



What Really Matters in B2B Selling

Customer Expectations of Vendor Salespeople



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Preface

Our 2004 research project to find the success factors in B2B selling uncovered a number of deficiencies in the sales process, with one core underlying theme: Vendors failed to successfully communicate the value of their solution. Our recommendation was that vendors should focus much greater attention on improving this ability in order to consistently achieve success.

And today? What has changed – has the importance of value-focused selling increased or decreased? While it is still important for vendors to quantify and articulate the value of their solutions, our new research shows that today salespeople are faced with an additional challenge – the growing influence of purchasing departments on buying decisions, which has increased significantly in recent years.

In situations where the procurement process is driven by the purchasing department, vendor selection is highly structured, and characterised by formal requests for proposal. Procurement managers compare alternative solutions based on whether they meet the stated technical and commercial requirements, contract terms and conditions, etc. They frequently select the least expensive offer, and are less interested in the benefits of the solution than the user of the product or service. Thus, vendors who are unable or unwilling to offer the lowest price must decide how to structure their sales process to accommodate this new situation.

Our second study provides further insight into how customers think. The success factors in B2B selling are identified through customer and vendor interviews. Chapter 1 outlines the research methodology. Chapter 2 focuses on customer expectations of vendor salespeople during the various stages of a sales process. Chapter 3 examines the extent to which vendors fulfil these expectations today, and outlines the concrete areas for improvement suggested by customers. Chapter 4 provides critical insight on how the sales process is structured in vendor organisations, as well as how it can be improved. Chapter 5 summarises the key success factors of B2B selling, and presents them in the form of a pragmatic checklist for vendors.

Thank you for investing the time to read this report, we hope you find the contents thought-provoking, as well as a source of personal and professional improvement for you and your organisation.

*Infoteam Sales Process Consulting
F.A.Z.-Institut*

Executive Summary

Customers tend to be loyal

There is good news for vendors who invest time and effort in maintaining and expanding customer relationships: The results of this latest research show that customers do not change vendors without good reason. More than 80 percent say they always or frequently award new contracts to their existing suppliers.

What makes them change? In short, price. More than 70 percent indicate that a lower price offered by a new vendor for similar products and services motivates them to change. This also serves as a warning, because even loyal customers say there is a high probability that they would choose a new vendor if their current supplier increases prices.

Alternatives to low price

Vendors that are unable or unwilling to offer a low price must pursue another strategy to attract and retain customers. Their salespeople must develop relationships outside procurement, to position the superior quality and benefits of their solution – preferably before they participate in a structured procurement process. This underscores the importance of understanding and fulfilling customer expectations in each phase of the sales process.

Expectations remain high

The research shows that customers continue to have strong preconceptions of what constitutes a good sales process. In the area of first contacts, telephone calls prove to be ineffective, unless of course, the caller has prepared well, and identified

a real, current need. The power of reference projects in a first call is overestimated; only 35 percent of customers say it motivates them to grant a new vendor a first meeting.

The success of that first meeting depends very much on the salesperson's ability to identify and understand customer needs, and develop an appropriate solution collaboratively. This requires extensive preparation, as well as a deep understanding of the customer's business and industry.

Purchasing managers place greater emphasis on short and concise meetings focused on delivering the information they want, reflecting the structured way in which they approach the acquisition of products and services. People from other customer departments value a convivial discussion environment more – nearly one-fifth say this is what makes a first vendor meeting "successful".

Written proposals and presentations

The quality of vendors' written proposals disappoints many customers. Ninety-eight percent say they expect a complete and comprehensible description of the solution and price – but 35 percent feel there is need for improvement in this area. Perhaps equally important in written proposals is the focus on the customer's specific needs. Customers expect tailor-made, value-focused content. The use of standard text modules, though highly efficient for vendor proposal preparation, is not appreciated by 56 percent of customers. Proposal presentations must be short, sharp, to the point, and focus on customer needs. They should present the solution,

potential benefits, and the implementation plan. What can be omitted is the long-winded company story that often prefaces these critical elements.

Room for improvement ...

The interviews bring to light a number of improvement areas in both the skills and competencies of salespeople, as well as vendors' overall sales process. By addressing these areas, vendors can create competitive advantage through a more professional sales approach. Today, vendors do not capitalise on this opportunity, and perceive their differentiation efforts as being more effective than they are.

... in skills and competencies ...

Customers demand a high degree of subject matter expertise, professionalism, communication and consultative skills from vendor salespeople – and see significant room for improvement in all these areas. Particularly regarding professionalism, more than half say they are not satisfied with the situation today. Its importance is underestimated by vendors, witnessed by the fact that it is not on the list of top attributes used in recruitment. This customer dissatisfaction should motivate vendors to change their recruitment criteria.

... and in the sales process ...

In addition to salesperson skills and competencies, customers highlighted areas for improvement throughout the sales process. The Achilles heel is in the first contact, often done by phone, which requires resource-intensive preparation to be effective. Unfortunately, few make this effort, and the majority of first calls or persistent follow-ups turn customers off. A scant 4 percent actually appreciate persistent calling, while more than 70 percent say it is irritating. If calls don't work, what does? Particularly effective are personalised newsletters, not the mass-mailing variety, but those tailored to present only

those topics in which the recipient would be interested. Exhibitions, seminars, and other events are also effective, providing a number of options from which vendors can choose.

The key to success in first meetings is straightforward – focus on the customer, not yourself. Seems obvious, but it appears that salespeople's eagerness to present a "solution" often overtakes their willingness to listen. Fifty-four percent of customers interviewed demand better understanding of and focus on their needs in first meetings with vendors.

More than one-third of customers find vendor proposals and presentations incomprehensible. Vendors must find out in advance who will attend the presentation, and adapt their content and language accordingly. Another area in which proposals fall short of the mark is in providing customers with the information they need to inform others internally. One way to provide customer executives with the information they need is to include an attractive "one-page" summary in every proposal and presentation.

Vendors' learning processes are still in their infancy

The analysis of vendor sales processes shows particular need for improvement in the development of best practices (by learning from wins and losses) and in resource allocation (by focusing on the right opportunities). The importance of learning from wins and losses is highlighted by the significant differences between why vendors think they lose sales, and what customers say. Focusing on the right opportunities not only optimises the use of resources, but also gives salespeople the time needed to maintain relationships with existing customers between sales cycles. By doing this, they can identify needs early, and generate more sales opportunities proactively, something that is not well-implemented today.

1 Research Methodology

To identify the success factors in B2B selling, it is not sufficient to ask vendors to describe their recipe for success, or the sales strategies employed. Selling is a communication process, which results from the interaction of the players: action, reaction and understanding between sender and receiver. To get a balanced view, we interviewed both vendors and their customers to understand their experiences and perceptions in B2B selling, and buying.

Interview Structure

In the first step, a leading market research company, Kraemer, interviewed 181 international vendors organisations that actively engage in B2B selling. The telephone interviews were computer supported, using a questionnaire developed by Infoteam Sales Process Consulting AG. The questionnaire contained “closed” questions, which could be answered with a “yes” or “no”, or with an attribute, such as “always”, “frequently”, “rarely”, “never” or “very important”, “important”, “not important”. In addition, there were open questions to solicit opinions and suggestions.

In the second step, Kraemer interviewed 302 customers of these 181 vendors. The structure of the questionnaire was unchanged, but the questions were reformulated for the target group. The questioning methodology was also consistent with the vendor interviews to obtain directly comparable data. This approach helps identify areas of agreement and disagreement between vendors and customers on what is important in the sales process, and where there is room for improvement.

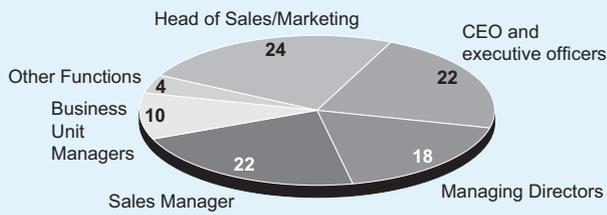
Selection of Target Groups

In 2004, the vendors interviewed were primarily from IT, telecommunications and professional services. In the current study, we extended the scope to include companies from a number of industrial sectors such as manufacturing, machine builders, industrial electronics, chemical and pharmaceutical. The overall spread of industries from which vendor interviewees were drawn was significantly wider than in the previous study.

The vendors determined the selection of customer interviewees. They were asked to provide names of people responsible for decisions in recent sales processes. Significantly more often than in 2004, the heads of the purchasing departments were provided as the contact for the customer interview. 68 percent of customers interviewed in the latest study held this position, compared to just 19 percent in 2004. This reflects the influence of the industries from which vendors were drawn, as well as the significantly greater influence purchasing departments have today. To visualise the effect of this trend, we often separate purchasing managers’ answers from those in other positions.

Vendor Interviewee Job Function

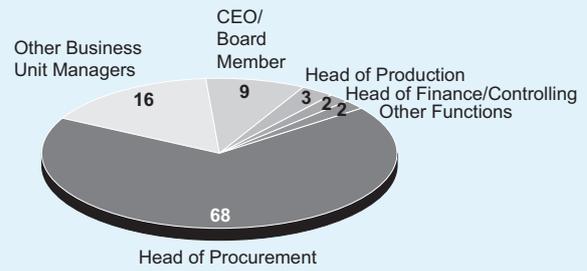
(as a percentage of vendors interviewed)



Source: Infoteam, F.A.Z.-Institut.

Customer Interviewee Job Function

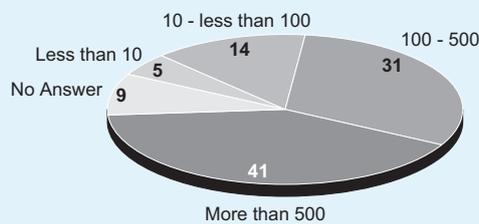
(as a percentage of customers interviewed)



Source: Infoteam, F.A.Z.-Institut.

Vendor Company Revenues

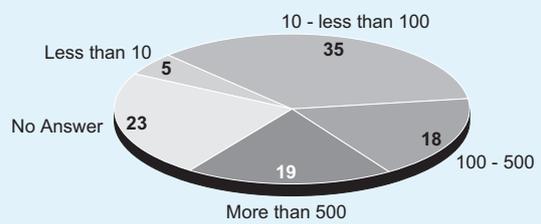
(in Millions of Euros, as a percentage of vendors interviewed)



Source: Infoteam, F.A.Z.-Institut.

