

The Economic Shift is Permanentⁱ

By Dave Kinnear

It is my opinion that the present economic situation, slow steady growth and relatively depressed consumption, is the way things are going to be for quite some time. We may well see a generation of people whose values are redefined by their experiences during the recent recessionary times, much as we have seen the depression generation's values set by their experiences. We have only to look at the fact that we are presently significantly above the 2007 GDP with many fewer full time employees to realize that we will not enjoy the fast increase in consumption we've had in previous recoveries.

Given that we all collectively remember that much wealth has been "destroyed" in the severe recession and that economic security is now on everyone's mind, we may well see our economy NOT return to such consumer focused activity as we saw prior to 2008. If we accept that such may be the case, then the question is: "How will we change our companies to accommodate a lower revenue stream?" Even if you believe that the consumer will eventually forget all the pain from these past several years, it would be wise to have a worst case scenario plan developed just in case. What will you do when sales are more difficult to come by, when it is an extended buyer's market and relationships matter more than ever? How will you survive with a long sales cycle?

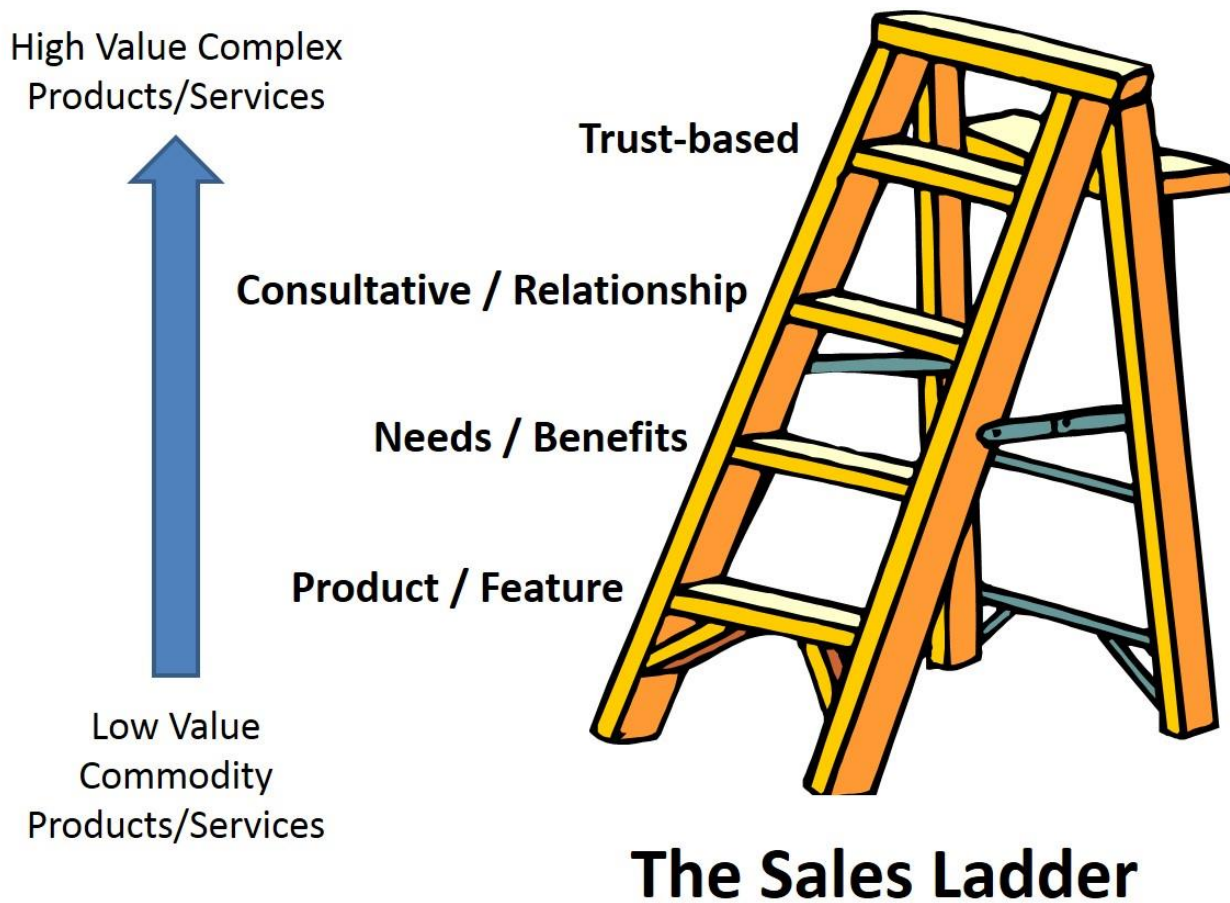
I believe it is time for all of us to get "back to basics." As business owners and as consumers we must make each significant purchase count and partner only with vendors we trust. Our horizons must lengthen beyond immediate gratification to wise use of financial and ecological resources. We will have to find new solutions to old problems, become less of a "throwaway society" and focus more on branding (trust,) innovation of products and services. What would such trends mean to your business?

