

Giving Customers What They Want:

Growth and differentiation through
selling business outcomes



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To avoid commoditization, increase revenues, and become more profitable, B2B product companies would benefit from a new approach to their sales efforts: custom-developing true solutions that deliver business outcomes for specific customers instead of relying solely on prepackaged “solutions” that are simply bundles of existing products and services.

In this paper, we explore why an outcomes-based sales approach is becoming increasingly critical for vendors in virtually all industries, how this approach is substantively different from traditional selling, and the capabilities companies will need to successfully adopt it.

The evolution from “solutions” to outcomes

For years, traditionally B2B product-focused vendors have been selling solutions as a way to differentiate themselves from competitors and create new (and higher-margin) revenue streams. In fact, today it's hard to find a major B2B product company that doesn't offer some types of “value-added” solutions that complement their standard product lines.

The rationale behind this move is a sound one. Recent Accenture analysis found that product companies, in which a complementary services business accounted for more than 25 percent of overall revenue, exhibited higher revenue growth and profitability in the past four years and tend to be consistently more profitable over time.

However, while an improvement over a purely product-focused business, most “solutions” offered by product companies today are, at their core, simply prepackaged offerings that are cobbled together from products and services the companies already sell. These packages are then

“pushed” out to prospective customers, in search of a problem to solve. In essence, many companies that claim to be selling solutions are simply trying to convince a customer to buy a particular bundle. Such prepackaged offerings can be useful for optimizing price and boosting the overall volume of products sold. However, because they often aren't designed to target a customer's true needs, they shouldn't be confused with true solutions.

Furthermore, selling such solutions has gotten more difficult in recent years, as B2B buyers have become more knowledgeable and sophisticated—to the point where many no longer need the “help” of a salesperson to create a solution. For instance, according to a recent study of more than 1,400 B2B customers by the Corporate Executive Board, those customers completed, on average, almost 60 percent of a typical purchasing decision before they even talked with a supplier. In other words, salespeople are increasingly being viewed by customers as an obstacle rather than people who can add value to the purchasing process.¹

To truly distinguish themselves from competitors, deliver greater value to customers, and grow more profitably, B2B companies should add a powerful new approach to their business arsenal: focusing on deeply engaging with customers to get to know their unique needs, and designing and delivering a true solution—one that will help the customer address complex needs and deliver a positive business impact. We call this approach “outcomes selling.”

Selling outcomes is the natural next step in the evolution of the traditional products business (Figure 1)—from a pure focus on products, sold as transactions on a cost-plus basis, to a suite of more robust offerings based on a value-minus arrangement requiring a deep partnership cultivated at higher levels of the customer organization. Progressing along this continuum requires increasingly more sophisticated capabilities, but can also result in stronger returns in the form of higher revenue and margin growth.

Indeed, the business case for an outcomes-based sales approach is compelling. By engaging with higher-level executives to explore the business objectives customers are trying to achieve, and creating a tailored solution focused on delivering those outcomes, a vendor becomes less vulnerable to being commoditized and competing on price, unlocks greater possibilities to sell more of what it provides, and creates a new high-margin, value-based revenue stream that augments its core product business. An outcomes-based approach also enables product companies to create more strategic, longer-lasting partnerships with customers based on shared risk and reward.

Leading companies in industries such as high-tech and industrial equipment are already adding outcomes-selling approaches to their existing businesses. We highlight one company's adoption of outcomes selling in the sidebar A High-Tech Company's Journey to Outcomes Selling.

Importantly, outcomes selling is an additive to the existing product business, not a complete replacement. This means that product sales teams will continue to respond to RFPs (as this is often the bulk of today's business), while outcomes sales teams will focus on proactively generating new demand. In some cases, RFPs can be an opportunity for an outcomes sales

team to "flip" the conversation—identifying the true underlying business issue that is driving the RFP instead of simply offering the product specified. In any case, it's critical for a company's business executives and sales leadership to set a clear strategy that enables product selling and outcomes selling to coexist and ultimately support one another.

¹ "The End of Solution Sales," Brent Adamson, Matthew Dixon, and Nicholas Toman, *Harvard Business Review*, July–August 2012, <http://hbr.org/2012/07/the-end-of-solution-sales/ar/1>

Figure 1: The evolution of the traditional products business.

