

# DIGITAL SELLING





Kilian/Mirski (Ed.)

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Digital Selling



# **Digital Selling**

## **Successful Strategies and Tools for B2B Marketing and Sales**

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# Foreword

Digitalization is today's biggest buzzword. The subscription-based business model has not only revolutionized how software solutions are delivered, but it has also played a decisive role in sales and marketing at companies around the world. Umpteen new startups have harnessed the power of this business model to rise rapidly, and transform into feared competitors. These startups have surfed past former market leaders on a wave of success. Even though some sectors and industries seem to more insulated from the impact of digitalization, it is also quite evident to those in these sectors that it is only a matter of time until a more innovative company discovers a shorter, cheaper, and faster, simpler, easier or revolutionary way to transform numerous business models and processes. A "let's wait and see" approach is no longer a viable option in today's business environment, so allow us to guide you down the path to becoming experts in digital selling.

We'd like to invite you to take the first steps of your journey with us, and together we will examine this phenomenon and the reasons for its rapid success. As we do so, we will take a close look at three major aspects of this phenomenon: subscription-based business models, customized marketing with digitalized sales and customer success management. These sectors have undergone fundamental transformations so that they can keep riding the wave of success, and with the right approach, so can your business.

Despite all of the digital changes, or perhaps because of them, the most important key factor in today's knowledge-based economy cannot be overlooked: human beings. Whether in the form of customer relations, employee retention, or management behavior, human beings have played a central role in digitalization. We will constantly refer back to the people who have played a pivotal role in exploring the opportunities presented by digitalization.

Just as we do in our everyday work with our customers, we hope that you too, will also have many epiphanies while reading this book, and that these will stimulate and inspire you to change your thinking when it comes to digitalization. By documenting and gathering our experiences here, the authors of this book have made substantial contributions to knowledge in this field, and it is from these contributions that you can now profit.

We hope that you will enjoy reading this book.



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# 1. Introduction

Not so long ago, the concept of ‘subscriptions’ only applied to magazines and newspapers. Nowadays purchasing subscriptions has extended into all manner of services and products which suit not only the users but also the providers as they scale their offerings into pay per use and pay per user go-to-market business models. We know this model gives significant flexibility to the consumers as they have greater visibility of and control over their costs and only pay for what they need or use. More recently referred to as ‘cloud solutions,’ providers can remotely host all manner of solutions in the cloud and then offer these to their customers as remotely hosted services, usually accessible through the internet. It is often called, ‘On demand software’ or ‘Software as a Service’ (SaaS), and these terms are used interchangeably to refer to subscription-based business models.

Nearly every company has been exposed to or already uses subscription-based software services, which have significantly multiplied in number in recent years. Perhaps the best-known example is *Microsoft’s Office 365*, which has captured the first wave of mass migration to Office based applications through their *Office 365* subscription product. A simple monthly user subscriber model controls the costs and gives users flexibility in a few ways. First, by future-proofing the software, updates are automatically delivered to subscribers. Second, as the company’s workforce and hence its number of users expands and contracts, subscriptions can be turned on and off on a monthly basis, offering tremendous advantages in cash flow management and when it comes to predicting operational expenses.

In the area of corporate software solutions, there has also been steady growth in subscription-based products. For example, Microsoft has grown their *Office 365* subscriptions by more than 124% in 2016. It is easy to understand how the model gives providers a significantly better ability to plan and to forecast revenue. Constant contact with customers can be more easily maintained, and software updates can be carried out automatically and remotely. Using customer relationship management solutions, providers have decided to make the switch and digitalize sales for solutions such as *Salesforce*<sup>1</sup>

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1 <http://www.salesforce.com/eu/sales-cloud/overview/>.

and *SAP SE*<sup>2</sup>. In the area of document management systems, solutions such as *Alfresco Cloud*<sup>3</sup> and *DocuWare*<sup>4</sup> can also be obtained from companies by subscribing to them.

In addition to similar cloud software solutions, other types of services are increasingly being provided and obtained from the cloud, often using subscription-based payment methods. The relocation of platforms (Platforms as a Service, PaaS) or infrastructure (Infrastructure as a Service) to the cloud is no longer unusual for companies. When it comes to the latter, IT resources such as servers, processing power, storage, and networking capacity as well as system backups are provided for a fee based on usage. As for the PaaS service model, services such as operating systems and databanks are made available using this subscription-based business model to facilitate further development and integration of application software. The most obvious ones being Amazon Web Services and dynamic cloud platform providers such as Rackspace and Dropbox.

