

Marketing & Sales

What's wrong with solutions selling—and how to put it right

If you want to grow your business, improve your commercial capabilities.

by Boudewijn Driedonks, Berenika Hengstebeck, and Michael Viertler



Solutions selling is fast becoming the norm for many B2B players, driven by commoditizing product markets, shrinking margins, and increasingly complex customer demands.¹ Companies in industries from chemicals to medtech² are developing individually tailored combinations of products and services to meet customers' needs more completely and grow sales. Yet for many of them, solutions selling has not yet delivered on its promise. Why not?

A series of analyses and benchmarks we've developed has made it clear that the answer to this question lies in the fact that most solution-selling companies have less developed commercial capabilities than their more transactional peers. (For more on the analysis, see sidebar, "Identifying the drivers of above-market growth.")

That is a significant shortcoming, since our analysis has also clearly shown that commercial capabilities are closely correlated with solution-selling performance. One of the companies we analyzed, for example, was a commercial real-estate company with above-average commercial capabilities as well as a compound annual revenue growth rate of more than 15 percent over five years—four times the average for its market. That kind of connection between commercial capabilities and performance came through again and again in our analysis.

Filling the capability gaps

Our analysis of solutions providers delivered a clear message: if you want to grow your business, improve your commercial capabilities. Success hinges on three main factors.

¹ See Anna Koivuniemi, "Don't sell, solve problems," LinkedIn blog post, May 20, 2016.

² See Manisha Gulati, Jake Henry, Chris Llewellyn, Nils Peters, Christopher Simon, and Gila Tolub, "Creating 'beyond the product' partnerships between providers and medtech players," February 2019, McKinsey.com.

Sidebar

Identifying the drivers of above-market growth

We conducted an analysis of 175 commercial organizations and almost 23,000 sales reps in October 2018 using proprietary McKinsey databases.

The analysis revealed that marketing-and-sales capabilities are strong drivers of B2B sales. That's hardly surprising. But what was remarkable was the *scale* of success enjoyed by businesses with above-average commercial capabilities, which grew their revenue by 56 percent more than the average for their market.

We took a closer look at the companies that had above-average commercial capabilities and achieved better-than-average financial performance and found a statistically significant link (with a 99 percent confidence level) between these two dimensions. Market beaters—companies that both outperformed their key competitors in financial terms and maintained above-average commercial skills—tended to grow at twice the average rate for their market.

Yet our analysis also shows that solutions providers tend to underperform product- or service-oriented companies and that they struggle to improve the commercial capabilities that matter most for their success. Understanding where to focus their attention can help them close the gap with market leaders.

1. Build the right institutional capabilities

“Good products sell themselves,” says an old adage. While there’s obviously an element of truth to that, we wanted to learn more about what capabilities are most important in solutions selling today. We benchmarked 101 B2B companies across eight capabilities, from strategic marketing to commercial support, plus four enablers, from organization design to information systems (Exhibit 1).³

The following insights particularly leapt out at us:

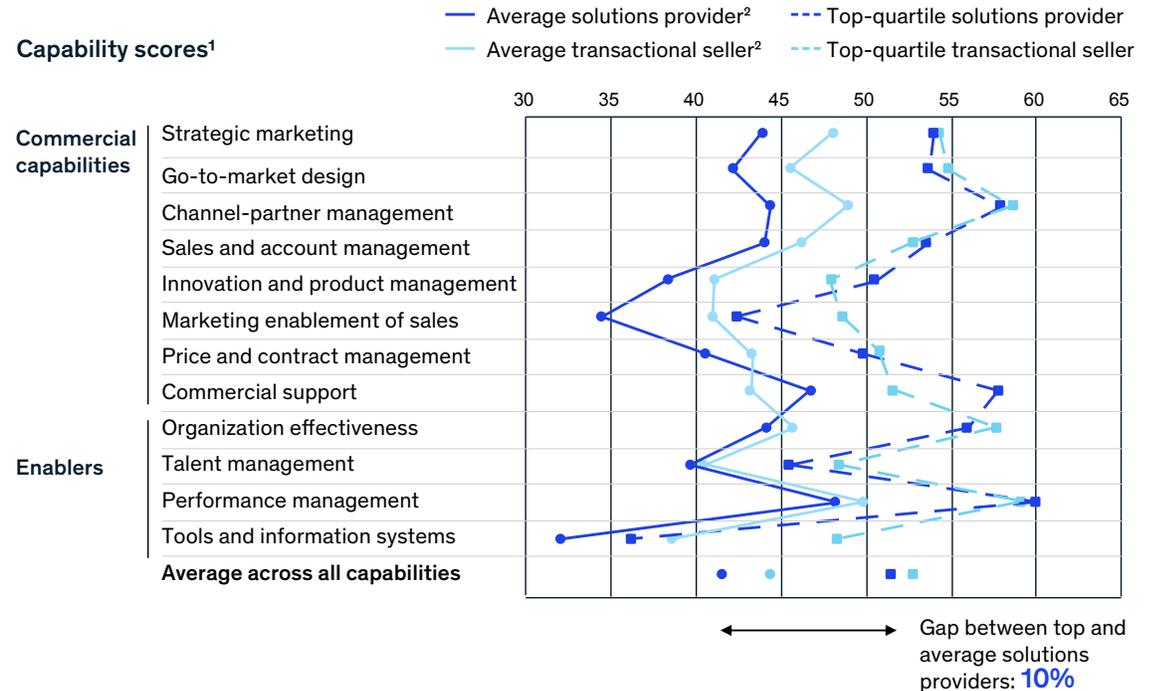
- An average B2B solutions provider does not outperform its product- or service-focused counterpart in commercial capabilities, as we might have expected, but lags behind. The gap

between the top and the average solutions provider is even wider. In other words, solution-selling companies have great potential to unlock value by boosting their commercial capabilities.

- The gap between average and top performers is far greater among solutions providers than transactional sellers in innovation and product management. This confirms that, for solution-selling companies, customer-backed innovation and constant renewal of products to meet customer needs are key differentiators, in which insights from sales provide the competitive edge.

³ We divided the companies into two groups: those offering integrated solutions (14 companies with 1,936 responses) and those offering separate products or services (87 companies with 20,511 responses). To do that, we assessed the complexity of offerings, how far they were tailored to specific market segments, the nature of the sales process, and the length of selling cycles. We then compared the two groups across all 12 commercial dimensions.

Exhibit 1
Solutions providers lag transactional sellers in commercial capabilities.



¹Average percentage of participants who indicate best practice is “often” or “always” achieved.
²B2B solutions providers comprise 14 companies with 1,936 respondents, and transactional sellers comprise 87 companies with 20,511 respondents (GEM companies excluded).

- Solution-selling companies seem to have marketing programs that struggle to support sales effectively. Value propositions that sales reps can take to their customers are often difficult to tailor or quantify, nor are they modular.
- The biggest gap to close between top and average performers lies in managing channel partners. In solutions selling, channel partners may struggle to understand their role in contributing to your value proposition and solutions. If training channel partners to sell your portfolio of products is important, it is even more so for solutions.

Improving commercial capabilities isn't just relevant to customer-facing sales teams but also to entire end-to-end sales processes. One professional-services firm struggled to manage global sales across its broad portfolio of solutions and decided to address its organizational effectiveness. It discovered that salespeople with queries often had to wait two or three days for a reply from their lean technical-support team, even for high-priority bids and customers. To reduce these delays, the firm set up a cross-functional team of service experts, marketing specialists, and salespeople, led by a newly appointed presales project manager who acted as customers' main point of contact. This dedicated role meant that when a customer had a question, there was someone responsible for quickly getting them an answer, which cut response times way down. Under the new setup, queries were resolved within a day, helping the firm cement its reputation as easy to do business with and an expert in its field.

