

Smart Buying Versus Effective Selling: Anatomy of the Complex Sale

Executive Summary

A great deal of what is written and taught regarding sales is that the objective of the sales process is to get the prospective buyer to follow a prescribed path that leads to a purchase of one's product. This may have worked in the past where the sales person was essentially the sole source of data and the decision making involved one or two people. However, in the complex sale there are typically many decision makers and several layers of management involved. These people have access to a vast array of information so the role of the sales person must accommodate this reality.

This white paper makes the argument that the sales person's role is to facilitate the buy process and thereby improve the cycle time to close and improve the probability for a win. These are laudable qualities unto themselves but this white paper will also make the case that understanding and rallying around the buy cycle will also help to align marketing and sales effort by better equipping the sales person to facilitate the buy process. The result should be an increased understanding of what the true value add is for the organization and how effective current marketing and sales programs are in terms of influencing customer buying behaviors. These are the keys to maximizing the productivity of sales and marketing and achieving long-term profitability.

Defining the Complex Sale

A complex sale is generally understood to pertain to a transaction that involves a significant purchase investment, multiple decision makers, and requires many sales calls and/or steps to complete. Since the transaction represents a significant bottom line and top line impact on the selling organization, there typically is a great deal of management concern relative to the effectiveness of the process. For most organizations, their window into this transaction process consists of war stories, opportunity management (maybe), and win/loss reports that typically indicate that the deal was lost based on price and/or the deal goes into the forever pending status file. The problem with these techniques is that they focus on what as opposed to why plus they do not serve the organization relative to improving the effectiveness of the selling effort.

Background

The title for this article was inspired by the author's experience in selling SFA software and consulting with sales organizations across many industries. It may come as a surprise to some readers but SFA technology including laptop computers and networked data transfers (including e-mail) date back to 1986. This technology was close to *bleeding edge*, as witnessed by 100 percent field failure rates during pilot operations. Consistent with Moore's book, Crossing the Chasm, early adopters were willing to tolerate limited functionality and periodic downtime, to access capabilities they desired. Although the early adopters cut

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across industries, the pharmaceutical companies dominated the user landscape in the latter part of the 1980s. There were many reasons for this early adoption behavior by the pharmaceutical industry but two critical issues were the key drivers:

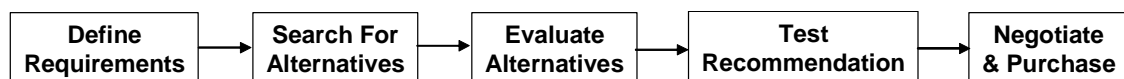
- The pharmaceutical companies had sophisticated algorithms that helped them to optimize field sales calling patterns. The capabilities of SFA met this need.
- The people in the pharmaceutical industry are highly networked and therefore success with using SFA spread very rapidly akin to today's term, *viral marketing*.

As a SFA vendor at that time, the Pharmaceutical companies outnumbered the other industries by a factor of four to one. Did this imply that the sales people calling on the pharmaceutical accounts were more effective? In fact, the pharmaceutical companies had extensive staff personnel who knew what they needed so the role of the sales person was essentially to present the prospect's project team to the right resources within the vendor organization.

So what can we learn from this example? Is the issue to teach senior management the difference between smart buying versus effective selling or is there really a difference at all? Sales people, particularly the hunters, would have everyone believe that the completion of a transaction is an art form and certainly not subject to any repeatable process. There is a fair amount of validity to this notion because, most sales techniques approach sales as a repeatable process external to the nature of the prospect. In fact, behind every completed sales transaction is a completed **buy process**. Effective selling is predicated on understanding and leveraging the buy process. Sales success often falls into the age old phenomenon of conscious competence versus unconscious ignorance. This comment is not meant to demean the sales effort; it is to say that at the end of the day, the sales person may not realize why they won or lost the deal, much less when it was lost. In fact, this white paper will demonstrate how one can align the effort of the entire organization on the single concept of the buy cycle.

