Alcatel: Consultative Selling Transforms Hard-Core Technologists into Strategic Business Partners

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Today's fast-paced world of business, coupled with a volatile economy, creates a marketplace that is far different from the past. As the Internet continues to explode traditional barriers and companies rush to embrace the promise of e-business, the business drivers, challenges and opportunities facing decision-makers take on a different meaning. It's a new environment – one that requires new ways of thinking and a new approach to selling.

Although it sounds logical, as with any change, altering comfortable habits is often painful and disconcerting. Even in companies who are the architects of change, it is not easy. Those who design and build the technology shaping the Internet economy can become distracted with technological innovation and forget that what customers really care about is how that technology can help them reach their goals.

Alcatel is one of those companies, and this is the story of how its account teams transformed themselves from technologists to strategic business partners.

Alcatel e-business Distribution GmbH is in the business of designing, developing and building communications networks that enable customers to deliver any type of content – voice, video or data – to any type of consumer, anywhere in the world. Alcatel's European distribution and services business provides fully integrated voice and data telecommunications services to enterprise organisations throughout the continent and in 2001, its 6,500 employees served 400,000 enterprise customers throughout 17 countries, generating U.S.$1.3 billion in revenue.

Clearly, the account teams' traditional sales approach had worked well for this business in the past. "In an enterprise market," said Martin Stirm, Board Member, Alcatel e-business Distribution GmbH, "making numerous offers and winning even a small percentage of them is standard practice. The strategy is to get in front of the customer, tout the products, features and the company's expertise, hope for a win and then move quickly on to the next account."

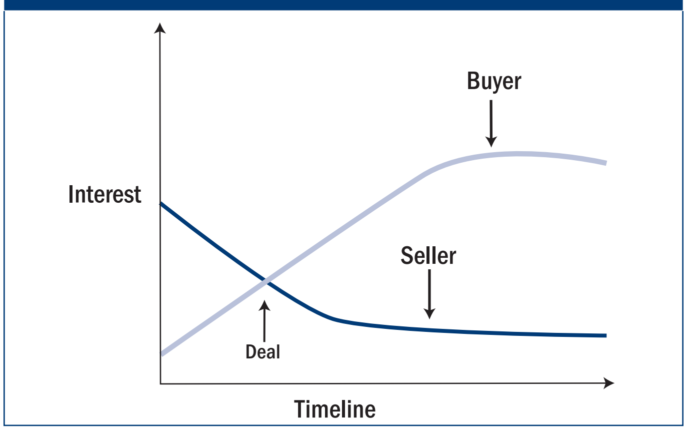
However, in today's business environment of doing more with less, it would become increasingly difficult to devote the number of resources required to sustain that momentum. "Although the enterprise business had reached an enviable level of success, it was time to step back, take a hard look at the existing account strategy and then make some difficult changes," Stirm pointed out.

The goal became clear … reduce the number of customers, focus on those with the greatest potential and then raise the profitability of each account. But the challenge was – how to make it happen.

Change Is Never Painless

It would not be an easy task. Behaviours would have to change. The account team would need to focus on growing the

Figure 1: Interest of Sales / Interest of Buyer



existing accounts that were profitable, identifying those that were not and generating high potential leads with new customers.

The change would represent a huge transformation for account reps focused on making the weekly numbers. They would need to treat enterprise customers like key accounts and the only way to do that was to manage the accounts in a much different way.

"The first thing we did was to segment the enterprise accounts. We grouped customers together according to similar needs or critical success factors," Stirm said. "Then the team prioritised each segment by evaluating its attractiveness relative to its potential for growth and profitability." The final gate was determined by Alcatel's competitive ability to provide a solution to each segment's identified needs.

Once the existing base of enterprise customers had been segmented and prioritised, learning how to engage those high potential accounts was the next challenge.

And so the team looked to Alcatel's public sector service provider business, consisting of fewer customers but representing larger accounts. Many of those account reps had established long-term relationships with their customers, however they had begun to see a change in those relationships.

Selling Solutions, Not Technology

Selling products and features was becoming more difficult in the service provider market. Customers no longer wanted someone to come in and sell them a router or a switch. They wanted to hear about solutions and how their business challenges could be solved. They wanted business advisors who could provide pre-sale consulting and post-sale support. They began to put pressure on account teams to take a more proactive role in developing solutions around the technology.

