



Will they spend?

Abstract

The first of the key qualification questions is “Will the prospect spend?” Inexperienced Sellers think this is merely a matter of establishing if the prospect has a budget and taking it from there.

In this series of articles Ian Henley, Director of *ChangeBEAT* takes a deeper look at qualification and the things you need to know to establish if a prospect is really likely to spend.

Whether or not the Buyer is going to go ahead and spend money is the first of the key qualification questions.

In practice the Buyer, who is dealing with the day-to-day business of a particular acquisition almost never has ultimate authority to spend, and will require “sign off” from some higher authority, be it the boss, the wife, or the main board of a public limited company.

Having said this, Buyers who deal with the day-to-day business of project evaluation or market interaction vary from individuals in whom the Buyer’s organisation has a high level of trust (and so are likely to need little more than a rubber stamp to do as they recommend) to individuals who have no chance whatever of having a recommendation accepted.

If a prospect comes to market requesting bids from suppliers, they may either have already taken a decision to proceed, or may actually still be in the investigation or feasibility phase of the evaluation. Some less than completely scrupulous Buyers will declare that business is certain to be placed (to motivate as many Sellers as possible to bid and so provide as much “free” information as possible) in advance of a decision as to whether or not business is really likely to be placed.

Requests for Information

Sometimes the Buyer will declare that they are still in the feasibility phase and may even issue a formal document called a “Request for Information” (RFI) rather than a “Request for Proposal” (RFP), “Invitation to Tender” (ITT), or a “Request for Quotation” (RFQ), which all amount to the same thing!

The difference is that the RFI is openly declared as being in the feasibility phase. An RFP carries the implication that business will be placed; but in this imperfect world, in fact, in no sense is the prospect genuinely committed to placing business (and their document will often say so).

Can this Buyer buy?

When a Buyer asks the Seller to do work, the Seller must assess where a Buyer is in the buying cycle and whether or not they are really likely to be able to secure the approvals required to commit business. Is



this an opportunity to work with the Buyer and get on to the *inside track* or is the Buyer whistling in the wind and unlikely ever to secure a result?

To answer this question effectively you need to judge the individual or individuals who purport to be buying. Look for their track record of leading purchases and evidence of their superior's respect for the work they do. Try to get "off-the-record" references of their reputation within their own organisation. Someone who is used to working with Sellers to deliver big projects and has done so in the past is hardly likely to be satisfied wondering about kicking a tyre here and leafing through a display magazine there.

An ideal Buyer in this context is one who has a reputation as a high flyer and has just been appointed into a new position to "sort out" a perceived problem area. That person will do something, for sure. At the other end of the scale look out for people with job titles like "strategic planning" or "future technology evaluation". These are people who have plenty of time to take up yours to no good effect.

The existence of a fully approved and signed off budget is always an encouraging sign, but not the panacea some people believe. Any qualification process examining this issue should require an answer to the question "Do you have a budget assigned?" but firstly, this is not the best way to ask the question, and secondly, don't take the answer at face value.

In some organisations budgets are rigid and if someone has delegated authority to spend to a budget then that will remain sacrosanct. In the majority, however, even though the budget is assigned, it is merely a guideline and still requires a higher level "sign-off". Whether or not this will be a rubber stamp, or a serious debate, depends on the true level of authority and autonomy given to the evaluator, and can also sometimes depend on external factors such as acquisition or other business worries.

Some organisations do decide to move ahead on high priority items and then go back and fix the budget later, so "No budget assigned" is not necessarily a killer.

At some point the prospective Buyer will need to be submitting a budgetary figure and will need your help to provide one. If the relationship is right, this is a



service you should be pleased to provide to strengthen your Buyer relationship and move you to the *inside track*. But beware of such a request from a Buyer who is not prepared to spend time with you and just wants a “ball park figure”.

No jobs

In our experience, between a quarter and a third of all formal tender documents or requests for proposal result in no external business actually being placed. Here are a few of the more common reasons

- The prospective Buyer is not really in a position to spend. He or she may lack the authority, may not have made the business case successfully or be eclipsed by competing internal investment programmes
- Individuals from the prospective “Buyer” have been asked to look at the feasibility of a project, and so decided to issue an RFI or an RFP. This does not mean that the organisation is necessarily committed to proceeding and quite legitimately the Buyer may “can” the project if the costs are too high.

In some cases the Buyer’s motives may be more cynical. It has been known that the Buyer will issue an RFP simply to produce a nice report for the board or shareholders, concluding that nothing needs to be done but demonstrating how thorough and professional they are all being. And what better way of getting quality information than asking eager Seller to make presentations and bids?

- Individuals from the prospect organisation believe in the project, but they can’t convince their superiors. This can be because the evaluators are:
 - not in possession of the facts
 - not aware of competing pressures
 - not “rated” by the superiors
 - have been naïve or inaccurate in their assessment of the opportunity
- Priorities change during the Buying Cycle. New ownership and new management, frequently presage such a change.
- The costs are too high. Until a reasonable amount of work has been done (preferably by naïve Sellers) the prospect is not really in a position to



make a decision. If the costs turn out to be too large, then the business case will fail. This does not imply bad faith on the Buyer's part. How can they reasonably make a decision until they know the costs involved?

In summary

Look first and last for Buyers who are achievers and make things happen, even if they haven't yet got their budget assigned. Find out about the budget position but be aware that, even if they have one, the Buyer will still usually have work to do before the expenditure is signed off.

Who decides?

"Who is the decision maker?" is another of those qualification questions that can often result in a misleading answer. For some Buyers, it offends their personal sense of esteem to admit that they are not actually the final decision maker, and

they will insist that, even if they do not sign the order themselves, any other required approvals are simply a "rubber stamp".

Taking your own view of the calibre of the individual and understanding his or her track record can give clues. A better way of phrasing this question is to ask for clarification of the decision making process which is marginally more likely to lead to some useful information.

Buyers who never do

The author once spent weeks selling to a self confessed "decision maker" with an avowed budget to perform a particular project. Everything seemed to be going well, but eventually the project fizzled out.

Months later, I happened across another member of his organisation who I knew from a previous life. I mentioned the incident. "Oh him," he said, "we have been looking for a way of getting rid of him for years. You don't want to associate your company with him or you will never get anywhere!"

By making one telephone call, I could have saved myself enough time to have a holiday and run another, successful sales campaign.



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.



ChangeBEAT defines, develops and executes change programmes that help achieve enduring business benefit rapidly and reliably. Our people have practical field experience, and are equipped with WingBEAT, our proven change methodology, and our extensive tools. We are professional, pragmatic and action oriented.

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