



The World in Which We Sell



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Caught between Complexity and Commoditization

*If Our Solution Is So Complex, Why Is It Treated
as a Commodity?*

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The frustration triggered by this chapter's title is shared by a large number of executives, marketers, and sales professionals who are taking their complex, high-value solutions to market and finding it increasingly difficult to win profitable sales. Ironically, it is also shared by their customers, who are wrestling with mission-critical decisions, evaluating solutions that all sound the same, and struggling to achieve the value they expect, when experience has shown them that far too many solutions come packaged with a high degree of risk and a low probability of success. This phenomenon places all of us clearly in the third era of sales.

This is an era in which customers are not saying, "I need a solution!" They know they can get comparable solutions from credible sources. Instead, they are saying, "I need help!"

"I need help in making multiple decisions around this purchase."

"I need help in quantifying the business impact of this project to make sure it is the best use of my resources."

"I need help in getting my organization to align around the implementation and make the changes required to optimize the value of your solution."

"I need help to show measurable results."

Are you equipped to help your customers in Era 3? It seems, at first glance, like a strange question, but it's essential that it be examined more closely. The question is valid because most businesses are applying sales strategies, processes, collateral, and skills originally designed for a world that no longer exists.

John Sullivan, my colleague and director of professional services for Prime Resource Group, wrote about the three eras of selling in the foreword to the first edition of this book.¹ He described the Era 1 approach with its focus on cold calling, presenting, and closing, and a strong dose of overcoming objections. Salespeople were taught to be persuaders (some would call them pests). I like to describe it as the age of “show and tell,” “spray and pray,” “cram and jam,” and “grab ’em by the tie and choke ’em ’til they buy.” Salespeople didn’t ask customers many questions at all; they told them what to do and they did it in a very aggressive manner. These Era 1 tactics are the source of the common sales stereotypes that live in the minds of many people today. They provided the major impetus behind the creation of procurement systems designed to counteract aggressive sales tactics and protect customers from buying the wrong thing or paying inflated prices.

The sales profession worked to redeem itself with the Era 2 sales approaches that were first articulated by sales gurus like Larry Wilson with his concept of “counselor selling,” and Mack Hanan, whose book *Consultative Selling* was first published in 1970 and is still in print seven editions later. They suggested that salespeople ask questions to learn the customer’s view of his or her problem and what the customer thinks the solution should be. Then, salespeople would tailor their products and services to match that picture. In Era 2, salespeople received some new tools and skills, were taught how to do needs analysis (I ask you what you need), and received listening training (so I actually pay attention to what you tell me). There was a lot of relationship skill building, too, because counselors and consultants needed to be seen as credible and trustworthy. Salespeople morphed from persuaders into consultants. It was the era that positioned the salesperson as a problem solver.

You're probably thinking, "What's not to like about Era 2? Why do we need an updated sales approach at all?" The answer is you might not. There is a very subtle assumption underlying all of the great Era 2 sales processes, and if it still holds true for you, they will continue to serve you well. If not, and you find what has worked well for you is no longer effective, your customer may be in Era 3, and your Era 2 strategy and approach could be sabotaging your efforts.

The hidden assumption of Era 2 is that customers clearly understand the problems they need to solve and the solutions that are required to solve them. This was usually true when the Era 2 sales paradigm was formulated. But it is a deadly assumption that may no longer be valid for your customers—and it isn't for a vast majority of today's complex sales. Therefore, if the assumption is no longer valid, the Era 2 paradigm is no longer effective. An Era 2 salesperson engaging with an Era 3 customer is like a doctor who allows patients to self-diagnose their illnesses and self-prescribe medications. In the sales profession, as in the medical world, it is reckless and harmful behavior and a formula for failure.

A question that we like to pose in our seminars is, "What if a doctor conducted annual physicals using the strategy and approach of an Era 2 salesperson?" My physical would go something like this:

Doc says, "Hi Jeff, how are you doing today?" I say, "Great, just great." Doc says, "Are there any concerns I could help you with, anything keeping you awake at night?" To which I respond, "Well, actually, there is. I'm getting to the age where I've noticed a few of my contemporaries have been having heart problems. One, a friend, seemingly in top shape, a guy who exercised much more than me, had a massive heart attack and was gone in an instant. Just tragic. I am really concerned that something like that could

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happen to me. Is there anything that you could do to prevent that from happening?” Doc says, “Why certainly, Jeff. It’s likely that clogged arteries caused his heart attack and we could help you with that. Tell me, were you thinking about open heart, bypass surgery, or angioplasty?”