Differentiating Attributes	Products & Services	Bundle/Prepackaged Solution	Outcomes-Based Solution
Product Offering	Product SKUs (e.g., feature/ benefit) Break / Fix Service	Product / Service Bundle "Off-the-Shelf" Solution	Custom Solution Configurable Solution Architecture
Typical Buyer Profiles	Location manager through procurement	Dept. / middle manager through procurement	Proactive origination with VP to C-suite / general managers
Typical Value Propositions	High Quality Enhanced Features Low Cost	Product/service bundle Preplanned maintenance Just works and one throat to choke	We understand your challenges and commit to delivering an outcome Designed to deliver against critical business needs Ability to design, deliver and operate
Monetization Philosophy	Cost Plus Margin Channel Incentives	Bundled price at net discount Higher cross-selling volume	Value Minus Custom Partnering Model (e.g., value-based deals)
Channel	Field Sales & Channel Partners, E-Commerce	Field Sales & Channel Partners, E-Commerce	Direct Select In-Market Strategic Partners
Key Differentiating Capabilities	R&D Product Marketing Channel Partner Enablement	Product Architecture Cross-BU Sales Incentives Market Intelligence & Customer Targeting	Business Model & Monetization Strategy Partner Ecosystem Strategy Account Management & Relationship Development Solution Architecture Cross-Organization Enablement Services Delivery Customer Intelligence
Reward	Typical industry margins	Increased revenues via higher share of customer wallet Elevating mind share with customer	Opportunity to share in value created from achieving desired outcomes Revenue streams that augment core products business
Risk	Increased competition and decreasing differentiation in most categories More transactional customer relationship; procurement-driven buying process puts pressure on price	Price negotiation in bundles can equate to lower realized unit price Customer may feel "oversold"	Loss of upside dependent on reward profile Tied to delivery of outcomes Complexity and elongated sales cycles

Note: Mutually reinforcing models. Doing one doesn't mean you don't do the other.

Source: Accenture analysis 2014

Four Ways Outcomes Selling Is Different

The difference between selling outcomes and traditional solutions selling is not just a matter of semantics. In practice, an outcomes-based selling approach differs significantly from traditional solutions selling in four key ways.

Having the right conversations with the right prospects

In outcomes selling, the sales team doesn't respond to RFPs or pursue candidates for opportunistic sales. Instead, its approach is much more strategic: It proactively seeks out specific target accounts that have significant partnering potential and are looking for outcomes that the company can help them achieve. When they find the right prospects, salespeople can then have discussions that reveal customers' most pressing needs, and lead to the identification of ways the vendor can provide value. And in virtually all cases, those discussions must be had with higher-level senior executives who, unlike most product companies' traditional buyers, have the authority to develop and execute relationships constructed to deliver outcomes.

Here's an example: A manufacturer of windmills could respond to a procurement-issued RFP for a set of windmills a customer wants to purchase to populate a wind farm it is developing for power generation. Or it could work with senior leaders of the company to help them design the wind farm's infrastructure in a way that optimizes the use of the acreage, and to implement and operate a command console that enables the customer to generate the greatest possible amount of power from the farm. Those are obviously two very different conversations that lead to very different sales results.

Engaging customers in deep conversations about what they really need to move their business forward requires very different skills in a salesperson than what's needed

to simply knit together a bundle from existing offerings. In particular, industry experience is critical to the conversation. A salesperson must truly understand a customer's business and the industry challenges that the company faces, in order to be able to hold a meaningful conversation, which ultimately leads to the right solution. It also means investing the time and energy in proactively developing a point of view, based on a deep understanding of the customer's business and industry, on how the company can help the customer achieve its most desired outcomes.

In many if not most cases, the most powerful solutions—ones that are truly unique and address customers' major pain points—are those developed jointly with customers through these in-depth conversations with executives who are most responsible for moving the business forward.

