Why customers are not buying what you're selling

How digital business models and digitally empowered buyers are changing sales

Model **N**

There is no business as usual anymore

McKinsey research states 50% of Fortune 500 companies have perished since 2000. In 2001, the top five global companies by market cap were: GE, Exxon, Microsoft, Citicorp and Walmart. By 2016 digital transformation had changed that landscape dramatically, featuring a top five of Apple, Alphabet, Microsoft, Amazon and Facebook.

"93% believe that digital technologies will disrupt their business" —Forrester

Digital is disrupting all businesses, a feeling shared by 93% of top decision makers in a recent Forrester survey. Without engaging in digital transformation, 67% of respondents in the Cap Genimi Digital Manufacturing survey felt that they would be less competitive.

Speaking on digital transformation, Jeffery Hammond for Forrester Research says, "Software is doing three things at once: making it easier for new entrants to come into the market, increasing the bargaining power of buyers, and making the threat of substitute products or services easier than at any other point in time."

Across many companies, the disruption affects sales organizations most keenly. We see three digital transformation trends that result in customers no longer buying what many sales organizations are selling.

The "servitization" of business

Lead by IT and cloud computing, the as-a-service model has grown dramatically. And with the Internet of Things (IoT), the servitization business model has rapidly expanded into tradition manufacturing products.

According to IDC Manufacturing Insights, an estimated 40% of the top 100 discrete manufacturers will be offering product as-a-service in 2018. IDC also believes that the transformation of the standalone service function into an integrated product and service platform drives increased value for the customer as the product is used.

Business buyers are seeing servitization of products as a way to align the manufacturer with how they deliver value to their customers. Manufacturers benefit as well, as advances in IoT, sensors and software create opportunities to reinvent their offerings and build closer relationships with customers. In a T-REX study, 59% indicated a key driver for servitization was stronger customer relationships.

"40% of manufacturers will be offering product as-a-service" —IDC

What's needed?

The ability to quickly assess customer need and propose solutions that may be comprised of multiple products, services and software – all simply packaged for unique customer needs.

The age of the customer

The digitization of business brings a focus on the customer that is a double-edged sword for sales organizations. On one side, sales teams are scrambling to transform sales processes and tools in order to improve customer engagement. A McKinsey Report shows that customers use up to six different interaction channels as they buy, and unfortunately, 65% will come away frustrated by inconsistent experiences.

On the other side, the digitally empowered customer is breaking the traditional buying process and forcing sales organizations into new and often personalized buying journeys. According to Gartner Research, today's customer is already 57% through their buying journey before they even contact the supplier.

For those sales organization that execute successful transformation, Forrester and Watermark research showed sellers with high Customer Interaction scores dramatically outperformed their peers. Mapped to the S&P over seven years, the leaders outperformed the S&P index by 27% and outperformed digital laggards by 81%.

"65% of customers frustrated by their buying interactions"

— **McKinsey**

What's needed?

Digital availability of deep and comprehensive solution information through multiple channels, tools for sales that enable flexible assembly of solutions and rapid response

A new set of metrics for price

With the increasing servitization of products and the advances in IoT and sensing technology, there is also an unprecedented opportunity to transform traditional pricing models to align the supplier more closely with the customer's use of the solution.

In a survey conducted by the Economist, 80% of respondents said that they saw changes in how their own customers prefer to purchase goods and services. As a result, 51% of the respondents said that their companies were changing how they price and deliver their products.

Deloitte explains in, "Align Prices with Use," that usage-based pricing models are a strong positive transformation from the customer perspective, providing an opportunity to purchase solutions more readily. The upside for suppliers is a better understanding of how customers use products and an ongoing connection that enables additional sales opportunities.

"**80%** of companies see their customer's buying preferences changing" —**Economist**

What's needed?

Re-evaluate how solutions are priced and delivered. Sales tools that automate new digital business models such as subscription, usage, risk-share and outcome-based pricing.

Digital transformation is about business transformation

Leading sales organizations are not only rethinking customer engagement, they are working to help the company rethink its offerings, their pricing and their delivery. Opportunities extend beyond IT. An IDC study highlights a $38B growth opportunity for discrete manufacturing from customer facing digital transformation over a 4-year period.

> **"$38B growth opportunity from customer facing digital transformation"** —IDC

McKinsey writes in "What the future science of B2B sales growth looks like" that companies embracing modern data-driven sales tools and analytics are pulling ahead of their competition: in revenue growth by 2.3 times industry average, in profitability by 3%-5% added return on sales, and in shareholder value by 8% higher than industry average.

Model N is working with leading companies to enable their sales teams to address these three key trends with Revenue Cloud, a suite of intelligent, cloud-based applications including CPQ, CLM, Global Price Management and Channel Data Management. With Model N:

- Rapidly assemble personalized solutions combining products, services software and consumables.
- Accelerate responsiveness and shorten sales cycles with mobile-ready, end-to-end sales solutions for pricing, quoting, contracts and channels sales
- Enable sales to easily model solutions using a variety of digital business models like subscription, usage, risk-share, outcome-based and more.

To learn how Model N can help you reinvent your business go to www.modeln.com.

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