PRECISION GUIDED SELLING:

SAFC Case Study

At SAFC, we realized we needed a new approach to engaging with our customers as a growth partner and growth engine - because our accounts were facing the worst significant challenges in their industry in years.

This is how SAFC, a manufacturer and distributor of specialty chemicals for the biopharmaceutical, pharmaceutical and high technology industries, found and implemented the *Precision Guided Selling* approach with one strategic account, resulting in a $8.0 million win for our company.

Faced with aggressive competition from generics and an overnight drop in revenue, PharmCo had begun ramping up pressure on its suppliers. At the same time, our executive leadership had given our strategic accounts program a mandate to grow at one and-a-half to two times the pace of the market and to co-create innovative solutions with a selection of strategic accounts in our Life Science division. With pressure mounting, we knew we needed to “step up our game” to a new way of selling and negotiating with our customer.

The Solution:

We hired 5600blue, a global consultancy, to assist with this pressure by implementing their *Precision Guided Selling* buy/sell approach, a solution that has three parts:

- Providing the SAM team with real-time customized market knowledge throughout every phase of the buy/sell process
- Supplying us customized software technology that houses, distributes and updates this knowledge in consumable ways like Word, PowerPoint and email formats to help the team craft compelling messaging.
- Delivering us customized enablement through in-person sales training and a follow up formal coaching program

Precision Guided Selling

A 3-Step Process

1.Qualify and Gain Access

As we looked at implementing the Precision Guided Selling process, the first thing we needed to do was to be sure the opportunity we would spend precious resources on was a worthy one. What we needed was a business opportunity that could help us break free from our tactical position and allow us to engage higher, deeper and wider at the account.

The opportunity we settled on involved raw materials for children's vaccines. It checked a majority of the boxes on our ideal customer criteria list with favorable attributes like biological pipeline growth, significant revenue potential, new business, alignment with our technical expertise, clearly defined scope and opportunity to maintain our intellectual property.

2. Create Value (i.e., create demand)

With the right opportunity targeted, we set out to create demand. Early in 2014 we confirmed a market rumor that PharmCo's single source for serum, a critical raw material used in vaccine production, had lost control of a significant share of its supply chain. If not addressed, the potential impact to PharmCo would have been a supply shortage, significant price increases and quality gaps.

Because of the complex and arduous process for bringing a new vaccine to market, which can take 10 to 15 years, the consequences of a supply-chain disruption for PharmCo could be catastrophic. Just the process of qualifying materials from a new supplier can take 18 to 36 months, at significant cost to the applicant.

We went to work quantifying the impact this serum shortage would have on our customer and created compelling, attention-grabbing messaging for the stakeholders. Rough estimates showed that every month of shortage could result in millions in lost revenue to our account, not to mention the impact to their brand. Given that PharmCo's vaccines save the lives of children around the world, the consequences of a shortage could cause serious damage to the PharmCo brand image.

Since there were no signs the customer knew of this looming supply shortage situation, we wanted to position ourselves as consultants by bringing this news to light. Our mission: to create a sufficient level of concern and urgency to translate into demand and, eventually, to demonstrate that SAFC could be a the life preserver PharmCo needed.

The first thing we did was reach out to our day-to-day contact, the procurement representative. While he was thankful for the notification, he confronted PharmCo's existing serum supplier, who issued a flat denial. This hurt our credibility with the customer, who immediately blocked our access to all its internal executives. But we had confidence in our information – and the dangerous and costly supply disruption this information represented - so we refused to take "no"for an answer.

Using customized data in our 5600blue software tool, we and our marketing team accurately quantified the financial impact of a potential serum shortage, crafting a well written and compelling e-mail to the customer's franchise head and the quality lead, urging them to act. Did we know that bypassing our designated procurement contact risked damaging the relationship? Yes, but we decided the stakes were too high not to go forward.

It took us three tries before we finally caught the attention of the head of franchise, who granted us a meeting. Not only did this data pique her interest, but it led to a series of meetings over the next few months that gave us the opportunity to compete head-on for PharmCo's vaccine dollars.

3. Capture Value

Decision support: Leading the customer decision

We went to work preparing for our meetings, which now included a handful of decision makers who spanned all functions within the account, which included personnel from strategic, initiative and operational levels. At every meeting we had the same agenda: to put in front of each stakeholder objective decision criteria (biased toward our SAFC solution) that would assist them in making a better decision. During these meetings we consistently wore our "consultant hats," avoiding sales altogether.

We also prepared information about the account's alternative, i.e., our competitor, to call attention to our key differentiators in order to educate and inform our contacts. Using our customized data in 5600 blue's value blueprint tool, we prepared a comprehensive list of decision criteria. We analyzed what we knew about the competition's access to raw materials, their relationship, their financial strength and more. And then we analyzed whether each decision criteria was of value to the account. We had numerous conversations with the customer over the course of months to verify our internal work. Key conclusions targeted our areas of strength, such as existing supply chain and warehousing, but also our risks, such as our limited ability to impact the market and our inferior position on cost (Fig. 1).

