

Adjusting to the New Reality: Four Steps for Solutions Growth

As B2B companies adjust to the downturn, they are struggling to balance the urgent push for short-term revenue with a broader rethinking of the requirements for longer-term success. No one knows when the next upturn will truly take hold, but most executives expect a substantially tougher business environment for years to come. Even if the economy begins to rebound later this year, we are likely to see much greater scrutiny on the buying side as a more permanent feature of the B2B landscape.

With resources constrained, most companies are looking to tighten up operations, realign personnel, and re-evaluate their overall positioning. In this context, a number of companies are looking to solutions as a critical contributor to retaining key customers, opening up new revenue streams, and supporting higher margin deals.

Succeeding with solutions, however, often requires extensive changes to a company's entire go-to-market strategy— no easy task in the face of a severe downturn. Even companies well versed in solutions are struggling to focus on the most effective near-term initiatives to accelerate solutions growth.

New research from Solutions Insights, conducted in partnership with ITSMA, suggests four types of initiatives that hold the most promise for companies seeking to improve performance with solutions:

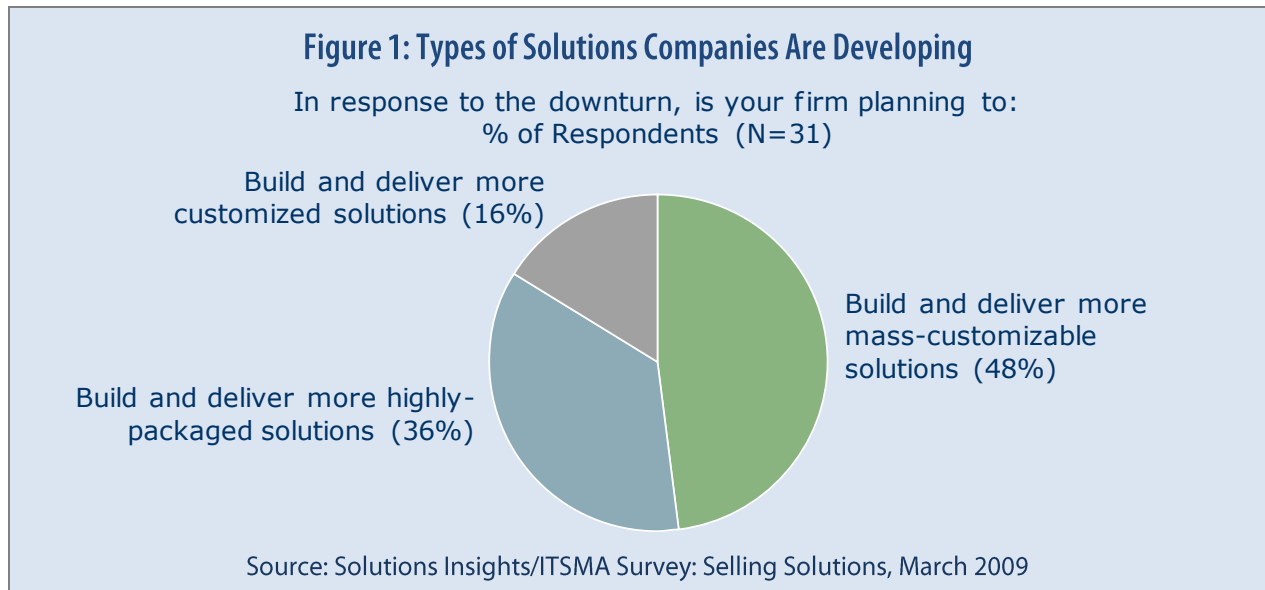
- Improving the Solutions Development Process
- Reorienting Value Propositions and Messaging
- Enhancing Customer Connections
- Better Equipping the Sales Force to Sell Solutions

Improving the Solutions Development Process.

A majority of companies in our survey are working to significantly improve the process by which they develop new solutions. They are not necessarily looking to increase the number of solutions they bring to market, but rather to make sure they get right the ones they do develop.

