



From Transactional to Consultative Selling

by Michael J. Galante, The Sales Coach

ThermaSys Heat Transfer used to sell engine radiators to the likes of General Motors, Caterpillar, and John Deere. Now, they provide “assemblies” that include the radiator, fan assembly, plastic shroud and even the mounting bolts. A few years ago, they partnered with their customers to design entire modules. This “total solution” was a way to cut costs and make it easier for the customer to buy a complete package from one source.

As the sales environment becomes more challenging, companies of all types are turning to innovative selling practices to create more value and build competitive advantages.

Firms that once enjoyed a stronghold on particular markets are now faced with added competition due in part to consolidations, globalization and the Internet. To distance themselves from the variety of customer choices, the best sales organizations are raising the bar and finding ways to provide additional value to each customer. They are becoming more sophisticated in their sales approach and are able to handle larger projects with relative ease.

Strong Sales Leadership

Aside from the constant quest for better products and faster service, top sales forces use best practice methods known as “consultative selling.” This customer-focused approach to selling goods and services is usually driven by forward thinking executives. These leaders know the value of a strong customer base and engineer their operation to keep the customer satisfied.

The financial services industry is a prime example of how companies are shifting from the transactional selling model to the consultative sales approach. For years, banks, stock brokerage firms and insurance companies dealt with customers on a transaction by transaction basis. They sold you a loan, stock or insurance policy and said good-bye. Lately, they have positioned themselves as full-service “financial advisors.” (Think radiator assembly instead of just the radiator.)

The executives of these firms understand the need to create value beyond the initial sale. They want to manage portfolios and financial futures as opposed to executing financial transactions. They are taking a strategic approach to retaining customers by offering important value-added services such as goal-oriented retirement

planning, flexible cash accounts and computer-based research tools.

Customer Perceptions are Changing

Customers today are more educated and less tolerant of sales jargon. They want suppliers who offer complete product/service packages and ones that develop new ideas year after year. They look to these vendors for help when solving problems that are directly and indirectly related to the product or service being purchased.

Customers also want to work with experts. The days of glad-handing and bar-hopping with customers are gone. Relationships are still important, if not critical, but there is more substance to the interaction. Salespeople must be able to identify key customer needs and priorities and communicate those back to the home office. Today’s sales professional must be knowledgeable enough to collect and decipher pertinent information that will determine the success or failure of a vendor provided solution.

Once again, the supplier has to provide value at every level of the sales process. If the sales rep is not a “technical guy,” he/she must have the resources to bring that type of support in when the customer needs it.

Definitions and Distinctions

To make the transition from transactional to consultative selling, one must understand a few key concepts and terms.

Are you a supplier or a problem solver? Salespeople that act as a supplier typically provide a commodity. They focus on one need at a time and are less aware of the customer’s overall situation. Sales are made on a volume basis. A problem solver provides solutions and adds value. They have a different skill set and are aware of the global needs of the customer. They have a greater level of customer knowledge and are able to satisfy several needs at once. Sales are made on a qualitative basis.

So what’s the difference between transactional and consultative selling? Transactional sales solve immediate customer needs and are typically short-term in nature. They happen faster and more often, with one or two people as the key contact. Consultative sales are broader in scope and are often driven by an initiative or strategy. They address both the immediate and long-term needs of the client. The time frame for the sale is not finite and usually results in an on-going

sales cycle. This type of sale often requires the collaboration of a number of people on both sides of the equation. There is a greater level of interaction and disclosure with an atmosphere of long-term relationship building.

Another distinction that needs to be made is price and value? Our purpose here is not to replace Webster's words, but rather to clarify two critical terms as they relate to the consultative sales process. Price is what you pay for a product or service. It is the number attached to that product or service. It is clearly defined and can be compared very easily. Value is what you believe you received for the price paid. It is a perception and is very subjective. It encompasses all the components of the purchase, both tangible and intangible. Value is difficult to definitively quantify. Price invites competition. Value creates separation.

The Consultative Sales Approach

A well-defined consultative sales strategy will help you align your offer with the customer's perception of value. It moves the sale away from price.

This process should be designed to accomplish three things. First, to position yourself as a problem solver and solutions provider; not as product peddler. Second, to secure larger and more frequent sales from the same customer. And third, to offer high margin products and/or services along with the ones that may be considered commodities.

In its simplified form, the consultative sales process will have three steps. The first is to establish a clear understanding of the customer's priorities and overall goals. I cannot emphasize this step enough. This usually takes place at multiple levels within the customer's organization and may require several meetings.

The second step is to identify areas you can improve for the customer. This may be specific problems to solve, performance gaps to close or areas in which they want to grow. Opportunities like this are often identified by their top management and are present because of deficiencies with the current vendor, the advent of new technologies or the customer's lack of knowledge in a particular area. Here's where comprehensive knowledge really pays off.

The third step is to connect your offer with the customer's goals. Draw a direct link between your products/services and the customer's needs. When you address precise problems and close specific performance gaps, you demonstrate your ability to be a solutions provider. The conversation revolves around the customer's strategy or pressing initiative and your organization's ability to make them successful.

Focus on Value

I've always said; "Customers will continue to focus on price until a supplier demonstrates the savings of a total solution." By offering a complete package, you change the conversation and lead the buying decision in a direction that's best for the customer. The focus is on the benefits the customer will receive and how those benefits alignment with their strategy or goals.

A true consultative approach also gives the salesperson a wider range of services to offer and the need for more in-depth conversations. They meet more people and get higher up the food chain. This alone will make the salesperson more valuable to each customer.

Regardless of your industry, think of ways to provide your customers with a greater return on their investment. Whether you sell manufactured goods or intangible services, the customer has to shell out money. And no one wants to pay \$2.00 to get \$1.00's worth of benefits.

Quantify the savings of your products and/or services in terms of gains in time, money and/or additional resources. Don't lower your price – SELL the higher value! This way you position yourself as a problem solver and not just another vendor.

The Bottom Line

When you employ consultative selling as a salesperson or a sales organization, you'll learn more about your customer and provide better solutions. This often leads to new and bigger sales opportunities.

Interestingly enough, this value based approach moves the conversation away from price, creates distinct competitive advantages and puts you in a position to close larger sales.

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