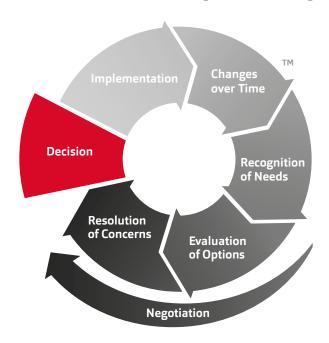


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How much risk does your customer face in taking the decision to buy from you?



As the decision point draws near in any major purchase it's likely that the decision-makers will have some concerns about making the decision. Few people can make major decisions involving significant expenditure where a poor outcome could have negative repercussions for the business with impunity. It's natural for decision makers to ask themselves:

- Are we making the right decision?
- Can these people implement successfully?
- What if it doesn't work?
- Will we really get the promised return on our investment?

Such concerns can increase considerably if there are additional factors contributing to their perception of risk, such as:

- The supplier is not well known to them, or is new in the market.
- The technology being offered is new or relatively untried.
- There has been negative publicity about the supplier or a recent implementation.
- The implementation will be long and complex with a high risk of disruption to the existing work-flow.

If any of the above issues apply to your organisation or solution you could be in danger of losing business to safer, better known organisations unless you take steps to create confidence in your ability to successfully implement your solution.

1. Conservative organisations and people who are risk averse

While some decision-makers and organisations might take major decisions in their stride there are others who may well be risk averse. For example, people who have not taken such large decisions before, or people and organisations who are inherently conservative in their decision-making. We probably all know of organisations that are never the first to adopt new technology or develop new products in their market but who tend to follow when the new approach is proven, having been pioneered by a competitor.

If such people are faced with buying a state of the art solution from a new and untried supplier, it's perhaps not surprising that they might take the decision to continue to work with the supplier they know and trust. They may do this even if their present supplier's solution doesn't offer the same level of potential benefits.

2. Hard closing when customers have concerns can lose business

Salespeople can add to the problem if they attempt to close the sale at the very time when the customer is most concerned about making the decision.

Most people faced with pressure to make decisions when they are worried about doing so, will step back and delay further. This is something senior management should pay attention to, as they are often guilty of putting pressure on salespeople to close business to meet quarter-end or year-end targets. Putting additional pressure on customers to make decisions, especially if it is applied at the wrong time, can actually reduce the chances of the business being won at all.

The right time to close for the business is when the customer is happy that the solution meets their needs, will supply significant cost benefits and can be implemented successfully, not when the supplier's organisation needs the business. It's surprising how many organisations claim to be customer focused yet still expect customers to dance to their own quarter-end tune. Many customers have, of course, latched onto this and respond to such pressure by negotiating better terms in return for bringing forward their decision. But they do so only when they are satisfied they are making a safe decision.

3. Plan a strategy for handling risk as early as possible

In most circumstances it is possible for the salesperson to assess the level of concern the customer is likely to have about making the decision, if issues such as those mentioned above are considered early in the sale. The good news is that most people don't start to worry about taking major decisions until they are imminent. So any salesperson carrying out an early assessment should be in a good position to plan a strategy to minimise the customer's perception of risk before that point is reached.

Once the likely risk factors have been identified, the key to success is to consider ways in which those fears can be allayed, without drawing the customer's attention to them. It really is a question of doing things quietly over the weeks and months of progressing the sale. That will reassure the customer and build confidence in your ability to deliver what you promise.

4. A case study

Planning such a strategy can pay major dividends as one of our clients discovered a few years ago. The client was a small acquisition of a major US company. They were bidding for a dealing room system to be installed in the new headquarters of a major Swiss bank, then being constructed in London. The bid team conducted a risk assessment early in the sales cycle and identified a number of risk factors that would count against them:

- The decision involved a major investment of over £18,000,000 in the system alone.
- The solution being offered was state of the art, with the potential for significant benefits beyond those of competitors. However it was new and untried.
- They had no track record for producing and delivering dealing room systems.
- They were up against large, well-established, competitors with provenproducts and track records.
- They were very small and unknown compared to their competitors.
- While their parent company was very large in the USA, it had no track record in the banking sector.
- Any failure of the dealing room system would be very visible to all concerned, very damaging to the bank and would probably be career damaging for the decisionmakers.

From this assessment they realised their chances of winning the business were very small indeed, unless they could plan and execute a strategy to minimise the customer's perception of the risk posed by going with them. Building the customer's confidence in their capability became a central plank in their approach to the sale and several months later, against all the odds, they won the business. The leader of the bid team was certain they owed their success to the early risk assessment and the strategy they put in place to counter the issues working against them.

5. Look for the signs that risk could be an issue

Of course, even the best strategy may not be enough to prevent those late cycle fears from developing and to make matters worse, it is unlikely that customers will openly admit they have concerns about making the decision to work with you. So what are the signs that they have such fears? Huthwaite's research into this area shows that worried customers often cut off communications. People who have always returned calls stop doing so, decisions may be delayed and new people (often more senior managers) may become involved in the decision-making process.

Where customers continue to communicate, questions may be raised or requests for further information made about issues already covered and apparently resolved earlier in the sale. Demands for penalty clauses or phased payments to be included in contracts are often signs that the customer is trying to protect against perceived risk. Instead of just negotiating such issues, try to uncover and handle the risks that lie behind the demands.

The critical issue is to look for any signs that things are not progressing in the way they were before. Over the weeks you have been in contact with the customer, regular patterns of behaviour will have been established. If these change it could be an indication that all is not well and someone important has concerns about going with you and your solution.