Customer Company Revenues

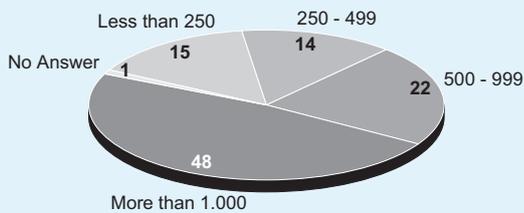
(in Millions of Euros, as a percentage of customers interviewed)



Source: Infoteam, F.A.Z.-Institut.

Number of Employees in Vendor Companies

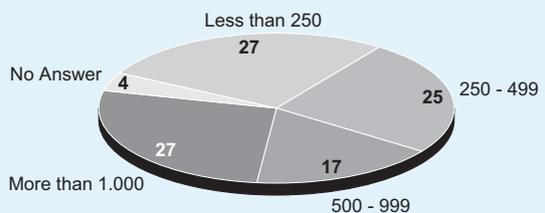
(as a percentage of vendors interviewed)



Source: Infoteam, F.A.Z.-Institut.

Number of Employees in Customer Companies

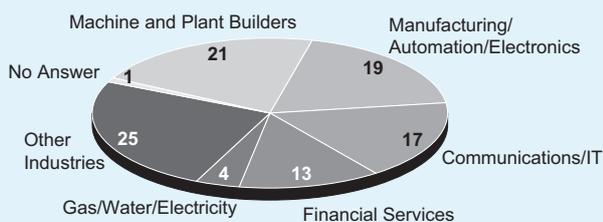
(as a percentage of customers interviewed)



Source: Infoteam, F.A.Z.-Institut.

Vendor Industry Split

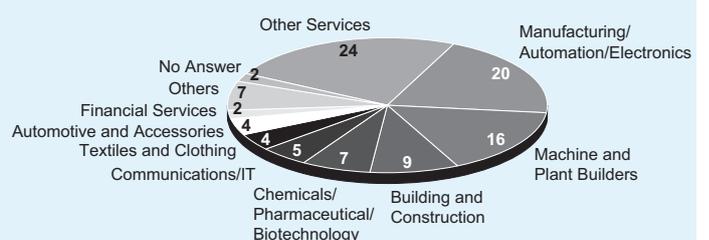
(as a percentage of vendors interviewed)



Source: Infoteam, F.A.Z.-Institut.

Customer Industry Split

(as a percentage of customers interviewed)



Source: Infoteam, F.A.Z.-Institut.

2 What Customers Expect from Vendors

Customers tend to be loyal, not changing vendors without good reason. One reason they do change is when they are convinced that a new vendor has a better product or solution. But “better” is an opinion, not a fact. In this chapter, we examine customer expectations of vendor salespeople in each phase of the sales process, and what leads to one being perceived as better.

More than eight out of ten customers interviewed always or frequently award new contracts to their current suppliers. This makes winning new customers an extremely difficult task, requiring a high degree of professionalism from start to finish.

However, not all vendors are able or willing to win new customers by simply lowering the price. This raises the question: Which factors, other than price, give new vendors a chance?

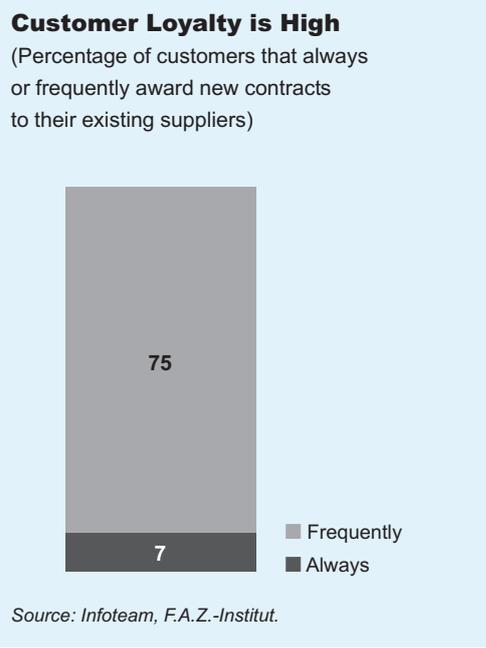
Change of vendors is primarily driven by financial reasons.

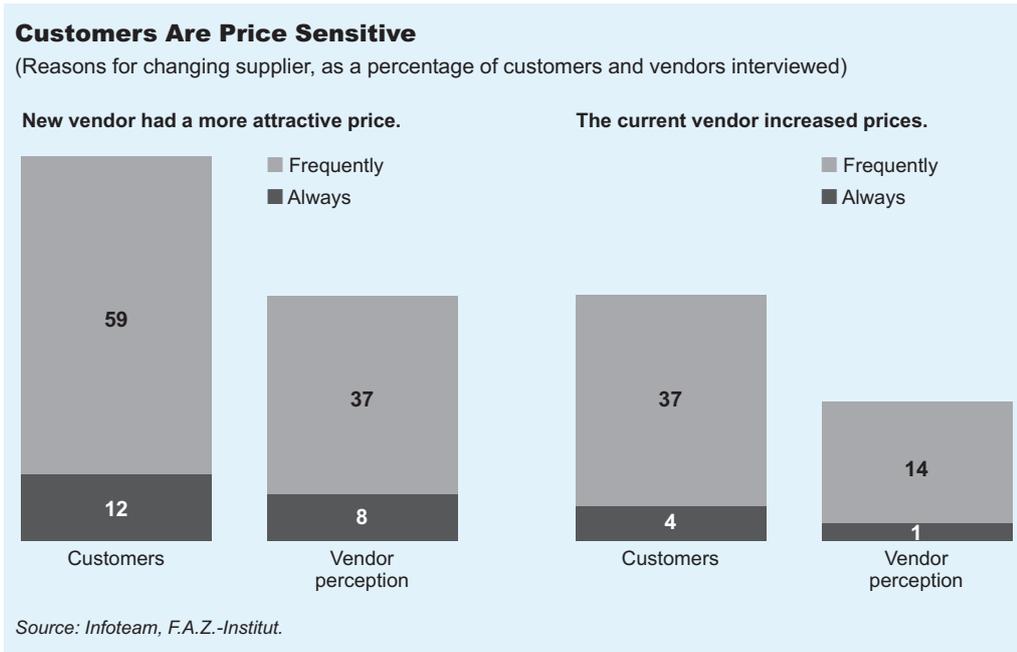
The strongest reason for changing vendor is a more attractive price. 71 percent of the customers interviewed said that the more attractive price offered by a new vendor is always or frequently the reason for change. Furthermore, 41 percent say that a price increase by an existing supplier motivates them to change. Many vendors underestimate the impact of price increases on customer retention.

Our customer interviews show that the quality of product or service offers a promising alternative – 60 percent of the interviewees say they would change if convinced that a new vendor has a better solution. So, despite the importance of price, quality and innovation still play a significant role.

Both price and quality are important in approaching prospects as well as for retaining existing customers. Existing customers frequently compare their current solution to the market, to determine whether better options are available. One customer summed it up like this: “If our existing supplier is “asleep at the wheel” and misses an important innovation, we look for alternatives.” So, even vendors with a large customer base cannot afford to rest on their laurels.

The expectations of customers regarding salespeople’s skills and competencies are described on the following pages. Then we examine what customers expect in the individual phases of the sales process – from first contact to proposal and solution presentation, as well as the ongoing relationship after the deal is signed.





2.1 Expectations of Vendor Salespeople

The importance of salespeople’s skills and competencies to customers cannot be overstated. The salesperson is key to the entire sales process, contacting new customers, understanding their needs, winning their trust, and convincing them about their solutions, as well as mobilising internal resources to meet customer needs. Their skills and competencies are a critical success factor.

Customer expectations are very high. More than three-quarters of the customers

interviewed expect a high level of subject matter expertise. “The responsible salesperson must be able to answer all questions. His answers must be clear, and give me the feeling that he knows what he is talking about”, summarises one interviewee. Expertise is the prerequisite for a successful sales call. Only those salespeople who really understand customer problems can develop appropriate solutions. One customer interviewee aptly said, “A salesperson must be able to understand and challenge my thinking.” Or as another customer put it, “Subject matter expertise is a must, along with industry and market knowledge. A salesperson

Subject matter expertise is a must.

Frequent Reasons for Changing Supplier

(as a percentage of customers interviewed*)

1	New vendor had a better price	71
2	New vendor had a better solution	61
3	Unsatisfactory performance of current vendor	58
4	Current vendor increased prices	41
5	New vendor was more actively engaged	40
6	Current vendor did not keep promises	38
7	Change of key people in vendor organisation	10
8	Internal policy requiring vendor change	9
9	Change of key people in the customer organisation	5

* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

What is Professionalism?

Professionalism means a high level of readiness to provide service. The salesperson should be easily accessible and respond to customer inquiries in a timely fashion.

Professionalism means that the salesperson focuses on identifying and understanding customer needs and responding with appropriate solutions. To fulfil this expectation, the salesperson must understand the customer’s business and industry as well as his own organisation’s capabilities, and be sympathetic to the customer’s situation.

Professionalism means keeping ones promises. This is not just a question of goodwill, but also a measure of the salesperson’s ability to estimate the feasibility and effort required to fulfil their promises. The salesperson must also know their own limits and be able to mobilise internal resources.

Professionalism means that the salesperson focuses on the topic at hand, and provides only relevant information to the customer. Nothing is more unprofessional than a boring monologue, leaving the customer to decide what is important.

Customers expect a high level of professionalism and consultative skills.

must sense what the customer needs.” To do this, however, also requires a high level of professionalism, as well as excellent communication and social skills. More than 30 percent of the customers interviewed expect these competencies from vendor salespeople.

Do Salespeople Have to be Consultants? Relevance of Consultative Skills

Consultants have different responsibilities, and require different skills than salespeople. And yet, customers increasingly expect salespeople to have “consultative skills”. But does this mean that salespeople have to become consultants? No. What customers are really looking for are salespeople who have consultative skills. What does that mean?

