

Selling Solutions Isn't Enough

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The word *solution* needs to be retired from the business vocabulary. What was once a meaningful, buyer-defined term that meant “the answer to my specific problem” is now generic jargon that sellers have co-opted to mean “the bundle of products and services I want to sell you.”

Management guru Peter Drucker made this observation nearly a half-century ago, when he said that customers are always more interested in their outcome than in your solution. “What the customer buys and considers value is never a product,” Drucker wrote. “It is always utility, that is, what a product or service does for him.”¹ In the

business-to-business (B2B) environment, many companies have moved away from this truth. They develop products and services (often described as solutions) from an internal view, and they attempt to sell them to the widest possible customer base.

In this article, we describe how four companies have chosen to move away from selling solutions in favor of identifying and delivering outcomes that customers want. The companies are State Street, which manages investments for large institutional investors; Avnet, which supplies electronic and semiconductor components to technology manufacturers; a large U.S.-based manufacturer of building products; and a leading U.S.-based construction, engineering, and specialty service company for the power and process industries.

We’ve observed that B2B customers define their desired outcomes in widely different ways. Beyond the obvious financial metrics (such as revenue growth and profits), goals might include delivering a better experience to buyers, fostering a more vibrant internal culture, achieving efficiencies, or revamping the company’s reputation. In each case, the desired outcomes represent leading indicators of that customer’s future business performance.

Becoming an outcome-oriented B2B business isn’t easy. It involves going beyond the organization’s comfort zone as

a technical problem-solver to engage in a more tailored form of collaboration with customers. Rather than relying on self-serving rhetoric to describe their solutions, providers need to better understand their customers' specific challenges, objectives, operating practices, and competitive environment. Armed with these insights, the four companies discussed here assembled the relevant resources (both internally and through third parties) to create offerings that deliver value within a customer's specific business context and culture. (See "About the Research.")

About the Research

This research is a collaboration between senior business leaders from four B2B companies, a professor of marketing, and a consultant who has extensive experience working with B2B companies. The framework synthesizes the experiences of the B2B executives in implementing an outcomes-based approach in their respective organizations, but it also draws on the wider body of research that the other coauthors have conducted on how B2B companies think about the value they deliver to their customers. Over a 10-year period, this research has involved one-on-one interviews with more than 600 business leaders, 360 marketing and sales executives, and 270 B2B customers. The interview subjects represent a wide range of industries, including technology products and services, health care products, financial services, industrial engineering and construction, and building products. In addition, 500 B2B business managers have participated via workshops. The insights gained from the interviews and workshops have been refined through successive waves of online research involving more than 3,800 B2B customers.

Making the case for change can be challenging. The organizations we describe were already acknowledged leaders in their field and had been generating strong financial results. However, the changing nature of the B2B environment and their customers' desire for increasing levels of customization convinced the executives that an outcomes-based approach was required to maintain their market leadership.

The Changing B2B Environment

For decades, B2B success relied on developing products or services that outperformed the competition and progressively improving them while maintaining strong sales relationships. B2B offerings were sold by specialists to specialists, largely on the basis of functional performance and technical sophistication.

In recent years, however, the dynamics of most B2B markets have been disrupted by four factors:

- **The commoditization of quality.** The technical and qualitative differences between competing offerings have been dramatically narrowed by the widespread adoption of total quality management, Six Sigma, and similar methodologies. As a result, high quality has become table stakes, and companies need to deliver additional forms of value.
- **New technologies.** In many industries, new technologies such as cloud computing, mobile applications, and artificial intelligence pose an existential threat to some business models because they offer cheaper and simpler ways to deliver the same functionality.

- **The abundance of product information.** Easy access to information means that B2B customers can do research on their own before the formal sales process begins. Therefore, customers are less inclined to ask, “What does your product do?” than “What can it do for *me*?”
- **A shift from cost to value.** Procurement at customer organizations used to focus almost solely on negotiating for the lowest price. Today, it’s aimed at identifying the supplier that can help generate the greatest business value.

Any one of these changes in isolation would require B2B companies to revamp their marketing practices. Collectively, they demand a complete reset in how companies create value for customers.

Five Key Dimensions

In our experience, B2B companies pursuing an outcomes-based approach have to change along the following five dimensions. (See “Implementing an Outcomes-Based Approach.”)

Changing the definition of success. An outcomes-based mindset requires recognizing that success is measured in terms of the value received by the customer. Accordingly, a key step is engaging with employees from all areas of the business to identify — collectively and function by function — how the company can provide more of that value. Such conversations can help companies redefine what they mean by “most valuable customers.” Rather than focusing on those who buy the most (or who have been buying from them the longest), they should pursue the customers for whom they can *generate the most value*.