Defining the Buy Cycle

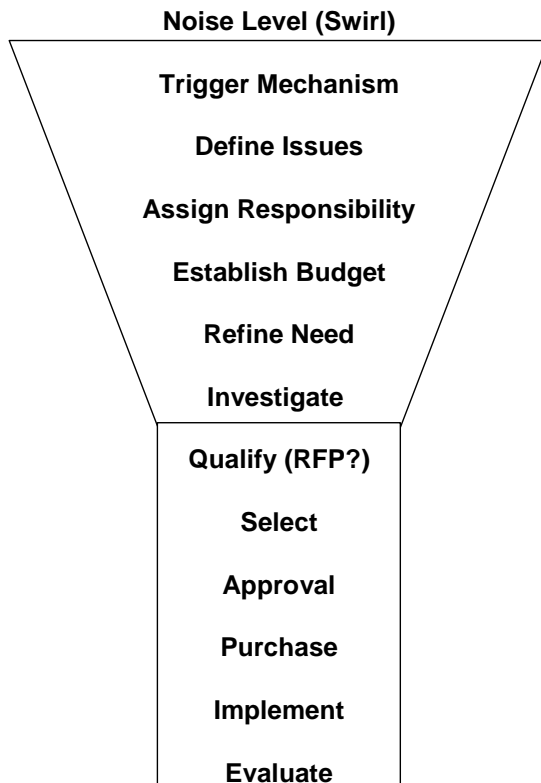
Most representations of the Buy Cycle are really presenting a purchase process as indicated below:



This type of purchase scenario may apply to equipment replacement or parts purchase but certainly not strategic investments. It is this type of framework that would lead one to believe that sales can be reduced to a repeatable process where one approach fits all customers. From a strategic investment perspective, the Buy Cycle looks more like a funnel which is directly analogous to the Sales

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Funnel; the reason for this shape will become clear in a moment. The graphical representation of this Buy Cycle is presented below:



Anyone who has worked in a corporate environment will relate to the concept of Noise Level (affectionately referred to as *Swirl*). Swirl refers to the constant background noise of rumors, war stories, concerns, ideas, etc. that are exchanged within the organization. Given that the Buy Cycle must represent some tangible idea, Swirl is positioned above the funnel. What typically brings an idea into the funnel is a trigger event.

The Trigger Mechanism is an event that causes senior management to prioritize an idea out of the realm of Swirl and start to study it or seek a solution. Trigger events include unexpected competitive moves, loss of market share, regulatory change, new technologies, new products, new markets, shifts in demand, bleak forecasts, a departure of a key player,

etc. The Trigger Mechanism adds focus and immediacy to the situation. Rightly or wrongly, the issue takes on a name and some level of definition. Next, the issue is assigned to a member of senior management so that a game plan and budget can be created. Once the game plan and budget are identified, senior management must decide if this item can be pursued in the current fiscal year or be deferred to next year's budget. If the pressure is great enough, and the game plan can be approached in phases, it may be possible to begin the process in the current year by moving various expenditures around; otherwise, it will be included in next year's budget. This is the reason for the funnel shape, it is common to have many initiatives under study, but only a few get prioritized for implementation.

Once the item is approved within the budget system, a team is established to evaluate alternatives and actually purchase the product/service/solution. These steps reflect the traditional view of the Buy Process. Note that Implement and Evaluate are inside the Funnel. Most sales processes either ignore this portion of the Buy Process or have weak hand-offs that dilute their ability to leverage success. This issue will be expanded on in the next section.

Effective Selling

Before getting too far into this topic, it is important to differentiate between efficient selling versus effective selling. Efficient selling addresses the utilization of the resource which includes metrics like selling time, calls per day, etc. whereas effectiveness implies using the right resource and tool to accomplish the given task. Effectiveness implies leverage. Having made this distinction, we can now revisit the Buy Cycle in the context of the sales process.

A CEO once commented to the author that prospects can be categorized into two segments; those that buy and those that don't. Although this observation is a little tongue in cheek, the reality for sales people is the importance to recognize early, who is going to buy. But how does one do that? Let's look at the Buy Cycle for guidance.

➤ Noise Level

At the noise level the prospect may either not recognize that they have an issue or they may not have prioritized it. The sales issue here is whether to invest time in educating the prospect with the hopes of gaining their confidence and business as you lead them down the path of discovery. This is often a risky proposition relative to timing and success. Often, the sales person will basically write the prospect off and go on to someone who actually has prioritized the issue. The liability of this approach is that the Trigger Mechanism is a random event and a month later the prospect could be in a different position. Are they going to remember the sales person? The answer here is Trickle Marketing; by sending periodic (value add) messages, the sales person can sustain a presence without consuming personal bandwidth and thereby reduce the probability of being forgotten when the organization has their Trigger Event.

➤ Define Issues

This stage in the Buy Cycle is the most advantageous for the sales person because it offers a window to influence the prospect's decision makers to emphasize factors that are favorable to his product. However, this stage also requires a great deal of sophistication for the sales person because the various departments and functions may not communicate well and there is likely to be several agendas being played out at the same time. The opportunity here is to facilitate this internal definition to reduce the cycle time to create the definition. Not only does this reduce sales cycle time, it also reduces the risk that the initiative will be derailed before it gets out of the station. Clearly, a lead process that offers a high probability of entering the Buy Process at this stage or the Refining Need stage can leverage the entire sales process including sales cycle time.