I’m not sure if you’re chuckling at the idea of a physician taking direction from an unqualified patient, but in a live workshop, this elicits a lot of laughter. Let’s continue my exam and see where this takes us.

I feel compelled to answer the doctor—and I do know something about this complex area, so I reply, “Well, Doctor, I think open heart would be a little too messy and painful, and I don’t want to be out of work for a long time. I’d be more interested in the angioplasty.” “Not a problem,” says the doctor. “Let me tell you about these great coated stents that I could use . . .”

This story is laughable, but if you listen to the questions that salespeople ask in an Era 2 approach, you will quickly see that they are essentially asking customers to do a self-diagnosis and self-prescription and report back the results. Typical questions of Era 2:

- What concerns do you have?
- What’s keeping you awake at night?
- What are some of the major causes of your problems?
- What are the consequences of your problems?
- Who besides you will be involved in the decision?
- What are you looking for in a solution?
- What sort of budget have you set aside?

The problem with the previous list of questions is that if your customer, like the patient, is not experienced or

knowledgeable enough to self-diagnose and self-prescribe, you are basing your proposal and betting the sale on incomplete and often inaccurate information. Even worse, your competitors are likely asking the same questions that you are, so everything that you tell the customer based on this flawed information sounds exactly like what they will be telling the customer. It's a perfect setup for self-commoditization.

So, if your customers have difficulty understanding and quantifying the impact of the problems you solve, and they have difficulty sorting through and understanding the competing solutions, they are squarely in Era 3. The problem is that most companies and their sales and marketing strategies have not evolved with the times. A disturbingly large number of sales forces are still selling in Era 1, and the vast majority are embracing the Era 2 approach. These sales forces are being squeezed between two opposing forces: increasing complexity and rapid commoditization (see Figure 1.1).

The Driving Force of Complexity

The defining characteristic of Era 3 is that our customers' problems and our solutions to them are becoming increasingly complex. Much of this complexity is emerging from the changing nature of business itself.

The structure of organizations is becoming more complex. In many cases, decentralized and lean organizational structures have replaced fixed, hierarchical infrastructures. In the process, decision-making powers have often migrated from the technical, clinical, and operational levels to purchasing departments and professional managers who frequently consider buying decisions from only the vital, but nonetheless limited, financial perspective of acquisition

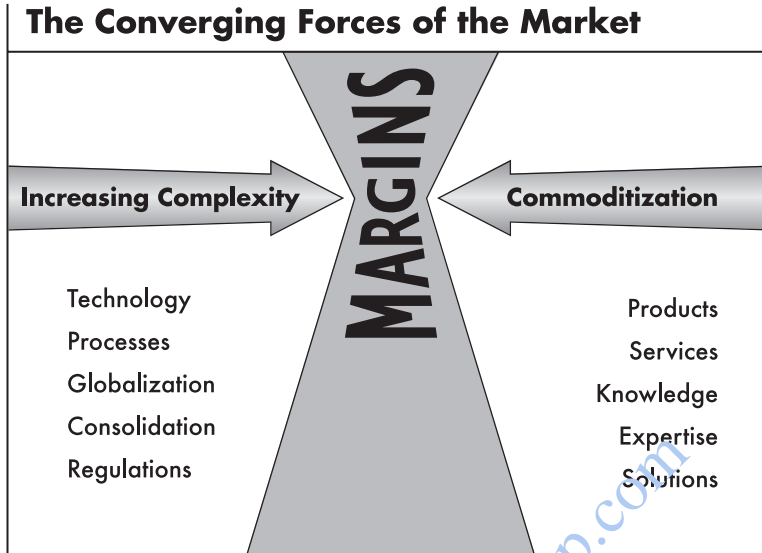


FIGURE 1.1 The Converging Forces of the Market

cost. Over the past few years, we have also seen approval levels migrate higher in the organization, and now, more than ever, the ability to gain access to and engage and interact with the executive is not optional. As a result, salespeople are finding it increasingly difficult to understand and navigate through their customers' companies. Identifying the centers of decision and influence in today's corporate labyrinths is quite complicated and constrained, and with increasing frequency, customers themselves cannot define or even understand their own decision processes.

Globalization is also exacerbating the growing complexity of organizational structure. Today, sales and marketing professionals are often engaging with companies that encompass many different languages and unique cultures. "Where in the world are the decision makers?" is not a rhetorical question in an increasing number of situations.

