



What Changed Your Sales Cycle and Why?

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"There is a push on to become much more professional in how we deal with customers. We are seeing a longer sales process to larger organizations and with more decision makers. Relationship selling died along with brand loyalty."
CFO, agricultural implement dealer

"My experience is that it is always longer than the client will say, since several people are always involved."
Sales Manager, technology solution provider

Introduction

This paper outlines the symptoms of a transition to complex sales. Fail to diagnose them, and you'll find your success fading. Your contacts may claim to steer the deal, but now their entire organization needs input on the decision. The deals take longer now, and it is easier than ever to drift off the corporate "must do" list.

Your sales staff is as dedicated as ever, but your sales take longer. Most of your clients now demand proposals, those proposals are harder to create, and there is not much room for a free-flowing discussion of solutions.

On the other hand, the contracts are getting larger. The wins are bigger, but the losses hurt more.

In the past, your salesperson developed a relationship with the decision maker and negotiated the deal. Now, rather than receiving a contract, you're asked for a proposal. And it's being reviewed by unfamiliar decision makers in the client's organization. The rules outlined by the client or the client's consultant limit your access to the client.

This is the twilight zone of your transition to complex sales. Some others who have been here adjusted profitably to this new paradigm, while others have sunk to the bottom.

In this paper, I identify the symptoms of this shift. I'll also describe how organizations succeed in making the shift. To succeed, a new sales strategy must be adopted by everyone in your organization. This requires the expert communication of a unique strategy by all of the players in your organization.

“Not sure what the solution is to the complex sale. Some of them are taking 18 months to get in place.”

Sales Director for gas technology research and development firm

“It’s a volatile marketplace. Somebody is told to hire a consultant to figure out ‘X’ and before they finish reviewing bids, the money isn’t there to hire a consultant, or there’s a stop-work order. It may be on-again/off-again several iterations prior to contract execution with mergers, acquisitions, etc.”

Sales Manager, environmental consulting

The cowboy¹ doesn’t succeed in this environment, and the lone wolf² can only take the deal so far before the client notices that the seller’s organization doesn’t reinforce what the salesperson has been saying. That’s when they’ll shop the deal to your competition.

This environment calls for strong internal relationships; weak or nonexistent internal relationships doom your opportunities to failure. The ability to work as a virtual team³ provides a competitive advantage over waiting for personal communication.

Recognizing the Shift to Complex Sales

Symptom #1: Longer Sales Cycles

The client has changed the rules of the game by adding more layers of review and expectations of consensus decision making, resulting in longer sales cycles. [1] In many cases, your salesperson may be aware of the new process, but he or she may not have contact with, or may be denied access to some of the decision makers. It may also seem that no one is willing to make a decision, that everyone is trying to pass the responsibility to others, and that some of those decision makers may not even be identified until the moment they are asked to review proposals.

¹ Cowboy: mentality of a salesperson who relishes the opportunity to hang on for a wild ride to close the sale, using personal bravado and tenacity to win contracts.

² Lone wolf: sales mentality of an independent agent, who prefers to work alone with nominal contact with his or her own firm.

³ Virtual team: team with remote players using technology (phone, email) to work together apart, rather than interacting in person. Success in virtual teams depends on enriched communication and the ability to develop rapport and credibility with people you may never meet in person.

“These HR consultants used in screening bids often just use a checklist to count QUICKLY any deficiencies, often screening out any proposal that doesn’t directly address RFPs in the right order or concisely.”

Sales Director, consulting firm

In surveys of clients and debriefs with clients, I found significant percentages of the decision makers were not selected until after the proposals were submitted. In some cases this was purposeful, intended to lend security to the procurement process. In others it was practical: proposal review and analysis is not exactly a plum assignment for which individuals clamor.