	Strength to SAFC	Value to Account
Access to dual source	H	+
Short Qualification time	H	++
Existing relationship	L	+
Financial Stability	H	+
High Quality	H	+
Cost	L	+
Cost Transparency	H	+
Payment terms	M	+
Ability to stabilize the market	L	++
Warehousing locations	H	+
Reproducibility at scale	H	++
Service	H	-
Technological advantage	H	-

We knew that to have any chance of winning, we needed to serve up a solution that met PharmCo's needs with higher confidence and lower risk compared to their alternative to us. We knew that time was of critical importance and that we were best positioned to offer a short qualification time. We used this and our ability to stabilize the market as key differentiators to offset our weakness on price because we were not the lowest cost provider.

Continuing to organize and plan our strategy internally, we took these areas of high importance to our customer and translated them into specific deal components. We ranked those that were of high value to the customer and low cost to us, and vice versa. Where possible, we attempted to quantify the value of each of these components to expand the value of the overall deal. We call these trades.

Ultimately, we believed that the idea of trading for something of equal or greater value would avoid value-detracting concessions and expand the overall opportunity for everyone. This helped our SAM team capture and protect our value. In our value blueprint tool, we have a list of approved trades in a drop-down menu. This exercise jumpstarted our planning and helped us think more creatively beyond common products, services and terms. The tool also helped organize our internal thinking before we were ready to present ideas to the customer, with the goal of expanding the financial "pie" by adding in as many value-creating elements as possible.

Unlike in previous negotiations, the decisions to protect or concede individual pieces of value were made systematically, not ad hoc. This came in handy when our account's purchasing contacts exerted concessions pressure during the negotiation. Instead of muddling through, we were ready to respond with prioritized trades thoughtfully prepared ahead of time by the SAM team. But we're getting ahead of ourselves...

Differentiation Through Use of Multiple Solution Options

We continued to differentiate ourselves by presenting three options, rather than the standard take-it-or-leave-it proposal. These options outlined business relationships we could have with PharmCo focused not on price but on strategic solutions that would solve their business issues. The goal was to help the buying team organize their thinking around what THEY wanted, while deftly guiding them to the decision that WE wanted.

Look at the chart (Fig. 2) below to see how this worked in practice. Notice the items in red; these are trades that both sides wanted, so we paid special attention to them. Presenting our customer with options was a break from tradition and so naturally bred internal pushback. Faced with multiple options, the customer would simply take lowest-cost option – or so the team feared. But as you'll see, this isn't what happened.

Lower risk	Best cash value	Convenience of doing business
100,000 units	75,000 units	50,000 units
Tiered Pricing	Tiered Pricing	Tiered Pricing
Dual supply chain	Single-source supply chain	Single-source supply chain
Standard payment terms	Favorable payment terms	Standard payment terms
Up to three months free warehousing	Up to three months free warehousing	Up to 12 months free warehousing
SAFC would allow price update every three months based on market	Cost transparency with agreed mechanism for price updates	Fixed annual price

The multiple solution option concept helped our team structure, package and present our value in the form of business relationships. The relationships are populated with the appropriate trades that create the recipe for each particular solution. The concept also lends itself to a clean and concise format, and sends a flexible and creative message to customers operating in a business world where our own sales organization precedents – not to mention those of our competition – tend to offer the exact opposite.

So how did our team respond to this new-to-us negotiation strategy? Our team struggled most with the transition because they were used to the buyer hitting them one line at a time. What helped was to include messaging the team could use during the customer presentation around a total risk/reward package. With risk (i.e., terms and conditions) and reward (i.e., price, products and services) becoming interdependent, it becomes incumbent on us to provide the story and explain this view to the customer.

With three options on the table, we went back and forth with the customer until agreeing on a fourth option, which very closely resembled the "best cash value" option. We prepared for what felt like an inevitable price pushback, but it didn't materialize. Instead, the customer asked us to absorb both the risk and cost of unused supply, but our management stood its ground. We linked the portion of risk the customer agreed to absorb to the amount of serum we would commit to produce. By guiding the discussion toward value, we successfully avoided any discussion on price.

Commercial Outcomes

We can claim the following successes as a result of implementing our *Precision Guided Selling* initiative:

- Following two months of delay, the customer asked for an executive meeting with SAFC
- SAFC agreed to support the customer in qualification and manufacturing ramp up while negotiating commercial terms
- $8.0 million signed for 2015, with $20 million contracts for 2016 and 2017 under discussion
- Overall relationship with PharmCo has improved. Discussions are now very constructive and positive regarding all other SAFC products and services

"SAFC was seeking to change the culture to a value-driven, customer-centric organization. We recognized early that to facilitate this initiative we needed tools and process to support the cultural change. Using the Value Blueprint software gave us the ability to quickly and effectively share knowledge across our sales team. The customized software is now being used as an integral part of our value creation and value capture deployment. SAFC would not have achieved such rapid success in our sales pursuits and strong payback from our investment without 5600blue."

-- Kevin Kolell

5600blue is the first ever vertically integrated consultancy that builds a best practice knowledge base, leverages our cloud based technology to house, distribute and update the knowledge as well as training, deal coaching and win/loss reviews to execute the Precision Guided Selling strategy at the deal level. For additional information, go to http://www.5600blue.com