6. Customers use price as an excuse for rejecting proposals

Any of the factors outlined above could be indicators that the customer has concerns about making the decision and if steps are not taken to handle them, the sale may be lost. Sadly, the salesperson may never know that risk is the real cause of the lost sale because customers often give price as the reason for rejecting the bid. In reality, customers often use price as an excuse to let the seller down gently. While this may encourage the seller's organisation to respond by offering a lower price, even a substantial discount won't be enough to win the business if the customer has real concerns about the supplier or the solution.

At Huthwaite we conducted research into fifty lost sales where customers had given the high price as their reason for rejecting a suppliers proposal.

We found, from interviews with the decision makers involved, that in eighteen cases out of the fifty this was true. However, in the other thirty -two cases, the real reason was the customer's concern about the risk involved in taking the decision. Customer concerns about risk really can be an end of cycle sales killer.

Losing the sale at this stage is, of course, the worst possible outcome since it means that the maximum investment of time and money in pursuing the business is lost. From the seller's point of view it means weeks of hard work down the drain, leaving little time to pick up otherbusiness to meet targets. Winning or losing just one major sale can make all the difference for many salespeople between a very successful year and a very poor one.

7. Overcoming late cycle concerns about risk

So what can be done to reduce late cycle concerns about risk? The first thing we need to recognise is that only the customer can resolve their concerns about the risks faced in making a decision, we can only help the process. But, there are some steps we can take that will help to build the customers confidence in our solution and our ability to implement it.

8. Conduct an honest risk assessment

Most organisations explore the risk they face in doing business with a potential client; few conduct an assessment of risk from the customer's viewpoint. Try to get into the customer's shoes and ask yourself what you would be worried about if you were faced with the same buying decision. If you identify some issues likely to be of concern, make a plan of how these can best be handled without raising the concerns even more.

9. Make joint implementation plans

Where concerns focus on implementing the solution, joint planning to identify likely implementation problems and agreeing actions to overcome them is one of the best ways of giving the customer confidence that all will be well. Working on a joint plan allows us to demonstrate to the customer our desire to get it right and our attention to detail. It allows us to focus their attention on the internal issues, which they need to address in order to help the implementation go smoothly, and begins to develop a partnership that will increase their commitment to us. Working on joint implementation plans may also help to build competitive advantage over other suppliers who have not given the issue such careful consideration.

10. Show proof of your capability

We can of course, help to re-assure customers that all will be well if they adopt our solution by showing proof of our earlier successes. Supplying case studies and customer references can help decision makers to feel more comfortable about accepting our proposal. An even better way of providing such proof is to arrange visits to successful implementations or meetings with existing clients so that prospective customers can see the results for themselves.

Finally, it may also help in many cases if clients are invited to tour your own premises or production facilities. It may seem an obvious point but nothing reassures people quite so much as seeing for themselves that you have the facilities and the people to deliver what you promise.

11. Get the concerns out in the open

In situations where the customer has ceased to communicate, the first step may be to draw attention to the lack of communication, (or to the delays in decision-making or requests for additional information) and to explore why this is happening. Getting the customer to be open about their concerns can be difficult, since few senior people are willing to admit they are worried about taking decisions. So we may need to ask questions to explore any possible concerns they might have about our organisation or capability, rather than about their fears in making the decision.

If we have built strong relationships in the account or we have a sponsor, we may be able to use these contacts to find out what is causing the concern. We may also be able to enlist their help in planning and executing a strategy to allay these fears.

Once the concern is in the open the next step is to explore what needs to happen for the customer to feel comfortable that it can be resolved. Once they have put forward their ideas we can then add further suggestions and ideas to ensure we are in the best possible position to help put their minds at rest.

12. Build trust throughout the sale

Trust comes through actions, it is slow to build and easy to undermine. We can build the customer's trust and confidence in us as the sale progresses through the actions we take. Our first rule should be to under-promise and over-deliver in every transaction we are involved in throughout the sales cycle. Keeping our promises, delivering information or responding to requests faster than agreed builds a positive picture. Being late, failing to respond or giving only a partial response sends a very different message.

Ensure that all the people in your organisation who have customer contact behave in the same way. Remember you are not the only person influencing the customer's perception of your organisation. All your hard work can be undermined by an act of carelessness by another person or department.

Drip-feed information to the key decision-makers throughout the sales cycle that can help to build their confidence in your capabilities. Articles about your organisation, recent success stories about sales to other clients, case histories of successful implementations or meetings with satisfied customers can all help to build trust. Such a campaign can help to ensure that by the time the customer is faced with making the decision, they have such a positive regard for your organisation that their fears are minimal.

At the very least, building trust should ensure that our customers are more willing to talk to us openly about the risks they see in making the buying decision and put us in a better position to address these issues.

Final comments

Perhaps the most important lesson to learn is that prevention is better than cure. With any major sale, attention should be paid to any likely end of cycle concerns as early in the sale as possible, so that a strategy for removing or minimising them can be developed and implemented.

From our research we have discovered that handling late cycle concerns is an area neglected by many salespeople and few possess the skills to do it well. As a result many sales are lost very late in the sales cycle and it is still a lost sale no matter how close you came to winning it. So, if you are losing too many sales late in the cycle consider some of the issues outlined above, they may help to increase your success rate. Sadly, there are no rewards and no revenue for coming second!

Further reading



Developing sales effectiveness

Learn the strategies you can use in common scenarios and discover the tactics you can adopt when a prospect isn't ready to buy.

https://www.huthwaiteinternational.com/developing-sales-opportunities





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