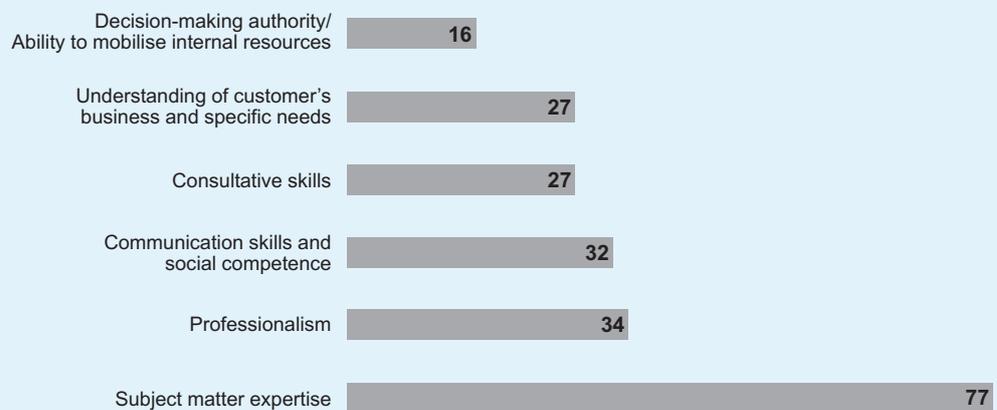
The salesperson should be able to ask good questions, listen, but go beyond information gathering. He must have the ability to use the information during the conversation and engage with the customer to help clarify the real needs.

The salesperson should be able to quickly create consensus on the key points, and involve the customer in collaborative solution development. To this extent, the salesperson should see his role as a “consultant”, combining expertise and communication skills to develop the optimal solution.

Vendors strongly underestimate the importance of a salesperson’s consultative skills when compared to customer expectations. Only 3 percent of vendors interviewed feel this is an important skill, while fully 27 percent of customers feel it is. One customer interviewee expressed his expectation as follows, “The salesperson must be able to listen and convert what I

Customers Expect Subject Matter Expertise and Professionalism

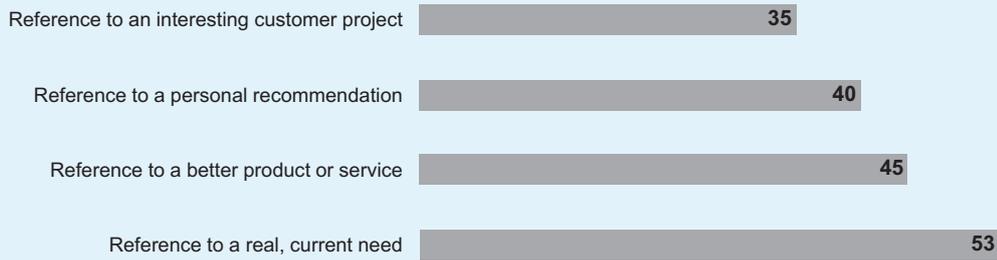
(Percentage of customers that expect this skill from vendor salespeople*)



* Customers were allowed to provide multiple responses. Source: Infoteam, F.A.Z.-Institut.

Making Contact by Telephone is Challenging

(Reasons that always or frequently motivate customers to grant a first meeting – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

say into the solution requirement. His recommendations must solve my problem, and be relevant to my business.”

16 percent of customers interviewed specifically stated that a salesperson’s ability to mobilise internal resources is important – in addition, of course, to their expertise and social skills. Customers expect decision-making authority at the table. As one customer insinuated, “I don’t want to negotiate with message carriers.” What lies behind this is the desire to be able to make decisions at the negotiating table, without the salesperson having to confer with others.

2.2 First Contacts and First Meetings

To overcome the first hurdle in the race to win new customers, vendors must approach the right person, with the right message, at the right time. The customer interviews highlighted the difficulty of gaining the interest of a new customer through “cold” calling. Where the first contact is made by telephone, reference to a potential current customer need is the single most successful avenue. Of the customers interviewed, 53 percent are motivated to grant a new vendor an appointment if they do this.

Referring only to a “better” product or service motivates less than half of cus-

tomers to learn more about a vendor’s offering. Even less effective (just 35 percent agreed) is citing a reference project, or a personal recommendation (40 percent). Vendors overestimate the power of personal references with 63 percent saying that it works with customers as a door opener.

What motivates prospects to want to meet a new vendor also depends on who is approached. Purchasing departments are often the first contact for hopeful new vendors, but our research shows that this may not be the best address at which to call.

Referring to a concrete need is more effective than a personal recommendation or references.

More than Just Purchasing: Procurement Management

The objective of procurement management is to optimise the acquisition of the goods and services an organisation needs. The procurement manager orchestrates the entire process from needs identification all the way through to the small print on the purchasing contracts. His responsibility is to qualify potential vendors, solicit offers, compare them to requirements, and optimise the acquisition process.

Managing procurement professionally requires a high degree of technical and operational competence, to balance the company’s immediate needs and long-term business objectives. Executed effectively, it reduces transaction costs and supports internal change processes, improving company value and business results.

The answers to our open question about “other reasons” that motivate customers to grant a new vendor a meeting indicate a significant difference between purchasing and other departments. More than a quarter of the non-purchasing people interviewed respond positively to an approach by new vendors that is based on a new product, service or development, while less than one-fifth of the people from purchasing indicate an interest. Mentioning a price advantage, however, is much more effective for this group. If a vendor cannot offer a lower price, it is recommended they focus on non-purchasing people in the target organisation to position the benefits of their solution.

Vendors that cannot offer a lower price should focus on non-purchasing people.

The success of first contacts by telephone also depends on timing. One customer describes the situation thus: “There are people who simply have a good feeling for the right timing. If the timing is right, and there is a need to be addressed, I quickly set-up an appointment.” But how can one sense the “right time” without having insight into the customer organisation? Particularly when approaching new customers with whom a vendor is unfamiliar, this task is nearly impossible. Hence, the need for alternative approaches. Even with a potential current need identified, less than half of customers interviewed

Message Must be Adapted to the Target Person

(Other reasons given spontaneously for granting vendors an appointment – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses. Source: Infoteam, F.A.Z.-Institut.

were willing to grant a meeting to a vendor who approached them by telephone.

First Meetings

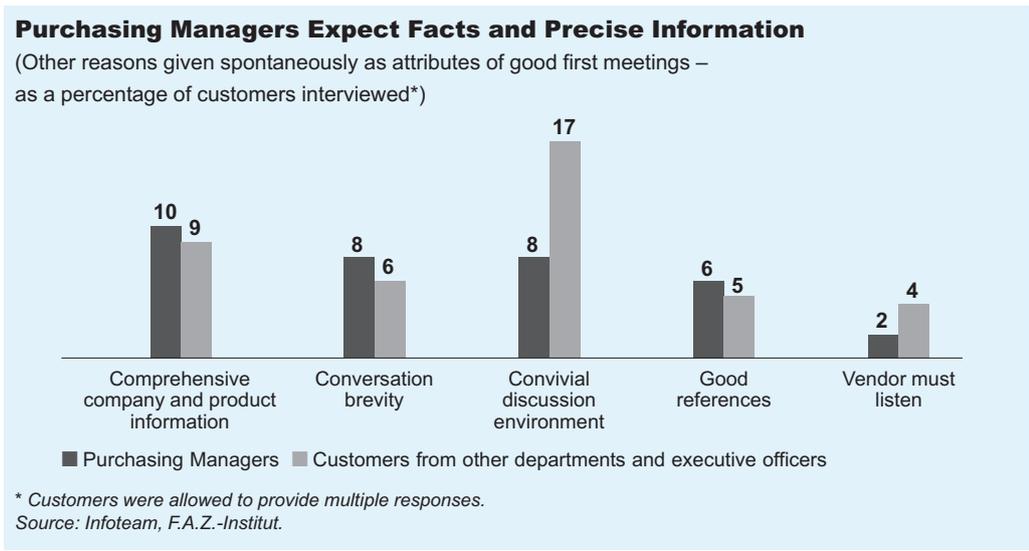
Even with the door to a customer open, the path to the contract can be an obstacle course. Customer expectations regarding the first meeting with a new vendor are both high, and numerous. Customers take for granted that vendors come to the meeting well prepared, and that they already understand their business

High Expectations for First Meetings

(Attributes of a good first meeting – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses. Source: Infoteam, F.A.Z.-Institut.



and industry. Fully 99 percent of customers interviewed consider this very important or important.

Beyond good preparation, 95 percent of customers say that the feeling of being well understood is important in a first meeting, while 92 percent also say that information provided should be tailored to their specific needs. Customers say they want to talk to knowledgeable salespeople – 94 percent expect high-level subject matter expertise from their counterparts. The vendor salesperson should be able to assess the feasibility of potential solutions, and present only those that are viable. As one customer says: “The vendor must know what he is talking about. Just saying it’s ‘no problem’ is not acceptable – I expect honest answers regarding what’s possible, and what’s not.”

Looking at customers’ spontaneous answers regarding other attributes of good first meetings shows interesting differences in expectations between purchasing and non-purchasing people. Customer representatives from business and operational departments, as well as from the management team say that “soft factors” play an important role in the quality of a first meeting. A convivial discussion environment was explicitly stated by 17 percent, and they add that better listening would also help. Heads of purchasing de-

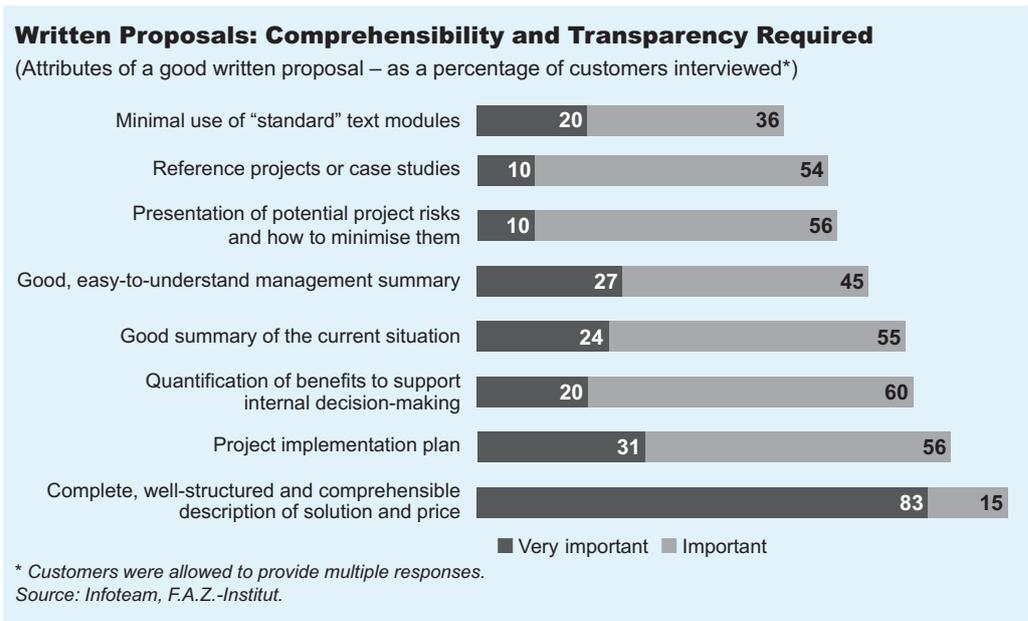
partments, however, place more emphasis on the preciseness of information delivered by vendor salespeople – company, product, price, references – as well as the brevity of the conversation.