In his 2006 book *Trust-based Selling*, Charles Green writes eloquently about what it will take to build long-term relationships using customer focus and collaboration. We should all dust that book off and re-read it to get a hint about what we might need to do to survive the next couple of decades. As business owners, we will need to begin changing our corporate culture from one of short-term (quarterly if we're public) goals to at least mid-term goals with a long-term vision. We must move up the ladder of sales awareness to the fourth rung. As defined by Green, the sales ladder comprises four rungsⁱⁱ: (1) Product/Feature Selling, (2) Needs/Benefits Selling, (3) Relationship Selling and (4) Trust-based Selling (See Figure 1 below).

There is an old saying with which most business people are quite familiar: "Nothing happens until there is a sale." To this I would add that "There will be no significant sale until there is trust." And if we believe that purchases will be slower, more deliberate and with more long-term goals in mind, then it follows that there will be far more competition for the significant purchases and therefore more trust required. And it takes a relatively long time to build trust. So will the buyer and seller want to build trust for every transaction? I say the answer is no, we build trust for the long term, not by individual transactions. However, it doesn't take many one-sided transactions to destroy years of trust building.

I believe the first two rungs on the ladder no longer require salespeople. The third rung requires very little salesperson time as well. We continue developing web-based systems that will allow any customer to research and purchase without much help at all from a salesperson. I don't know about you, but for me, almost everything I purchase from books to office supplies, from theater tickets to computers I largely purchase on-line these days. Only rarely do I need to speak with a salesperson for these commodity products or services. The rest of the "large purchases" are based on research and trust along with consultation with a few colleagues. If that's where we are headed then any salesperson earning her or his living will be spending a great deal of time building relationships and trust.

Figure 1: Trust Based Relationships



Let's speak briefly about the so called "Sales Ladder." First some general comments. I've become convinced that "Sell" is a four letter word in more ways than one. Consumers are tired of advertising and selling. They know when and how to buy and do not appreciate being "pushed" by strong selling tactics. Connect some dots if you don't believe me. For example, on television we see more product placement in the show content. Why? Because advertising isn't nearly as effective as it used to be. Next,

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many companies are moving resources away from sales to branding and marketing. Why? Because consumers don't want to see salespeople and are doing research as well as purchasing on-line. You can come up with a whole host of other examples that will convince you advertising and selling are no longer effective. So now to the sales ladder.

The first three rungs are very salesperson oriented. The goal here is for the seller to get the order. It has little to nothing to do with the customer. Yes, even the consultative selling is salesperson oriented because, as it is taught, the whole reason for you to listen to the customer, find their needs and then close the deal is just that – the goal is to close the deal, make the sale.

The **Product/Feature** selling rung: You have a solution. It's defined and this type of commodity sale has moved to the web. No salesperson is needed. Example: Look at Amazon, one can purchase just about any commodity item need with the click of a mouse and, if you purchase enough or are a "member" you can get it shipped free to be received in a couple of days.

