Buying Cycles

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Abstract

"Will this Prospect buy from me?" is the fundamental qualification question. But before you can make a sound decision as to whether or not the prospect is qualified, you first need to understand the Buying Cycle and why engaging early can have its rewards as well as its risks.

In this series of articles Ian Henley, Chairman of *ChangeBEAT* takes a deeper look at the background to sound prospect qualification.

Introduction

The “Buying Cycle” is the sequence of events that occurs from the moment a prospective Buyer conceives of the possibility of an investment to address a business problem or opportunity, to the day an order is placed. To qualify well, and to sell effectively, you must understand the Buying Cycle and how it helps you identify both opportunities and lost causes.

Like so many things in selling there is a trade off to be made. The conundrum is this: the earlier you engage the Buyer, the less defined will be the requirements and secure the funding and so it follows that many such “projects” never proceed. But, if you wait until late on in the Buying Cycle to engage, in the hope of well defined requirements and rock solid budgets, it is highly likely that your competitors will have already filled the void and built a strong relationship with the Buyer.

During this time competition will have influenced the requirement and so if you are ever invited to bid at all, you will enter the tender process with little inside knowledge, no relationship and few opportunities to convince the Buyer that you are a suitable candidate for this job.

Let’s look first of all at the **Buying Cycle** which may be broken down into the following identifiable steps:

Initial idea

At some point a Buyer will first become aware of a business problem or opportunity which can be addressed by the purchase of products or services. This may come from any number of sources, such as trade press, supplier briefing or word of mouth recommendation.

Investigation

If the initial idea appeals, the prospective Buyer may go to the next step and make some, possibly quite casual, further investigation. Quite likely the Buyer will also talk informally to others in the same industry to understand their views and experiences.

Feasibility

If the Buyer is still keen they may embark upon the next phase which will be a feasibility study of some sort. This will mean a fairly serious evaluation of the costs and benefits of the investment for which some Seller interaction is highly likely to be required.

Decision to Buy

At some point the Buyer will take the decision to invest and move forward to the tender phase. Some formal authority is usually granted at this stage.

Tender

The Buyer will then go to tender. This can be the single tender grant of business to a preferred supplier, or may involve some sort of open tendering process.

Supplier Selection

If an open tender has been initiated, the selection of a particular supplier is made and the business committed.

In summary the Buying Cycle follows this sequence:

Initial Idea	Investigation	Feasibility	Decision to Buy	Tender	Supplier Selection

The Buyer's View

As a Buyer starts to consider a new investment, they will almost certainly need help in the research and feasibility stage. The Buyer needs to investigate the experience of others, and where better to get that help than from eager Sellers, with their wide and relevant experience?

If a particular individual or company has delivered for a Buyer in the past, and probably has the necessary products, skills and techniques to do the job, then the most natural thing is for the Buyer is turn to that Seller and work with them during the early phases of the Buying Cycle.

From the Buyer's point of view this is pragmatic and sensible. They are highly likely to wish to retain the Seller's services again, rather than take a risk with an unknown quantity, and it is just not practical for the Buyer to work in detail with every Tom, Dick or Harriet who might feel they have a role to play.

But where a proven relationship does not exist, the Buyer will look to the wider market for help. This is the time of opportunity for the Seller as the Buyer is ready to build relationships. The Seller now has the opportunity to build the Buyer's perception of the Seller as capable and trustworthy and also to mould the Buyer's requirements to those the Seller is well positioned to fulfil.

The Inside Track

The Seller who earns, by good performance in the early phases of the Buying Cycle, frequent access to a Buyer, and succeeds in convincing the Buyer that they have the capability to do the job, can become established on the *inside track*.

The *inside track* is the place to be. The Seller who has earned the *inside track* with a particular Buyer is favoured to the extent that, should business be awarded single tender, then that Seller is the likely beneficiary.

However many companies have, or are subject to various rules that require an open tender process to take place. But, and this is the key point, **even if** the Buyer goes to open tender the *inside track* Seller will start out as hot favourite for the following reasons:

1. The Seller will be able to make proposals that really hit the Buyer's "hot buttons" because of the work already done understanding the Seller's requirements, issues, "hot buttons" or political nuances.
2. The Seller may have done work in the early phases of the Buying Cycle which may legitimately be seen as conferring a head start on the *inside track* Seller
3. The Buyer will have a predisposition towards the *inside track* Seller, which is partly because professional respect has been built up by good work during the early phases of the Buying Cycle and partly because of personal indebtedness for

the work already done or straightforward personal preference

4. In all probability, the *inside track* Seller will enjoy better access to the Buyer throughout the tender process, which enables the inside track Seller to run a campaign based on better information

Consequently, if you are asked to respond to a tender and someone else is on the *inside track,* unless you have compelling reasons for believing you can win, you almost certainly won't.