But instead of heeding the call, the account teams continued to push technology, touting speed, ease of use and cost reduction, but never helping customers understand how it could impact their unique business problems and opportunities.

As a last resort, when they began losing in the technology space – a space where they had traditionally been highly successful – the account teams began to rely on price as the differentiating factor.

That was the critical point when it became necessary to step back and take a hard look at where this change needed to happen. The account teams knew they had to start talking to the service providers about solutions, not technology. But at the end of the day they still didn't know how.

And then the question was raised why consultants are always welcome at the highest levels of the organisations while the technologists were not. It was time to learn the secret of how consultants sell, how they approach their customers, and how they gain admittance into the senior management inner circle.

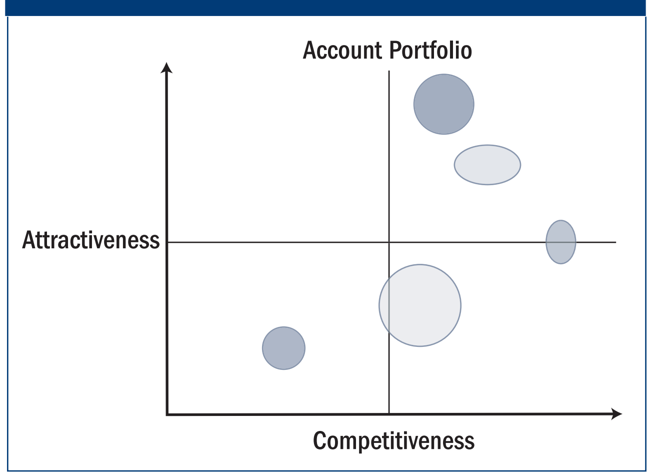
When the consultants walked into that first meeting with the key account team, they were their own best lesson, proving by their questions that they were well prepared.

A Consultative Approach

Deciding to learn from the experts rather than attempt a trial-and-error approach, the team invited NewLeaf Partners, consultants specializing in salesforce transformation, to come in and talk to the team. The answer soon became clear – technology only represents the END of the story, not the whole story. "Consultative selling starts with a front-to-back understanding of the customer's business," Stirm said.

When the consultants walked into that first meeting with the key account team, they were their own best lesson, proving by their questions that they were well prepared and had learned everything they could about Alcatel's service provider business. During that first meeting, the consultants convinced the team that they understood their problem and could help them solve it. They spoke the team's language, identified market- and

Figure 2: Customer Attractiveness and Competitiveness Matrix



industry-specific challenges and explored for deeper insight. Instead of presenting a shopping list of things they could do for – or sell to – the account team, they prompted the account team to do most of the talking.

An Important Insight

What the team learned was that the most important goal of the first meeting is to get to the second meeting, creating the sense that you are someone they need on their team. "Consultants use this strategy to earn the credibility that enables them to acknowledge the issue, probe for further information and then let that lead naturally to a second meeting," said Andreas Goldmann, Partner, NewLeaf Partners. "This buys time to research the issue further and prepare a solution that can be implemented by the products and services their company can provide."

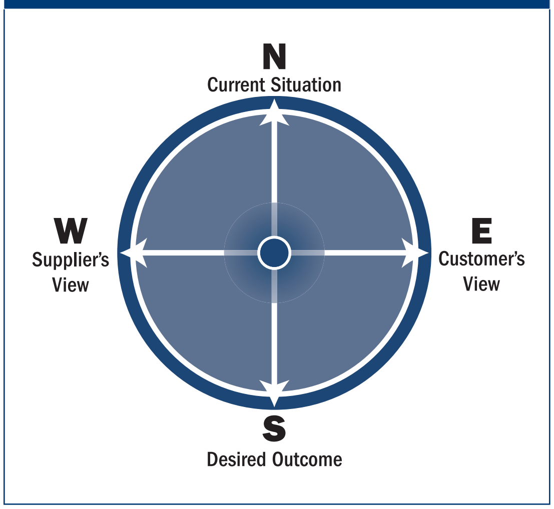
The consultants shared a tool called the Value Compass that they themselves used with the account team. The Value Compass kept them focused on their customer's goal and allowed them to prepare for – and navigate their way through – the entire customer engagement. The Value Compass applied structure to the process, helped keep the focus on the customer's problem and made what could be a cumbersome process easy, logical, and painless.