The **Needs/Benefits** selling rung: Starts with a problem definition. Again, today one can simply type a question into the search bar on a PC, smart phone or tablet and find solutions to the problem. No salesperson needed. It's all on the internet. Example? You have the problem of wanting to share a bunch of photos on your own website. The pictures you took are hi-resolution and take too much room on your site as well as too long to upload. Let's say you're using a windows PC and are on a limited budget. Type "Free image resizer software for Windows" into your Google search bar. Viola! No salesman needed – even for the not free purchased software!

The **Relationship** selling rung: Here one recognizes that the long term value of the customer transcends this single transaction. The customer needs additional information about how to engage with a vendor. The salesperson, while not necessarily providing information about the product and/or service as was needed in the past, does need to help configure the engagement. The focus, however, is still on engaging the customer; that is, getting the order. Properly done, this relationship will lead to the next rung of the ladder. Perhaps examples for this approach can be found in your relationship with an insurance agent for your business or your valued banker. Generally, these are long-term relationships where your provider knows your business quite well, but still, you know their aim is to book the next order or make the next loan. You don't always feel they have your best interest at heart, but look at you and your company as an opportunity to "increase sales" with existing customers because we all know that's the least expensive sale to get.

The **Trust-based** selling rung: The buyer is convinced that the seller authentically has the buyer's best interest at heart not just his or her own. In other words, the seller truly cares about the customer for the customer's sake, not simply as a way to "get an order." This relationship is long term, requires a lot of energy and resources, takes into account all stakeholders and is generally reserved for complex, non-commodity products and services. It involves NO selling, but rather is focused on adding value. Perhaps an example here would be your relationship with a trusted physician. You understand that they have a

business to run and need to be paid for their services. However, you get that they authentically have your best interest at heart, not just their own. They do want to keep you healthy. They share data on how to live a healthier life style. They do not prescribe medication in order to push pills and get a “kick-back.” They know about your family and your interests beyond just small talk. Likely, your physician is in a concierge practice so that he/she can limit patients in order to focus on individual needs rather than seeing as many patients as possible in order to pay the bills.

Green helps us understand the trust building process and provides a definition of trust that I find fascinating. Trust is defined asⁱⁱⁱ: $T=(C+R+I)/S$ where “T” is trust, “C” is credibility, “R” is reliability, “I” is intimacy and “S” is self-orientation. If you wish to do so, you can rank yourself on each of the variables on a scale from 1 to 10 for any particular product and/or service at each customer.

Credibility has to do with the words we speak and the perception of our “domain expertise.” Are you a credible resource for the topic, product, or service at hand?

Reliability on the other hand has to do with do we deliver on the promises we make. Do you deliver the product or service when you say you will? Every time?

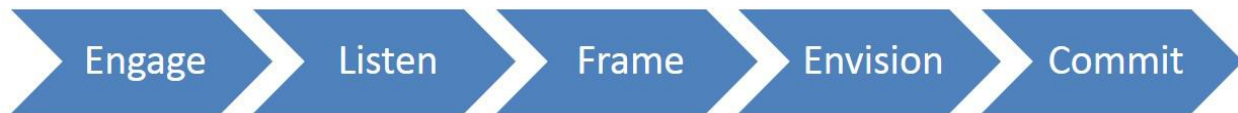
Intimacy refers more to the relationship that you have with the other person. Do you make sure to understand the context in which they work? Do you go out of your way to make sure you support them and never embarrass them?

Self-orientation is the outlook or attitude of the person involved. In other words, is that person (you, the seller for example) more interested in achieving their own goals or do they have the other person’s (the client or customer for example) best interest at heart – authentically, and not just to get an order or reach some other goal.

As you can see from the formula for trust, if you are perceived to have a high self-orientation, then you will diminish trust. Even if you have a reasonable “rating” on the other parameters, you will likely undo any trust if you are perceived as being “in it for himself or herself.” This is why I have stated that trust in a human relationship is “I get that you authentically have my best interest at heart, not just your own.” Of course, we all have some self-interest, but if that self-interest is your major focus (get the order so you can meet your sales goals even if it isn’t necessarily the right thing for me) then I will not have very much trust in your or your recommendations.