The restructuring of organizations has extended up and down the supply chain. Customers are consolidating, fewer companies are controlling higher percentages of demand, and fewer competitors are controlling higher percentages of supply. In addition, the speed with which these transformations are occurring is unprecedented. Witness the chaos and upheaval in sectors such as financial services, automotive, construction, and airlines which is ongoing as of this writing.

At the same time, buyers are demanding more attention and a closer relationship with those suppliers whom they choose to give their business. They are drastically reducing their supply bases and asking the remaining suppliers to take a more active role in their business processes, to become business partners, and open their books and operations in the quest to create value on both sides of the relationship. They are asking their suppliers to add value at much deeper levels than has typically been delivered, and to prove it by tracking progress, measuring the value delivered and achieved, and proving the return on investment. This is adding complexity to the seller's process. As a result, buying decisions include more considerations and more players, and those players are often located at higher levels in the organization.

There is an even more sobering consideration here: If your customers are tightening up their supply chains, there will be fewer sales opportunities. Further, one lost sale in the chain could easily translate into the long-term loss of the customer. Era 3 is increasingly becoming an environment in which the winners of deals take a substantial share, if not all of the market, and the losers are left out in the cold.

Your customers are facing similar challenges. They are under constant pressure to do more with less and advance their products and services. Companies tend not to

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see the world clearly through their customers' eyes, but when they do, they find that they face many of the same problems. Their customers' business environments are more competitive than ever, technological advances are radically altering their industries and markets, and their margin for error is always shrinking. The increased complexity of their environment translates directly to increased complexity in the problems they need to solve.

The solutions that we design to address those problems are correspondingly complex. Our solutions need to incorporate complex technical innovations and address challenges that are constantly surfacing in a fast-changing business world. Along with our customers, our margins for error are shrinking as well.

Finally, complexity is driven by competition. To stay on top of our markets, we often find ourselves trapped in "innovation races" with our competitors, and constantly adding features to our solutions. In doing so, we can actually outrun the needs and the comprehension of our customers. Harvard Business School professor Clayton Christensen calls this "performance oversupply," and says, "In their efforts to stay ahead by developing competitively superior products, many companies don't realize the speed at which they are moving up-market, over-satisfying the needs of their original customers as they race the competition toward higher-performance, higher-margin markets."² This race is a major contributor to the long lists of new product features that salespeople present to their customers, even though they often add very little incremental value, almost always create confusion, and often cause the customer to drop into decision paralysis.

In short, the entire business-to-business sector continues to escalate in complexity. This trend gives rise to the second driving force of Era 3—commoditization.

The Driving Force of Commoditization

Commoditization is a big word for a phenomenon that salespeople face every day in Era 3—that is, price pressure. Customers are constantly devaluing the unique and differentiating solutions you bring to your market and trying to reduce their buying decision to the lowest common denominator—the selling price. The pressure to treat all offerings in a category of products and services as identical in value arises in some instances from very real conditions, and in others from the customer's personal demands and emotional needs. In either case, the pressure exists and sales professionals must deal with it.

The emergence of new technology is stimulating commoditization. A vivid example of how a technology can commoditize a product is the advancement of electronic commerce. Before the Internet, enterprise-level computer sales were considered complex sales, and all of the major computer manufacturers had large field sales organizations dedicated to that task. Today, many of those sales positions have been eliminated. Computer manufacturers still maintain sales forces for their high-volume customers, but buying any number of computers for a company can also be accomplished in a self-service, commodity-based transaction.

Even a short visit to a web site such as Dell.com makes the point crystal clear. Dell Computer Corporation was founded on a direct-to-the-customer model that eliminated the external sales and distribution chains that other PC manufacturers depended on. When e-commerce technology appeared, Dell was the first to move online. Starting in 1996, Dell customers who wanted a self-serve transaction could research, configure, and price their PCs, associated hardware, and off-the-shelf software on Dell's web site.

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Dell profited handsomely from its use of the Internet as a sales and distribution channel. Unfortunately for Dell, the market caught up, and today PCs can be purchased online from all of Dell's major competitors, prices and specifications can be compared, and purchases can be made without ever speaking to a salesperson. What was once solely considered a complex product and sale has been transformed by technology (as well as customer experience and knowledge) into a commoditized product and sale. Now Dell is experimenting with sales and distribution models that offer higher levels of service in an attempt to differentiate itself in the marketplace. As I write this today, Dell has acquired Perot Data Systems, a professional services company that will allow it to compete with IBM and HP, both of whom have moved significantly up the value chain from hardware sales.