This means identifying the right resources within the organization to help develop new solutions, mobilizing them more efficiently, and bringing into play more formal and proven product development methodologies. It also means working more closely with customers in the solutions development process. Almost half the companies in our survey are looking to collaborate more with customers to co-create new solutions.

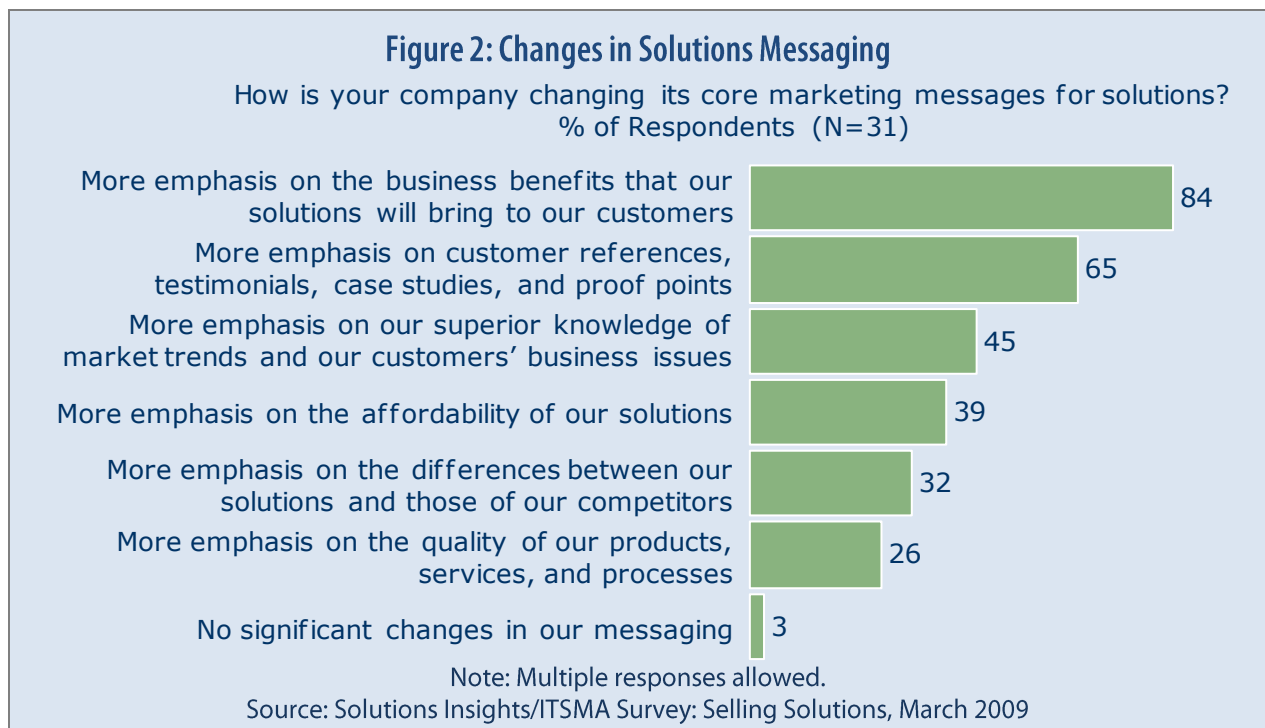
Companies are also looking to develop more packaged and "mass-customized" solutions rather than relying mostly on fully customized, one-off solutions. Only 16% of the companies in our survey are looking to increase the number of highly customized solutions. Opportunities vary across different markets and companies, of course, but we would lean more toward the mass-customized approach than one with fully packaged solutions. In a buyer's market, it's hard for companies to win when they offer only off-the-shelf solutions to buyers looking for the best possible fit for their individual situation.



Reorienting Value Propositions and Messaging.

Marketers have long talked about shifting messaging from describing what they do (i.e., features and functions) to demonstrating business benefits, but this remains a stumbling block for many organizations. Partly it's a matter of old habits dying hard; partly it's an even more difficult question of literally having the proof of benefits to be realized.