Symptom #2: Complex RFPs ⁴

As you try to answer all the questions as completely as possible, your proposals balloon in size. However, you still don’t know whether you are sending the right answers. And in many cases, the decision comes as a surprise, because the proposal scoring creates unanticipated results, or senior management makes “suggestions” that throw off the proposal reviewers. [2]

One source of this new “Request for Proposal” (RFP) mentality is a consultant hired by your clients to identify ways to save money. The consultant often recommends a cookie-cutter approach, with a long list of questions. The idea is that the easiest way for them to get a handle on the selection process is to create RFPs that cover every possible contingency and viewpoint. Some consultants will tote the same RFP template from client to client, tweaking it for specific elements. In an attempt to “level the playing field” and bring order to what appears as chaos to the outsider, the complexity of the contract is masked. They assume that if the process can be boiled down to cost, their goal of containing costs is accomplished.

Symptom #3: Opportunities Grow Larger

Expanding the selection process also causes the client’s expenses to balloon. To help justify those expenses, the client looks for ways to minimize the frequency of the selection process. As government agencies have found, contracts can be safely expanded, cutting the number of sales cycles significantly. Instead of a one-year contract, you may be looking at a three- to five-year contract. Instead of a contract limited to services for one division, you may be faced with

⁴ RFPs: Requests for Proposal

an RFP for enterprise-wide services. A bundle of products/services may be requested, requiring you to team up with other firms or bring in other divisions of your own firm to submit a competitive proposal.

Symptom #4: Competition Intensifies

Transparency⁵ and tandem procurement⁶ make competition seem more intense. There may not be more competitors than before, but the process makes it seem that way. They're right on your heels, and you're in their way. Internet technology may increase global competition, but it's actually a smaller threat in this type of sale, because the opportunities are too complex for most new players.

The Potential Result: Commodity-based Pricing

Some firms think their only option is to forfeit the game; simply answer the RFP and submit their best price. As clients try to level the playing field, the complexity of the offering increases, and so they default to price as the main basis for comparing proposals. [2] Later on in this paper, I describe the choices available to organizations changing to complex sales.

Defining the Sales Types

There are three distinct types of sales. We can call the first type "transactional." It is exemplified by "questions that make connections," and is used for one-on-one sales. [3] [4]

We call the second type "consultative sales." This type, popularized in the 1980s, is characterized by an exchange of information, and a consultation that results in the seller advising the potential client about the benefits of a particular solution. [5] Tactics include looking for an unrecognized problem, providing an unanticipated solution, or acting as a broker of capabilities. [3]

The third type is a "complex sale." [7] [2] A complex sale involves multiple players in the client's organization, each with different responsibilities, and each providing input to the contract award. The transition to a complex sales type is challenging.

Different names for the sales types are coined by prominent authors: transactional is also called salesmanship. [1] Complex sales are also referred to as strategic, large account or enterprise

⁵ Transparency: The client shares information with all sellers, such as the list of sellers and queries of other sellers.

⁶ Tandem procurement: The process of combining previously separate contracts into a larger, all-inclusive, turnkey, or system-wide contract. This allows procurement of one large contract instead of numerous smaller contracts.

Attributes of Sales Type:

	TRANSACTIONAL	CONSULTATIVE	COMPLEX
Typical Sales Cycle	Short – pressure client to close in single meeting	Moderate – information gathering required	Long – many (3 – 45+) decision-makers, and advisors who must reach agreement or default to recommendations (from higher-ups, political leaders, experts, or the loudest)
Seller Requirements	Show me what I get	Show me how and why	Prove your offering is the best fit
Size of Opportunities	Modest	Medium	Large
Competitive Environment	Restrict sales cycle to prevent or discourage competitive comparison	Relationship is more important than unfamiliar competitors	Client seeks the best deal and surveys the industry to find it.
Commodity Approach	Discount for immediate purchase	Provide tools to self-educate and price compare (ideal for web-based sales)	Automated bid processing to generate contract price
Value Approach	Emotional appeal to status or limited availability	Custom fit of features, matching cost to budget	Match benefits valued by client to features, and educate throughout process
Training to Master	Sales tactics	Counseling	Strategic thinking

sales. [8] [7] [9] [2] Regardless of the names, the descriptions are similar. This paper focuses on the transition to complex sales.

