

It's Worth \$1M. But, I'm Scared



This paraphrases the situation a friend of mine, selling a sophisticated yet simple product, frequently encounters. The fact the company he's selling for can't get past the objection reflects an indifference to customer sensitivity. A lack of customer-centricity.

The question today is how to compete moving forward. If you're in a market like the U.S., Western Europe, or Japan, you face a mature slower-growing economic environment—current economic challenges notwithstanding. Using the automotive industry as an example, growth of 20, 30% annually is considered good. In North America, 2-3% is considered good.

So if your market is mature and you can't count on a rising tide to float all boats, how do you prosper?

The days of competing primarily on product and price, particularly for commodity-oriented offerings, are dwindling. If you're selling a car, there are numerous 'family sedans' with almost identical feature sets, for nearly identical prices.

This suggests a new way of competing must become prevalent.

Increasingly, having a strong customer focus appears to be that way. Think of it now as the 3 Ps. You have to be able to compete on the first 2 Ps, Price and Product. The third, is *Partnership*.

Partnership is important for both your business partners as well as customer, but for now we'll focus on our customers.

Partnering with your customer, having more than a purely transactional relationship, is one of the key drivers behind social media. Social media enables a company to make itself directly accessible to the consumer—without forcing them through 3rd party channels. It allows the consumer to increasingly identify with the company and/or its brands. At the same time, it allows companies to understand its customers in order to further improve products while also tweaking them to more closely match consumer interests and desires.

Success = Price, Product, & Partnership

Thinking in terms of Price, Product, and Partnership, we can take a closer look at my friend's product sales dilemma. At a high level, his company has developed a new generation manufacturing tool dramatically improving production. In one example, live demonstration showed a bottom line improvement of \$1M/yr in production costs for less than \$20K in new tooling. If you could show a 2,000% ROI, you'd jump *all over it!* Or would you?

Senior company managers, most with financial backgrounds, cannot understand why, with numbers like this, the customers aren't *flocking* to use their product.

While laziness and nervousness may be contributing factors, perhaps the biggest is simply *inertia*. Approval processes (e.g. process changes, supply requests, purchase approvals, etc.) can often deter change. At the same time, allowing the status quo to continue is low risk. No one gets fired for maintaining the status quo. Making change risks failure, risks unwanted visibility, and realistic or not, risks employment.

In this case we have an example of having Price and Product, but missing on Partnership. With a new product there is often a credibility gap. Even if a customer's own testing shows stellar results, simply selling on price and product requires *the customer* to bear all the risk—alone.

Consider a possible customer-centric, customer-focused approach. For a strategic customer, consider *giving* them product (we're talking <\$20K in this case) up front, in exchange for an ability to do real-world data collection, use of their name and endorsement if successful within specified metrics, and a portion of the identified ROI. Now, you have 'skin in the game', you're personally invested in your customer's success, they're not feeling alone, and there's an opportunity for both to win handsomely. All of a sudden, instead of

simple transaction, you've made an investment possibly leading to a long term *relationship*.

In my view, observing change and challenge around us, it will become increasingly important to develop effective, *productive*, relationships with everyone around us. There is always someone who can undercut us in price, or produce a more finely tailored product, but they cannot beat us on relationship if they don't have one.