The findings from our *Channel Partner Study* on migration to the cloud revealed a high correlation between these new business models and the rising value of companies on stock exchanges that have been impacted by them. Companies with monthly recurring revenue are valued significantly higher by shareholders than those reliant on non-recurring income. This finding in itself provides a strong indication of the likelihood that over the medium to long term, more and more companies will sell their products and services via subscription-based business models.

However, in addition to all of the hype and advantages, this shift to centralized business models has had wide-ranging implications on other business segments, notably sales. In fact, changes in sales processes are inevitable despite the success of more traditional sales models such as license sales and complex implementations (which usually involve a significant investment of capital and hence a long sales cycle). The quick pace of changes currently underway has completely upended traditional sales models as a result of migration to the cloud. Hence, the behaviors of both customers (who are

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2 <http://go.sap.com/product/crm/cloud-customer-engagement.html>.

3 <http://www.alfresco.com/products/enterprise-content-management/cloud>.

4 <http://www.docuware-online.com>.

growing more and more aware of cloud solutions) and sales professionals (who have previously devoted themselves to long and complicated sales cycles) are now being dragged kicking and screaming into selling seats in the cloud, with hosted solutions and subscriber models.

In the course of the *Channel Partner Study*, we analyzed more than 100 software and computer retailers in over 20 countries, focusing on their transitions from traditional on-site sales to subscription-based sales models.<sup>5</sup>The company-wide analyses we carried out included all key areas in cloud-based business segments. The study was not limited only to the area of sales but also examined important sub-areas such as strategy, business models as well as marketing and product strategies. Throughout the analyses and the customer projects upon which they were based, “best practices” and related concepts were revealed and perfected to pave the way for our customers’ sustainable success. This book summarizes and highlights the vital experiences and findings. With a particular focus on what you can do in your organization, we provide you with the latest tools and resources to transition your sales team, so they win over cloud customers.

## **Why should I read this book?**

We have written this book for people and organizations who are being subjected to the profound changes digitalization is having on solution providers who recognize the disruption to traditional sales models, especially industries which offer more complex solutions and services. It addresses issues and opportunities for current sales organizations which have to manage scarce resources prudently to mitigate the key challenges posed by the move to digitization and the cloud and to simultaneously position themselves to take advantage of the new frontier in the digital landscape. With this in mind, this book will attempt to answer the following questions:

- What is meant by digitalization and how will it reshape business models to be successful in the future?
- Who lies at the heart of the digitalization process?

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5 PDAGroup (2015): *Channel Partner Study: Success in the Indirect Sales Channel*.

- How can you attract, retain, and grow your customers in the age of digitalization?
- How should the sales process be optimized for subscription-based products and services?
- How can the sales process be digitalized?
- What new tasks and responsibilities must be assigned to employees within companies?
- What role does marketing play in the digital transformation?
- How can companies maintain contact with customers in the long-term while minimizing costs and the effort required (CRM optimization)?

Finally, of course, this book will share valuable insights into how the nature of business has changed for providers of complex solutions and services, and also demonstrate the latest sales and marketing practices which are leading the way. It is our goal to provide you with the information and tools you will need to reach your customers and establish a sustainable subscription-based business model at your company.

### **Who should read this book?**

As a result of digitalization, a large number of industries now find themselves in the midst of radical changes. Therefore, potential readers of this book should not necessarily be limited to a particular group. An obvious target group for readers of this book is those in senior management and employees of companies that offer complex solutions and services (especially those in the IT and engineering B2B industries). Those businesses that sell customized products which typically require detailed explanations view themselves as a part of a sales process that is comprised of a variety of contacts and decision-makers in different departments at various levels in the hierarchy. These contacts each make significant contributions to the overall decision-making process when purchases are made, and it is their trust which must be earned.

This book's information will also be useful for decision-makers in medium-sized enterprises that must prepare themselves to thrive in the age of digitalization by adapting their strategic tools and thinking so that they can remain competitive in this rapidly changing business environment. This book should provide food for thought for skilled merchants and manufacturers alike, shining a light on the path forward as they consider how they can use digitalization to optimize not only the range of products and services that they offer (along with their communication with customers via various channels) but also their internal working processes.

