



One of the keys to successful selling is to ensure that there is **someone** who is actually **buying** and that the sales cycle is meshed with the purchase cycle.

We refer to this interlocking of the sales and the purchase cycles as *Phased Selling*.



Phased Selling

by

Martyn Lewis

Market-Partners Inc.

In our articles we usually focus on the sales cycle and the various activities associated with selling. This time, we are going to look at the purchase cycle – or, if you like, the mirror image of selling. Interestingly enough, we have found that many organizations lack a detailed knowledge of how their clients buy and also find it difficult to reverse roles and look at the situation from the other side of the mirror.

We can summarize a generic, but true to life, purchase cycle as the ten sequential steps shown in *Figure One*. In this article, we are focusing on the purchase of a complex item, product, or service, requiring a level of study, budgetary approval, and the likely involvement of a number of diverse players.



Purchase Cycle Example		
1.	Equilibrium	Business as usual
2.	Recognition	Recognition of a business challenge or opportunity
3.	Exploration	Explore possible directions
4.	Definition	Define direction
5.	Evaluation	Evaluate alternatives
6.	Selection	Select alternative
7.	Negotiation	Negotiate with the potential supplier
8.	Order	Place order
9.	Install	Install, implement, or execute
10.	Realize	Realize the business benefits

Figure One

This generic purchase cycle starts prior to the recognition of a business challenge or opportunity when the organization is likely happily pursuing its plans and goals. We have called this step “Equilibrium” as it represents business as usual. The true purchase cycle actually starts when something happens to upset this state of equilibrium. Perhaps the organization fails to achieve its annual revenue and profit plan. Or, it may be a catastrophe of a different order, such as an earthquake destroying a plant, or a major problem being discovered in the manufacturing process. It could be as simple as the CEO learning that his/her SG&A expenses are 28% higher than the industry average. No matter what the cause, the organization enters step two of the purchase cycle due to the recognition of either a business challenge or opportunity.

The purchase cycle then continues through exploring possible directions that may include examining what other companies have done, meeting – or even engaging – with consultants, or talking with potential suppliers. Following a basic exploration of the possibilities, the organization will likely then define their overall direction. Priorities will be assigned, business cases will be studied, strategies adopted, and budgets established. It is then likely that the company will conduct a detailed evaluation of alternatives and potential suppliers. It is often at this stage that a Request for Proposal (RFP) is issued and vendor evaluations conducted. Once this is complete, the company decides on an alternative, selects the respective supplier(s), negotiates and places orders. Completing the cycle, the organization will then expect to implement the chosen solution to the original business issue identified at step two and, of course, realize the benefit of having invested the time and resources into this overall process.

Figure Two summarizes the key concerns, typical activities, needs, and key players likely involved in each of these ten steps.