Designing the right custom solution

While they include existing products and services, solutions focused on outcomes typically go far beyond simple bundles comprised of offerings in the current portfolio. For instance, in the preceding windmill manufacturer example, the solution might require offerings from other vendors because the company doesn't provide them, as well as new services designed specifically for the situation. Because of this, a team designing a solution must be able to find the appropriate components and skills from across the organization; bring in appropriate partners from its own ecosystem to help define the solution; and be willing to even codesign the solution with the customer.

Creating new commercial models

Outcomes-selling presents opportunities for companies to devise new commercial structures, which move beyond selling a piece of hardware, turbine or oil pump for a particular price. Instead, price rarely forms part of the equation, as it is replaced by true risk-and-reward arrangements, in which the vendor is compensated, based on the extent to which the solution enables the customer to achieve its desired outcomes. Such arrangements create a powerful new value-based revenue stream, which augments the company's core business of selling products, and makes the company a true partner in the customer's business.

Some examples of partnering models, each with varying degrees of risk and payoff, are highlighted in Figure 2. The more an offering moves away from basic products sold on a transactional basis toward a true value-based solution geared toward delivering outcomes, the greater the risk and the reward.

Importantly, when evaluating these new commercial models and monetization schemes, a company needs to understand, plan for, and articulate their impact on its financials. Executives must recognize—and clearly explain to investors and other stakeholders—how the short-term revenue deferral that the company realizes, as it adopts new outcomes-oriented commercial models, ultimately translates into a much greater upside over the longer term.

Building and delivering the solution

As is the case with designing the solution, working across all areas of the company and with the appropriate ecosystem partners is key to actually developing the solution.

Internally, building and delivering the right solution requires teams to transcend established siloes and financial reporting structures in order to engage the necessary sales, product and engineering skills anywhere in the business. Doing so generally requires new internal compensation and incentive models, as well as new C-suite-directed governance, that will encourage "team play" toward the creation of the best solution for the customer.

Externally, a company must recognize what its strengths are as a business and play to them, while tapping into those of its partners, to access key capabilities that the company lacks. The companies that are most successful in building outcomes-based solutions are those that are adept at identifying the right partners to fill key capability gaps.

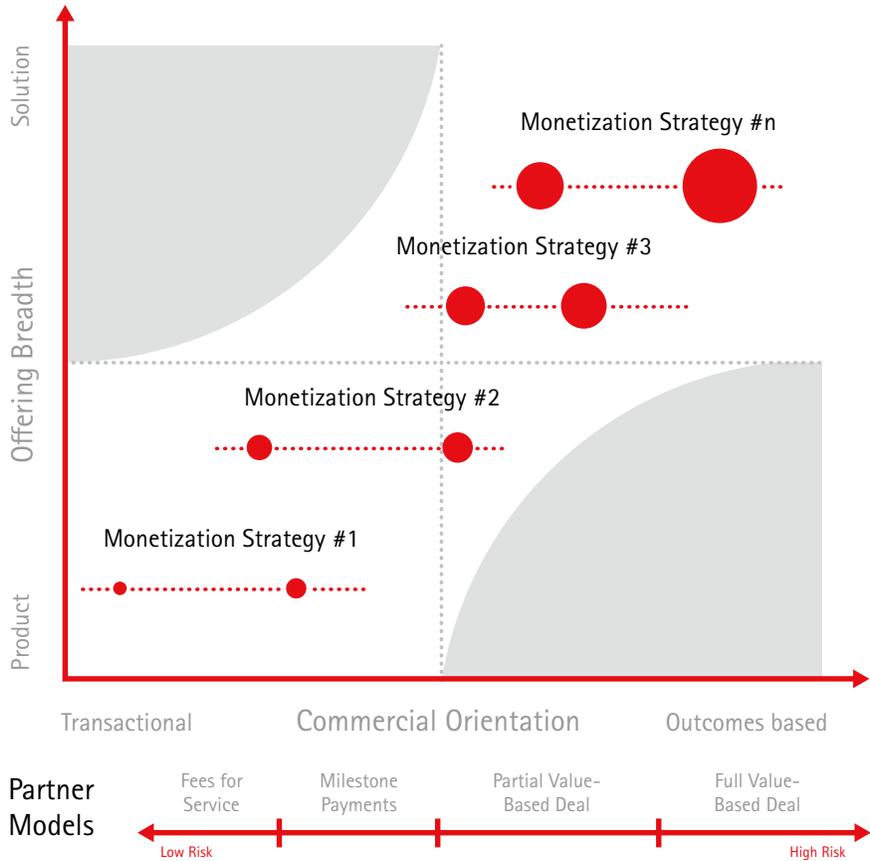
Often, technology—specifically, software and analytics—will play a key role in outcomes selling. For instance, many global industrial conglomerates are developing and marketing new offerings that integrate software and analytics with existing industrial equipment in order to complement their core equipment businesses.

