ADAPT OR FAIL

The future of B2B strategic buying is going to expand the many complex steps and concerns outlined in the previous chapters. Buyers have made the job of selling exponentially more difficult for the average sales professional. The fallout in the future could be devastating. I say this because the economy is forcing corporations to continue to perform haircuts on their budgets, which is limiting opportunities for sales professionals. Just recently I heard of a multibillion-dollar company that stopped all discretionary spending for the quarter because Wall Street hammered them on their quarterly call. This company took the drastic step of stopping all nonrevenue-generating travel too. Do they realize what this does to all the companies that rely on their spending as part of their annual revenue? This one step of reducing their spending for a quarter probably affected hundreds (or more) of small businesses and sales professionals throughout the world who forecasted their revenue in their quarterly reporting. In a matter of seconds the buyer changed the diagram.

In addition to the economy, the future buyer will be a millennial. As I pointed out earlier, they communicate differently and buy differently than today's buyer. If you fail to adapt to this significant change, you will likely fail.

The diagram below (figure 4.1) displays the current dance between buyers and sellers. Many of the steps in the buyer's process are going to change, forcing sellers to change, adapt, or perish.

First, the good news. In the future buyers will probably continue to buy goods and services. Corporate infrastructure requires upgrading

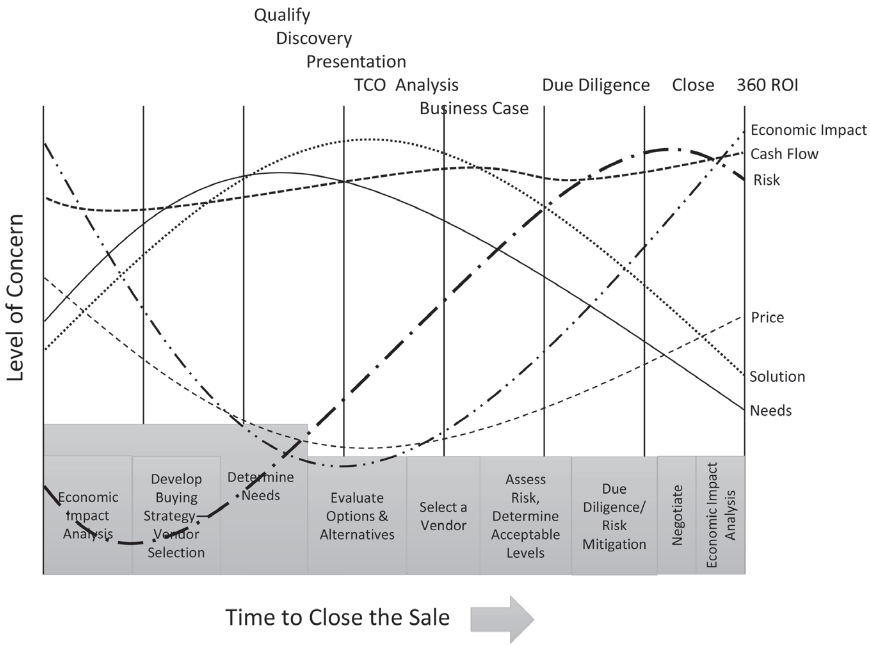

Figure 4.1 Buyers process / Concerns

to stay competitive. There will always be IT spending and there will always be equipment upgrades, required security measures, and government-mandated changes. And, of course, new products that need promoting. There are many markets that are still growing. For example, airline security, wastewater treatment, and silver and gold reclamation are all on the rise. The key to being successful in the future (assuming you are in a market that has opportunities) is to understand and embrace the future of selling based on the future of buying.

Let me explain where I believe the buyer's approach is going, into the future. I revealed parts of this diagram (figure 4.2) earlier. It begins with economic impact analysis taking hold all throughout the buyer's process.