Green also provides a guideline for building trust^{iv} (Figure 2 below). He refers to the Trust Creation Process as:

Figure 2: Trust Creation Process



Engage: understand what your customer values; be well-prepared to discuss one of those issues

Listen: to the themes and issues that are important and real to the customer

Frame: the true root issue or opportunity statement in terms both of you agree to

Envision: jointly, an alternative end state of how things will look when resolved

Commit: action; offer specific actionable steps that are agree upon by both parties

The point of all this is that we must recognize the conundrum here. We must authentically have our customers' best interests at heart. We must have faith that by doing so, we will gain more business. Yet, we cannot be authentically customer-oriented if *our goal* is to gain more business for ourselves! We will be seen as manipulative if we feign "other-orientation" when we really are dealing with our own best interests at heart. There will be no trust.

So if we want to be prepared for this "new" economy, then we may want to accept the premise that there will be a lower level of consumerism and a higher level of savings. This will affect all of us right through the whole supply chain. If we are in commodity products, we should move sales to be web-based with customer support rather than sales personnel. If we have complex products and/or intangible services, then we should be prepared for a longer and more competitive sales process. We should train our sales people to always work on the top two rungs of the ladder (relationship and trust-based) and insure that our major customers and products are being presented in the trust-based selling space. As business owners and leaders, we must change the way we remunerate our sales team so that their goals are more aligned with the customer's needs (not taking orders off the desk to meet quota.) We have to move away from the short-term gains at the expense of long-term trusting relationships. All of this will require focus, commitment and a drastic change in most corporate cultures.

About the Author



Dave Kinnear is a Business Advisor, Mentor and CCE – Board Certified Coach. Through his affiliation with Vistage International, Dave convenes and facilitates peer advisory boards of Business Owners, Company Presidents, General Managers and Chief Executives dedicated to becoming better leaders who make better decisions and achieve better results. Dave provides one-to-one mentoring for these highly successful executives as well as facilitating monthly advisory board meetings. In addition, individual executives who are presently running successful businesses and executives in transition work with Dave to ensure meeting corporate and personal career goals.

Dave has more than 4 decades of business experience. He has worked with some of the world's largest semiconductor corporations including Toshiba America Electronic Components, Advanced Microdevices, Fairchild Semiconductor, and United Technologies. His career has spanned Electronic Design, Application Engineering, Procurement Management, Sales and Marketing Management, Business Systems Implementation and Analysis, and Operations. In addition to his work with Vistage, Dave is the founder and CEO of dbkAssociates, Inc., a change management consulting and executive coaching firm for leaders in small and mid-sized enterprises.

Dave keeps abreast of current business management through professional speaking, writing, and consulting on corporate governance and business best practices. He engages a wide variety of business entities in all economic sectors including not-for-profit corporations, industrial manufacturers, medical and pharmaceutical manufacturing, Employee Benefits, Logistics, Cost Recovery, Lean Label Manufacturing, Distribution, Software and IT corporations. He has served as an expert witness on corporate governance issues.

Dave holds a Bachelor of Science degree in Electronics Engineering and is a Master of Business Administration. He is a Board Certified Coach (BCC) with the Center for Credentialing & Education. Dave is a life time member of the Institute of Electrical and Electronic Engineers (IEEE), sits on the board of the California Conference for Equality and Justice (CCEJ), and sits on other not-for-profit and private for-profit boards. Dave is also an executive-to-executive mentor to Executive MBA students at the UCI Paul Merage School of Business and a coach for the Center for Entrepreneurship at CalState University, Fullerton.

Intentionally creating a better world one leader at a time.

ⁱ This article is updated from a previous version "An Economic and Sales Reset" first published in 2009.

ⁱⁱ Charles Green, Trust-based Selling, McGraw Hill; ISBN0-07-146194-9, Copyright 2006, page 19

ⁱⁱⁱ *Ibid* page 45

^{iv} *Ibid* page 47