This capability enables manufacturers to, for instance, use predictive analytics to eliminate the unplanned downtime of industrial assets such as oil pumps or electric turbines. By using a performance dashboard to monitor and control their field equipment more effectively, firms can achieve their ultimate desired outcomes: increasing operational productivity and throughput in order to boost top line performance. This value proposition is vastly different from the one delivered by the vendor's traditional industrial equipment on its own, which is based purely on the product's features and functions.

Figure 2: Monetization strategy framework for outcomes selling

Client Value ● ● ●

Bubble Size is reflective of client value (\$) captured



Source: Accenture Analysis 2014

To be most successful, solutions should be as "open" as possible. This openness facilitates the greatest flexibility in incorporating key elements of the solution as necessary to meet the customers' needs, which is critical, given the potential complexity of the solution and number of players that could be involved in building it. That is especially true of companies whose solutions will include connected products or the "Internet of things." In fact, the success of the Internet itself—which has thrived due to open standards and protocols—is testament to the superiority of the open approach to innovation.² "The Internet's success contrasts sharply with the results many companies have seen over the years as their attempts to build solutions have failed because of their proprietary nature."

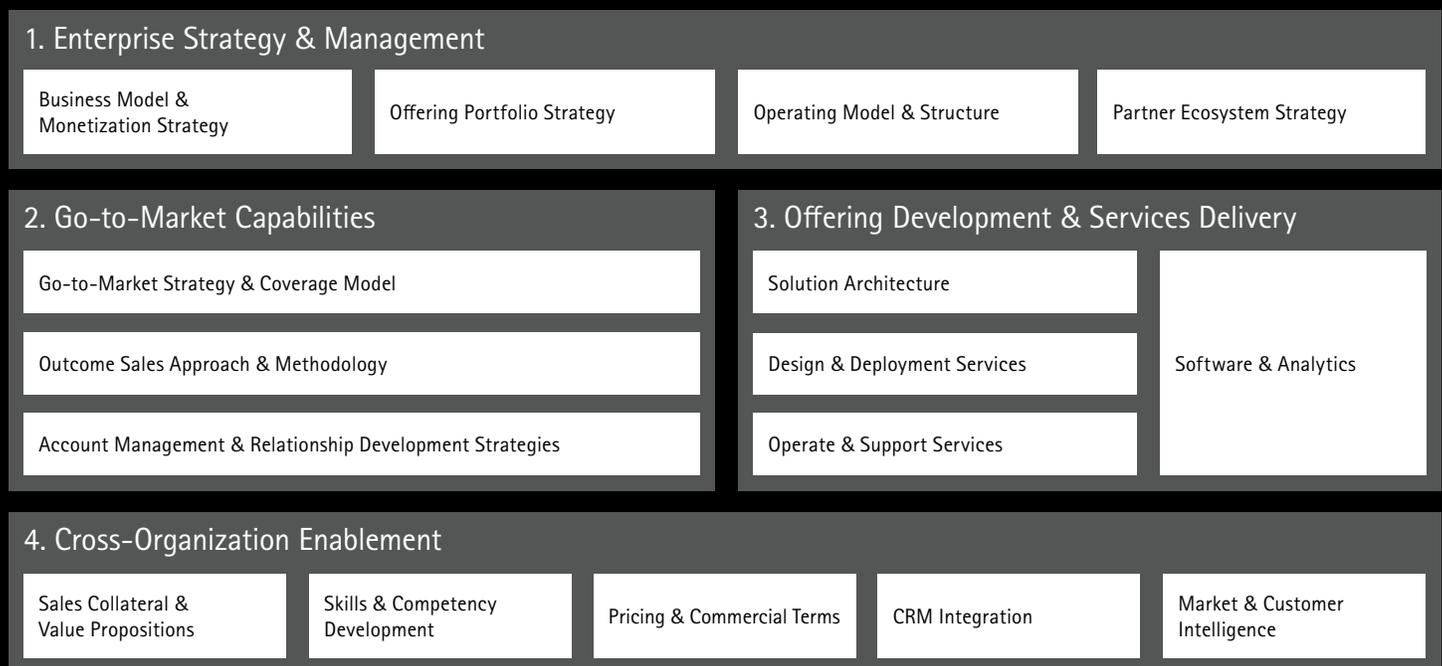
² "As Objects Go Online: The Promise (and Pitfalls) of the Internet of Things," Neil Gershenfeld and JP Vasseur, *Foreign Affairs*, March/April 2014, <http://www.foreignaffairs.com/articles/140745/neil-gershenfeld-and-jp-vasseur/as-objects-go-online>

