The Strategies & Tactics for Selling a Decisive Competitive Edge

Presented By: Lisa Scheinkopf, Goldratt Consulting Ltd.
Date: 21-22 June, 2010
The Goal: To Be Ever Flourishing

Continuously and significantly increasing value to stakeholders - employees, clients and shareholders.

Performance

Time

GROWTH

STABILITY
A Hypothetical Company

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$100m</td>
<td></td>
</tr>
<tr>
<td><strong>Totally Variable Costs</strong></td>
<td>$50m</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>$45m</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Profits</strong></td>
<td>$5m</td>
<td>5%</td>
</tr>
</tbody>
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- The company does an excellent job of implementing TOC in operations.
- What is your estimate of the bottom line impact?
Is TOC Improving the Company?

So your company is making thirty-six percent more money from your plant just from installing some robots? Incredible.

Jonah, 1984

So your company is making thirty-six percent more money from your plant just from implementing sDBR? Incredible.

Lisa, 2010
# What Improves?

<table>
<thead>
<tr>
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<th>Baseline</th>
<th>Operations</th>
<th>Sales</th>
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<tbody>
<tr>
<td>Sales</td>
<td>$100m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TVC</td>
<td>$50m</td>
<td>50%</td>
<td></td>
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<tr>
<td>OE</td>
<td>$45m</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td>$5m</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

- Impact on sales?
- Impact on TVC?
- Impact on OE?
- Impact on Profits?
If sales are not increasing...

Then No real improvement has been made
The Means

Build a Decisive Competitive Edge and the capabilities to capitalize on it, on big enough markets without exhausting the Company's resources and without taking real risks.

A company has a Decisive Competitive Edge (DCE) when it is satisfying a client’s significant need to an extent that no significant competitor can.

Most companies do not have a decisive competitive edge.
Typical Competitive Playing Field

Competitive Advantage
Better than the competition in a particular buying criteria

Price
Quality
Features
Service

Competitor A
Competitor B
Competitor C
DCE Playing Field

Decisive Competitive Edge
Satisfying a significant need to a degree that no significant competitor can
Some Examples

• **Availability** is a consumer’s significant need.

• When most cash is tied up in inventory and availability is still an issue, improving **inventory turns** is a client’s significant need.

• When the due-dates of the suppliers are notoriously bad, and late delivery has major consequences for the client, **reliability** is a client's significant need.
Snapshot of A Typical S&T
A Change is Needed

DCE = Satisfying a client’s significant need to an extent that no significant competitor can.

• The client has an unsatisfied significant need.
• How is the need typically addressed in the client’s buying process?
• How is the need typically addressed in the supplier’s selling process?

Reliability   Availability

Flexibility   Inventory Turns
BRAND CAMP
THE TIMELINE TANGO

I SURE HOPE WE END UP IN APRIL

WE COULDN'T POSSIBLY SHIP BEFORE JUNE

YOU'LL HAVE TO SHIP BY FEBRUARY

IF IT'S NOT THE TIMELINE TANGO, IT'S THE CHEAPER PRICE CHA CHA CHA CHA

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Why Change?

- The more significant the need, and
- The longer it has gone unsatisfied,
- The more the client has instituted paradigms and procedures which attempt to protect it from feeling the pain of the unsatisfied need, and
- The less it is considered in the client’s buying process, and
- The more it is off the radar screen of the suppliers.
Conditioned to Set Expectations

• Necessary Assumption: The client has a set expectation of what a vendor is supposed to present in a sales meeting. Following the set expectation of the client and just presenting the offer (without the supporting logic), guarantees failure.

• Most salespeople are conditioned to conduct a sales meeting in accordance with the set expectation of the client.
• To successfully sell based on a DCE, a salesperson must change the very nature of what he does and how he does it.

• It is crucial, therefore, that we
  – Enable each salesperson to fully understand and embrace the what’s and why’s of the changes he is asked to make.
  – Design the transition so that the salesperson is wildly successful very quickly by using the new approach.
Conventional sales methods are not effective enough to capitalize on a competitive edge that stems from anything other than the product itself.
1 - Mastering The Core

The client has a set expectation of what the vendor is supposed to present in the first sales meeting. Following the set expectation of the client and just presenting the offer (without the supporting logic), guarantees failure.
The Core Meeting Follows the Layers

What to Change?
Disagreement on the Problem
- (0) There is no problem
- (1) Disagreeing on the problem
- (2) The problem is out of my control

To What to Change?
Disagreement on the Solution
- (3) Disagreement on the direction for the solution
- (4) Disagreement on the details of the solution
- (5) Yes, but… the solution has negative ramifications

How to Cause the Change?
Disagreement on the Implementation
- (6) Yes, but… we can’t implement the solution
- (7) Disagreement on the details of the implementation
- (8) You know the solution holds risk

Layer 9: “I don’t think so” – Social and Psychological barriers
What if your suppliers would do what they promised

GUARANTEED!
Discussion Topics

- Introduction
- Problems & impacts on projects caused by supplier’s practices
- Criteria for any solution
- How we will perform differently
- Carbis guaranteed reliability program
2 - Closing Deals

Conducting a successful core meeting is usually insufficient to close a deal.