The second cause of commoditization is the lack of clear differentiation between competing products in the marketplace. The growing similarity between the products and services that compete in specific market niches is not a figment of customers' imaginations. When there is no difference among products, incremental value does not exist.

Consider the PC once again. Corporate buyers often see little difference between one company's PCs and the PCs of its major competitors. Who can blame them? Perhaps the logo on the box is different, but the main components of the computer—the processors, memory, disk drives, and motherboards—are often identical. Therefore, buyers are unable to discern unique value and they treat all PCs as the same, purchasing them based on price alone.

Contributing to the similarity between competing products and services are industry response times. Unless products and services are protected by law (as in the case of new prescription drugs), the length of time that their inventors or licensees enjoy the advantage of being first into the

market is getting shorter and shorter. Competitors see a successful or improved product in the market and quickly match or exceed it.

Another reason it is getting more difficult to differentiate products and services is that the buyer doesn't want to differentiate them. The more complex products and services are, the harder it is for customers to compare and evaluate them. Analyzing and deciding between long lists of non-identical features can be very difficult and time consuming, but simply comparing purchase prices is much easier. This points us to the third cause of commoditization—the customer.

Customers, especially purchasing departments, who are incentivized to drive down the price of goods and services, are always trying to level the playing field. They attempt to reduce complex and valuable solutions to their lowest common denominators for good reasons. When customers are able to convince suppliers that their offerings are essentially the same, they exert tremendous downward pressure on the price. For instance, if General Electric's jet engines are the same price as Rolls Royce's jet engines, and the customer can't or won't see any difference between the two, what must be done to win the sale? Unfortunately, the easiest path, and the one that takes the least skill to execute, is to cut the price, which is why so much margin erosion occurs at the point of sale. We've seen many businesses that have chosen such a path eventually fail.

An example of the extreme impact that even the threat of commoditization can produce involves a company whose leadership team called me after its business had taken a devastating hit. This company's technology became a standard in the chip manufacturing industry. It produced highly specialized capital equipment, sold about 300 units per year, and enjoyed a very large market share. When a competitor entered the marketplace offering the "same thing"

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for 32 percent less, customers used this premise to pressure the original manufacturer to lower its prices. Even though the company had a very valuable solution that was superior to the competitor's, it was unable to connect and quantify that value in terms of the customer's business and the company ultimately lowered its price. This was a clear example of an outdated sales process that couldn't make it in an Era 3 world. The company dropped the average selling price of its equipment by 30 percent during the following year, a move that cost \$24 million. The irony of the story is that the upstart competitor was able to build only 15 units that year, which represented a 5 percent market share. If the original manufacturer had held its prices and even lost all 15 sales, it would have been about \$20 million better off overall.

What is interesting, or should I say tragic, is the strategy of "we can give you the same thing as the high-value supplier for 32 percent less,"—it is probably one of the most feeble, yet most successful, sales premises. It only works because the customer cannot discern whether the solutions are "the same thing," and the seller of the more expensive solution cannot clarify and defend its higher value.

Customers also try to commoditize complex transactions for emotional reasons. Often they are in denial about the extent of their problems. Think in personal terms: If your stomach burns and you chew an off-the-shelf antacid and you feel better, you believe your problem was minor and easily solved. If you go to your doctor who discovers you have an ulcer, an increased level of clarity and fear is reached and your problem jumps to an entirely different level.

Fear drives customers to try to commoditize transactions. It is human nature to find it difficult to admit when we don't understand problems and/or solutions or admit to concerns about making changes in our current situations. Our customers are facing many different risks, whether

they change or not. They are unclear about these risks and hesitate to open up. They are often concerned about appearing less than competent in front of us, their bosses, or their peers. As a result, when customers don't understand something we tell them, they often simply nod and proceed to reduce the transaction to what they do understand—the purchase price.

Finally, there is the emotional issue of control. We must recognize the negative stereotype of a professional salesperson that exists in many customers' minds. Customers are fearful that by acknowledging complexity and admitting their own lack of understanding, they will lose control of the transaction and open themselves to manipulative sales techniques. The simpler that customers can make a sale, the less they must depend on salespeople to help them. Commoditization, in this sense, is a way for customers to maintain control of the transaction and protect themselves.