New Capabilities Required for Outcomes Selling

As mentioned at the outset of this paper, evolving toward an outcomes-based selling model requires specific capabilities—some of which may already exist in a company, and others that may be completely new.

In our experience, companies looking to successfully adopt an outcomes-based approach typically require significant changes in four major capability areas (Figure 3).

Figure 3: Enterprise capabilities for outcomes selling



Source: Accenture Analysis 2014

Enterprise strategy and management

Transforming to sell outcomes should be an initiative led by senior executives from both the business and the sales organizations. Because outcomes selling is a fundamental shift in both what is sold and how it's sold, it requires commitment from a wide set of parties to be successful. Choosing the right organizational structure for outcomes selling can be difficult, as it is essentially launching a new business model to operate alongside the current product/service business.

One of the biggest decisions a company's leadership must make is whether the outcomes sales team will exist within the current structure, will be brought into a newly formed business unit or sales organization, or will take on some type of hybrid structure (such as a "hub-and-spoke" model). Whichever structure is applied, the company must set clear goals and accountability for meeting objectives, as well as rigorously measure performance.

And because the ecosystem will play a major role in delivering outcomes-based solutions, it's critical for a company to identify the right ecosystem structure and partners, as well as clearly assign appropriate roles and responsibilities for all involved.

Go-to-market capabilities

Because outcomes selling focuses on fewer, higher-quality targets, a company must determine the specific types of clients it wants to pursue—those for which the company could create considerable value—and (typically using analytics) comb through the addressable market to find high-priority targets. It also must develop a common approach and tools that are supported by dedicated outcomes-selling support teams that can help analyze target accounts, understand the "voice of the customer," develop appropriate sales and marketing materials, and create provocative points of view on how the company will deliver targeted outcomes for specific clients.

Critical to successful outcomes selling is carefully managing and coordinating the sales activities across each targeted account. In the early stages of the transition to outcomes selling, the potential is high for internal conflict among the different sales executives serving an account in a traditional product-selling organization. In fact, an outcomes sale can easily be shut down by the company's own sales teams. For example, a product's sales rep could offer to give away elements of an outcomes sales deal (such as value-adding software) to help seal a products sales deal.

Orchestrating an effective outcomes sales pursuit requires strong account management—typically led by an individual who sets the engagement strategy for an account, develops a unified message and positioning for the company, and coordinates the team involved in the pursuit. In essence, outcomes selling involves moving from an individual sport in which salespeople set and pursue their own targets and sales goals, to a team sport in which salespeople collaborate under the direction of a "team captain" to pursue bigger, more strategic deals on a cross-enterprise basis.

Offering development and services delivery

To craft custom solutions for the client, sales teams will need access to solution architects who have the right mix of technical and business skills—a unique skillset that is not typically available in many products-focused sales forces. In addition, a company will need new capabilities to handle the integration and implementation of new solutions at the client. Often, as highlighted in the earlier example of GE, a company will find that developing and delivering solutions require more sophisticated partnerships with new or existing third parties that can fill gaps in skills or components of the solution. Indeed, selling and delivering with an ecosystem of partners can enable a company to target and sell more advanced and differentiated outcomes than going it alone; it's truly a situation of the whole being greater than the sum of its parts. In such cases, a company will need new capabilities that enable the organization to build a unique and differentiated ecosystem, and manage the various stakeholders on an ongoing basis, to ensure the relationships deliver value not only for the customer but for all partners in the ecosystem.