2.3 Written Proposals and Presentations

A clear and transparent description of the solution and price is the most sought-after attribute of a good written proposal – with 98 percent of customers saying it is important or very important. One customer describes the ideal proposal like this, “As short as possible, as long as necessary”. While customers are willing to forgive vendors’ use of standard text modules, they will not tolerate proposals that are just a flood of irrelevant information. Written proposals should thus focus on agreed customer needs. As one customer aptly puts it, “do not overload proposals with marketing material”. Vendors are aware of this expectation, but overestimate customer satisfaction with their performance.

Customer expectations of good written proposals indicate that benefit quantification is still in high demand. Eight out of ten customers agree, and point out that a good written proposal with quantified benefits supports their decision-making process.

Quantification of benefits supports customer internal decision-making.



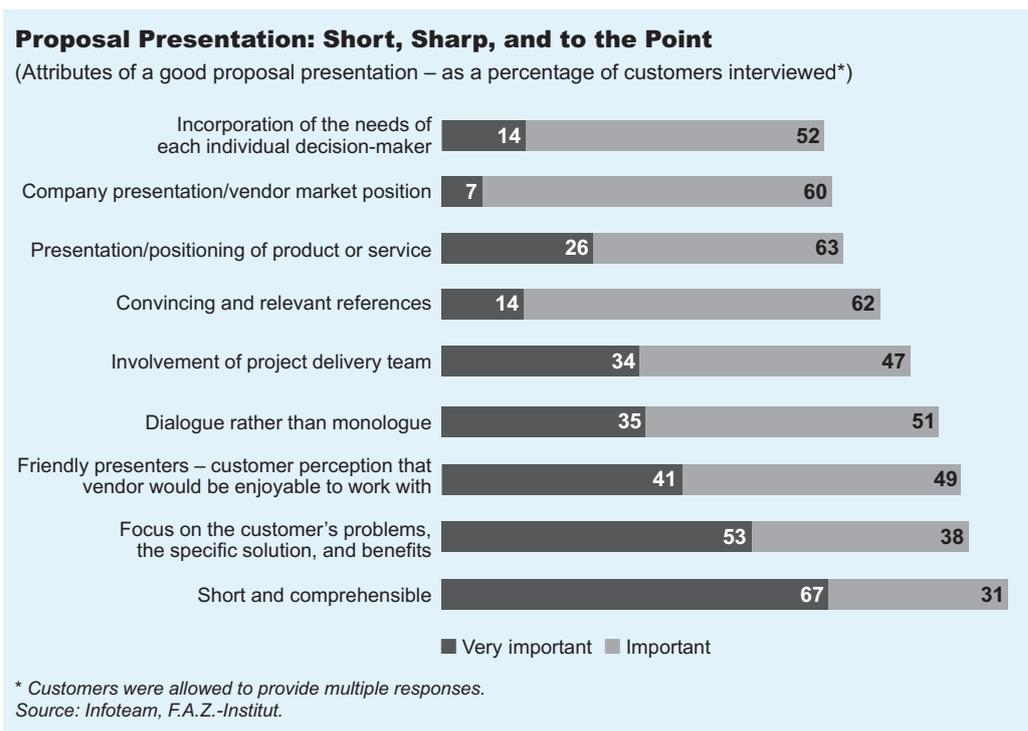
Proposal Presentation

Focus on needs and dialogue is more important than references and vendor company information.

When a vendor presents their proposal, nine out of ten customers say that conciseness and comprehensibility, as well as a focus on their specific needs, are very important or important attributes. "The solution to the problem must be at the forefront," stresses one interviewee, "not the presentation of the vendor's company". One third of customers interviewed consider the vendor's company presenta-

tion and market position as unimportant. As one interviewee said: "The company's presentation does not interest me, and must be kept short. The proposal presentation must show what I've asked for. We are not interested in further publicity on what the vendor can sell us."

Moreover, references are significantly less important for customers than the feeling that the vendor has understood their specific needs and concerns.



A large proportion of customers interviewed – particularly those outside purchasing departments – attach great importance to the incorporation of the specific needs of each decision-maker attending the presentation. For 22 percent of these customers, it represents a fundamental element of a good presentation, while only 10 percent purchasing managers share this view.

In addition to content quality, the personal characteristics of the presenter(s) play an important role in the success of a proposal presentation. Friendliness, sympathy, and the customer’s perception that they would enjoy working with the people are attributes important to 90 percent of customers interviewed.

For a large proportion of customers, it is crucial that the vendor involves the people who will be responsible for implementation in the presentation. One customer put it thus: “I want the key players on the spot personally, not a PowerPoint Troop”. He continues to say, “I make my mind up quickly, once I have met the key people”. This illustrates the importance of involving specialists and project staff actively in proposal presentations. Giving the customer the opportunity to get to know these people not only builds confidence, but assists in the handover communication process.

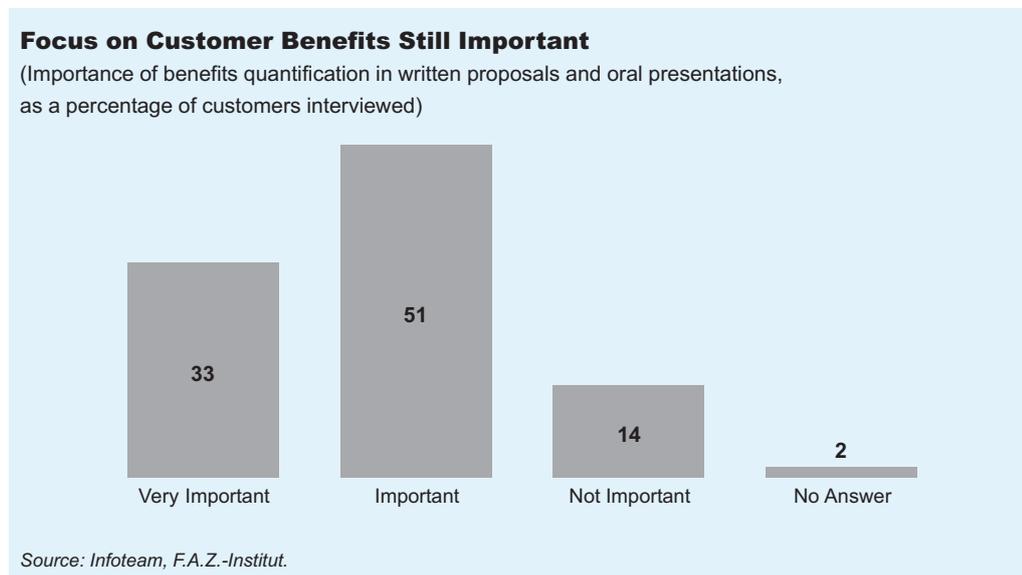
Value-Focused Selling

The results of the 2004 study highlighted one key point for vendors to improve their success rate in B2B selling – to consequently put customer benefits as the focus of their sales process and ensure they are quantified. This raises the question as to how well the findings from the latest study support this point.

Asked how important the quantification of benefits is, 84 percent of customers interviewed say this is very important or important in proposal presentations. Only 14 percent are of the opinion that it is not important. Vendors interviewed are aware of this expectation, but often do not fulfil it (see page 23).

Quantification of benefits is still important in proposal presentations.

Listening closely to what customers expect and reflecting more critically on one’s own approach, helps vendors improve the quality of their work. This not only applies to the effectiveness of their value propositions but also to the skills and competencies of salespeople and the overall sales process. The following chapters examine these points in more detail, looking first at the areas for improvement identified from customer interviews, and then at ways in which vendors can learn from experience to gain competitive advantage.



3 Where Customers See Need for Improvement

Vendors differentiate themselves minimally from competitors through their sales approach. Customers see several areas for improvement in regards to salesperson skills and behaviour, as well as the overall sales process. The following pages outline recommended areas for improvement in detail and provide vendors ideas for their development.

Efforts to differentiate themselves fail to impress customers.

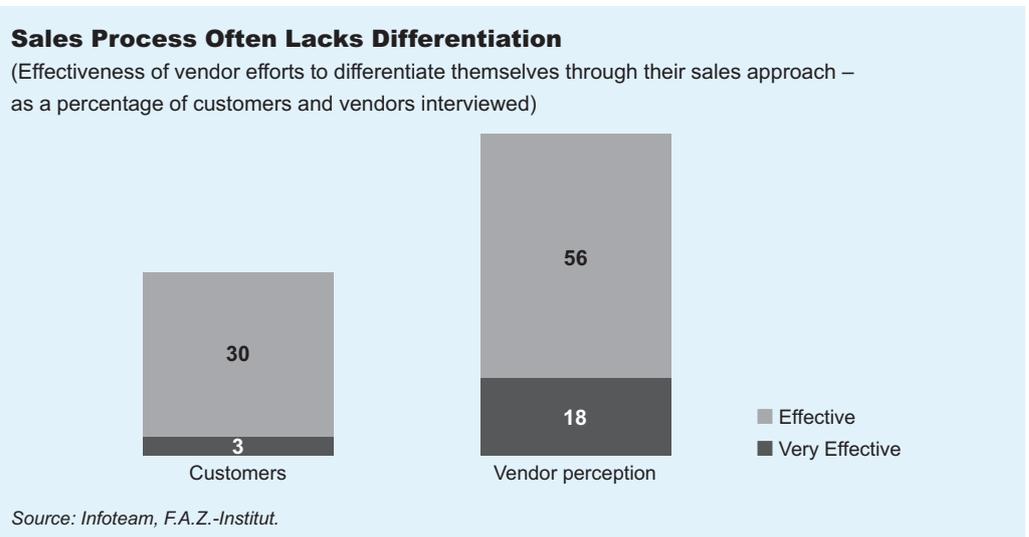
Vendors' attempts to differentiate themselves through their sales approach are, to date ineffective. Only 3 percent of customers interviewed say that vendors differentiate themselves extremely effectively by means of their sales approach. More than half (55 percent) feel there is hardly any, or no, differentiation between vendors' sales approach. Vendors interviewed, on the other hand, overestimate the impact of their differentiation efforts. Nearly three-quarters feel that their sales approach differentiates them extremely well or well from their competitors. Vendors see uniqueness in their sales approach in areas that customers simply do not.