Complex Sales

In a complex sale, the client is trying to level the playing field among competitive offerings. [7] All clients want custom solutions at the best price. [3] They hope that a standardized evaluation will allow them to compare elements between proposals and determine the “best fit” for their organization. In an ideal scenario, they envision matching the strengths of a particular offering with the organization’s greatest needs. If they’re well-educated about the issues, this may work. But sometimes the client can’t digest the variety of solutions offered, and then the issues and the proposal evaluation devolve into innuendo and conjecture.

The complex sale is well documented. [7] [1] [10] [2] Many of the client’s players must agree to your proposal. Each of them must become convinced of the value of your offering from reading their section of your proposal. The only way your proposal contributors can accomplish this goal is if they understand the strategy and can communicate it. Therefore, new tools are needed

Sales Leader dream (nightmare?): You walk into the Olympic stadium, your team is with you, and everyone is loaded down with equipment for the game. Several other competing teams are making themselves ready, and watching as you prepare.

The team of judges walks over and gathers 'round. You've been preparing for months. When the clock starts, you juggle pieces of equipment, tossing them to different judges as they call out for them. Your team launches new ones in the air for you to catch, juggle, and catapult. Some judges drop what you toss – maybe it was too high, too hard, or they were distracted.

When the game is over, you wait in the locker room for news of the judges' scores.

to communicate the strategy to your internal partners. Gaps between the sales strategy and your proposal will be noticeable when the client compares your proposal with others. Complex sales require a process to manage internal communication to eliminate gaps. This process may require sales leaders to master new skills. You will need players who can track and express/divulge/share strategy as well as execute that sales strategy. If internal team members continue to operate merely as tactical executors of orders, the process will fail. To succeed, the internal team members must creatively contribute (add value) to the message, probe for detail without pushback from the sales representative, and enrich the offering. Anyone who simply provides backup support dilutes the message to the client.

Remember the children's game of "telephone?" A message became distorted as one child whispered a phrase to the next child, and that child whispered it to the next, and so on, down the line. The same phenomenon plays out in a complex sale if the internal players don't understand the sales strategy clearly enough to put it in their own words and communicate it persuasively to their peer in the client's organization.

Market Approach: Commodity or Value Pricing?

The sales type in which you are operating is outside your control. Once you understand your sales type, you are ready to decide how to approach the marketplace.

"If your sales organization is not adding hard dollar and soft dollar value or ROI at each and every step of the sales or buying process, then you can be replaced by a cheaper competitor over the web."

Rick Beauregard, Consultant, The Beauregard Groupe

"Our firm, Rackspace.com, is a service company with 'Fanatical Support' as their mantra. During a time when server prices plummeted, Rackspace has stayed profitable by selling their service, with the servers being a detail."

Bob Foster, President, Equix Advisory Corporation

The sales type differs from the market approach. The market approach may be commodity or value pricing and may occur in any type of sale. But success can be found in both commodity pricing strategies. [10][11][12][13][14]

Commodity pricing is a choice to arrange your business to focus on costs and drive down margins. Global competition in some markets is just a few mouse-clicks away, so staying current with all cost-saving technologies and techniques is important. Walmart uses the commodity pricing approach, and Dell Computers entered the marketplace with a commodity pricing approach.

Value pricing is also an option, and to make it work you must become an expert at proving value. Your solutions must be tailored to the client — eliminating items they don't want to pay for, and creatively applying resources to moderate costs and remain competitive. Every aspect of the offering must have value to the client. Anything that isn't valuable to the client attracts competitors, just like blood spilled in shark-infested waters. Client education is a critical component of value pricing.