➤ Refine Need and Investigate

The next best place to enter the Buy Cycle is where the prospect is attempting to refine its needs. Most likely, the team will be looking for

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expertise from someone they trust and that can be the sales person. Often team members are scrambling to keep their collective heads above water with day to day operations, so someone who can reduce their work load and make them look is welcomed. Supporting this phase of the Buy Cycle can consume considerable time and expense, so the sales person has to ensure that the investment is likely to yield a win and in a near term timeframe. The existence of a budget and an initiative sponsor are common benchmarks that sales people use to assess the level of commitment to act and the timeframe for action.

➤ RFP/RFQ

Most corporations have policies relative to requiring competitive bids on major purchases. If the sales person is active in the previous phases, they are positioned well to influence who receives the RFP/RFQ and the requirements contained in the document. Few organizations have the expertise or time to commit to the creation of such a document so they must rely on outside help. Regardless of where that help comes from, the source will have an agenda; therefore **entering** the Buy Cycle at this juncture is questionable. Unless you feel that you can re-define the evaluation criteria or that you have an overwhelming operational advantage, it is likely that your response is going to serve as *column fodder* for the analysis.

➤ Select

This area can be tricky because the prospect may be reticent to allow too much input from a sales person. However, it may be possible to offer a best practice format that includes a weighting scheme that again reinforces what was learned in the earlier phases. This approach will be received as being helpful without appearing intrusive.

➤ Purchase

The purchase phase often involves negotiation. If the sales person has done her job, then she knows how to leverage trade-offs to minimize loss in margins and/or risk while offering recognized value add to the prospect.

➤ Implement

From a sales process standpoint, particularly if you are a hunter, the deal is done and it is time to ride into the sunset and collect the commission check. The hand-off to the farmer often consists of showing up on the date the deal is inked or on the kick-off date. Often, all the richness of insight is lost and the new person must essentially start from scratch. The person whom the organization has placed faith in has now disappeared; what message does that send?

➤ Evaluate

Whether it is done formally or informally, every initiative receives an evaluation. Therefore, allowing a client to go down the implementation path

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without a destination is going to come back and haunt the supplier. The hunter receives his commission etc. but there is going to be a cost paid somewhere. How quickly is the customer going to expand or even renew their contract if they do not perceive value from the first phase or sale? Further, if future closes are dependent on case, studies, referrals, and or reference accounts, then it is incumbent on the entire organization to ensure solid, satisfied customers.

Even though this is an extremely high level discussion, it should be clear how an understanding of the Buy Cycle is an essential perspective for designing an effective Sales Process. Although it was alluded to several times in the discussion, the Buy Process can be used as a reference to align the organization, thus not only will there be effective selling but also effective total performance.

The Buy Cycle and Organizational Alignment

One of the largest impediments to sales effectiveness is the sales person's own organization. Often the secret to a sales person's success is their knowledge of how the corporate office works and who to talk to get something done. If our objective is to achieve sales effectiveness, then why focus on the buy cycle as opposed to getting rid of the impediments in the office? Certainly many people have entertained that idea but few have succeeded; the reason for this is that historically there has not been a viable alternative perspective. This section will introduce an alternative perspective and use the Buy Cycle to illustrate how to rally the organization around concepts that will be complementary to sales and organizational effectiveness.

Before launching into this discussion, it is fruitful to briefly discuss how functional performance metrics get in the way of sales effectiveness:

- Sales is typically incented to achieve a revenue number while not generating an operating cost variance. This generates zero perspective on the quality or profitability of the customer base.
- Marketing tends to be evaluated on product and program metrics that lead to a focus on pure volume statistics such as number of leads and materials that are feature/function oriented despite the fact that the customer is in search of a solution.
- Customer service and Help Desk functions are often managed on a cost containment and risk control philosophy that has little insight as to its impact on repeat buying, retention, renewals, that are keep to overall organizational profitability.
- Production and Inventory Control functions are motivated to reduce cost and minimize inventory; at what point does this change customer behaviors that dilute revenue generation?