2. Cultivate the right individual skill sets

If a wide gap in institutional capabilities separates top solution-selling companies from average performers, does the same gap exist for individual reps' selling skills as well? To find out, we conducted a survey of almost 23,000 reps from 74 global organizations. Again, we categorized respondents to distinguish solution-selling reps (from 60 companies in the sample) from reps involved in transactional sales (14 companies).

We then looked at the sales performance for each rep and contrasted the skills scores of the top-performing quartile with those of the rest of the reps in our sample (Exhibit 2).

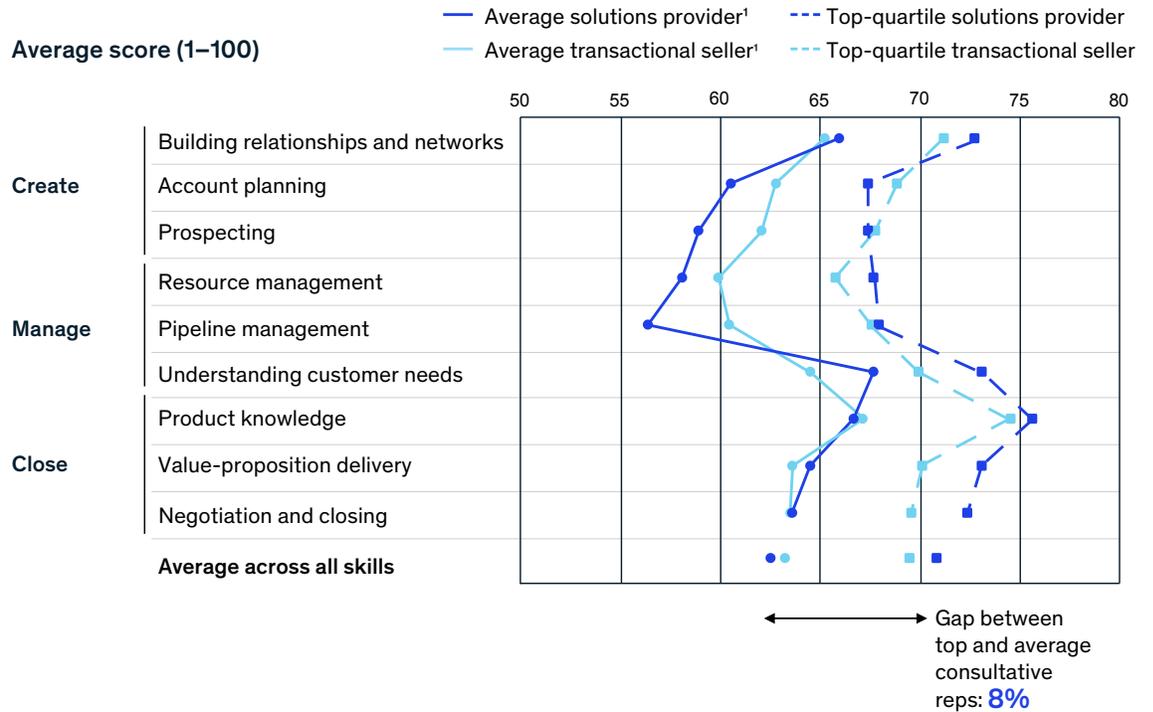
Our analysis revealed the following significant gaps in reps' selling abilities:

- Solutions providers are less confident in their commercial skills than their counterparts at more transactional organizations. The focus on the technical and operational side of the business may, in practice, prevent solutions players from developing best-practice commercial acumen among its sellers. This is especially true early in the deal cycle—account planning, prospecting, resource management, and pipeline management—where solution sellers lag their transactional peers. Even when both solutions and product sellers are well prepared, the complexities of selling solutions require greater selling skills.
- Top-performing solutions sellers excel at understanding customer needs, delivering on the value proposition, and negotiating and closing deals compared to their more transactional peers. When moving to solutions selling, these are the skills that need to go above and beyond the best practices of transactional sellers and require active training of the sales force. All these items center around clarity of value created for the customer and how to price that over the lifetime of the product.