Identifying and acting on areas where customers feel there is need for improvement can, on the one hand, help identify and

eliminate weaknesses in one's own sales approach. On the other hand, it can create the opportunity to exploit the weaknesses of competitors, turning them into one's own strengths.

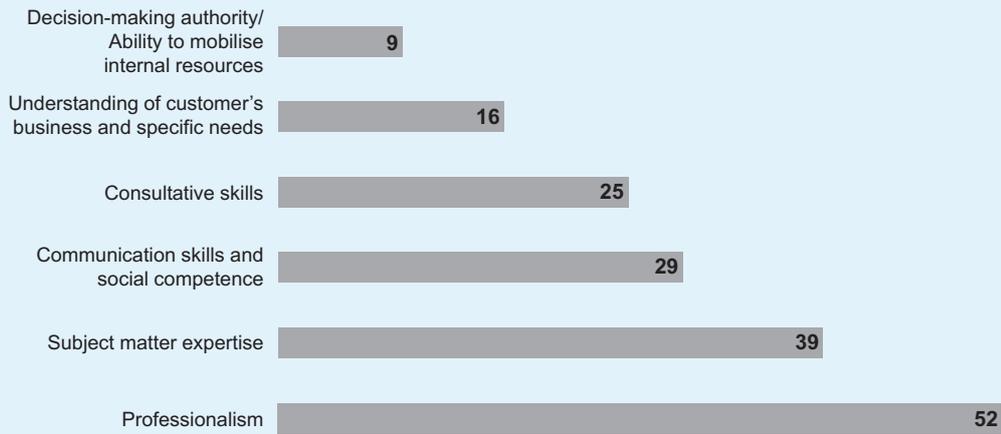
3.1 Development Area – Skills and Competencies

As described in the previous chapter, the most important skills and competencies that customers expect from vendor salespeople are subject matter expertise, professionalism, communication skills/social competence, and consultative skills (see page 10). The sobering news is that these are also the areas in which there is the greatest need for improvement.



Salespeople Not Professional Enough

(Skills and competencies in need of improvement – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

More than half of customers interviewed expressed dissatisfaction in the level of professionalism their vendor salespeople exhibit. Unmet deadlines, unkept promises, and the difficulty of reaching a salesperson when needed are amongst the most common complaints customers lodged. Vendors should view this dissatisfaction as an urgent call to action, particularly because customers project professionalism in the sales process directly onto the quality of service provided.

Even stronger than professionalism is the expectation for subject matter expertise in vendor salespeople. In this area, there is

significant room for improvement. Almost four out of ten customers complain that subject matter expertise is inadequate today, and needs to be improved.

In addition, many salespeople lack fundamental communication skills and social competence as well as the consultative skills customers expect. More than a quarter of customers interviewed see the need to improve in these areas. "Salespeople often talk too much, don't listen carefully, and don't ask the right questions", complains one customer. Another expresses unhappiness about the inadequate empathy of salespeople, they don't put them-

Salespeople often talk too much, and don't listen carefully.

Required Skills and Competencies

Skills and Competencies Expected by Customers

- 1 Subject matter expertise
- 2 Professionalism
- 3 Communication skills and social competence
- 4 Consultative skills
- 5 Understanding of customer's business and specific needs
- 6 Decision-making authority/ Ability to mobilise internal resources

Skills and Competencies Used by Vendors in Recruitment

- 1 Subject matter expertise
- 2 Communication skills and social competence
- 3 Ambition/Persistence/Motivation
- 4 Understanding of customer's business and specific needs
- 5 Consultative skills
- 6 Team-players/Ability to handle conflict

Source: Infoteam, F.A.Z.-Institut.

Why not ask a few more questions? A few thoughts on recruitment

How professionally does a candidate handle his customers? Is he reliable? Does he keep his promises? Does he focus on customer needs?

Who could answer these questions better than the candidate's customers? Who could formulate the requirements better than the customers he will be serving? Maybe it is not such a bad idea to ask them? What makes the vendor's current salespeople successful? Just a few questions – just a few thoughts...

selves in the customer's shoes, and offer products that customers don't need.

When comparing the list of skills and competencies expected by customers to that used by vendors in recruitment, there are a number of similarities, as well as significant differences (see page 17). Subject matter expertise is at the top of both vendor and customer lists. Professionalism, which one-third of customers expect, apparently does not play a major role in vendor recruitment. Only 8 percent of vendors interviewed say they evaluate this actively during the interview process. It does not appear amongst the top-6 criteria used by vendors in recruitment.

This discrepancy highlights an important issue in the recruitment process: professionalism in candidates is not sufficiently assessed. One way to improve the recruitment process is to ask candidates to bring specific examples that demonstrate their sales professionalism, and integrate appropriate questions to identify professional traits into recruitment interviews.

Professionalism is not one of the most important selection criteria for vendors in recruitment.

3.2 Improvements in First Contacts and Meetings

Customers not only see deficiencies in individual salespeople's skills and competencies, but in each phase of the sales process – first contact, first meetings, proposal, presentation, contract fulfilment, and ongoing engagement.

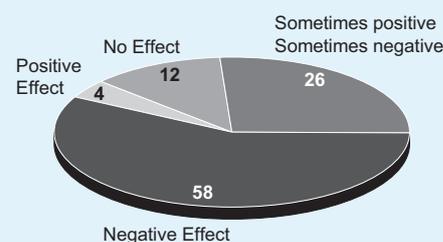
First Contact

Chapter 2.2 showed the importance of preparing the first contact appropriately. To have a successful first contact by telephone, the vendor must identify a real, current need and base his approach on it (see page 11). Failing to identify a current need not only reduces the chances of success in the current approach, but will affect those in future with the same customer. Most customers state that persistent calls simply put them off – with more than 70 percent saying that they react negatively to this. Only 4 percent appreciate persistence, saying it has a positive effect on their willingness to grant a first meeting. In conclusion, first contact via telephone is not just a matter of persistent calling, but careful preparation and targeting.

Vendors who are unwilling to invest time to identify a valid business reason for initiating a contact, should consider using other approach methods for getting customer attention. When asked about other ways in which vendors can get their attention, more than half of the customers interviewed spontaneously mentioned news-

Telephone Acquisition: Persistence Turns Customers Off

(Effectiveness of persistent calling – as a percentage of customers interviewed)



Source: Infoteam, F.A.Z.-Institut.

Effective Alternatives for Getting Customer Attention

(Other methods mentioned spontaneously – as a percentage of customers interviewed*)

1	Newsletter	49
2	Exhibitions/seminars/events	44
3	Direct mail	37
4	Advertising	22
5	Sending flyers, brochures, catalogues	9
6	Telephone contact by salesperson	6
7	Internet/web site	4
8	Industry magazines and periodicals	3

* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

Individualised digital customer information – how does it work?

A system which delivers the target person or group with information that is tailored to their individual needs is comprised of five elements:

1. The customer profile is parameterised in a CRM system
2. The information modules are stored in a content management system
3. Software combines customer profile and content to produce personalised documents
4. A campaign management system distributes information on focused topics
5. A tracking system registers which information is received by whom

Individualised digital customer information – a practical example

An international bank totally changed the way it provides information to private banking clients: Individualised newsletters instead of costly and less-effective standard brochures. No more broad-market campaigns, but mailings targeted to address specific client needs.

The bank started by defining parameters using existing client data, such as country, language, and portfolio type. Standard brochures were replaced by two individualised publications with different frequency (weekly/monthly). Both the bank's clients and financial advisors welcomed the change to individualised information. Further steps are planned to move the bank towards more complete personalisation of client information. Financial advisors are fine-tuning their clients' profiles in one-to-one conversations, and clients can design the content of their own newsletter through a personal web portal. The fundamental change is that editorial content is no longer defined for a target document. Instead, it is made available to the bank's financial advisors, to create customised documents for each individual client.

letters. Exhibitions, seminars and events also work for 44 percent of customers. Even direct mailing and personal letters attract the attention of more than one-third of customers interviewed. The sobering statistic is that only 6 percent of customers interviewed say that telephoning them is an effective way to get their attention.

While these results may be disenchanting from the vendor's perspective, they do show that there are other, effective ways

to get new prospects' attention than the telephone. An alternative to the time-intensive preparation process to develop a highly personalised approach, vendors could more effectively leverage their marketing departments. Personalised newsletters, for example can be developed with significantly less detailed knowledge of the customer's business and can be quite effective for getting on the prospect's "radar screen", to make them more open for a call, or simply mo-

tivate them to call the vendor when a need arises. For quite a significant number of customers, this is the most pleasant approach. One customer stated, "I prefer to call the vendor, rather than them calling me."

First Meetings

Customers see major opportunities for improvement in the area of first meetings. The key area for vendor improvement, mentioned by 54 percent of customers interviewed, is to have a better understanding of and focus on individual needs. As one customer interviewee stated, "The vendor must identify and understand my interests, and tailor his offering accordingly."

Customers don't feel understood in first meetings.

Customer expectations are not just technical, but also include behaviour, as illustrated by a quote from a customer in the fashion industry: "Manners are important, as well as dress code." Even if this is a bit of an exception, it does highlight the need to adapt one's approach to each individual.

