement initiative,

- ❑ **DON’T ASSUME THE SALES FORCE IS THE ONLY PROBLEM.** Invest in an objective assessment to determine where your sales “ecosystem” is actually broken before assuming the causes.
- ❑ **ANSWER THIS QUESTION (OBJECTIVELY): “IS OUR PRODUCT-CENTRIC DNA LIMITING OUR ABILITY TO “SELL” SOLUTIONS EFFECTIVELY?”**  
Apply a rational framework to understand the degree to which your organization is either product-centric or solution-centric.
- ❑ **CREATE A PRACTICAL ROADMAP FOR SOLUTION-CENTRIC TRANSFORMATION.** Re-calibrate key aspects of how you think, communicate, engage, and reinforce. Develop a transition plan that will legitimately help your company market, sell, and deliver high value solutions.

For more information on how to transform your company’s revenue engine for sustained growth, contact us at:

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