Knowing how to conduct core meetings greatly enhances the ability to design and conduct the prior steps in the sales process leading to the meetings and the subsequent steps leading from Buy-In to closing a deal.
Not the Sales Process

- Prospect likes the offer

**Quote(s)**
- Hopefully they will send us quotes
  - Which might turn into orders

**Order(s)**

**RI Meeting**
How Different are Operations & Sales?

Input
- 1. RM
- 2. RFQ
- 3. RI Meeting

Process
- Specialized Resources
- Engineered Activities
- Expected Duration & Yield

Output
- 1. Product, Payment
- 2. Order
- 3. Client

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Sales Process

From the current focus account list, or when assessing new accounts, do the industry conditions exist at the account that contribute to supplier unreliability?

*Industry Conditions Criteria*

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<tr>
<th>Home</th>
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<tbody>
<tr>
<td>Qualifying</td>
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<tr>
<td>Pre-Meetings</td>
</tr>
<tr>
<td>Problem Agreement</td>
</tr>
<tr>
<td>Solution Agreement</td>
</tr>
<tr>
<td>Overcoming Obstacles</td>
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<tr>
<td>Full Switch</td>
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</tbody>
</table>
Turning Customers into Clients

- A client awards the Company with the vast majority (>75%) of its orders for products that fit well the Company’s capabilities.
- Both the Client and the Company are more profitable as a result of the relationship.
- As with any relationship, the strength of the relationship between a Client and the Company is based on the demonstrated trustworthiness of both parties.
Four Phases of DCE Selling

1. **Realize**
   - Bring the desired client to realize the significant need.

2. **Decide**
   - Bring the desired client to decide to buy from the Company.

3. **Remove Obstacles**
   - Bring the desired client to remove the obstacles that otherwise prevent buying from the Company.

4. **Place orders**
   - Bring the desired client to place (more and more of its) orders with the Company.

Managing the overall relationship

- Converting quotes into orders

- Quote hit rate
- Share of total client spend
# Changing the Conversation

<table>
<thead>
<tr>
<th>Focus</th>
<th>Traditional Selling</th>
<th>Solution (Consultative) Selling</th>
<th>DCE Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Product Features &amp; Price</td>
<td>Problems the product will solve</td>
<td>Business problems the full offer will solve</td>
</tr>
<tr>
<td>Mode</td>
<td>Presentation (Pure push)</td>
<td>Questions (Pure pull)</td>
<td>Combination (Interaction)</td>
</tr>
<tr>
<td>Whose problem is being solved</td>
<td>Supplier’s</td>
<td>Customer’s</td>
<td>System’s (all stakeholders in the chain)</td>
</tr>
<tr>
<td>Salespeople must understand</td>
<td>The Product &amp; how it works</td>
<td>Cause-effect of product impact on client business</td>
<td>Cause-effect of supply chain practices on client &amp; company businesses</td>
</tr>
</tbody>
</table>
An organization that is used to dealing with only a few prospects at a time, is not set to deal with a quantum leap in numbers of opportunities.

Wasting, due to lack of proper attention, a desired prospect that had already expressed a genuine interest, is a crime.
Rewards of making the shift

• Hit rate moved from ≈ 20% to >60% in less than 1 year.

• .....No problem I really enjoy training and teaching everything I've learned. I hope they found it helpful. I want to be the Stewart Witt of [Company], I told [VP Sales] the other day. I finally after all this time feel like I GOT IT!! I don't sell [product] anymore I sell Reliability and I never thought I would after all this time. I still remember the story you told me about your first training with Dr. Goldratt and you didn't think you would ever get it and then it started to click. I don't know what clicked but it did! I feel like no one...beside you can sell reliability as well as I can. The confidence is FINALLY there. See ya soon and hope all is well. Again, thanks for all the help and more importantly my new way of thinking and selling!!!
About Lisa Scheinkopf

- Director, Goldratt Consulting Ltd.
- Past Chairman and Board Member, TOCICO
- Certified by TOCICO at Implementer Level in all TOC Applications
- Author and Public Speaker
- Thunderbird MBA in International Management
- One of the luckiest people in the world - no shortages of love and joyfulness with family, friends, colleagues, and work

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