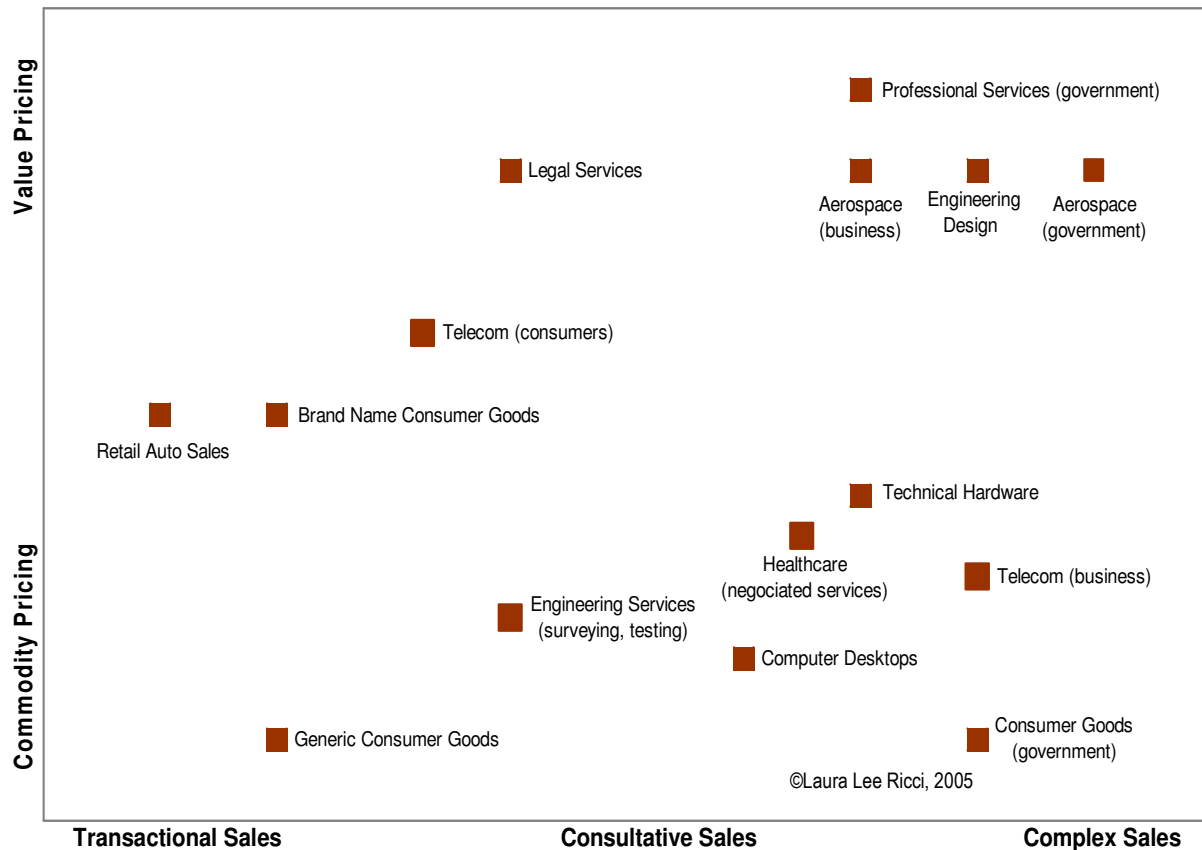
The Market Defines Sales Type, You Define Market Approach

The chart on the next page, graphs a number of industries by sales type and market approach.

Some industries are transitioning between consultative and complex sales. Telecom firms, technology service providers, and healthcare (negotiated contract) are examples of industries moving between sales types.

The movement between commodity and value pricing is dynamic. We've seen it in many industries, but to take just one example,

Sales Type and Market Approach by Industry



retail pharmacies have shifted market approaches several times in the last decade. As big-box pharmacies entered, commodity pricing became a problem for traditional pharmacies unable to reduce prices. They survived by expanding their non-prescription goods. However, the biggest users of pharmaceuticals tend to have multiple prescriptions. The value of having a pharmacist watching your prescriptions for compatibility has helped swing the pendulum back toward value pricing.

