

chapter seven



Consultative selling

Introduction

What is consultative selling?

Five things to know about your prospect

The four buying modes

Customers as partners

Managing expectations

Summary

Introduction

'It takes a long time to achieve instant success'

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This chapter covers the following topic areas:

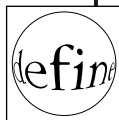
- What it feels like to be a buyer.
- A definition of consultative selling and how to become consultative.
- Understanding your customer's buying process and sourcing strategy.
- Selection criteria.
- The buying power and the buyer's sources of reference.
- Different buying modes.
- Customers as partners.
- Managing expectations.

Have you ever wondered what it feels like to be one of your customers or to be a prospective customer thinking of purchasing from you? Let me suggest the following adjectives to describe how customers might feel:

- Insecure.
- Threatened.
- Impatient.
- Worried.
- Exposed.
- Ignorant.
- Skeptical.
- Confused.

I think you will agree that these are not very positive descriptors and even though your customers may not feel all of these emotions all of the time, they will probably feel some of them some of the time. The bottom-line is that most of the time customers and clients come to you because they have a problem and if the truth were known, they

What is consultative selling?



would probably prefer it if the problem went away and they could just get back to business as usual. After all, the buying process is time consuming, not to mention the management of supplier relationships after contracts are signed.

It is a useful exercise to occasionally put yourself in your potential buyer's shoes and take on his mantle just to see how it feels. This is an important part of consultative selling on which this chapter will focus.

Consultative selling is essentially partnership selling. It is about selling long-term value and creating long-term relationships with customers rather than simply providing a product or service. It is an ongoing process, pre- and post-contract. People who sell in a consultative fashion consider that their existing customers are always prospects as well, and are continually seeking ways to add value to the products and services they provide. They rarely sit on their laurels and consider that the job is done once the contract is signed.

Mark Hanan, in his book *Consultative Selling*¹⁵, makes the distinction between consultative sellers and vendors, as follows:

CONSULTATIVE SELLERS	VENDORS
Supplies profit to his customer as his product	Supplies a product
Offers a return on customer's investment	Charges a price
Submits a business improvement proposal	Submits an order form
Sells to a business manager	Sells to a purchasing manager
Operates in a dedicated industry and to dedicated customers within it	Sells to a dedicated territory
Uses a database of facts and figures about the customer's business as their source of knowledge	Uses his product brochures as his sales database

Five things to know about your prospect



Hanan also provides four key steps to becoming consultative:

- 1 Identification of the customer's problem in financial terms, i.e. what is it costing?
- 2 Quantifying a profit improvement solution to the problem.
- 3 Assuming the position of manager of a particular problem-solving project and accepting responsibility for its performance.
- 4 Proposing a partnership with the customer in applying your **system** to solve his problem.

It is very important that you understand the following about your prospective customer:

- 1 His buying process.
- 2 His sourcing strategy, if there is one.
- 3 The criteria he will apply in his selection of a supplier.
- 4 His buying power.
- 5 His sources of reference.

Let's examine each of these:

Buying process

In addition to knowing who are the key buyers in the company and who influences their decisions, it is also useful to know the customer's timetable for selection and the purchasing process used in the organization. Typically, the process may look like this:

- 1 The identification of need.
- 2 Specification of requirement.
- 3 Identification of services or products to be acquired.
- 4 Research on those companies able to fulfil the needs.
- 5 Capabilities presentations from potential suppliers.
- 6 Development of a shortlist.
- 7 Review of quotations, tenders and proposals.
- 8 Negotiation.



- 9 Selection of a preferred supplier.
- 10 Contract or order fulfillment.
- 11 Delivery and implementation.

The earlier you can enter this process the better, ideally at the needs' identification stage.

Sourcing strategy

The prospect may employ one of the following sourcing strategies:

- 1 Global sourcing.
- 2 Partnership sourcing.
- 3 Single source.
- 4 Preferred supplier.

Each has its advantages, although partnership sourcing requires a commitment by customer and supplier to a long-term relationship for mutual benefit. According to Mark Hanan there are several advantages to partnership sourcing:

- Enhancing product development.
- Achieving greater quality and performance.
- Addressing market and business issues for future product planning.
- Economies of scale can be achieved.
- Sharing design and development costs.