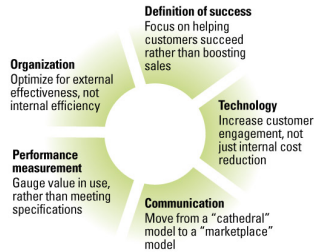
This concept — that B2B companies are in business to make their customers more successful — requires focusing on the customers’ customers. Through this lens, the companies in this article have had to articulate their definition of success in a way that connects employees with the ultimate purpose of their work. Avnet’s brand promise, for example, used to be that it served as the logistics arm of technology component manufacturers — a supply-driven identity that worked well for many years. Today, Avnet considers itself a component-sourcing partner for a diverse group of “makers” that includes both global technology companies and garage-based entrepreneurs.

State Street’s direct customers are institutional investors, but it has recently articulated its purpose in business-to-business-to-consumer (B2B2C) terms: “Pursue faster, easier, more responsible ways for the world’s investors to stay ahead” (which speaks to the interest of individual investors who entrust institutional investors with their savings).

Similarly, both the building products and industrial infrastructure companies have made explicit efforts to link their offerings to emotionally resonant purposes. With building products, the purpose is protection and security; with industrial infrastructure, it is laying the foundation for modern living.

Implementing an Outcomes-Based Approach

Focusing on customer outcomes rather than internally generated “solutions” requires that companies take action across five dimensions.



Changing the approach to technology. A key test for whether an organization is oriented around customer outcomes is the role of IT. Eduardo Conrado of Motorola Solutions is one of the rare business leaders to have served as senior vice president of both marketing and IT. He observes that IT's role is strongly influenced by where it sits in the organization: If IT reports to operations, it will focus on supply chain and other internal efficiencies. If IT reports to finance, it will focus on cost reduction. And if IT reports to marketing, it will focus on creating seamless and valuable relationships with customers. ²

Each of the four companies featured in this article has sought ways to use emerging technologies to deliver distinctive value to customers. State Street, for example, has focused on providing customers with a near real-time status on their in-process transactions (similar to the tracking information that shipping companies provide), giving them superior visibility into their trading positions and portfolio composition.

In both the building products and industrial infrastructure companies, the use of drones lets customers visualize their options more clearly (through rendering of how various products would look in their specific building or home) and monitor the job progress.

The latter is especially valuable for industrial facilities, given their remote location.

Avnet, for its part, has used technology to standardize and automate some low-value processes (such as simple ordering and fulfillment) at lower costs. However, the company has also invested heavily in capabilities and tools that have a bigger impact on the customer relationship. Recently, for example, it rolled out an "always on" digital design service tool that lets U.S. customers identify the different components and configurations they can use in their designs and see the corresponding lead times and costs for each option. Already, the new service is being used on more than 700 projects, saving customers from two to five weeks (depending on design complexity) of development time. Avnet is planning to roll out the service worldwide.

Changing how the company is organized. Orienting the company around customer outcomes typically requires a degree of internal restructuring and alignment, as priorities shift from maximizing the efficiency of each department to maximizing the contribution the entire organization makes to the customer's success.

Avnet's organizational changes have been far-reaching. In late 2016, the company sold a major division (representing 40% of its legacy business) and then proceeded to complete a major acquisition. In the process, it consolidated its global design and technical services, enabling faster response times for customers developing prototypes of new products. These enhanced service capabilities — available earlier in the design process — have led to deeper relationships with customers.

For State Street, structural change has involved reorganizing around customer segments (for example, pension funds or insurance companies) as opposed to service offerings (such as trading, risk, or investment management). The new structure ensures that customers interact with a client-facing team that is deeply versed in their needs. As part of the redesign, State Street revamped its training programs to help employees understand the issues and regulatory and operational requirements of each customer type.

The industrial infrastructure company initiated a similar restructuring to ensure that each power and process customer engages with personnel who know its industry and type of work (be it capital projects, specialty engineering services, or plant maintenance).

Changing how the company communicates with customers. The increased availability of information and peer-to-peer engagement has fundamentally changed the role of communications in the B2B purchase cycle. Today, prospective customers enter the formal sales process better informed through their own research, including information from suppliers and — equally important — from current customers, user groups, and other forums. The traditional focus on communicating technical content (sometimes referred to as the “cathedral model”) has given way to a “marketplace model,” in which B2B companies are just one voice among many interactions happening both physically and online.

