LAUNCHING NEW TO THE WORLD PRODUCTS

Presented by:

TOM STEENBURGH
University of Virginia Darden School of Business
OUR PRESENTER

TOM STEENBURGH

Richard S. Reynolds
Professor of Business Administration
University of Virginia
Darden School of Business
How to Sell New Products

Focus on Learning, Not Performance

Thomas Steenburgh
Richard S. Reynolds Professor
Senior Associate Dean for Faculty Development
Darden School of Business

Mike Ahearne
C.T. Bauer Professor
Academic Director, Sales Excellence Institute
University of Houston
C-suite executives state that finding new sources of growth is their biggest strategic challenge.

Source: McKinsey
The value of organic growth

Revenue Growth of S&P 500 Firms

Source: McKinsey
Growing R&D Spend

GLOBAL INNOVATION R&D SPEND IN BILLION DOLLARS

Source: PricewaterhouseCoopers
Better at managing costs, than selling new products

<table>
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<tr>
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<th>Companies' effectiveness at process</th>
<th>CFOs' effectiveness at allocating resources to process</th>
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<td>Profit-and loss management</td>
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<td>Expansion into adjacent products/services</td>
<td>21</td>
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Better at ideation, than commercialization

Source: Booz & Company
The best companies work differently
Question: Does your company have a different sales process for new products?
Buying Process: Research Benchmark

- Sample Description

Industries:
Technology
Automotive
Energy
Financial Services
Healthcare
Pharma/Life Sciences

500+ Salespeople & Customers Across Industries
New Product Buying Process

Researched addressed the following areas:

- Biggest barriers for each buying stage
- Buying center members involved
- Communication intensity by salesperson
- Mode of communication
  - In-person
  - Virtual
New products demand more time

- 35% more time than existing products
- 32% more face-to-face meetings
- 30% more time with cross-functional teams
Early on, buyers focus on product knowledge

Buyers worry about:

- Does the salesperson have more information than I do?
- Is the salesperson not revealing something important about the product?
- Do I understand the product?
“I will always listen if someone brings me a new idea. I want to make sure we are staying current with the best of what is being done in our industry.”
Later, a big shift occurs as the buying unit expands
Buyers now focus on the disruption to the status quo

Buyers worry about:

• How will the way I do business be disrupted?
• How do I resolve the open-ended nature of this situation?
• What will happen to me?
Buyers now focus on the disruption to the status quo

Buyers worry about:

- What will happen to me?
- Will I regret my decision to buy?
- Can I accurately predict switching costs?
A seemingly robust sales pipeline is clogged...
“Salespeople will never turn down the opportunity to sell a new product. They view them as another arrow in their quiver and immediately see them as a key to their success. But whether they put sustained effort into selling it is another matter.”
Question: How do stars behave when selling new products?
Average salespeople focus on the product

Source: Neil Rackham, “Why Bad Things Happen to Good Products”
People: Research Benchmark

- Sample Description

<table>
<thead>
<tr>
<th>Industry</th>
<th>Composition %</th>
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</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>33%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>28%</td>
</tr>
<tr>
<td>Technology</td>
<td>22%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>6%</td>
</tr>
<tr>
<td>Retail</td>
<td>6%</td>
</tr>
<tr>
<td>CPG</td>
<td>3%</td>
</tr>
<tr>
<td>Other (Energy, HR)</td>
<td>2%</td>
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</tbody>
</table>

- Over 7,000 sales managers and 80,000 of their salespeople.