The biggest change you should see in the future is that economic impact analysis will not be a one-time or two-time review; it will be an ongoing process. From the beginning of the sale through the final

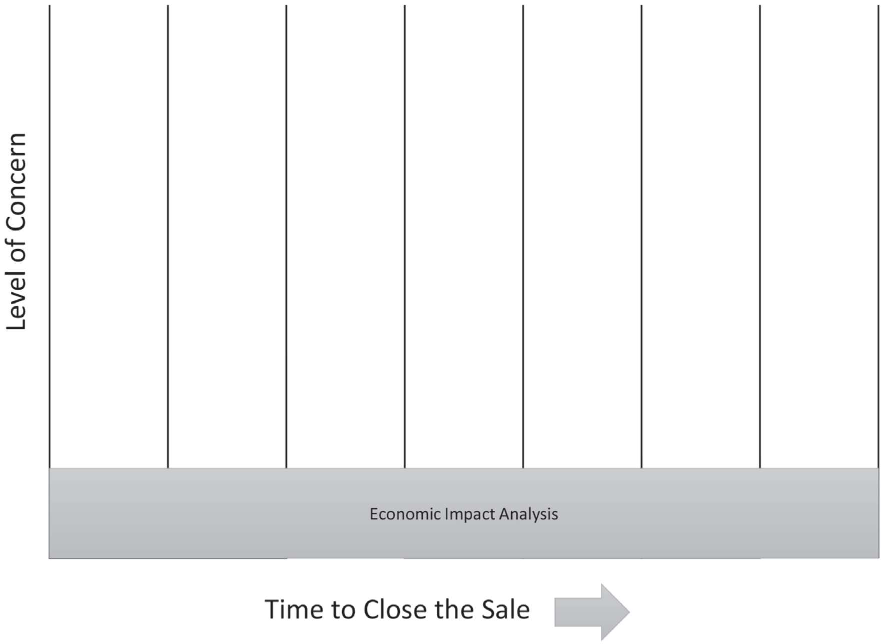

Figure 4.2 Buyers process

contract and beyond, every potential dollar spent will be run through a financial model to help determine the impact on the company's financial reports and cash flow. We are seeing that investments as low as $10,000 are being put to the economic impact test by finance personnel.

The fact that an economic impact analysis is going to be performed throughout the sales process tells us a financial C-suite executive is going to be involved in all stages of the sale—not just at the beginning and the end like in the past. In lieu of finance you may see a purchasing agent involved earlier than usual in the buying process. In both instances, problem one is you will need to be aware that selling in the future must include some knowledge of your financial impact.

Problem two is that C-suite financial executives speak in a different language. Future financial executives will view purchases not so much from the features and benefits they offer, but more from the financial impact on the organization's overall strategic goals. Bottom line is this: you will need to understand not only your features, benefits, and value to the buyer, but also the potential economic impact on the prospect's larger strategic goals. You will be required to do more research than ever before. Because the future buyer will be a millennial, there will be plenty of information on them out there on social media. Facebook, LinkedIn, Instagram, and Twitter will need to be monitored on a regular basis.

These buyers will use search engines, social media, and the information provided by the seller to populate their programs that reveal the economic impact on cash flow, key financial ratios, C-suite metrics, and overall corporate financial goals. They will also use these models to evaluate risk. Buyers are going to look beyond your immediate financial impact and into the future: How will you fit into their short-term, mid-term, and long-term strategic buying plan? For example, if a hospital is looking to add a new wing, and has the option to purchase an MRI machine or a new air filtration system, they will consider the long-term effect of both investments. Before spending millions of dollars on either, they will consider the impact on their cash flow, return on asset, debt-to-equity, payback period, and many other metrics. It is just not as simple as saying an MRI machine generates more revenue; therefore, that is what we are going to purchase. They must consider the adverse effects of poor air quality hospital-acquired infection (HAI) costs that lead to readmissions and fewer payments from insurance companies. They must consider the cost of employee turnover from poor air quality, and they must also consider the lifetime value of each of the assets. Which will generate more value (revenue improvements and cost reductions as well as cost avoidances) over a longer period of time? Will the choice contribute to the ultimate goal of adding cash flow by adding an additional wing? The buyer in the future will put far more effort into understanding the corporate financial impact of every major purchasing decision.