Industry consolidation tends to accompany this transition because margin erosion forces economies of scale, thus supporting consolidation. Expansion of contract size also supports consolidation in order to maintain sufficient margins for continued profitability. Suffice it to say that when consolidation occurs, there tends to be an accompanying transition to complex sales.

Some industries, like legal services and retail auto sales, may soon transition to complex sales, though they are now working in the transactional and consultative types of sales.

“Johnson Controls did all this. Humongous contracts. Site maintenance was a foot-in-the-door contract that often led to bigger things. They would take a hit on that kind of contract in hopes of getting a controls contract. Johnson Controls would buy entire companies to accomplish certain goals. They purchased a large car interior company rather than learn how to do it themselves. Where would one put a dot on the chart to represent buying a whole company as if it were a commodity?”

Research and development specialist

Speed Kills; Economic Support for Complex Sales

The complex sale matches an economic shift suggested by two economists, published by at least one Federal Reserve Bank, and circulated among prominent policymakers. Economists Stock and Watson make a compelling case that around 1984, economic volatility shifted, becoming more subdued, partly because of changes in the structure of the U.S. economy. The transition to complex sales supports, or is supported by (a chicken and egg paradox) this case of a shift in economic volatility. An atmosphere of carefully considered action and deliberate investment, and a reluctance to succumb to hasty decision making, matches the complex sales environment. An economy that moderates volatility, such as ours has since 1984, helps it along. “Speed Kills” might be our mantra in this environment. [15][16]

Stock and Watson explain that the shift in output from goods to services is one factor in the shift in economic volatility. Though this change has been taking place gradually over the last four decades, and it’s certainly not solely responsible for the shift in volatility, it appears to have been part of a cascade of changes that reached a “tipping point” in the mid-1980s and is now part of our overall economic reality. [6]

Monetary policy changes also contributed to this economic shift. Federal Reserve Bank management and structural changes in the financial markets were contributors, along with the elimination of credit rationing in many markets, especially home buying. [15]
[16]

Finally, the reduction in the “variance of exogenous structural shocks” (or in other words, “good luck”) played a role in the shift of economic volatility, resulting in fewer sudden changes than in previous periods. [15]

"I have long threatened to build a 'Lost Opportunity Clock' ...that clicks off time in dollars so that at the end of the presentation I could say, 'In the time we spent today, our solution would have made you \$X dollars, and at that rate, the project we are discussing would be cash positive in X months.' I haven't done it yet – it is a bit strong, but no stronger than the ROI and cash flow calculations I do for people before we meet."

Sales Manager, technology provider

All of these changes took place over time, of course, but taken together, they may have contributed to progress toward a "tipping point" being reached at which the business cycle changed and established a new order (though it's unlikely that that new order is static). [6]

Summary

When the marketplace dictates complex sales, your organization must meet this requirement with exquisite communication of your offering from beginning to end, echoed throughout your organization so it is reflected in all your sales contacts, and especially your proposal. The choice of value or commodity pricing is one your organization must make in order to design your best market plan.

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Laura Lee Ricci, M.B.A., has been *Supporting Good People Doing Great Things™* since 1996. If your organization is ready to manage the shift to competing in a complex sales environment, she may be able to help you. Ms. Ricci has tuned up, turned around, and created teams inside organizations to master this process. Her trainees have won over \$2 billion in contracts for their organizations. She can be reached by email at LRicci@1Ricci.com and by phone at 414.807.3669.

"I think you hit the nail on the head."

Mike L. Coy, R.F.C., Senior Managing Director, RSM EquiCo

"I think technology enables quick links between the strategy and communications gaps quite nicely, but there's NOTHING like a great 'coach'...LIKE YOU!...to help America's Road Toads rev up their engines and try out some classy, winning techniques."

Gwen Eklund, Vice President, Air and Waste Management Association

"Very impressive!"

Dr. Mohammad Dakwar, Associate Dean, Business and Information Tech., Milwaukee Area Technical College