Additionally, as mentioned earlier, software and analytics will generally be an integral part of most solutions. What role and how big a role these capabilities will play largely depends on whether a company decides to be a platform player like an iTunes® application program or other applications players.

Cross-organization enablement

The most fundamental requirements for successful outcomes selling are what we call cross-organization-enabling capabilities. Among these are the following:

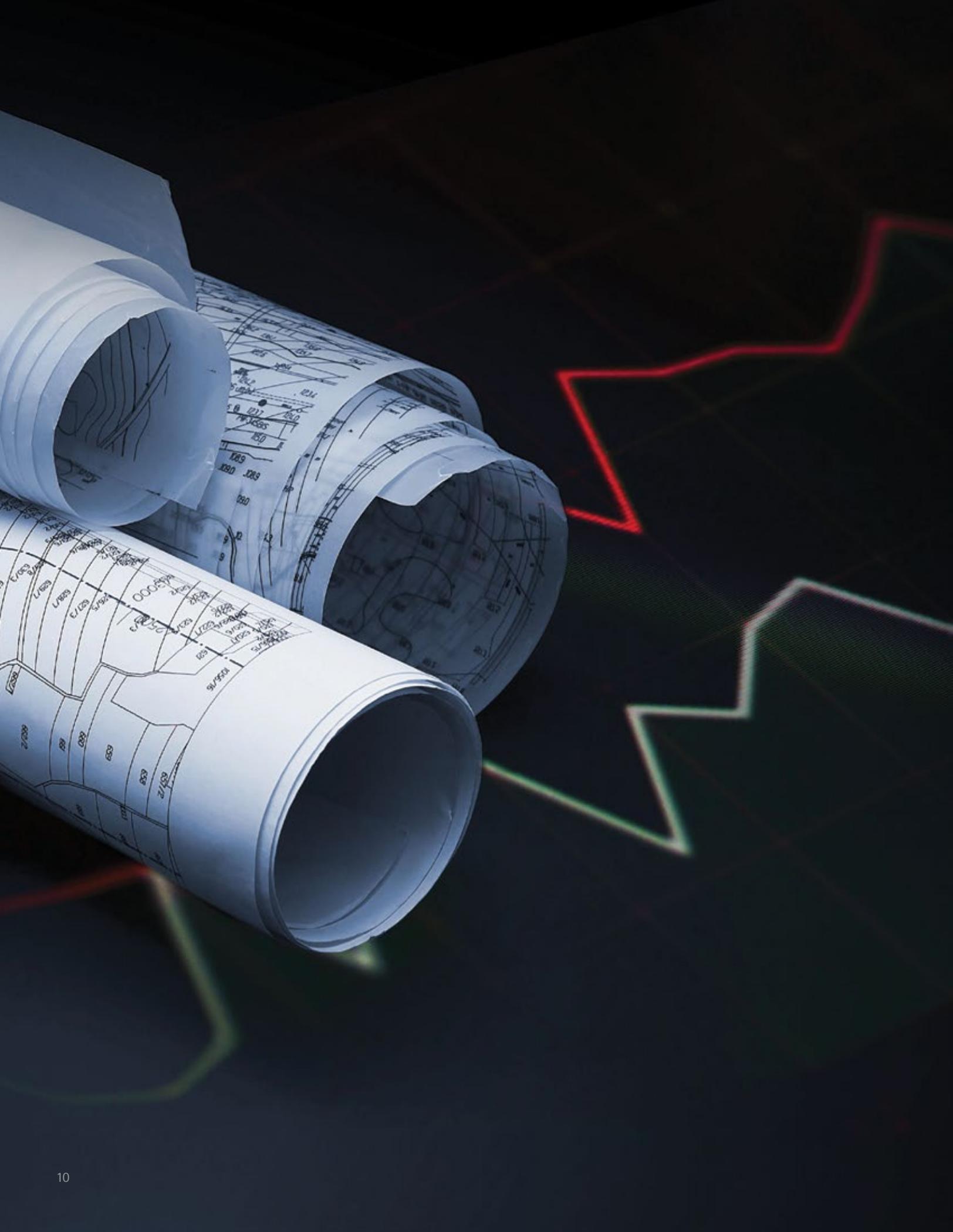
- New sales and marketing materials that convey the company's perspective on delivering specific outcomes (and that complement existing product-focused collaterals).
- Programs that help existing sales professionals develop the right competencies.
- Common tools and a standard approach that help accelerate the change across the enterprise (rather than letting each business or geography figure it out on their own).
- New and integrated pricing capabilities that can quickly price an outcomes sales opportunity and more expeditiously close deals.
- Common terms and conditions that can be applied to a variety of opportunities to help reduce potentially long legal review processes for more complex outcomes sales.
- An integrated customer relationship management system that helps a company understand, and orchestrate, all the interactions and relationships it has with a specific customer.
- Market- and customer-sensing capabilities that enable a company to monitor developments that could influence the outcomes specific customers hope to achieve.