Composition %
- North America: 59%
- Europe: 20%
- South America: 11%
- Asia: 10%
Stars are more focused and spend more time

Ruthlessly screen prospects

Spend 4.5 more hours a week selling new products
Stars see different barriers

<table>
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<tr>
<th>Others</th>
<th>Stars</th>
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<tbody>
<tr>
<td>Lack of Descriptive Product Knowledge</td>
<td>Lack of Evaluation Criteria</td>
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<tr>
<td>Mixed Information about the Product</td>
<td>Switching Costs</td>
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<td></td>
<td>Need to Maintain Status Quo</td>
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Stars have different traits and characteristics

- **Product Knowledge** – an understanding of the product
- **Market Knowledge** – an understanding of market trends and competitive dynamics
- **Learning mindset** – a desire to improve their abilities and master difficult tasks
- **Customer focus** – a predisposition to meet customer needs above and beyond what is required
- **Adaptability** – an ability to adjust processes and styles quickly according to feedback
Importance of a learning mindset

![Graph showing the performance of new product sales over time with different mindsets: Learning Mindset, Baseline, and Performance mindset. The Y-axis represents sales performance, and the X-axis represents time. The graph illustrates how a learning mindset can lead to higher performance by the end of the period compared to the baseline and performance mindset.]
Salesperson Competencies: Self vs. Buyer

Percent Rated Competent

- Product Knowledge
  - Self: 80%
  - Buyers: 50%

- Adaptability
  - Self: 80%
  - Buyers: 10%
Question: How well does your organization and culture support selling new products?
Organization: Research Benchmark

- Sample Description

Sample:
675 C-Suite Executives
CEO, CFO, CMO, CSO

Respondent demographics:
~ Ages from 27-70 years old
~ Avg. of 8 Years of Top Management Experience
Challenge to new product sales: Short-term focus to meet earnings targets

In a study of 400 C-suite executives, 8 out of 10 said he or she would give up long-term value in order to smooth earnings

Source: Graham et al.
Strategic Accounts provide long-term focus

Long-term growth potential is the top criterion companies use to select strategic accounts

Senior leaders are half as likely to request short-term actions in strategic accounts to manage earnings than in other accounts
Collaboration between senior leaders break down key barriers to adoption

“The involvement of the board shows our commitment to customer centricity; it builds trust between the board and the customer’s top executives and provides the board a more direct view of what customers want. This program gives the SAMs further strength via our top management inside and outside the organization.”
Effective networks help surface problems and spot new opportunities

“Once a business unit told me that the customer was not interested in energy storage technologies. They had asked the wrong people. I put them in contact with the customer’s R&D center, where I knew that a team of eight people worked on storage innovation, and that team was indeed interested in cooperating with us.”
Middle managers can either create or remove obstacles for a product’s success.
Audit of Effective Sales Behaviors

Identifying critical behaviors leading to new product sales
New Product Training Needed

• Manager Buy-in to Strategy
• Opening Conversation: Customer Benefits and Applications
• Follow-up Conversations: Barriers Across Buying Process
• Buying Center Navigation: Key Members of the Buying Center at each Stage of the Buying Process
• Communication Effectiveness: Mode and Frequency at each Stage of the Buying Process
“Our salespeople could assess the customer’s needs and offer appropriate solutions. But the disruption in the digital market was so overwhelming that they did not feel clear about what they were supposed to do. They were stuck in place until we could get them over this hurdle. To help them cope, we asked them to reflect on what their role was and was not. We found that it was helpful for them to write down their thoughts in a journal. We needed them to recognize that they did not have to be an expert in all things.”
Incentivizing long-term focus
Behavior-based controls (Automotive)
Shifting the Performance Curve: Training & Incentives

Laggards

Core Performers

Stars
Conclusion

Right Salespeople

Right Sales Processes ↔ Right Organization and Culture
Thank You

Thomas Steenburgh, PhD
Richard S. Reynolds Professor of Business Administration
Senior Associate Dean for Faculty Development and
Residential MBA Program
Darden School of Business
University of Virginia
PLEASE BE SURE TO SPEAK INTO THE MICROPHONE. WE’RE RECORDING!

TOM STEENBURGH

Professor and Senior Associate Dean

University of Virginia Darden School of Business

steenburght@darden.virginia.edu

http://linkedin.com/in/thomas-steenburgh-740026b