The net effect of all these causes of commoditization is the deadly spiral of shrinking profit margins.

Commoditization Is a Choice

In Era 3, business-to-business sellers are desperately seeking competitive differentiation through increasingly sophisticated products and services. Meanwhile, their customers, working in a perpetual haze of confusion and performance pressure, are treating all solutions like commodities. This leaves your company with a critical choice—whether to embrace a core strategy that supports a price-focused sale or one that supports a high-value solution.

Companies that choose the first alternative embrace the commodity sale as Dell did, as well as other companies, such as steelmaker Nucor, which in the late 1960s created

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an innovative mini-mill that enabled it to produce and sell steel at prices that Big Steel couldn't come close to matching. With a commodity, the total transaction cost, including price, is the differentiating factor in the marketplace. As commoditization occurs, sales skills become less and less relevant, and transactional efficiency becomes the critical edge. The professional sales force itself soon becomes a luxury that is too expensive to maintain. If your company has chosen to embrace commoditization as a dedicated strategy, reading this book is unnecessary. Instead, you should be aggressively pursuing the lowest cost structure and lowest selling price in your industry.

Embracing the commodity sale is a dangerous strategy. If your company chooses it, it is limiting its opportunities and may very well stifle its long-term potential. You need to constantly reduce your costs and prices, usually pursuing volume in order to operate successfully on razor-thin margins. Often you must simplify your value propositions to generate this volume, which reduces your power to differentiate your offerings and opens the market to new competitors. Sooner or later there is always some new company, like Dell or Nucor, which will figure out a way to do whatever it is you do cheaper than you can.

A commodity sale should only exist because the seller consciously chooses it as a strategy. The other alternative that companies can choose—I believe it's the only viable alternative for the vast majority of companies in Era 3—is to embrace the high-value strategy to fuel profitable growth. This doesn't mean that the pressure of commoditization will disappear. You will still have to cope with it and execute against it. Companies can only achieve this if their organizations are aligned to deliver on the value promise and their sales forces can clarify, connect, and quantify that value for customers. When this is done successfully, the high-value strategy becomes a sustainable

competitive advantage and the pressures of commoditization recede.

In such a strategy, the differentiating factors are all the facets of value that a particular customer can realize from your solutions. Of course, the customer's total cost remains an integral element in the overall value, but only when weighed against two other elements—the savings and/or the revenue that your solutions can generate for the customer's company. I refer to this as the total value of ownership or TVO. It is a significant advance beyond the total cost of ownership or TCO. TCO, as I will detail in Chapter 5, is a limited concept; TVO provides a more holistic view of value.

I personally believe there is no such thing as a commodity. Any product or service, even sand, can be turned into a high-value solution. Back in the 1980s, Rhône-Poulenc transformed the selling of industrial sand or silica, a money-losing commodity, into a high-value solution. Silica was used in the production of tires, and the company introduced a new product—highly dispersible silica—that reduced a tire's rolling resistance enough to create a 9 percent rise in fuel efficiency. The company was able to sell this added value to its customers in the tire industry at a 75 percent premium to its competitors' products.³

What we need to always remember, however, is that a defining characteristic of Era 3 is that our customers cannot recognize our high-value solutions without our help. Every high-value seller must provide its customers with the means to comprehend and measure the value it provides. Sellers who don't do this will find themselves defenseless in the face of price competition.

To embrace the high-value strategy and prosper in Era 3, companies need to recruit, develop, and equip sales and marketing professionals who can create value clarity for their customers. These professionals must provide

incontrovertible evidence of the risks their customers face without their solutions. I call this the “absence of value.” It is similar to the “absence of health” or a “health risk.” During your annual physical, your doctor is providing you with the evidence needed to support his diagnosis and recommendations.

In Era 3, successful salespeople must diagnose their customers’ situations and find evidence of the absence of value, go on to quantify the financial impact of that missing value, and connect the value impact of their solutions to the performance metrics of customers and the customers they serve. This includes understanding the complex situations their customers face, configuring the complex solutions offered by their companies, and managing the complex relationships that are required to bring them both together. In short, Era 3 professionals are constantly challenged to create and clarify value for their customers and for their employers.