One digital-solutions provider was able to grow its business by a double-digit percentage every quarter simply by hiring more sales staff. But when sales growth started to slow down, the company decided to analyze its selling skills and discovered big variations between reps. Closer examination revealed that they were given little support after onboarding and that the company had weaknesses in its performance measurement, training, and coaching. By comparing reps' sales proficiency with sales outcomes, the company found it focused too heavily on prospecting and could achieve better results by refreshing reps' product

Exhibit 2

Consultative reps at solutions providers excel at understanding customer needs, but lag transaction-focused reps in other skills.



¹Sample of consultative reps at solutions providers comprises 18,732 sellers from 60 companies; sample of transactional reps comprises 4,049 sellers from 14 companies.

Source: McKinsey analysis

knowledge, equipping them with proven tactics for negotiating prices, and improving their ability to handle customers’ concerns. After upgrading sellers’ skills, the company saw revenues rise by more than 4 percent.

3. Dedicate more time to customer interactions

Despite the attention it has received in recent years,⁴ improving the way sales reps allocate their time is often overlooked in sales-effectiveness efforts. Yet even the best reps need enough time in front of customers to deliver distinctive results.

To uncover the obstacles that prevent reps from dedicating enough time to selling, their most value-

creating activity, we analyzed how they spend an average working week. Using our sample of 23,000 reps, we scrutinized time allocation at both solutions and product providers and discovered that both have considerable potential for improvement (Exhibit 3).

Following is what we found:

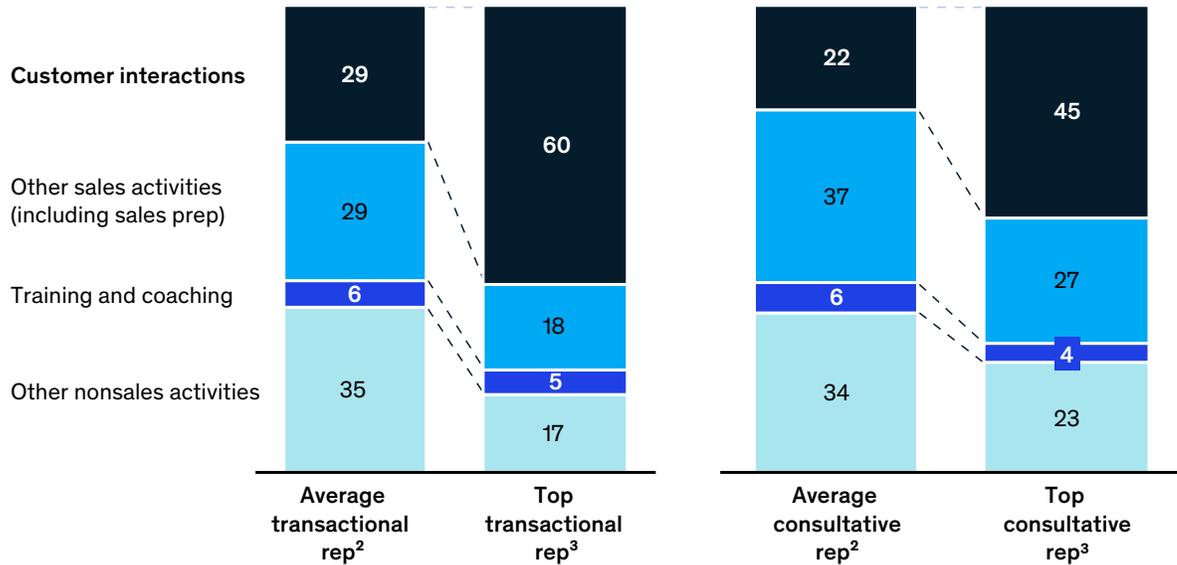
- A typical rep spends less than a third of the working week on sales interactions with clients, with transactional sales reps having the edge over solutions reps, with scores of 29 percent and 22 percent, respectively. This highlights how much still needs to

⁴ See, for instance, Julie DeLoyd, Maria Valdivieso, Ben Vonwiller, and Michael Viertler, “For top sales-force performance, treat your reps like customers,” McKinsey & Company, June 2017.