While the majority of vendors are aware of the need to focus on customer needs, many significantly overestimate their own

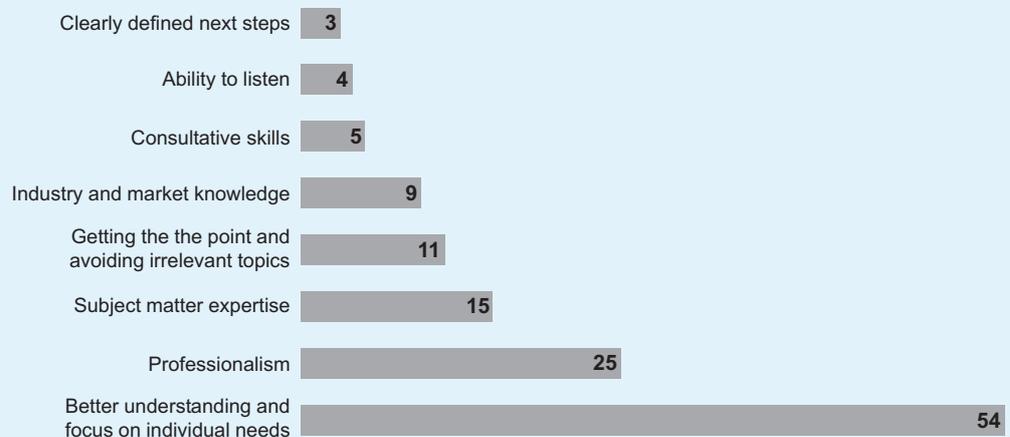
professionalism. Only 13 percent of vendors interviewed see the need to improve professionalism in first meetings, compared to 25 percent of customers. This illustrates how seldom vendors reflect on and analyse their approach, and by how much their self-assessment differs from customers.

This observation also applies to salespeople's subject matter expertise; with many customers (15 percent) spontaneously saying it should be improved in first meetings. A scant 1 percent of vendors, however, feel there is room for improvement in subject matter expertise at this stage of the sales process.

Sufficient subject matter expertise is not only critical for fully understanding customer needs, but also reduces the risk of straying from the point. One customer noted, "No hot air please!" Just over one in 10 customers say that getting to the point and avoiding irrelevant topics is an area for significant improvement. Of particular note is customers' irritation over long, drawn-out presentations of the vendor's company, often recounting information readily available from their web site, or provided earlier in the sales process.

Areas for Improvement in First Meetings

(Suggestions for improvement mentioned spontaneously – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

3.3 Improvements in Proposals and Presentations

Greater care should be taken in writing and presenting proposals, to ensure their focus on individual needs. One interviewee expressed his expectations thus: “A good written proposal should match one-to-one with our stated needs.” Another said, “The presentation must be tailored to our individual needs.”

Purchasing managers interviewed place far less importance on individualised proposals than their non-purchasing counterparts. More important for them is the completeness of the proposal, the timing of its delivery, and precise information about the contact person.

Both of the previous paragraphs outline tasks that are obvious vendor responsibilities, and at first glance appear unsuitable for creating competitive advantage. But taking into account the deficits customers highlight in both content and format, there appear to be significant opportunities for vendors to differentiate themselves even on “the basics”. Comprehensibility of vendor proposals is an issue for 35 percent of customers interviewed, while 20 percent say that completeness is lacking.

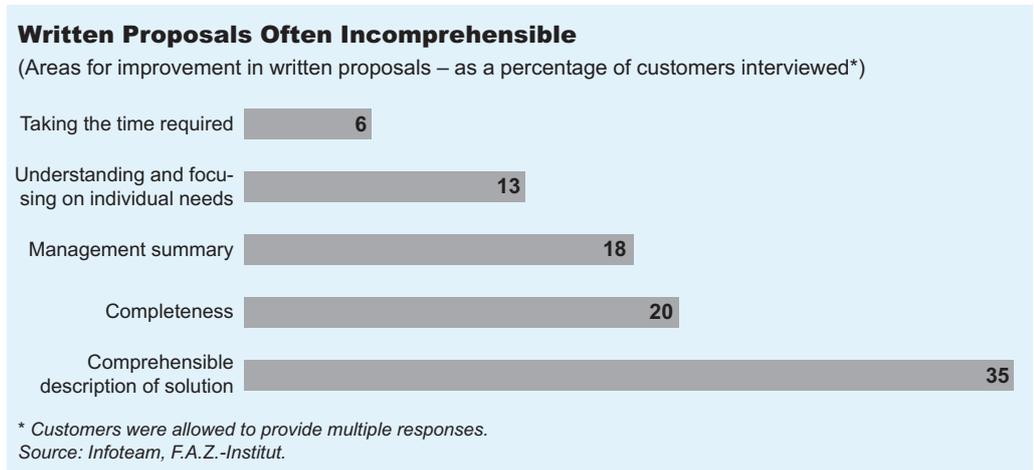
An additional 18 percent say that the lack of a management summary reduces the acceptability of the vendor’s proposal.

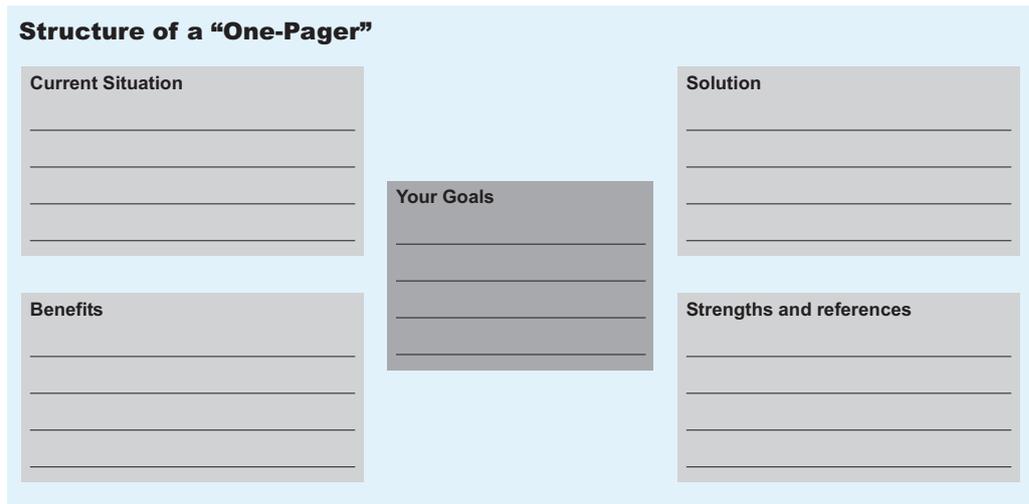
This highlights the communication problem between vendors and customers, and is reinforced by the significantly lower proportion of vendors that feel this needs to be improved. For example, only 13 percent of vendors see an issue in the comprehensibility of their proposals.

One potential solution to bridge this communication gap is for vendors to clarify customer expectations of the proposal before writing it. One customer offered this criticism, “All too often, I receive proposals that do not relate at all to what was requested.” After a proposal has been submitted, customers are often unwilling to invest the time and effort to clarify what was missing, and find it easier to simply reject it. Based on this finding, a strong recommendation for vendors is to agree with the customer up front their exact expectations for proposal content and format before writing it. This helps overcome the problem vendors face of the vast differences in customer perception of “completeness” and “comprehensibility”.

A short, concise management summary is a critical element of a good proposal for 72 percent (see graph on page 14). It helps the recipient communicate the key messages internally. Almost one in five customers point out a need for improvement in this area. One way to present a convincing management summary and clearly differentiate a proposal is a “one-pager”.

There are vast differences in customer and vendor perception of proposal completeness and comprehensibility.





The structure of a one-pager should be centred on the customer's goals. It should describe the current situation and needs, and outline the key elements of the proposed solution, in language appropriate for the target reader. It should also summarise the tangible benefits, as well as the strengths of the vendor's solution and organisation, and provide relevant references.

proposal presentations, and pre-empt potential questions and objections by integrating their responses to them directly into the presentation.

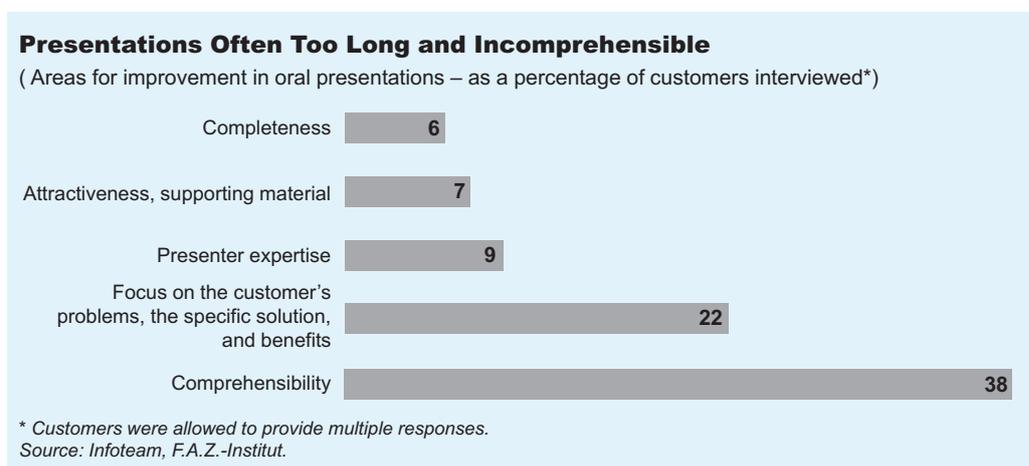
Proposal Presentation

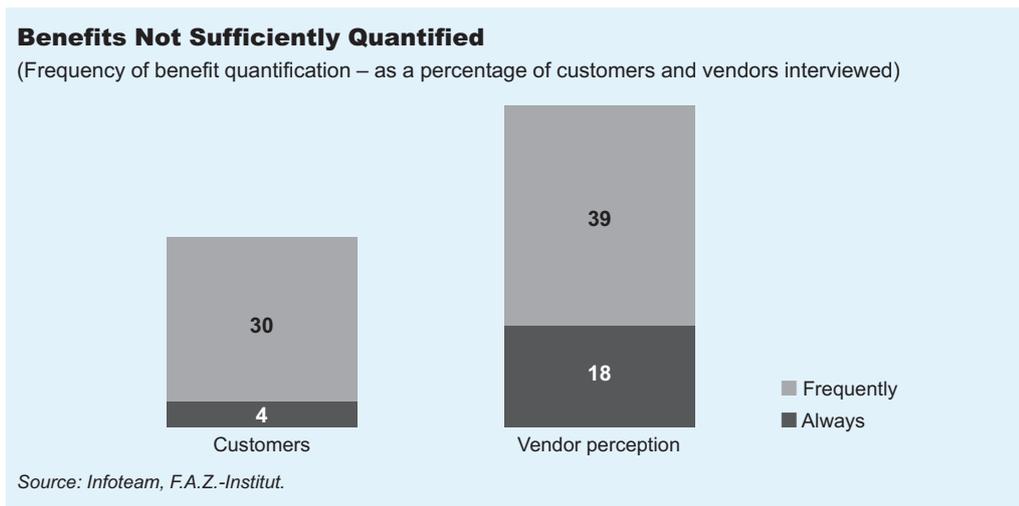
Vendor presenters must clarify audience participants in advance, and ensure they use the right language to avoid alienating people and ending up speaking to a room full of blank stares. This can address the lack of comprehensibility – something 38 percent of customers complained about. One customer said, expressing dissatisfaction about the lack of tailor-made presentations, "The presentation was too technical for the commercial people, and too commercial for the technical people."