Conclusion

There is little doubt that the business climate has become more difficult for B2B product vendors in virtually all industries.

As a greater number of players (especially lower-cost vendors from emerging markets) compete for the same business, customers experience intensifying cost pressures, and continual innovation, that quickly renders existing products obsolete. That is why continuing to only push prepackaged bundles of existing products and services to prospective customers—the proverbial hammer looking for a nail—is an increasingly losing proposition.

Leading product companies are recognizing that their future success depends on truly customizable solutions that help customers achieve specific outcomes—and they are well along the path of developing the key capabilities they will need to excel in this approach. In doing so, they are positioning themselves not only to share in the success of their customers, but also to rise above the competition and grow more profitably, by securing the kind of high-margin, long-term deals that traditional product companies only dream about.



A High-Tech Company's Journey to Outcomes Selling

One high-tech vendor illustrates the challenge, as well as the benefits, associated with adopting an outcomes-based selling approach.

The company, which is organized around multiple businesses selling many different products, has traditionally packaged solutions around individual product categories—for instance, cooling technologies for data centers or switching gear for networks—and sold those packages through sales teams dedicated to specific categories. There were two big problems with this approach.

First, because multiple teams would often target many different contacts at the same prospect (generally without coordinating efforts), the sales process was inefficient, confused the customer, and failed to maximize what the company could sell to any one account.

Second, by the time the company's sales force engaged with a prospective customer, the discussion typically centered on an RFP for a narrow band of tools within a specific category—in which case, the company was essentially competing on features, functions and prices with other vendors' bundles. Worse, at that point, the company had little ability to expand the conversation into other areas in which it had relevant products to sell.

Recognizing it was missing significant revenue opportunities, the company embarked on a multiyear effort to shift to an outcomes-based selling approach. As the new approach has taken hold, the company has begun having proactive conversations with prospective customers, much earlier in the process, focused on customers' computing needs more broadly and the outcomes they hope to generate from specific areas of their IT operations.

For example, the company is gradually moving away from conversations focused on specifying the lowest-cost data center cooling system. Instead, it is exploring with customers how it can design an integrated solution that can help customers achieve specific data center performance targets on such metrics as reliability, uptime, efficiency and recovery. This integrated solution can include cooling products and services as well as other offerings from across the company's existing portfolio. It also includes offerings from other vendors that the company doesn't provide, and new services the company can develop to operate and manage the data center environment for its customers across all equipment to ensure it is delivering the desired outcomes.

This new approach will help the high-tech company craft broader solutions that substantially increase revenue—by selling both more of what the company already offers and new services the company creates to address specific customer needs. It also will help the company move out of the traditional procurement process (where the focus tends to be on features, functions and price) and, instead, have conversations about business outcomes with senior-level business leaders who are focused on value. And by delivering solutions that generate greater value, the approach will enable the company to develop deeper, longer-term and more strategic relationships with customers—a departure from the typically transactional interactions the sales force typically found itself engaged in.

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