We see the dynamics of this complex sale challenge every day. My colleagues and I spend thousands of hours each year working with executives on developing their high-value strategies, and teaching their sales and marketing professionals how to position and execute those strategies. We meet highly successful professionals who sell value-laden solutions in a wide range of industries such as software, medical devices and equipment, professional and financial services, information technology, industrial chemicals, and manufacturing systems. The individual sales they manage produce revenues for their companies that range from tens of thousands of dollars to tens of billions of dollars. These professionals are highly educated, very sophisticated, definitely street-smart, and well paid. They are levels above the stereotypical image of salespeople that is imprinted on the public imagination, and being commoditized is not part of their DNA.

Even though these professionals are masters of their craft, we regularly hear them express their frustration about the disconnect between their sales efforts and their results. Their most common lament is one that we've labeled the *Dry Run*. The generic version goes like this:

A prospective customer contacts your company with a problem that your solutions are expressly designed to address. A salesperson or team is assigned to the account. The customer is qualified, appointments are set, and your sales team interviews the customer's team to determine what they want, what their requirements are, and what they plan to invest. A well-crafted multimedia presentation is created, a complete solution within the customer's budget is proposed, and all of the customer's questions are answered. Everyone on the customer's side of the table smiles and nods at the conclusion of the formal presentation. "Yes, everything makes good business sense," says their senior executive. "Yes, your solution seems to fill our needs as we described them." You believe that the sale is in the bag, but the decision to move forward never comes. The result after weeks, months, and sometimes years of work: no decision, no sale.

In the *Dry Run*, the customer doesn't buy from your company. The worst-case scenario ends in what we refer to as "unpaid consulting." The customer takes your solution design, shops it down the street, and buys from a competitor—or does the work that you proposed on their own. Nearly as bad is the "no-decision" scenario, in which the customer company simply doesn't take any action on a solution that for some reason you thought it needed and could afford. Based on what sales professionals tell us in surveys and interviews, it appears that 40 to 60 percent of all *Dry Runs* end in no decision at all, and that this percentage has been growing over time. Neither *Dry Run* scenario is desirable, but the no-decision result raises serious

questions, such as whether the opportunity actually existed in the first place and why it was pursued at such length and cost. When we work with clients who are experiencing a significant number of no-decisions, we typically discover that there are fundamental flaws in their sales processes and execution.

Dry Runs are indicative of a complex sales environment in which outcomes are becoming increasingly random and unpredictable. We have already hinted at some of the reasons behind this, but to truly understand the situation, it is important to understand the dynamics at work within complex sales that impact customer decision making and your ability to effectively orchestrate it.

The Missing Ingredient: Professional Guidance

A complex sale is not a physical attribute of a product or a service. As we've already seen, buying sand can be a complex sale. Conversely, purchasing a highly sophisticated medical device, such as an MRI scanner, can be oversimplified and treated as a commodity sale. Nor are complex sales defined by their size. Complex sales are defined by the customer's need for outside expertise and guidance to make a quality buying decision.

Some complex sales are so massive that they reshape the dynamics within an industry. In the first edition of this book, I described the \$200-billion defense contract that Lockheed Martin won in 2001 to design and manufacture the U.S. Defense Department's Joint Strike Fighter (JSF). Because the winner of the contract essentially became the nation's only fighter jet manufacturer, the now-retired Lockheed aeronautics executive James Blackwell called it "the mother of all procurements." He suggested that the JSF contract would eventually be valued at \$1 trillion.⁴

The JSF contract may very well be a once-in-a-lifetime sale, but huge complex deals are commonplace in some sectors. In the energy business, for example, global oil companies regularly compete for contracts to develop the natural resources of nations. These contracts run for decades and can be worth hundreds of millions to billions of dollars annually to the companies that win them. Winning them requires connecting and quantifying value at many, many levels with myriad decision makers and influencers throughout a nation's public and private sectors. It involves extended sales teams that can quickly grow to include hundreds of people from within a company and a host of business partners. These contracts have a sales cycle that is typically counted in years, and the cost of the sale can add up to tens of millions of dollars and sometimes hundreds of millions of dollars.