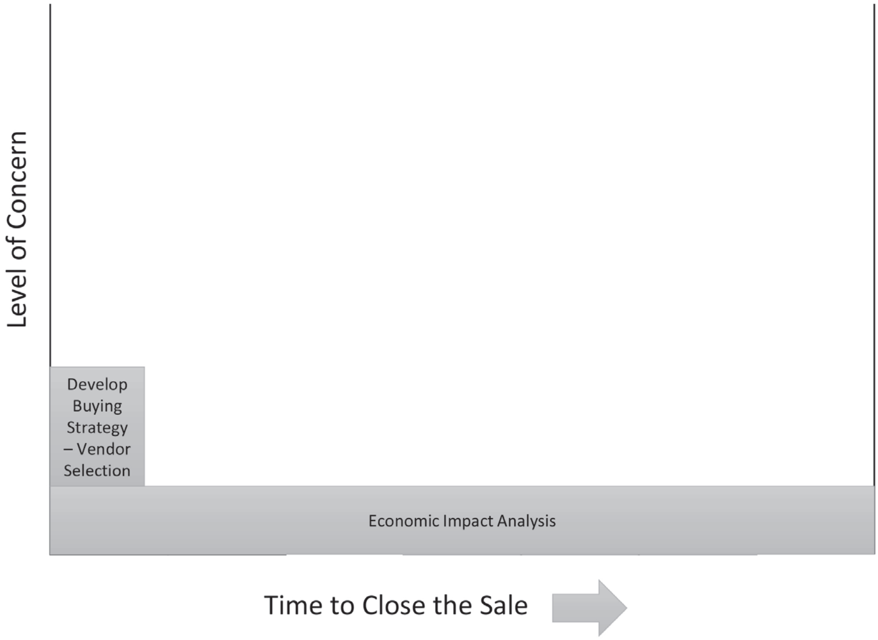

Figure 4.3 Buyers process

The next significant change is that a buying strategy will now lead the buyer's process, versus having it come after the economic impact analysis. Buying strategies will vary based on how large the purchase ends up being, what the item being purchased is, and the company's current economic position (i.e., cash flow, profitability, and operating costs).

There are some common steps your prospect will likely take to develop their buying strategy. A typical buying strategy includes establishing a team to determine their needs. This team, like today, will include representation from various departments. The key differences between now and in the future will be the amount of participation the C-suite will play in the process, and the participation by millennials. Like today, budgets will still be established; however, in the future you will see more of an emphasis on the expected impact of the budget expenditure. In other words, management will have a budget to spend on their department, but finance will weigh every expenditure against an expected return (for the corporation) on the money spent. This added burden will most likely cause a team member with a budget to scrutinize the expenditure more than they would today and look for other departments to share in both the risk and the cost. This added scrutiny is something the seller cannot take too lightly—your business case and proposal will be under a microscope. Because of this, how you structure a deal will become more important. Buyers are looking for vendors to participate in the risk- reduction process. Deal structuring is a tool you can use to help buyers make better buying decisions.

In the future, every buying strategy will look at not only the economic impact but the impact on the organization's personnel, market share, cash flow, and C-suite metrics. When the buyer in the future lays out their strategy, they will include potential impact on the entire organization. They will also assess the impact on their personnel. For example, if an organization is contemplating making a

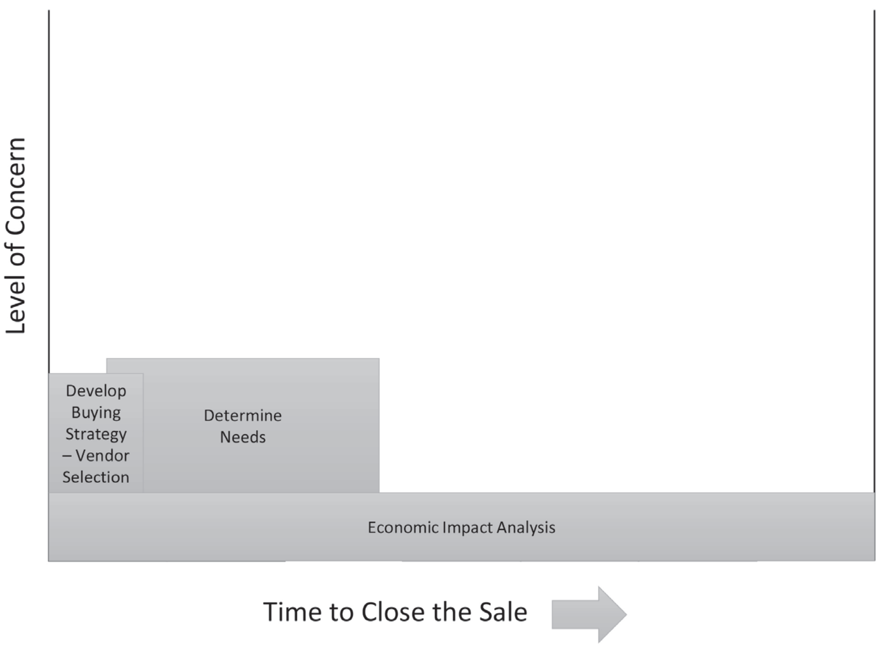

Figure 4.4 Buyers process

major change to their health-care program it could have a significant impact on their personnel, finances, future hiring, turnover, and more. When you are selling through your buyer's eyes, you must realize this one decision could take months to decide and have widespread impact on many parts of the organization.