Criteria

Identifying the buyer's selection criteria is very important and should be part of the initial qualification process outlined in Chapter 4. You may find that the criteria are unrealistic or that you cannot meet them.

In this case you have a choice:

- a) suggest that the prospect revise the criteria, or
- b) remove your company from the bidding process.



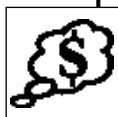
Typical buyer selection criteria may include the following:

- Product track record.
- Expertise and experience of company/team.
- Any conflicts of interest or competitive considerations.
- Reputation and professional standing.
- Flexibility.
- Costs.
- Timing.
- Chemistry and ability to work together.
- Quality of references.
- Good strategic fit.



Exercise

Identify your prospect's buying process and his selection criteria.



Thought for your ideas data bank

Always ask your prospect what the selection criteria are and if there is a written copy which you can share with your team. If he tells you that they have not yet been developed or written down, suggest that you help with this process. For example, you could help the buyer develop ten criteria and assign a rating system of 10 points to each, with a minimum pass mark of 60 for bidders to get onto the shortlist. Clearly you need to be as objective as possible, but demonstrating your usefulness and value at this early stage, can stand you in good stead in the relationship.

**Buying power**

Prospective customers have different levels of buying power which they can use to wield influence over you. These may include:

- Knowledge and understanding of your market.
- Size and reach of their company.
- The market share they own.
- Size of potential business they are likely to give you.
- Knowledge of your company's plans to increase capacity.
- Team-buying approach.
- Use of preferred supplier and vendor rating systems.
- Number of your competitors trying to win their business.

Again, it is useful if you can identify where this power lies and how best you can address it in your sales strategy.

**Exercise**

Identify your buyer's power over you. Do any of the above apply?

**Buyer's sources of reference**

Your prospective customers have several sources of reference that can provide them with information about you and influence their decision as to whether your company should be considered a potential supplier. You should ensure that you have some influence over, or input into, as many of the following information sources as possible:

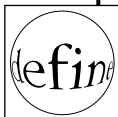
- Existing suppliers.
- Past quotations.
- Brochures and direct mail pieces.
- Trade journals.
- Trade associations.
- Vendor directories.
- Web sites.
- Exhibitions.

- Advertisements.
- Buyer's professional trade body.
- Colleagues.
- Third party consultants and advisors.



Here's the bottom-line: Stay in front of your prospects and maintain your profile in the market. You might want to refer back to Chapter 3 to review the best ways to do this.

The four buying modes



Authors, Miller/Heiman¹ (see Chapter 5) refer to four different modes of buying and you should know which mode your customer is in:

- 1 **Trouble** - the easiest customer to sell. Buying timetables are shortened and decisions made quickly.
- 2 **Growth** - it is fairly easy to sell to this customer who wants more of it better, faster and easier. These are earnest buyers who are not just window-shopping or simply going through the tender process as part of compliance or because company policy dictates.
- 3 **Even keel** - these prospects are more difficult to sell to. They are not convinced they need to change or to buy from you. It might take you longer to work through the sales cycle with the 'show me' buyer.
- 4 **Overconfident** - put these prospects on the back burner! They are the most difficult of all to sell to and may waste your time. However, remember that overconfident buyers can often lose that confidence quickly when the market takes a downturn or when change occurs in their organizations, so keep the lines of communication open.



Discussion question

Which buying mode is your prospective customer in? What strategy will you use to win the business?

Customers as partners



Most of us are looking for long-term customers, customers who will provide good referrals, be showcases for our products and services, and expand and grow with us - essentially customers as partners. One of the keys to consultative selling is to create clients and customers as partners and in order to do so there are several things you must do:

- Provide benefits and results to your customer's business in the form of the right products and services.
- Perform to the highest levels of excellence.
- Listen to your customers and be available to them when needed.
- Pay attention to the relationship.
- Provide opportunities for customers and clients to give you feedback on how you are doing.

Feedback is very important and I have reprinted here a questionnaire developed by David Maister¹⁶ that you might wish to adapt for your own use.