The contracts associated with the development of Qatar's giant North Field, the largest non-associated natural gas field in the world with 900 trillion cubic feet of proven reserves, are a good example of this kind of sale. To compete for the contracts, the oil majors had to "sell" the expertise and technologies that they could bring to bear on a massive infrastructure-building effort, which includes over a dozen of the largest liquefied natural gas (LNG) plants (or trains) in existence. They had to demonstrate that they could muster the billions of dollars in financing needed to build these mega-trains as well as a fleet of newly designed, high-capacity LNG supertankers. They had to convince the Qataris that they could bring the gas to market by winning long-term supply contracts in the United States, Europe, and Asia. Not least of all, they also had to demonstrate their ability to help develop Qatar itself by raising the education level and work skills of the country's citizens, and providing them with jobs. Of course, the rewards are equally large: ExxonMobil won many of the major North

Field contracts, and, as a result, is now positioned to become the world's largest non-state-owned producer of natural gas, a much greener source of energy than oil and one for which demand will likely explode in coming decades.⁵

On the other end of the complex sale scale are relatively simple transactions, often in the thousands or tens of thousands of dollars. Many of the products and services in these sales are considered commodities, but they aren't commodities because the companies that created them have refused to treat them as such, just as I suggested earlier. They include chemicals, industrial gases, electronic components, hardware, and so on.

A good example is the wire clamps used in aircraft to channel electrical wires throughout the airframe. These clamps are sold by the barrel to aerospace manufacturers, airlines, and governments. Aviation clamps certainly sound like a commodity, something a purchasing department might order over the Internet, but some clamp manufacturers embed a lot of value in their clamps. They design them to snugly and safely secure multiple wires in a single clamp, reducing the possibility of a spark, which can endanger the lives of passengers. They color code clamps, allowing for the easy identification of wires in unique subassemblies, and they create easy-release clamps that make it more efficient to secure and access wires in hard-to-reach places.

Aviation clamps don't have to be sold as a commodity. They protect human lives and expensive assets, they speed up the aircraft assembly, and they provide valuable savings in the troubleshooting and repair of planes, reducing the time it takes to get grounded aircraft back into the air. Clamps like this are worth a great deal more than expected and they can be sold at a premium . . . if a clamp manufacturer can design a clamp that offers added value, and the sales force can connect and quantify that value in terms of the customer's performance metrics.

The most common type of complex sale occupies the middle ground between industry-shaking deals and so-called commodities. These sales include information technology, medical devices and equipment, industrial equipment of all kinds, consulting and services—the list goes on and on. They typically range from the tens of thousands to tens of millions.

One example of such a sale is the enterprise-level software used by hospitals and other large health-care providers. These health-care information systems (HISs) streamline, automate, and manage the flow of clinical and financial information. They reach into every department from admissions and billing to nursing to specialized medical functions, such as radiology and cardiology. Typically, one salesperson leads a team of specialists (coding, data collection, functions, solution implementation, and service, etc.) to determine the information requirements within the hospital, and to design a software solution that fully addresses them. The team works with people throughout the hospital. The sales cycle is months, or sometimes several years. The value of the transaction can range from several hundred thousand dollars to several million dollars or more.

The two driving forces of Era 3—complexity and commoditization—are creating a tremendous squeeze in the middle ground of complex sales. For me, the level of the pressure in this size sale was vividly illustrated one day when I sat down with the senior leadership team of an industrial equipment company. This company makes and sells automated circuit-board assembly equipment. These highly specialized machines are capable of placing components of various sizes and shapes onto extremely small circuit boards, like the one in your mobile phone. They shoot all of these various-sized components into cramped spaces at a rate of 60,000 components per hour. They utilize laser positioning and video inspection, and well, it is

complex. The company's biggest problem, according to its leaders: these highly engineered \$2-million machines had become commoditized. Of course, I'm thinking that if something this complex is being commoditized, we are all at risk!

The one constant that unifies all of the sales I've just described is the customer's need for assistance in understanding all of the ways in which the value offered by the solutions being considered is connected to his or her organization's unique situation and its future performance. In other words, a complex sale is one in which the customer is not fully equipped to make a set of high-quality decisions around the nature of the problem, what to buy to solve it, and how to implement it to realize the solution's value. In fact, if you can provide this assistance to your customers, the process by which you sell and the way in which you sell will become critical components of the value of your solutions and a key source of competitive advantage for you and your company.

There are two additional common characteristics of complex sales that we must recognize. The first is that they require multiple decisions at multiple levels in the customer's organization. In the complex sale, there is no single buying decision. It is a process consisting of a long chain of interrelated decisions, impacting multiple departments and multiple disciplines that will ripple throughout the customer's organization.

The second common characteristic of the complex sale flows logically from the first: Because there are multiple decisions, there are invariably multiple decision makers and decision influencers. Shelves of books are devoted to helping salespeople find, engage, and close the decision maker. In the complex sale, however, the search for this mythical decision maker is fruitless. There is no single decision maker. Certainly, there is always a person who can say yes when everyone else says no, and conversely, there is always someone who can say no when everyone else

says yes. Today, however, the best decisions, certainly all high-quality decisions, are the result of orchestrating a consensus.