The right "language" is crucial for a good presentation.

The proposals of vendors on the customer's "short-list" are often very similar, making the presentation a key opportunity for differentiation. Just as with the written proposal, the strong recommendation is to agree in advance the expectations for the exact content of the presentation, as well as specific requirements from each attendee. Vendors should dry-run their

Vendors must focus on the key customer problems, the proposed solution, and specific benefits, points on which more than





one in five customers say there is room for improvement in proposal presentations.

Vendors should also carefully consider which team members attend the presentation, as well as their roles and responsibilities during the presentation. It is worthwhile considering carefully which team members best suit the customer's requirements both on a technical and personal level. Customers often expressed dissatisfaction with the vendor presentation team, with 14 percent saying it was the reason for rejection of the vendor's proposal (see page 26).

This was summarised nicely by one customer, who said that he expects more authenticity from the presenters. "I prefer to have a down-to-earth person rather than someone who just turns up with shiny PowerPoint slides." This perception, however, is very individual, and could be different from customer-to-customer. Another customer could view not having polished PowerPoint slides as a lack of professionalism.

A total of 34 percent of customers criticise the lack of quantified benefits in the presentation, while 57 percent of vendors feel they communicate benefits clearly. This gap indicates the need for vendors to better understand the way in which customers measure solution benefits, and align their presentations accordingly.

3.4 Improvements After Contract Signing and Relationship Continuity

After winning the deal, the responsible salesperson cannot rest on his laurels. Although the responsibility for delivery is often transferred to another department, customers still expect the salesperson to be "present". Vendors can differentiate themselves significantly in this area by positioning themselves as a reliable and attentive partner.

Only 74 percent of customers say that vendor salespeople take responsibility for successful contract fulfilment, and only 4 out of 10 customers say that the salesperson validates the achievement of the benefits promised. Moreover, 15 percent of customers complained that vendors simply do not deliver what they promise.

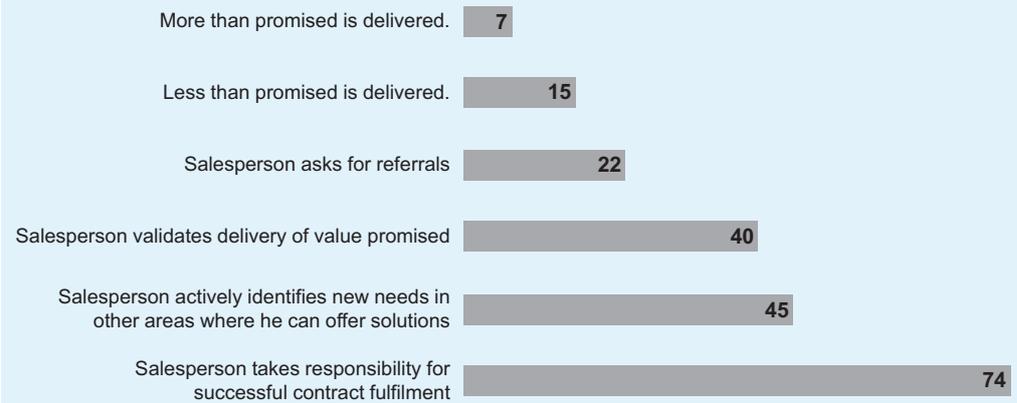
Continuity of the vendor-customer relationship is not just to the benefit of the customer, but the vendor as well. Only 45 percent of customers interviewed say that vendor salespeople always or frequently identify new needs in other areas where they can offer solutions, but 77 percent of vendors feel they do this well.

This gap highlights significant unexploited potential for new business generation. By improving the continuity of relationships,

Vendors do not fully exploit revenue potential with existing accounts

What Happens After Contract Signing

(Activities always or frequently executed by vendors after contract signature – as a percentage of customers interviewed*)



* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

vendors can keep abreast of changes and developments within their customers to identify needs and generate new sales opportunities.

Maintaining regular contacts with existing customers requires the investment of significant time and effort, but the return on

that investment is not equal from all customers. Thus, vendors should focus account development resources on customers with the greatest revenue potential, and free up resources by ensuring they are working on the right opportunities. The next chapter examines ways vendors can optimise resource utilisation.

4 How Vendors Can Improve Their Sales Process

Vendors waste resources by pursuing requests for proposal that have a low probability of winning, and fail to recognise mistakes or develop best practices by analysing and learning from wins and losses. A more self-critical attitude and better qualification of opportunities would help them focus on the right projects and optimise the execution of the sales process.

To win a deal, vendors must invest significant resources in each phase of the sales process. Hence, it is important to decide whether to engage in an opportunity or not. If after the first visit it is clear that the customer is looking for solutions that do not match the vendor’s core competence, or if this is the initial assessment after reviewing a request for proposal, the logical action for the vendor is to abort the sales process, and concentrate resources on better-qualified opportunities.

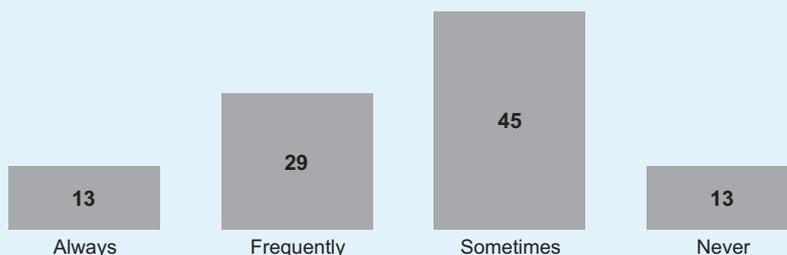
Many vendors do not follow this logic, which results in wasting precious resources. Fifty-eight percent say that they only “sometimes” or “never” abort the sales process when an opportunity does not match their strengths or there is a small chance of winning. One may ask: Why do vendors do this? There are a number of reasons:

1. Insufficient investment in lead generation, resulting in a too-small pipeline of sales opportunities, motivating the organisation to pursue every opportunity.
2. Inability to constructively explain their disengagement from an opportunity to the customer without appearing to be arrogant or fearing being excluded from future opportunities.
3. Inappropriate performance measures, such as pipeline size rather than quality, which motivates salespeople to include opportunities that should not be.
4. The behaviour vendors often seek when recruiting salespeople (motivation, ambition, persistence) can lead to a false sense of optimism when evaluating whether to include an opportunity in the pipeline.

If the chances of success are poor, vendors should abort the sales process.

Resources Frequently Wasted

(Frequency of sales process termination if opportunity does not match vendor organisation’s strengths or there is a low chance of winning – as a percentage of vendors interviewed)



Source: Infoteam, F.A.Z.-Institut.

The Most Common Reasons for Proposal Rejection	
Customer Perspective	Vendor Perspective
1 Successful competitor had a better price	1 Successful competitor had a better price
2 Successful competitor had a better solution	2 Lack of contact to important decision-makers
3 Decision criteria not sufficiently fulfilled	3 Successful competitor had a better solution
4 Insufficient understanding of customer needs	4 Specific benefits for individual decision-makers missing
5 Written proposal not convincing	5 Decision criteria not sufficiently fulfilled
6 Benefits not sufficiently quantified	6 Benefits not sufficiently quantified
7 Oral presentation not convincing	7 Late entry of vendor into evaluation cycle
8 Specific benefits for individual decision-makers missing	8 Insufficient understanding of customer needs
9 Vendor's team members failed to meet customer expectations.	9 Poor chemistry between vendor and customer staff
10 Poor chemistry between vendor and customer staff	10 Oral presentation not convincing

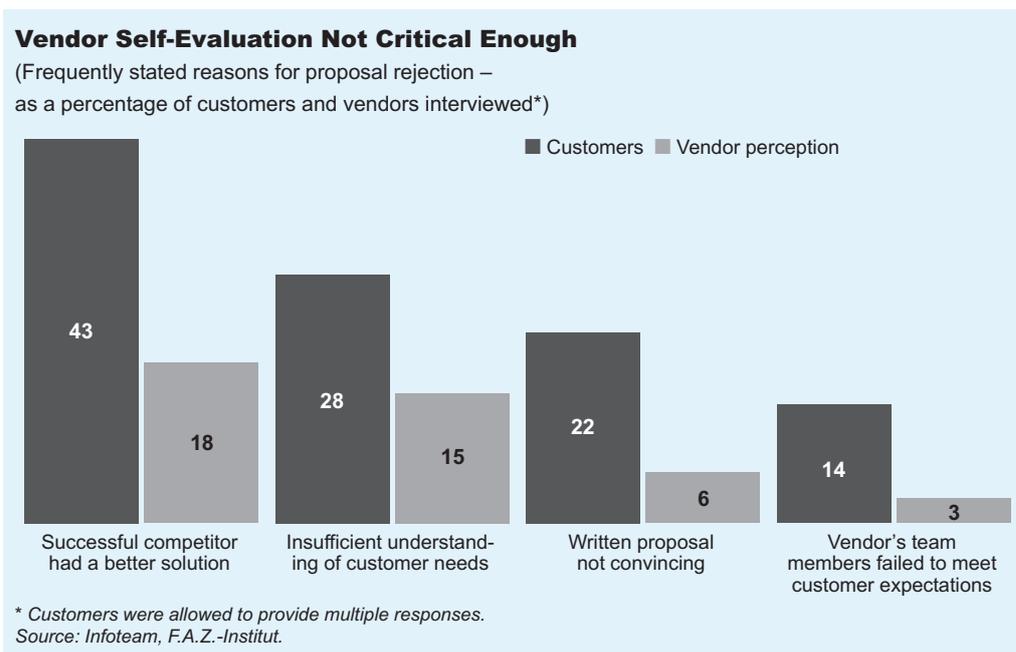
Source: Infoteam, F.A.Z.-Institut.