Domains of Concern throughout the Purchase Cycle					
Step		Key Concerns	Typical Activities	Needs	Key Players
1.	Equilibrium	<ul style="list-style-type: none"> ▪ Health of the business ▪ Competitive pressures ▪ Market trends ▪ Attainment of business goals 	<ul style="list-style-type: none"> ▪ Business as usual 	<ul style="list-style-type: none"> ▪ Revenue ▪ Profit ▪ Stakeholder satisfaction 	<ul style="list-style-type: none"> ▪ All
2.	Recognition	<ul style="list-style-type: none"> ▪ Understand new situation ▪ Assess impact of new situation on business 	<ul style="list-style-type: none"> ▪ Investigate situation 	<ul style="list-style-type: none"> ▪ Market information ▪ Research information 	<ul style="list-style-type: none"> ▪ Executive
3.	Exploration	<ul style="list-style-type: none"> ▪ Ensure all possibilities are explored 	<ul style="list-style-type: none"> ▪ Engage with consultants ▪ Form teams or committees ▪ Brainstorming 	<ul style="list-style-type: none"> ▪ Benchmarking ▪ Case studies ▪ Information regarding possible directions 	<ul style="list-style-type: none"> ▪ Working teams ▪ Senior management
4.	Definition	<ul style="list-style-type: none"> ▪ Accurate definition of the business situation & intended direction 	<ul style="list-style-type: none"> ▪ Management meetings ▪ Internal reports & proposals ▪ Assign priorities, budgets & timelines 	<ul style="list-style-type: none"> ▪ Business case review ▪ Outline costs & timelines 	<ul style="list-style-type: none"> ▪ Functional management
5.	Evaluation	<ul style="list-style-type: none"> ▪ Detailed & accurate assessment of possible alternatives 	<ul style="list-style-type: none"> ▪ Issue RFP ▪ Meet with potential suppliers 	<ul style="list-style-type: none"> ▪ Detailed proposals ▪ References & testimonials 	<ul style="list-style-type: none"> ▪ Functional management ▪ Teams & committees
6.	Selection	<ul style="list-style-type: none"> ▪ Selecting the right approach & suppliers ▪ Assurance of success 	<ul style="list-style-type: none"> ▪ Internal meetings ▪ Assessment of proposals ▪ Business case analysis 	<ul style="list-style-type: none"> ▪ Detailed numbers, dates & specifications 	<ul style="list-style-type: none"> ▪ Teams & committees ▪ Purchasing
7.	Negotiation	<ul style="list-style-type: none"> ▪ Getting the "right" price 	<ul style="list-style-type: none"> ▪ Meetings with selected suppliers 	<ul style="list-style-type: none"> ▪ Price negotiations ▪ Details of terms & conditions ▪ Concessions 	<ul style="list-style-type: none"> ▪ Purchasing
8.	Order	<ul style="list-style-type: none"> ▪ Correct allocation of funds 	<ul style="list-style-type: none"> ▪ Internal meetings 	<ul style="list-style-type: none"> ▪ Finalize paperwork 	<ul style="list-style-type: none"> ▪ Purchasing
9.	Install	<ul style="list-style-type: none"> ▪ Assurance of success 	<ul style="list-style-type: none"> ▪ Project meetings 	<ul style="list-style-type: none"> ▪ Support 	<ul style="list-style-type: none"> ▪ End users
10.	Realize	<ul style="list-style-type: none"> ▪ Optimization 	<ul style="list-style-type: none"> ▪ Back to business as usual 	<ul style="list-style-type: none"> ▪ Ideas to help optimize 	<ul style="list-style-type: none"> ▪ Management

Figure Two



By studying the various factors through the purchase cycle we can make some interesting general observations:

- The level within the company that is concerned and active at each stage falls as the process evolves
- As the purchase cycle matures through the ten steps the concerns become less strategic and more operational or tactical
- Although there is continuing analysis and discussion regarding possible approaches throughout the purchase cycle, it becomes more focused and specific in the latter stages

Turning to the Sales Cycle

Having studied a generic purchase cycle in this fashion, let's now turn our attention to selling. For many years we have heard a rallying call for sales professionals to engage earlier in the purchase cycle, to become trusted advisors to their customers and prospects, and to understand the business issues, not just "sell product". It is clear that this then points to engaging with a prospect in the first few steps of the purchase cycle outlined above. Indeed, perhaps selling nirvana is the ability to actually cause your prospect to shift from Equilibrium to Recognition. Before we all rush to achieve this lofty goal, however, I would like to take a moment to illustrate that this might not always be the key to successful selling.

A number of years ago I was meeting with a successful and senior sales manager from an IBM competitor that manufactures and sells generic IBM mainframes. We were discussing the relative merits of board room selling, and a number of individuals were recommending that the selling team should dedicate more time to understanding their customer's key business challenges and sell at the executive level. Now that may have been a worthy strategy, but I found the sales manager's response quite enlightening. He basically said that his selling team could no more sell at that level in an organization than they could fly. He questioned if any of the senior executives within his customer base would even make time to meet with his sales folk, and then wondered what they would actually talk about if they did secure such meeting. He went on to describe how they had successfully sold for many years. He explained that they would let IBM do all the upfront work. Let IBM take the executives golfing and to strategic forums. Let IBM do the business cases and the justification for spending another million or so dollars on hardware. The core competency was that the selling team knew the purchasing managers in their patch and when they were going to invest in new hardware. So, the selling team would essentially sit and wait until there was a budgeted and immediate need. They would then engage in the purchase cycle offering more power than IBM, at a lower price. They were able to provide all the reasons why the organization should buy from them and not from IBM, and knew how to handle any objection that came back to them the other way. More often than not, they won the deal!



Phased Selling

Interestingly enough, this is a great example of how engaging later in the purchase cycle (in fact, at step five or six in the examples just given) was the best strategy. In this situation, it matched the strategy of the company, and the skills of the selling team. Also, as important, it was a much shorter and more cost-effective sales cycle. *Figure Three* outlines the two extreme cases of engaging the sales cycle with the purchase cycle at stage one versus stage five.

I should emphasize that I do not recommend starting a sales cycle late in the corresponding purchase cycle. I do, however, recommend a thorough analysis of the purchase cycle, your own company's marketing strategy, selling skills and abilities. Armed with this information you can then determine how to phase your selling cycle with your prospect's buying cycle.

