

Medical Devices eBulletin

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***If you're competing on price, you'll never achieve maximum profitability.
It is critical to make value creation everyone's job.***

Are you sure that you're providing the value your customers bought into? Even if your answer is an emphatic yes, you might want to take a closer look into your customer's world. In my experience, 50-plus percent of all companies feel that they aren't getting true value from their suppliers. That number almost certainly includes some of your customers. The danger is you may be assuming that the fault lies with them—maybe it's an implementation issue or maybe they're blind to the value that you believe exists but they just don't see. It doesn't matter.

If your customers can't perceive the value you provide, it simply doesn't exist. That's the value gap and it's one of the biggest roadblocks to sustained growth and maximized profitability.

The value gap can often be traced back to cross-functional dysfunction, a term that basically means that individuals or departments are not working together, or even worse, they may be in conflict with each other. Consider these examples: Are new products created that have little connection with your customer's real problems? Is marketing generating leads but not held accountable for their quality? Are salespeople rushing to "present" solutions instead of seeking out relevant information on the customer's real requirements? With confusion and disorder, customers default to what they do understand – price – and there goes the downward spiral to commoditization.

The issue is when various departments or individuals are operating with cross-purposes, a company's value strategy is likely diluted by the time it reaches the customer. The customer perceives, rightly or wrongly, that either the value being offered simply isn't there, it isn't unique compared to alternative solutions, or there are doubts that the value being promised will be delivered—all of which leads to hedging, forcing price comparisons and driving profits down. Sellers ultimately watch their margins erode as price becomes the driving force of the decision.

In order to close the value gap, companies must create "Prime Solutions"—solutions that:

- a) deliver optimal results, capable of leveraging value to the highest level of the customer's business,
- b) ensure that customers have identified and purchased the best solutions to their problems, and
- c) provide implementation and value creation strategies that enable customers to achieve the ROI that they anticipated.

To achieve this goal, a company must end cross-functional dysfunction. It must replace "cost cutting" with "value creation" as a core competency. In other words, creating and selling value must become everyone's responsibility.

So how can you build a culture in which value creation becomes the mantra and your customers see you as an incomparable source of value? Here are some guidelines to start transforming your organization:

Begin with a tangible and compelling customer problem. All too often, we can develop products and services based on faulty assumptions about value. Chances are these assumptions could be inconsistent with the customer's perspective. By the time we discover the disconnects, time, money and market position have been lost. Not only must we look through the eyes of our customer and develop products and services that address our customer's financial well-being, but we must constantly validate our assumptions about value. We must ensure we can convert what we believe is value into value our customers can fully achieve and measure.

Commit to Diagnostic Marketing®. You define your solution, which has been designed to solve a problem that your customer is currently facing, or will likely experience. You then create your market message based on a thorough diagnosis and understanding of that problem and its solution. Your messages however, must be written in the "negative present," a place customers don't want to be. They ask a customer to examine their current situation and suggest...*These are the symptoms of the problem you may have, and if you are noticing this evidence, we may have the solution.*

Additionally, marketing must prepare the tools and support materials that will be used to diagnose the customers' business problems and design the solutions. These materials must guide salespeople through the same diagnostic process that is used in solution development and marketing. They must assist salespeople in identifying the indicators and consequences of the customers' problems that their solutions address.

Learn the art of diagnostic conversations. Traditionally, a salesperson's goal has been to close the sale, get the signed order, hit the numbers, bring in the business... win. In Prime Solution companies, the desired outcome of the sale is the same, but the focus and the process are dramatically different. The diagnostic sales professionals work more like physicians. They provide high-quality diagnostic services, prescribe and treat responsibly, and attempt to ensure optimal health for their "patients" (the customers).

Keep an eagle eye on impending issues. The rewards of keeping close to the customer are well known. We must ensure that customers attain the valuable results they expected when they purchased our solutions. That means not just solving problems that crop up, but actually watching for and diagnosing problems that customers don't realize they have. We are closest to our customers when we are serving them, and therefore we are well-positioned to diagnose additional issues and opportunities before the customer may recognize them and ask for help.

To capitalize on these valuable, and for the most part untapped, resources, you must create conduits for continuous feedback. These feedback mechanisms connect the end of the value chain back to its beginning. The information that's captured by customer service employees actually flows back into the cycle and serves as the basis for the development of new Prime Solutions. Thus, the conclusion of one revolution around the cycle becomes the impetus for another.

This may sound like a daunting amount of work, but the result—transformation into a Prime Solution provider and the resulting impact on your bottom line —is its own reward. Think of how you would respond to a solution provider who brought these capabilities to your door...a resource who would help you achieve a successful implementation, quantify and maximize the return on your investment, and ensure the sustainability of your optimized business performance. This sounds like a highly valued business partner, a source of continual competitive advantage...a position we all want to occupy in our customer's minds.

Jeff Thull, President and CEO of Prime Resource Group, is a leading-edge strategist and valued advisor for executive teams of major companies worldwide. Jeff has designed and implemented business transformation and professional development programs for companies like Shell Global Solutions, 3M, Microsoft, Siemens, Citicorp, IBM, Raymond James, and Georgia-Pacific, as well as many fast track, start-up companies.

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