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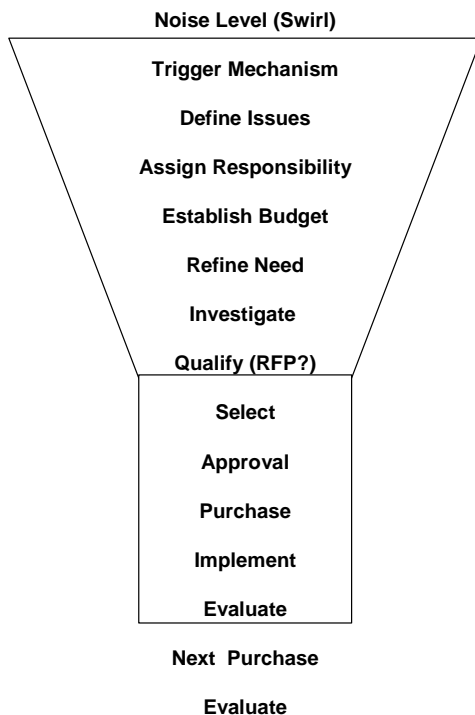
One could go on and on with these examples, but the point is that no one is particularly paying attention to the **customer behavior**. Note that Customer Satisfaction is not the same thing as customer behavior; a high satisfaction statistic does not guarantee positive behaviors.

So why should an organization pay attention to customer behavior? Very simply customer behaviors dictate the profitability of the organization. Doubt this? Consider the following:

- How profitable is a new customer? Are the sales/marketing functions targeting prospects that are likely to be more profitable?
- Which customers are blatantly not profitable? Is it possible to move them to marginal or average profitability.
- What is the opportunity to move customers with average profitability to higher levels by up-selling and cross-selling?
- Likewise, which customers might value new services?
- What is the impact on the company of customer retention, renewal rates, etc.

The author has written extensively on these topics in the past and has demonstrated that even small improvements in customer profitability can generate sizeable increases in net profit. Although the profit impact is easy to demonstrate, there remains the issue of how to rally the organization around the concept of customer profitability. The Buy Cycle model provides a starting place. For reference, the Buy Cycle model has been reproduced below; note that the model has been expanded to include subsequent purchases.

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Noise Level & Trigger Mechanism

- Sales needs to recognize the nature of the concerns and communicate these back to Marketing.
- Marketing needs to create content that will help Sales to be a *Rain Maker* by demonstrating how the vendor's solution will address key issues confronting the prospect's organization.
- Marketing also needs to create content that will help Sales to address the needs of each function.
- The vendor's web site needs to include content that addresses these issues and provide content specific to each function including senior management.

Define Issues

- Sales Training and Marketing need to provide content and instruction so Sales can help the prospect's leadership to connect the dots relative to how the given solution will benefit the company.
- Sales Operations may need to provide tools to support this activity such as a ROI tool and or budget templates.
- Sales Operations should also provide Opportunity Management tools and reporting to help each sales person track deal progress and likewise fulfillment functions can track these deals as a forecast of demand.

Integrating the Concepts

Concept 1: Every Sales Cycle has a Corresponding Buy Cycle

It is pure foolishness (and arrogance) to assume that one can sell something without a parallel purchase process. It is also very naïve to think that one can shorten the sales cycle independent of the buy process. Certainly a sales person needs to get access to true decision makers but typically it is better to earn the right to that access as opposed to doing an end run. If the objective to secure the business and retain it; it is far better to facilitate the buy cycle.

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Recognizing the need to facilitate the buy cycle creates a mindset for equipping the sales person to accomplish this objective. It becomes obvious that the sales person needs tools and collateral to add value to individuals and to influence the speed of the process.

Concept 2: Customer's are Looking for Solutions

Customers are trying to gain ways to compete more effectively in their markets. They are looking for solutions rather than products. This most likely means that the selling organization needs to think in terms of the value add it believes it provides to its customers.

Concept 3 When is a Lead a Lead?

In simple terms a lead is a contact who when followed up generates revenue. However, as discussed earlier in this paper, is this business that we should chase (profitability)? Second, does the prospect seek the type of solution or value add that the selling organization can provide? Lastly, where is the buying organization in terms of their buy cycle? By improving the sensitivity to these issues, the selling organization can vastly improve the quality of the lead process including follow-up and documentation by the sales staff.

Concept 4 Equipping the Sales Rep

Many organizations send two conflicting messages to their sales people; they are told that the organization wants them to behave as managers of their respective territories and at the same time superimpose productivity reporting and constraints that are obviously control oriented. By focusing on customer profitability and facilitating the buy process, both marketing and support staff are encouraged to focus on properly equipping the sales rep to effectively manage the complexities of the job thereby enabling them to be smarter and more productive in their task of generating revenue.

Concept 5 Organizational Alignment

The buy process represents the reality of the "street." The recurring theme here is that if the degree to which the motivations and direction of the selling organization moves away from customer profitability and the buy process, it is creating misalignment with organizational performance and long term profitability.

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About The Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations and is the Managing Director of GSP & Associates LLC, a consulting firm dedicated to helping organizations leverage and justify their investment in CRM related technology.

Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*
- *The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code*

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