Factor	Engaging early in the purchase cycle	Engaging late in the purchase cycle
Length of sales cycle	Long	Shorter
Cost of sales cycle	High	Lower
Need for business expertise	High	Low
Reliance on high level business relationships	Critical	Low
Ability to "set the agenda"	High	Low
Pricing	Likely linked to value	Likely discounted to meet competitors
Ability to differentiate	High	Lower
Profitability	Higher	Lower

Figure Three

We can also use this concept of phasing the selling to the purchase cycle to understand what selling activity we can best engage in each step of the way. *Figure Four* illustrates examples of optimal selling activities with those that may be considered sub-optimal. A classic example of sub-optimal selling activity may be investing time responding to an RFP regarding an opportunity for which you had no prior knowledge. In other words, your sales cycle is starting with step five of the purchase cycle. In this case, if your direct competitor has been involved in shaping the business requirement with the prospect you are very unlikely to win – unless your strategy, somewhat like the IBM competitor example above, is to offer the same as, or more than, your competitor for a significantly reduced price.



Phased selling		
Step	Optimal Selling Activity	Sub-optimal Selling Activity
1.	Equilibrium <ul style="list-style-type: none"> ▪ Build executive relationships ▪ Understand key business issues & drivers ▪ Earn trust & build credibility 	<ul style="list-style-type: none"> ▪ Nowhere to be seen
2.	Recognition <ul style="list-style-type: none"> ▪ Bring valuable insights to the table 	<ul style="list-style-type: none"> ▪ Pitch & demo at Executive meetings
3.	Exploration <ul style="list-style-type: none"> ▪ Ability to act as a trusted advisor ▪ Show how these business opportunities may be captured 	<ul style="list-style-type: none"> ▪ Provide generic product information, presentations & proposals
4.	Definition <ul style="list-style-type: none"> ▪ Assist in building business plans ▪ Help establish priorities 	<ul style="list-style-type: none"> ▪ React to any questions that may come your way
5.	Evaluation <ul style="list-style-type: none"> ▪ Provide an insightful & detailed proposal linking investments to expected returns ▪ Demonstrate how the solution will meet the client's specific needs 	<ul style="list-style-type: none"> ▪ Boilerplate style proposal
6.	Selection <ul style="list-style-type: none"> ▪ Proactively assist in building business justification & detailed implementation plans 	<ul style="list-style-type: none"> ▪ Respond to any questions
7.	Negotiation <ul style="list-style-type: none"> ▪ Demonstrate how the investment required is linked to the value gained 	<ul style="list-style-type: none"> ▪ Discount and give-aways
8.	Order	-
9.	Install <ul style="list-style-type: none"> ▪ Be supportive & visible during implementation 	<ul style="list-style-type: none"> ▪ Hand off to delivery team
10.	Realize <ul style="list-style-type: none"> ▪ Jointly assess success of the initiative against original expectations 	<ul style="list-style-type: none"> ▪ Nowhere to be seen

Figure Four



The sub-optimal activities given in *Figure Four* may appear somewhat humorous. It may be sobering, however, to share our research that many companies who consider that they are, or should be, engaging in the entire purchase cycle, are in fact behaving far more like the sub-optimal column than the optimal.

Phased selling – What can you do about it?

Here are a few points that you may like to consider about your own selling activity:

1. How well do you understand your prospect's purchase cycle?
2. Where, in this purchase cycle, would you wish to engage?
3. Where in this purchase cycle are your direct competitors engaging?
4. Do you have the requisite skill sets and resources to demonstrate the optimal activity?
5. Take a look at your own real-life selling situations:
 - a. Where are you actually engaging in the purchase cycle?
 - b. How long does it generally take to go from step to step?
 - c. How many prospects do you successfully transition from step to step (versus lose to indecision, delay, or the competition)
 - d. Where, and when, are you most successful?
 - e. For each of the steps of the purchase cycle, what are your strengths and what are your challenges?

Summary

The design of any optimal sales process should start with a deep understanding of the target market's purchase process. Once this is understood, the organization can then assess its own abilities, and skills, to engage in that purchase process. The go-to-market strategy then determines the step within the purchase process where the sales force should first engage. The sales process should then be designed to not only reflect the purchase process, but to ensure that the organization can deliver value to the customer at each step and that, at each of these steps, the probability of a successful conclusion is increased and the cycle time is reduced.

It is only as a result of designing a sales process that is phased to the purchase process that an organization can achieve the goal of a productive and effective sales organization.