As we proceed through this book, I will show you how top-performing professionals provide a high-quality decision process (based on scalable principles), create a hypothesis for value, and engage and guide the proper “cast of characters” to a set of decisions that likely weren’t fully envisioned at the start of the process. In doing so, they enable their customers to connect the value dots, quantify the value impact, and make a high-return purchase. In essence, they create the decision.

Eliminate the *Dry Run*

Now that we have a good picture of what the Era 3 world and the complex sale look like, let’s turn back to the *Dry Run*. In every variation of that scenario, sales professionals are doing everything they have been taught, they are offering high-quality, cost-effective solutions, and yet their conversion rate of proposals to sales is in free fall. Why is this happening?

The answer is that the nature of the complex sale and the opposing environmental forces of commoditization and complexity are making it extraordinarily difficult, not just for sales professionals to bring in revenue, but for customers to fully understand the problems and opportunities they face. The complex sale and the forces that affect it are impairing our customers’ ability to make rational purchasing decisions.

Ultimately, that is why salespeople are experiencing so many *Dry Runs*. Their customers were unable to make a high-quality decision. They either didn’t understand how the solution being presented would solve their problem, or they didn’t believe that the magnitude of their problem was large enough to require action. I am not suggesting that

customers are incompetent, although many frustrated salespeople who don't understand the dynamics behind their customers' decisions make exactly that accusation. In fact, our customers are fully capable of understanding complex transactions. The real problem is they don't have a process that can help them to make sense of their situation and then connect it to the right solution. That is the underlying thesis of this book and the key insight that will help you orchestrate and win the complex sale.

The often-ignored reality of Era 3's complex sales environment is that customers need our help. They need help understanding how to analyze the problems they face. They need help designing optimal solutions to the problems they uncover. And they need help implementing those solutions and measuring the value the solutions have created. The next logical question is: what can we, as sales professionals, do about it? The obvious answer is to provide the help our customers require. Unfortunately, because the environment continues to evolve in complexity, most leaders of sales organizations have difficulty figuring out how to help not only their customers, but their own teams.

By and large, sales leaders are more focused on what their competitors are doing and their own sales numbers. The problem with the former focus is that if you look and sound like your competitors, it is more difficult to differentiate your offerings in the customer's mind and you are in danger of self-commoditization. The problem with the latter focus is that too many sales leaders believe that selling is a numbers game. When the numbers don't measure up or it seems like the competition is gaining on them, their typical response can be summarized in two words: sell harder! They try to solve the problem by putting pressure on the system. They command their troops to make more cold calls, set more appointments, give more presentations, overcome more objections, and

thus, close more sales. In other words, do more of what's not working.

There are two problems with this approach. First, the number of potential sales is never infinite. At some point, you run out of viable opportunities, and you are forced to start chasing more and more marginal prospects. Meanwhile, the cost of sales goes through the roof. Second, "selling harder" is doing more of the same thing and expecting a different result. That isn't going to happen in complex sales . . . not ever. In the next chapter, I'll show you why that is so.

But before we move on, I'd like to suggest that you sit down with the best minds in your company and think through how you are currently engaging customers. Begin by asking your team these questions: "Are we following our customer's lead, or are we providing our customers with the process and expertise they need to make quality decisions regarding their situation and our offerings? Are we providing an effective level of professional guidance?" To help organize your thoughts, consider that your customers will likely need assistance in one or more of three major areas.

1. First, they may require outside expertise to help diagnose their situations. They may not have the ability to define the problem they are experiencing or the opportunity they are missing. In many cases, they may not even recognize that there is a problem. If they don't know these things, then surely they do not know what it is costing them to continue on their current path. So consider: to what degree do you and your team assist the customer in bringing more clarity to the diagnosis?
2. Second, your customers may not be able to design the optimal solution. They may not know what options

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exist, how the solution will be integrated into their current systems, how to measure value impact, and other such considerations. So to what extent do you and your team enable customers to design comprehensive solutions?

3. Finally, your customers may not have the ability to implement the solutions and deliver the expected results to their organizations. So to what degree do you and your team provide the support needed for the customer to navigate the changes required to achieve the maximum impact of your solution?

Your answers to these questions should provide a quick portrait of how well your company and sales force are prepared to master the complex sale.