Exercise

Complete the following feedback questionnaire from the perspective of one of your customers. How did you rate?

Below 60 - you need to do some work.

Above 120 - you are doing well.

Customer feedback questionnaire

For each of the following statements, please indicate whether you: strongly disagree (1), somewhat disagree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5).

1	You are thorough in your approach to your work	n/a	1	2	3	4	5
2	You show creativity in your proposed solution	n/a	1	2	3	4	5
3	You are helpful in redefining our view of our situation	n/a	1	2	3	4	5
4	You are helpful in diagnosing the causes of our problem areas	n/a	1	2	3	4	5
5	Your people are accessible	n/a	1	2	3	4	5
6	You keep promises on deadlines	n/a	1	2	3	4	5
7	You document your work activities well	n/a	1	2	3	4	5
8	Your communications are free of jargon	n/a	1	2	3	4	5
9	You offer fast turnaround when requested	n/a	1	2	3	4	5
10	You listen well to what we have to say	n/a	1	2	3	4	5
11	You relate well to our people	n/a	1	2	3	4	5
12	You must be sufficiently informed on our progress	n/a	1	2	3	4	5
13	You let us know in advance what you're going to do	n/a	1	2	3	4	5
14	You notify us promptly of changes in scope, and seek our approval	n/a	1	2	3	4	5
15	You give good explanations of what you've done and why	n/a	1	2	3	4	5
16	You don't wait for us to initiate everything you anticipate	n/a	1	2	3	4	5
17	You don't jump to conclusions too quickly	n/a	1	2	3	4	5
18	You involve us at major points in engagements	n/a	1	2	3	4	5
19	You have a good understanding of our business	n/a	1	2	3	4	5
20	You make it your business to understand our company	n/a	1	2	3	4	5
21	You are up to date with what's going on on our world	n/a	1	2	3	4	5
22	You make us feel as if we're important to you	n/a	1	2	3	4	5
23	You are an easy firm to do business with	n/a	1	2	3	4	5
24	You deal with problems in our relationship openly and quickly	n/a	1	2	3	4	5
25	You keep us informed on technical issues affecting our business	n/a	1	2	3	4	5
26	You show an interest in us beyond the specifics of your tasks	n/a	1	2	3	4	5
27	You have been helpful beyond the specifics of your projects	n/a	1	2	3	4	5
28	You have made people more effective at what they do	n/a	1	2	3	4	5
29	My own understanding has improved from working with you	n/a	1	2	3	4	5
30	Overall I would rate your service very highly	n/a	1	2	3	4	5

Figure 5: Customer feedback questionnaire

Managing expectations



Mismanaged or misunderstood expectations are one of the most frequent reasons why business is lost both in the tender and post-contract stages. You must know what your prospect expects from you and make sure it is realistic and you can deliver on it. I sometimes think the business development process is like a personal relationship.

You date a number of different people (researching the market), then you make a commitment to go steady with one, but still keep your options open (proposal and quotation), this leads to the engagement (negotiation phase), the wedding (contract), the honeymoon (early stages of the relationship), and the marriage (ongoing work and implementation). Sometimes the relationship fails leading to separation or divorce (contract termination) but hopefully it will be a happy union where you celebrate anniversary after anniversary (long-term customers).

Managing expectations is vital to the success of a customer relationship as it is with a marriage. Sometimes we have to compromise, sometimes there is disappointment, but the most important thing is communication between both parties.

In the next chapter I will show you how you can manage expectations in the proposal stage, but in closing this one I'd like to leave you with a wise quote from author and Harvard Business School Professor, Theodore Levitt:

'To the potential buyer, a product is a complex cluster of value satisfactions. It is not the product per se, but rather the value a customer attaches to a product in proportion to its perceived ability to help solve a problem or meet a need.'

Summary

In this chapter we examined the many different aspects of consultative selling both from the bidder's viewpoint and from the customer's. In particular, we examined the different buying modes that your prospect might be in and identified several different buying criteria that you will probably need to meet in the bid process. In the next chapter we will look at the critical importance of writing compelling new business proposals which will help you bring your prospects closer to saying 'yes'.