Finally, buyers in the future will take more time in determining their needs (figure 4.4). Unlike in the past, when they looked for "technology and cool features," or today, where they are trying to resolve a single issue, pain, or goal, the future buyer will be consolidating departments, people, and processes. They will be looking for solutions that will save them time, reduce their cost, and enable their staff to do more with less.

The future millennial buyer will take this newfound knowledge from research, and create complex request for proposal (RFP) documents. Also, the world market will become even more important in the future. Buyers are opening up the worldwide market and looking for vendors to respond to their complex requests. Technology has enabled us to move hundreds of thousands of jobs around the world. Continued advancements made in Voice over Internet Protocol (VoIP) telephoning, video conferencing, e-signatures, cell phone technology, and satellite technology, to name but a few, will have profound impacts on our ability to do business anywhere in the world, at any time. It will not be reserved for only large organizations. The world market will open up to all sizes of companies. Keep in mind that opening up is a two-way street. It will provide opportunities for international companies to enter the US market, and will also allow for more US companies to enter the world market.

The future buyer will have more options available to them to determine their needs. A simple Bing search for the phrase "Project Management Software" came back with 346,000,000-plus options. How can you distinguish yourself among this grouping and have your information display at the top of the search? The future buyer will have to narrow that search and every search to a manageable set of options. Search engine tools like Google, Bing, Yahoo, dogpile.

com, and others are getting to be more sophisticated and will soon require some training to be most effective. The future millennial buyer will get this and will be more prepared to use the Internet to help them better determine their needs.

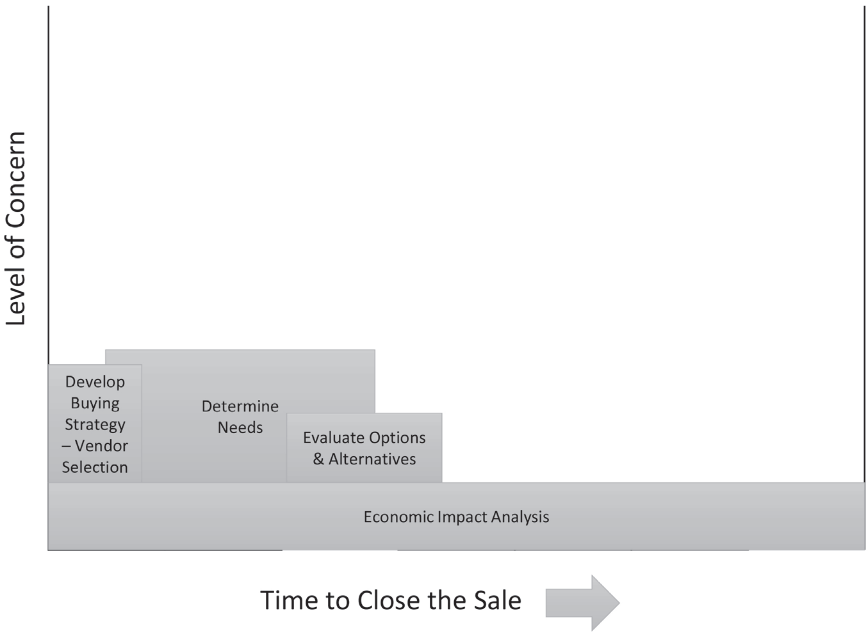

Figure 4.5 Buyers process

Buyers in the future will understand the risk of buying from the open market. Too many companies are going by the wayside or merging with others. Intel, for example, bought dozens of companies in the past few years. Apple, HP, IBM, and Microsoft too. Companies like Blockbuster Video, for example, are going out of business, HP is getting out of the PC market and then back in, and so on. Think about how we used to "rent a video." Today's buyer uses Netflix on a laptop, or Amazon Prime. Because of this volatility the risk of buying is higher now than ever before. Buyers will now take longer to research companies, check references, and consider their options. They will explore alternatives to buying (e.g., building it, hiring someone to build it, etc.). They will spend more time understanding the market and alternatives. The future buyer will monitor your social media posts. They will follow you on Twitter, watch your Facebook posts, and connect with you on LinkedIn. Remember how future buyers are going to communicate with you and each other.