Strategically aligning themselves with their customer's goals and shifting from selling tangibles to selling ideas, the account reps began to think of themselves in a new way. In this new world of selling value-added solutions, they themselves were the primary product. The equipment sales became the byproduct.

Making the Leap

Now it was time for the German enterprise account team to integrate this new approach into its own account strategy. "It was critical for them to understand the difference and nuances between consultative and product selling," Goldmann said. A Selling Value workshop was developed and presented to the team using the Value Compass to prepare for a customer engagement and structuring it around a case study that was relative to their market.

Figure 3: The Value Compass



However, account teams are typically skeptical. Putting a quick win under their belts would convince them that consultative selling could really work in the enterprise market. A core team was chosen to test the new account strategy on an actual account and the team selected two of the company's key enterprise customers that they had been trying to penetrate more deeply for some time.

The consultants led the core team through a two-day Coaching workshop using those accounts – a large German bank and a global insurance company – to take them through the process and prepare them to engage with those customers.

And Now They Were Ready to Roll

Admittedly, at the beginning it was a bit painful. "The team still felt somewhat uncomfortable with the new approach," Stirm recalled. "The questions they asked in those first customer meetings came across stilted and rehearsed and were still geared too heavily toward product and features."

However, the customers were impressed enough with the team's attempt to learn about them and show that they were truly interested in helping them find a solution to their challenges, that the teams were invited back for a follow-up meeting.

As they began to feel more confident and familiar with the process, they learned to focus beyond the product. At the second meeting, one of the customers opened up and gave the team a view to issues inside the organisation that they had never had exposure to before.

They learned that the customer's highest priority challenge was not what they had anticipated. Although this customer was eager to deploy a technology solution, the biggest problem at that point was cash flow rather than obtaining the cheapest product. Because the account team was able to get inside their organisation, gain a level of trust and learn about that issue, they were able to take a completely different approach to that account.

Following the foundation laid by successful consultants, the account reps are now welcome in front of their customers' executive teams. They used their newfound methodology to turn the relationship with their customers from that of a product vendor to one of trusted advisor and consultant. As a result, both customers have become two of this division's largest accounts.

Lessons Learned

"With the support of NewLeaf Partners, we have identified the following best practices," Stirm said.

Add Financial Skills Competency. In addition to the Selling Value workshop and the Coaching workshop, add a financial skills element to the training. The ability to understand the financial side of a customer's business, position the ROI of your solution and confidently speak the language of business are important competencies missing in many account reps' repertoire.

Choose Quick Wins. Institutionalising a completely new sales approach with an account team that has enjoyed reasonable success with the old method is not an easy task. You need to show that the process really does work by choosing a situation with high potential for success and a quick win.

Make the process rich, relevant and repeatable. The Value Compass provides the focus necessary to do the right research, design the right questions, and plan the entire engagement. The more it is used, the more natural the process becomes, both for the account team and for the customer.

Don't Just Walk Away. Mentor the rest of the account team and help them make – and sustain – the leap from product sales to consultative selling. Competition is becoming harder to beat and although using this methodology takes more time to prepare, it results in accounts that are more profitable in the long run.

At the end of the day, it's all about keeping your focus pointed straight toward the customer. How you do that is the difference between success and failure.

Support the Process. Management support of any new change within an organisation is critical to its success. Employ the process at every opportunity. Use it at internal sales meetings to define potential projects coming into the pipeline, what that customer's problem is, which issues to address and the questions the customer should be asked.

Although it will probably take a year to 18 months to institutionalise this change, there is already some significantly different thinking throughout the organisation.

Consultative selling has proven to be an effective process with enterprise customers because it enables the account team to engage higher potential accounts. In an enterprise market, deciding what's more important is key. Making numerous offers but winning only a small percentage takes a lot of resources. Making fewer, more solid offers results in higher potential business and greater profitability.

The Bottom Line

Consultative selling has been around for a long time. It has been used successfully to not only get in front of the customer, but to get in front of the right individuals within the customer's organisation. It establishes the level of trust and credibility that lets the customer know you are there to help them solve problems, not just to sell products.

Consultants have known all along that at the end of the day, it's all about keeping your focus pointed straight at the customer. How you do that is the difference between success and failure. Prepare for the engagement by arming yourself with meaningful information that will allow you to understand your customer's world. Develop strategic questions that help you probe deeper. Use that information to develop a solution around your organisation's products and services.

And most importantly… listen carefully and let your customer do most of the talking.

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