Learning from wins and losses is an important prerequisite to improve the sales process.

Vendors' sales management should define and ensure the consistent application of qualification criteria to avoid the double-edged problem of wasting resources on inappropriate sales opportunities, and not being able to pursue with adequate effort those opportunities that are well matched to their strengths. This would help vendors avoid the trap of mistaking activity, for productivity – a typical problem when there aren't enough sales opportunities in the pipeline.

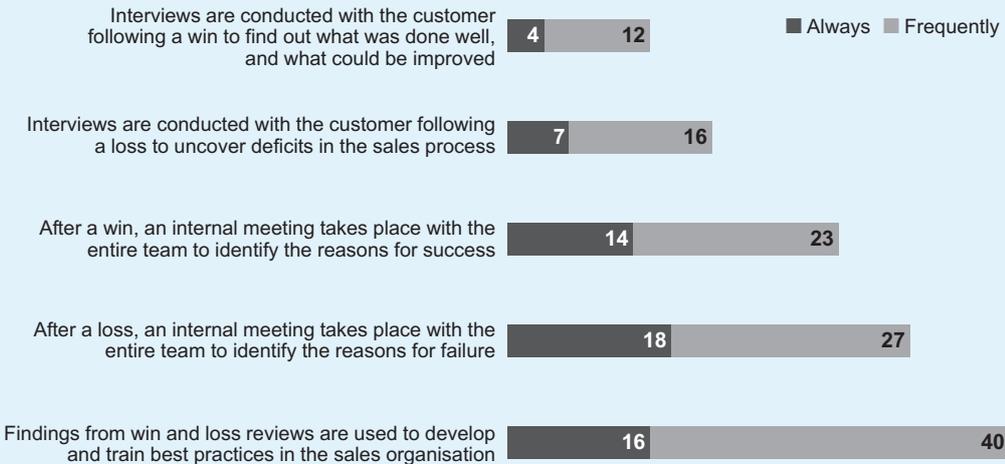
4.1 Learning from Wins and Losses

Learning from past experience is crucial to the continued development of a salesperson and the sales organisation. Self-critical analysis of losses is prerequisite to identifying and eliminating mistakes in the sales process. Understanding the real reasons for wins gives insight into how resources can be focused on activities that customers appreciate.



Not Much Learning from Wins and Losses

(Activities conducted always or frequently in the sales process – as a percentage of vendors interviewed*)



* Customers were allowed to provide multiple responses.
Source: Infoteam, F.A.Z.-Institut.

The research shows that there are numerous reasons for proposal rejection – the most frequently stated reason (76 percent) being a more attractive price offered by a competitor. This supports the finding that the most common reason for customers to change vendor, is price (see graph on page 9). The second most commonly stated reason for proposal rejection (75 percent) is the better solution proposed by a competitor. Salespeople often perceive both of these factors, competitor’s price and solution, as being outside their influence.

Many of the other reasons stated by customers for proposal rejection are viewed by vendors as less important: unfulfilled decision criteria, insufficient understanding of customer needs, and unconvincing written proposals round out the top 5 from the customer’s point-of-view, but are rated much lower by vendors. There is also a marked difference in the importance of the oral proposal presentation when comparing the customer and vendor views. One glaring omission from the vendor top-10 list is convincing written proposals.

The comparison of selected reasons for proposal rejection indicates unwillingness in vendor organisations to examine their

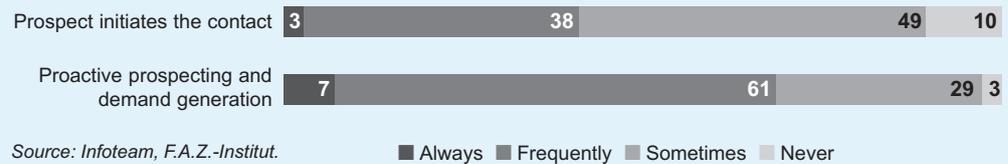
own practices critically. While 28 percent of customers say that an insufficient understanding of their needs is a reason for proposal rejection, only 15 percent of vendors feel this is the reason. A similar difference can be found when looking at the quality of written proposals, or the ability of vendor team members to meet customer expectations. A very small percentage of vendors, 6 percent and 3 percent respectively, perceive that deficiencies in these areas could be a reason for proposal rejection.

Vendors often excuse themselves by chalking losses up to a competitor’s better price or solution, but they would be well advised to examine their own practices more critically. For instance, why was their solution or price perceived as inferior? Was it due to their insufficient understanding of customer needs or decision criteria? This type of self-critical analysis is rare today. Only 16 percent of vendors analyse wins by conducting interviews with the customer to find out what they did well, and what could be improved, while only 23 percent involve the customer in loss reviews to uncover deficits in their sales process. In short, vendors do not leverage customer feedback adequately.

Salespeople see the reasons given for rejection as being beyond their influence.

New Business Generation Methods Not Fully Exploited

(How often different lead generation methods are used – as a percentage of vendors interviewed)



Lack of outside-in feedback can be compensated by critical self-analysis within the sales team, but less than half of vendors interviewed do this: 37 percent say they analyse wins in the team frequently or always, and just 45 percent say they do this for losses. Culturally, self-critique is a rare attribute, and most sales forces are still far from being “learning” organisations.

The paradox is that a majority of vendors (56 percent) say they use the analysis of wins and losses to develop and implement best practices in their organisations, but it remains a mystery as to how they do this without getting customer or selling team input!

4.2 Investing in Proactive Selling

Vendors are passive: proactive prospecting is rarely done.

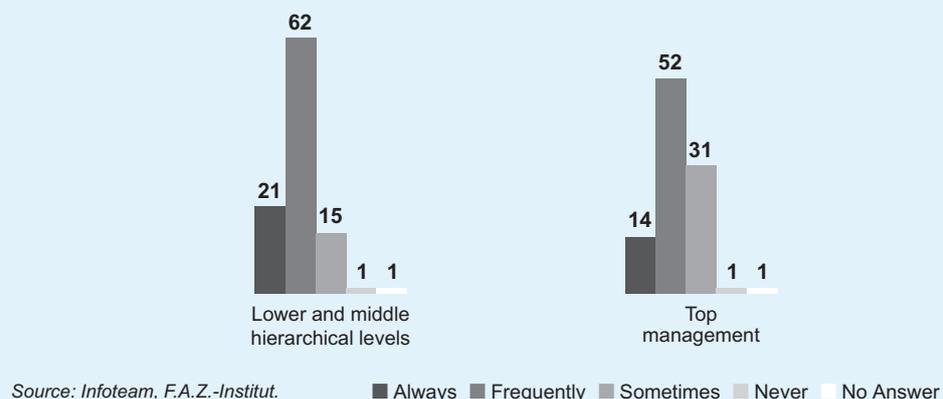
A vendor’s ability to win the customer’s trust is also influenced by timing – when they enter the buying process, and how early they establish relationships with key decision-makers. But, proactive selling re-

quires the investment of resources in activities that have an impact in the medium to long-term, but not necessarily in the short-term. It is particularly important when selling to customers that have a structured procurement process, in which decisions are heavily price-based, and vendor contact to non-purchasing people restricted, following the issue of the request for proposal. The research shows, however, that many vendors are passive when it comes to new business generation: only 7 percent say they always proactively prospect to generate demand, while 32 percent rarely or never do.

Examining the level of vendor relationships with customer organisations indicates a lack of contact with customer executives, where initiatives begin and final decisions are made. Only 14 percent of vendors claim they always have good relationships at that level. Salespeople must go beyond the low and mid-level in the customer’s organisation, leveraging their own managers to gain access to customer executives.

Top Management Contacts – Room for Improvement

(Frequency of contact level in customer organisation – as a percentage of vendors interviewed)



Success through proactive selling – a case study:

How can a vendor specialised in network operations outsourcing convince their prospect, a telecom operator, that they have a need, put themselves in “pole position” before the evaluation, and subsequently win the deal?

Step 1: Without an expressed requirement, the vendor approached the top management of the telecom operator. Using their research, they demonstrated a deep understanding of the prospect’s business, and offered the potential for significant savings and improved customer service by outsourcing their network operations.

Step 2: The approach was successful, and the prospect initiated an evaluation process, to which their current suppliers were also invited. By presenting a top-notch team with extensive experience in similar projects, the vendor gained credibility quickly, and submitted ideas that the prospect chose to include in the request for proposal.

Step 3: As the proposed solution would involve outsourcing nearly 300 people from the prospect’s organisation, it was imperative to convince them that their future would be secure. Thus, the vendor team worked intensively to build relationships with all key decision-makers. This was a critical step, as the existing suppliers had the advantage of long-standing relationships with them.

Step 4: At the end of the evaluation phase, two vendors with very comparable offers were still on the short-list, and each was given just 30 minutes with the CEO to present their case. The customer decided to buy from the new vendor based on the trust and credibility they had created throughout the evaluation process. The value of the contract awarded to the vendor was € 340 million.

When the customer’s project leader was asked why at the end they chose the new vendor, he answered, “They did a better sales job.”

Lack of multi-level customer relationships has two major impacts: it denies vendors the chance to identify customer needs, and convert them into new sales opportunities. Moreover, vendors who only engage with customer executives when there is a sales opportunity in play and ignore them otherwise are generally perceived negatively. Continuous engagement at multiple levels in the customer organisation between sales cycles could increase the proportion of cus-

tomers (41 percent today) that contact vendors themselves to initiate sales opportunities.

The benefits of proactive selling and implementing many of the changes recommended in this report are illustrated in the above example. It shows how a vendor specialised in outsourcing telecom network operations created an opportunity, executed a professional sales process, and subsequently won a major deal.