Depending upon the product you sell, international competition will continue to grow in the future. It is likely you who will need to build a strategy to compete with the world market. Just as the cost of international business has dropped for US firms, the same has been true around the world. Small firms all over the world are entering the US and world markets. Keep in mind that US based SMB's have the same opportunities in other countries as well if they are willing to take the risk. The major difference is, buyers buy differently in other countries. You will need a strategy to communicate in both local and international markets. They are different. Your strategy must include learning the commerce laws, adhering to local language requirements, and understanding your competition.

In addition, you will need to understand this global market not only from a sales and marketing standpoint but from a cultural view. Understanding the culture of the market you are selling into will help you develop a strategy that can lead to much international success. A lack of an international strategy for small companies could be devastating because you will likely be competing regularly with other organizations entering your country.

Standards are being established in many markets. Computers and networks, for example, consist of Apple, Windows, UNIX, and Linux. Mobile phones have come down to Android, Apple, Google, Windows, Amazon, and (maybe) Blackberry. With these standards out there, it is much easier for companies to build new products, such as apps, and bring them to the market quicker.

I realize I have spent a lot of time on the topic of risk aversion and risk mitigation; however, I cannot emphasize enough the importance of understanding risk in any B2B strategic buying decision. Risk is going to extend from the point where the seller demonstrates their capability through the end of the buyer's process. There are many steps in between that I will reveal in a moment.

Figure 4.6 Buyers process

Buyers will make many more risk-aversive decisions than in the past. This will likely begin with buyers stringing along multiple vendors as they assess the risk of working with you. Buyers will use the information they have available to perform financial background checks, require seller's to purchase large liability insurance policies, or even force the seller to make commitments that could put their company at risk. The buyer may run checks against your employees to determine if they have criminal records, and also to confirm the status of their citizenship. The future buyer will try to minimize risk by using resources that affirm you are reliable, credible, and stable.

Notice the gap between Evaluate Options and Select a Vendor (figure 4.7). This is because the future buyer is assessing the risk of each potential vendor. It may seem early in the sales process, but it is not. The constant risk assessment is their defense mechanism to ensure they are selecting what is believed to be the best balance between risk and reward. Or better said, between the risk of

Figure 4.7 Buyers process

overspending and the reward of acquiring the very best solution to resolve the buyer's issues, pains, and goals.

Buyers are likely to select several vendors who offer similar solutions, and make their final selection as late as possible in their buying process. What this means to you, the seller, is that you haven't defeated the competition until the prospect becomes the buyer. The problem for you as the seller is that in the future, buyers will hide this fact and you may be unaware this is going on behind the scenes. Vendor selection, as you can see, is not the last step in the buyer's process. There are several additional steps in the buyer's process that must be considered, keeping in mind they are constantly trying to mitigate any risks of buying.

In the above diagram notice the gap between "Select a Vendor" and "Resolve Issues" (figure 4.8). The buyer is continuously assessing the risk of buying from you. Even though you think you have been chosen, the buyer will look at the issues you have on the table and ask themselves, “Is it worth it?” Sometimes it is not, and you are eliminated without even understanding why.

There are two lists of issues to be resolved. First, the list of issues with the buyer’s needs. This list could be features, processes, user interface, or pricing. This list is usually one that the buyer and seller can work out. The second list consists of issues that arise from due diligence. The buyer will check references, financials, legal conditions, and more. These issues can sometimes be more difficult to work out.

Performance contracts could become very popular in the future. Buyers want assurances that sellers will deliver as promised. Therefore the buyer will try to force the seller to commit to a deliverable and tie compensation to the results. Sellers in the future are going to want more conditions in the agreements to protect themselves from projects that do not perform as expected. Sellers

Figure 4.8 Buyers process

may also insist on payment terms more favorable to themselves; i.e., contract language that includes penalties and holdbacks (keeping part of the payment for months after implementation). The future buyer is going to try all sorts of tactics to mitigate their risk.

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