For example, companies need to switch to service-oriented business models. Avoiding project sales and one-time sales deals allows for more focus on monthly and yearly recurring service agreements which include additional products on so-called subscription-based Service Level Agreements (SLAs), often referred to as 'annuities' in the SaaS world. Are you a marketing or sales manager who needs to implement such a new strategy? The chances are that not so long ago you were not included on the project team during the planning and development of the new strategy, and now you are expected to organize the transition from a traditional sales approach to an agile, digitalized sales process as quickly as possible. If that sounds familiar, then this book has been written precisely for you.

At this time, we would like to point out that it is much easier for entire teams, working together, to implement the changes described in this book. In fact, we highly recommend getting your colleagues onboard at the same time, which gives you the power of leverage (sharing and building on each other's great ideas) and strengthens the commitment to transitioning your company into subscription offerings and business models.

Since digitalization is impacting so many areas of business impacted by digitalization, we believe that having a deeper understanding of present business processes is a critical success factor in the digitalization journey. Hence it is highly advisable to select a team of employees as diverse as possible. Critically, ensure you include a broad cross-section of the organization, particularly Generation Y, so that you have digital natives on board from the beginning. It is extremely beneficial to get fresh perspectives since history has given us numerous examples of where new eyes are the solution to old problems.

Encourage risk taking (within reason!), and agility. The success of recent startups valued in the billions is often attributed to a ‘build fast, fail fast or a build fast, ship fast’ culture. Allow all ideas onto the table, engage your team in hackathons to overcome existing challenges in a more light-hearted manner and enable your team to handle initial failures better (even if they would not have been entirely unavoidable using the best methods available to date). What is critical when doing so is that the team learns from its mistakes without any finger pointing taking place. After some initial successes, you can then expand the team step by step because many of these methods can only help you reach your full potential if all employees have been brought into the process. Above all, an important part of this book has been dedicated to marketing, which needs to play a pivotal role in the new sales process.

Whether you are just starting out, or you have already embarked on your digitization journey, this book shares the best tips, ideas, tools, and practices from our research, which we are sure will give you a targeted way to support your digital transformation. Whether for survival, progress, growth, or an experiment, many companies that are currently on the road to digitalization have no real end goal; therefore, this book and the tools we share should guide your business down the right track with the right business model, supporting your success in the long term.

In the very unlikely event that subscription-based products and services are not a pressing topic for your company, then you should first ask yourself why that is even the case. If there is no apparent reason, then you should strongly consider adding them to your offerings. Forecasts show that, due to growing digitalization, many complex solutions will be sold to the service industry in the coming years. We believe it is a ‘speed to market issue,’ and the earlier you address this topic, the greater the differentiation and competitive edge you shall have in the future.

### **How should you read this book?**

We know that the daily grind of working in sales, marketing or management can be very demanding. Who has enough time to read lengthy books? That is precisely why we tried to make all of the chapters self-contained, meaning that you need not read the entire book from cover to cover to experience in-

spirational epiphanies. You can skim through the table of contents and zero in on the chapters that interest you. If you find an individual chapter to be a hot topic and you would like to delve deeper, we have created an appendix where you can quickly and easily access tangible, proven best practices that you can implement, along with highly relevant and helpful instruments and analytical tools. Finally, we have vast amounts of quality resources, related educational and training options to support your digitalization journey.





## 2. Digital Transformation: The Basics and Necessities

### 2.1. The Age of Digital Transformation

#### 2.1.1. Definition of Digitalization

Digitalization is a hot topic! To date, however, no generally accepted definition of this buzzword has emerged. The IT consulting firm *Gartner* describes digitalization as

*“[...] the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.”<sup>6</sup>*

Despite all of the hype surrounding digitalization, the changes that have come along with it are nothing new. As early as 1942, the Austrian-American economist Joseph Schumpeter coined an expression that has served as a leitmotif in economics since then: creative destruction. This term describes a *“mutation [...] that incessantly revolutionizes the economic structure from within, incessantly destroying the old structure, incessantly creating a new one.”<sup>7</sup>* In other words, with the emergence of new ideas and technologies, old companies are eliminated as competitors. New businesses with better and often more cost-effective offerings squeeze them out of the market. To avoid destruction in this dynamic process, players in the market need to be highly adaptable. Once established business models become threatened by new developments, companies must be willing to reexamine them and adjust them if necessary.

We understand digitalization as the use of new digital technologies to make businesses more agile regarding their internal processes and their interactions with customers. For IT solution providers, this agility means offering new technologies and solutions to clients in more agile, cost effective and customer friendly ways.

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6 Gartner IT Glossary: Digitalization.

7 Schumpeter, J. A. (2005): Kapitalismus, Sozialismus und Demokratie. p.136–138.