Exhibit 3

Consultative reps spend too little time selling, especially in face-to-face interactions with customers.

How sales reps spend their time, % of working day¹



¹Percentages may not sum to 100%, because of rounding.

²Sample of consultative reps comprises 18,732 sellers from 60 companies; sample of transactional reps comprises 4,049 sellers from 14 companies.

³"Top" rep means top quartile in time spent with customers selling.

be done to relieve sales reps of nonsales activities through, for example, industrialized, streamlined, and effective sales operations as well as motivating them to take greater advantage of support.

- Not surprisingly, reps at solutions providers spend far more time on sales preparation than transactional sellers do: 28 percent of an average week compared with 21 percent, respectively. Cutting that time requires adopting easy-to-use tools, such as value-proposition modules, customer-value calculators, and solution configurators.
- Some reps were able to spend twice as much face-to-face time with clients as the average for their peers—up to 45 percent

for top-performing solutions sellers. Make time management more transparent so that your sales force is aware of how their time is spent and can better see how to strike the right balance in activities.

One chemicals company was concerned when it discovered that its reps spent less than 13 percent of a typical week interacting with clients. That meant just five hours dedicated to direct selling activities and 35 hours spent on non- or less-value-adding tasks. The company found the biggest drain on reps' time was aftersales activities: booking new orders into the system, chasing missing or incorrect invoices, and resolving issues. The answer was simple but effective: setting up a specialist team to handle postsales requests and free up reps' time for selling.

What should sales leaders do?

In companies that excel at solutions selling, sales leaders typically do three things.

Get much closer to the customer to innovate

As B2B companies shift their focus from products to industry expertise, and as companies work with their customers to drive innovation, listening and inquiry skills become critical. For instance, one upstream chemicals company set up a new marketing organization to engage with its customers' customers—the end users—to understand how its products affected the performance of the paints, inks, and other products they used. Armed with insights from this team, reps then spearheaded innovation by committing to project sales targets and cocreating solutions with each customer to meet their individual needs, enabling the company to double its success rate for new projects.

Maximize sales time for salespeople

The complexity of solutions selling can trap salespeople into spending the bulk of their time answering customer requests, orchestrating internal activities, and reinventing the wheel for every new pitch. Smart companies avoid this trap by transforming their sales operations, customer support, and marketing as they switch to solutions selling. They work hard to focus sellers' time on the actual selling interactions with the customer. When one high-tech company moved its customer support from local sales offices to a central organization, it improved efficiency, response time, and quality. By locating customer support next to its training center and introducing clear career tracks for staff, it deepened its expertise in helping customers and left reps to do what they do best: sell.⁵

Quantify each sale in terms of customer value and lifetime profitability

To close deals, reps must be able to translate each solution into value for the customer and profitability for the company throughout the solution's lifetime. One power-equipment company moved from selling products and services to offering digital systems for operating the grid. Rather than focusing on profitability at the point of sale, sales reps sought to maximize the system's lifetime profitability using a tool to calculate annual capital-expenditure and operating-expenditure savings for each customer. The company won a big deal by helping the client understand which of its costs mattered most: the price of the land needed to house its equipment and the travel expenses incurred by its maintenance engineers. With the company's help, the customer achieved substantial savings by reducing their buildings' footprints and installing remote monitoring for maintenance optimization.

Many companies aspire to move to solutions selling, but only a few get it right. Indeed, our data show that there is a much wider gap between average and top performance among solutions providers than among product sellers. Upgrading organizational capabilities, improving individual reps' skills, and allocating time more effectively are the first steps to finding a solution that meets the providers' needs as well as the needs of their customers.

⁵ For more on crafting the right level of sales support, see Sebastian Küchler, David Sprengel, Jochen Ulrich, and Michael Viertler, "Sales support: How to get it just right," May 2016, McKinsey.com.

Boudewijn Driedonks is an associate partner in McKinsey's Amsterdam office, **Berenika Hengstebeck** is a manager of solution delivery in the Frankfurt office, and **Michael Viertler** is a senior partner in the Munich office.