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Introduction

Collaboration has generated more elaborate, customized products that integrate proprietary intellectual property or expertise to solve a customer's problem. However, that intense collaboration is a complex, time-consuming endeavor. Many would-be collaborative sellers fail to master that complexity. In some cases, the buyer and the supplier aren't able to identify unique sources of value. In others, suppliers don't achieve the necessary coordination (across business units, geographies, or functions such as product development, engineering, marketing, and legal affairs) that is vital to collaboration. And some companies find moderately successful efforts so resource intensive that they don't yield a good return. As a result, roughly half of all collaborative sellers enjoy only modest benefits from their efforts, and a quarter actually lose money in those relationships, according to a recent McKinsey survey of more than 200 sales executives at Fortune 1000 companies.

Successful collaborative initiatives increased revenues and profits by more than 20 percent, on average. The successful collaborations start with a rich understanding of the customer's economics and engage the appropriate customer personnel (from product developers to purchasing agents) in joint strategy sessions to uncover mutually beneficial opportunities. They also scrutinize internal organizational issues, meticulously choosing collaboration managers, who often come from outside the sales department; thoroughly training account teams in the field; engaging senior executives in targeted ways; and fine-tuning incentives. Collaborative selling is a costly business and approach it with a hard-nosed, investment-oriented mentality by carefully selecting trial customers and by periodically reevaluating relationships.

Understand the customer's economics

Developing economic insight into specific elements of the value chain requires detailed industry knowledge. Frequently, suppliers find that industry specialization, coupled with time on the road, is the most efficient way for their sales teams and relationship managers to gain expertise.

Engage the customer

Sales teams have to perform the difficult task of generating insights into a customer's business that go beyond existing products, and beyond anything the customer would uncover on its own. Joint strategy sessions are frequently the tricky part. In cases where the supplier and the customer are looking for company-wide opportunities, it is important for teams to include personnel from a number of geographies and business units. To capture the full potential of a collaborative relationship, a company might need to start by convincing a senior customer leader who deals with consumers and also has functional responsibilities (particularly sales, marketing, or product development) that a diverse team is required.
Organizing for success

Effective collaboration depends on a highly skilled customer relationship manager (or collaboration manager) who can break down barriers and align the various players. Well-trained cross-functional teams, assistance from senior management, and incentives that will get everyone working together are also vital for success.

Choose the right relationship manager
Potential managers should meet these important criteria: do they have personal networks across functions, business units, and regions that will help them marshal resources for a customer on an ad hoc basis? And can they hold strategic business discussions with the relevant senior executives in the customer's organization?

Leading collaborative sellers filled twice as many of these roles with people from outside the sales organization than less effective companies did, according to this research. Some companies relied heavily on external talent. It is often wise to hire people to fill the gaps in knowledge about a customer's industry, since such expertise is particularly difficult to develop internally. The goal can be met by recruiting outside experts for roles that will allow them to build internal credibility before taking on full relationship-management responsibilities.

Develop the account team
Members of a typical account team have deep product knowledge; engineering expertise; pricing skills for speedy, advantageous deal making; negotiating and legal skills to simplify the writing of contracts across business units; and service experience to facilitate post-sales support. Ensuring that a team has the necessary pre- and post-sales expertise means pulling in a large number of people, often more than 10 and sometimes as many as 50.

Involves senior executives
Oral commitments from senior leaders are sometimes the starting point for focusing entire organizations on collaborative efforts. What's more, at a number of successful collaborative sellers, one or more senior leaders oversee key customer relationships.

A second vital role for senior management is holding people accountable for collaboration goals, a role that the collaboration manager may not have the authority to play. In particular, the senior leadership should push sales teams to establish and meet targets for growth, balance the range of products offered, and ensure smooth transitions through the in a customer relationship that cuts across business units.

Investing wisely
Common mistakes include paying attention to squeaky wheels rather than investing in relationships based on a solid understanding of relative customer value, continuing investments when they are unlikely to be profitable, and failing to maintain a pipeline of collaborative initiatives.

Many suppliers segment their customers and select collaborative targets according to the revenue each account currently generates. A better approach is to consider additional factors—such as potential revenues, profitability, a customer's willingness to partner, the importance of the supplier's products or services to the customer's business, the supplier's ability to serve the customer's needs, and changes in the customer's
circumstances (such as rapid expansion, a merger or acquisition, or a shift in competitive dynamics), that might create collaborative opportunities.

Once collaborative efforts are under way, it's important to track the value created for both sides. A detailed understanding of a relationship’s profitability helps a supplier know how to handle customers seeking discounts. And regular progress reviews with individual customers reinforce each relationship’s value and create excellent opportunities for suppliers to cross-sell and to expand the scope of the partnership.

Given the magnitude of the resources involved, it’s important to use stage gating during the sales cycle and to review serious collaborations every 18 to 24 months to determine whether they still make sense. Stage gating involves tracking the development of customer relationships from initial networking to one-off negotiations to full-fledged partnerships.

Conclusion

Collaborative selling can help companies create and capture more value, but only if they improve their approach to customers, the organization, and collaborative investments.