Social media has, of course, accelerated this shift. In business-to-consumer (B2C) environments, where the typical goal is to spur spontaneous purchases, companies have been investing in location- and context-based applications. In the B2B environment, by contrast, the

real value of social media is in how it connects companies to customers (and to their customers’ customers). It reveals where, when, and how customers are sharing content among their peers, allowing suppliers to generate new insights and forge more direct ties to their customers.

For example, the building products company conducted an extensive “digital listening” exercise across a broad range of blogs and online forums dedicated to commercial and residential construction. By using natural-language algorithms to identify relevant conversations and human-supported machine learning to classify the conversations, it has been able to understand the topics of greatest interest to customers, monitor the sentiments associated with customers’ experiences, and track how often the products and brands of the company and its competitors were mentioned. These insights have enabled the company to develop content relevant to each key topic and, where appropriate, make it available to those participating in the online discussions. This approach has proven so valuable that the company is collaborating with contractors and distributors on a proprietary tool for exchanging information on a near real-time basis.

Avnet, too, monitors user forums and has recently created a number of user sites of its own where engineers and entrepreneurs can share practical tips and expert commentary on a range of relevant and emerging topics. In the company’s view, current and potential customers are likely to get more value from a forum devoted to technical issues and work-arounds than from white papers demonstrating the company’s engineering prowess or thought leadership. Avnet’s forums currently have

nearly 1 million registered engineers, a number that is growing by 25,000 users each month.

State Street uses social media not only to monitor the pulse of the institutional investors who make up its customer base but also to learn about the needs and expectations of retail investors who invest through those organizations. While it's fairly common for financial organizations like State Street to conduct research on the investment appetites of institutional customers, they don't typically pay attention to social media at the retail level. Nevertheless, State Street has found such engagement useful. Although it doesn't treat these online discussions as a source of potential sales leads, it does like to contribute to online investment discussions with timely, relevant, and jargon-free commentary.

Changing how the company measures value. In the past, B2B suppliers aimed to deliver products that matched the customer's technical and operational specifications. Assuming the product met the specs, the supplier's job was complete.

Under an outcomes-based approach, suppliers need to rethink their metrics of success and help customers assess the value their products and services generate. In some settings, quality will no longer be internally defined (measured, say, in manufacturing error rates) but instead gauged by how well a product meets the customer's expectations for quantitative and qualitative business impact. Likewise, measures of internal efficiency (such as inventory turns) need to be supplemented by external measures of effectiveness (such as accelerating a customer's time to market or increasing engagement with customers).

While the four companies in this article are at different points in their journey to rethink the measurement of outcomes, all their sales teams are beginning to collaborate with individual customers to help them articulate quantitative and qualitative business objectives. Clarifying these objectives helps customers weigh the merits of various options and offerings. Moreover, the assessments don't stop after the sale. Rather, they can include usage rates and other agreed-upon business performance measures once the product or service is deployed. Moving from traditional sales contracts to subscription-based models can make higher levels of engagement and post-sale assessments even more important.

Underlying the approach of the four companies is the explicit identification of the ways in which their products and services contribute to the superior business performance of their customers. This involves detailed examinations of how the customers make money and how the companies can contribute to their customers' success in ways that go beyond the functional quality of their products and services. For example, State Street and Avnet are developing in-market key performance indicators linked to the commercial success of individual customers. State Street uses Net Promoter Score,³ a marketing metric used by many companies to identify customer "pain points" and sources of "delight." Avnet is working to quantify the value that individual customers get from reducing development time and cutting overall costs when they turn ideas into products and begin generating revenue.

Given the large number of contractors and distributors with which it interacts, the building products company has tailored its measurement efforts around how different

customers define value. For some, the dominant value driver is advice- or relationship-based; for others, it's the validation that the manufacturer provides their business through certification and warranties; and for another small segment, it's simply about price.

The common thread is the desire to demonstrate the company's value as a trusted collaborative partner that aligns with each customer's business priorities — not only during the initial sale but throughout the commercialization phase and life cycle of the product or service.

A Challenging — and Rewarding — Path

As the B2B environment becomes more dynamic and demanding, enterprise customers want their suppliers to stop selling prepackaged “solutions” and actively contribute to their commercial success. Based on our collective experience and analysis, moving in this direction requires changes on multiple levels. Companies that develop an outcomes-based approach will be able to collaborate more directly with their customers and take on shared responsibility for creating greater, and more sustainable, value. When their customers win, they will also win.

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