But how can you tell? The acid test of a Buyer's openness of mind is the amount of time they are prepared to spend with you. If the Buyer is genuinely open minded they will be keen to talk to you to see if you really measure up. They will also be willing to introduce you to other key members of the Buying organisation including superiors who will be involved in the review or sign off of the final recommendation. After all, would you recommend to your boss a large expenditure with a company he or she had never met?

If they already have someone else in mind they will be keen to avoid you. After all you might perform really well and then they would have all the aggravation of making a difficult choice between two companies with all the attendant emotion and risk of making the wrong choice! Easier by far to hide behind the rules of a tendering process, require the Seller to expend vast effort on producing a proposal document, and slide it quietly into the round file.

When to Engage?

The advantage of engaging the Buyer early on in the process is:

- You can develop your trust and relationship with the Buyer and get on the *inside track*
- You can influence the buying criteria ensuring that your company is well positioned to meet their ultimate requirement
- You can help the Buyer to develop the case towards a decision to buy, by using all the knowledge and experience of your own company.

The disadvantage of engaging early is that:

- You may end up wasting time with a number of prospects who never do decide to buy, for any number of reasons.
- You may fail to improve the Buyer's perception of you, in which case you are in trouble in any case!

The advantage of engaging late on in the Buying Cycle is that only at this stage are budgets approved, decision mechanisms firm and the likelihood of proceeding high.

The disadvantage of engaging late is that the Seller has missed the chance of influencing the buying criteria, building strong relationships with the Buyer and getting on the *inside track*.

Riding the Buying Cycle

The Seller has to decide when to engage. Best practice requires:

1. That existing relationships are cherished and maintained
2. That new Buyer contacts are engaged early in the Buying Cycle to ensure that relationships are forged and the Seller gets on the inside track.

Throughout the Buying Cycle the ideal role the Seller can play can be characterised as follows.

Buying Phase	Ideal Seller Role
Idea	Ideally it is the Seller who introduces the Buyer to the business opportunity. This may be as part of a briefing, by circulating a technical paper or case study, or even through a PR placing.
Investigation	Throughout the initial investigation the Seller should be in a position to provide initial information through briefings or the provision of case studies, technical information or other relevant experience.
Feasibility	The feasibility study will require more specific work in which the costs, risks and benefits of the project as they apply in this particular situation are evaluated. Ideally the Seller should be working jointly with the Buyer in this phase.

Decision to Buy	The Seller should be aware of the timing of the Decision to Buy and be sufficiently favoured at this point to avoid the tender process. Failing this the Seller should be in a position to influence the buying criteria even assisting the Buyer to produce the Request for Tender.
Competitive Tender	Throughout this phase you should be in continual contact with the Buyer, improving your bid and ensuring they understand it thoroughly, answering questions and reacting to any competitive moves.
Supplier Selection	If you have ridden the Buying Cycle with skill you should know you are going to win even before your competitors are given the sad news.

In summary, focus your sales effort on achieving *inside track* status, with Buyers who have a track record of making things happen. Assume that for every tender there is an *inside track* Seller. If it isn't you, assume it is someone else.

Be sceptical of your chances of overhauling a competitor on the *inside track*. You must have a very compelling offering and be given plenty of opportunity to communicate it (which you probably won't get) to achieve this feat.

It is fairly unusual for a Buyer come out to tender without a preferred *inside track* Seller, and unless you are quite sure there isn't one, there is! Buyers who maintain a distance from you, by declining contact when purporting to be evaluating you, is really not serious about buying and is most likely protecting an *inside track* supplier. You should be very wary of being drawn into bid activity where you are not on the *inside track* unless you are quite sure no one else is either.

About the author

Ian Henley, chairman of *ChangeBEAT*, is recognised in the IT software and services market as a leading expert in improving business performance. He specialises in business strategy, marketing and sales and is well known through industry publications and Intellect where he provides advanced sales and commercial management training.