Sales as strategy

Like everyone else at holiday time, transportation carriers will be busy entertaining customers for the next few weeks. The Whitehall Club in lower Manhattan has disappeared, and the Downtown Athletic Club may be about to, but the season offers an opportunity to look closely at the current function of sales in transportation.

It is said that modern sales practices originated with John Patterson, who bought the National Cash Register Co. in 1884, only to realize that there was little interest in his product. Unable to back out, he set about convincing small business owners of their need for cash registers.

At that time, selling was limited to advertising and wholesale “drummers,” who would travel for months before returning with orders to be processed by a central office. Patterson made significant changes to sales techniques. He designated exclusive sales territories, providing the sales force with regular customers. He developed a standard methodology for selling — a word-for-word recap of his most successful seller’s regular sales pitch.

In the new economy, questions abound about whether traditional sales methods will be effective. Judging by Wall Street’s preoccupation with revenue growth, sales still matter to a company. Several recent studies have addressed the subject.

In their 1999 book, “Rethinking the Sales Force,” Neil Rackham and John De Vincenzi offer a method to redefine the selling function to create increased customer value. Their book is based in part on responses of sales professionals, who were asked to define their function. Most considered their mission to be “communicate the value of the offering.”

The authors submit that sales, rather than functioning as a live, talking brochure promoting a product, must create — not simply communicate — value. This is increasingly true in a market where the consumer can readily access his or her own source of information with which to measure value. Also, many products are rated like commodities, with little setting them apart but price. This problem currently plagues large segments of the transportation industry.

The authors outlined a methodology based on three types of customers. Since these three groups have widely disparate expectations, three sales strategies were defined. All apply in one way or another to transportation.

The first group, intrinsic-value customers, are those familiar with the product and do not seek added value from the sales force. The most effective sales strategy here is a transactional one, focused on costs and minimizing disruption to service. Suppliers must find ways to add new services or further reduce cost.

The extrinsic-value customer extracts value from the way a product is used, and relies on sales force to enhance the product application’s use. Consultative selling, which provides advice to buyers, works well here. It requires perceptive personnel to help uncover customer problems and issues. Many logistics companies consider themselves to be in this category, but often, negotiations degrade to transactional sales.

Finally, strategic-value customers need more than just sales advice. They seek a vendor relationship aimed at realizing synergies with the vendor. Enterprise selling, which involves the entire organization, works best with these clients. In this scenario, buyer and seller are equal. These relationships, when they work, are truly exceptional. For example, the development of vendor-managed inventory by Wal-Mart and Procter & Gamble forever altered both companies’ logistics process.

In an article entitled, “Realizing Value Growth Through Improved Sales Effectiveness,” Mercer Management Consulting outlined why asset-intensive transportation companies have reached the point of diminishing returns from strategies of building volume and maintaining market share.

Mercer said the sales process begins with identifying appropriate customers. Many carriers don’t appreciate the delicate system of customer trade-offs in price and service.

Once a carrier identifies a customer for solicitation, the proper tactical approach is imperative. The selling process must be individually designed for each customer. So must the necessary commitment of resources.

A sales force must have adequate tools. The Mercer study noted that companies are often as guilty of over-investing (for example, giving a laptop to someone who doesn’t need one) as under-investing. It takes a watchful organization to accurately define the needs of its sales force, and to equip them properly.

Mercer also acknowledged that no strategy is perfect from the beginning. Review, feedback and testing help an organization learn what it needs.

Transportation sales has progressed from the regulated era of providing meals and entertainment, and doling out playing cards and calendars. But new product development is meaningless without a sales force to bring the product to the customer, and the customer to the product.

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