It may be different this time. Some 84% of survey respondents suggested they are now putting more emphasis on the business benefits their solutions can bring to customers, and almost two thirds said they are similarly putting more emphasis on customer references, testimonials, case studies, and proof points. If companies really put in the effort to define clear and differentiated value propositions and to make a credible case for the benefits their solutions can provide, they will have gone a long way toward giving prospective customers what they need to see.



Enhancing Customer Connections.

Not surprisingly, solutions companies are working harder to get closer to their customers. This includes having executives spend more personal time with customers, getting sales people similarly to interact even more with customers, and organizing more narrowly targeted marketing campaigns to provide high-value content and experience to more tightly defined customer groups.

About half of survey respondents are stepping up their efforts around executive level communications and thought leadership research and promotion to demonstrate their mastery of the critical business issues facing their customers and prospects. Along with the more personal outreach efforts, these provide an important foundation for high-level solutions selling and lead nurturing.

Far fewer are investing more in events, even virtual ones. But social media continues its forward march, with more than half the respondents investing more in Web 2.0-type marketing initiatives. And more than 40% are investing more in customer councils or communities. These two-way efforts to increase intimacy with customers can help marketing and sales move more quickly from problem identification to measurable results.

Better Equipping the Sales Force to Sell Solutions

The final piece, of course, is sales. Within constrained budgets, many companies are investing a disproportionate amount in strengthening the sales process for solutions. More than two-thirds of survey respondents are directing their sales forces to focus more on selling solutions, and 60% are investing more in training to help their sales forces sell solutions more effectively. About half are investing more in sales tools to support solutions selling.

At the same time, a significant fraction of companies (37%), are giving their channel partners more responsibility for selling solutions.

Interestingly, though, less than a quarter of respondents are actually changing compensation plans to provide more incentives to sell solutions, or reorganizing the sales force to create different kinds of teams to sell solutions. This begs the question of ultimate impact: Sales people respond most of all to compensation plans, and we know that many sales organizations are not structured in optimal ways to sell solutions. Will encouragement and new (often modest) training be enough to move the needle?

The Bottom Line

For most B2B companies focusing on solutions, the downturn has left them with fewer resources to invest in their respective solutions activities. They need to be more focused, do a better job of prioritizing their opportunities, and take fewer risks.

The four directions highlighted in our survey make a great deal of sense in the context of accelerating solutions growth both now and in the longer term, but the devil, as always, is in the execution and the details. If companies can indeed use the current crisis as a spur to improving solutions development, refining value propositions and messaging, strengthening customer connections, and improving the solutions selling process, they will no doubt achieve substantially greater results.

For now, survey respondents seem cautiously optimistic. Some 30% expect their solutions revenue to increase more than 10% in 2009, which would represent a great accomplishment in a flat (at best) economy. Another 50% project "slight" growth in solutions revenue (less than 10%). Only 20% project no growth in solutions at all or slight decreases. As one executive noted, "Being able to position new technology initiatives in a manner that addresses a CxO level 'compelling business event' is the only chance for triggering sales" in today's economy.

For More Information

The principals at Solutions Insights have tracked the interest of technology and other B2B firms in solutions for almost ten years, observing how companies have moved from using "solutions" simply as

a marketing term to substantially changing their business models—getting closer to customers to address core business issues, integrating internal assets and intellectual capital to develop innovative offerings, and communicating real business value. Our latest research initiative, conducted in partnership with ITSMA, highlights the continuing progress in the market for solutions, as well as the distance many companies still need to travel. For more information on our latest research, including access to survey results, contact Steve Hurley at shurley@solutionsinsights.com or +1-781-929-8570.

About Solutions Insights

Solutions Insights is a B2B consulting and training firm that helps companies put meaning into the term “solutions.” Building upon deep experience in the technology and professional services industries, we provide research, strategy, and programs that create internal alignment, market distinction, and faster routes to revenue. Learn more at www.solutionsinsights.com.