

Inside the mind of sales

Huthwaite International and Strategic Proposals

By Andrew Moorhouse and Graham Ablett

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Graham Ablett

UKAPMP PR manager
Consulting director at Strategic Proposals
email: ga@strategicproposals.com
phone: +44 (0) 7710 981754.

Andy Moorhouse

Member of UKAPMP conference and events committee
Huthwaite International research consultant
email: amoorhouse@huthwaite.co.uk
phone: +44 (0) 7770 478055.

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Inside the mind of sales

What are some of the burning issues faced by bid and proposal managers? What can buyers do to improve their own sourcing processes and boost efficiency and competition? Graham Ablett and Andy Moorhouse find out.

Most procurement departments believe they are no longer a back-office function and instead occupy a strategic role in their organisation. But what do suppliers make of purchasing's new-found influence and power?

One global technology provider advises its front-line sellers to "avoid procurement at all costs". Suppliers say procurement's drive for compliance and standardisation stifles their competitive position and disregards historical relationships. Some companies feel powerless in the face of tools like reverse auctions and online RFP platforms. They say they sell on value, not on price, and it's difficult to differentiate their offering in a 150-word text box.

These issues and more were explored at the recent UK Association of Proposal Management Professionals (UKAPMP) annual conference, a global association for bid and proposal managers, at which five buyers put themselves firmly in the lion's den, forming a panel to discover and discuss the concerns of bid managers.

They were: Guy Bruce, procurement director at Turner & Townsend; Steve Wallis, head of procurement development at buyingTeam; Andrea Reynolds, CEO of Cordie and chief negotiation examiner for CIPS; Charles Findlay, ex-Accenture supply chain partner, now a consultant at Procurement Excellence;

and Nathan Ayres, UK & Ireland procurement director at Merck Sharp & Dohme. Tony Hughes, CEO of Huthwaite International, facilitated the session. Here are some of the key discussion points.

Restricting access can prevent value creation

The audience quizzed the panel about why procurement managers insist on using perceived draconian measures to control supplier behaviour in the bidding process. For example RFP instructions that state: *"Any contact with an employee of the client regarding the tender will result in disqualification."*

According to a recent Huthwaite study, external procurement consultants used this approach to block access to key stakeholders in 83 per cent of deals. While this might seem a sensible way to manage an efficient process, there are risks. Stopping suppliers engaging with the buying organisation prevents them from developing a better understanding of requirements.

For example, a global telecom firm recently issued an RFP for the rental of portable power generators. The specification was unclear and ambiguous. It also contained very little information about the service and maintenance requirements for generators in the field, but suppliers were prevented from clarifying the specification. A 'high street' tool-hire provider won the contract at £2.2 million but its generators kept breaking down and it had no field-based service personnel. Within three months, 35 per cent of the generators were not working. A rental generator specialist, which had lost its bid at £3.6 million, was brought in to provide emergency cover. After the dust settled,

the procurement team had spent over £4.8 million.

Few buying organisations (if any) have a dedicated category manager for procuring portable power generators, but this situation could have been avoided by engaging with the key suppliers before the RFP.

The global telecom firm has now altered its supplier engagement strategy. For indirect categories, when there is no category manager, it now engages with three potential suppliers before the RFP. The suppliers enable the buyer to build a more robust understanding of the market. This strategy also helps to identify the real business needs, assists in avoiding the pitfalls and reduces the risk of implementation failure.

One panel member agreed, saying: *“If procurement stops the supplier, then they block the potential added value.”* Restricting access not only prevents suppliers delivering additional value; it creates an uneven playing field.

Ignoring the rules creates competitive advantage

All suppliers want client access to identify the real business drivers behind the RFP, and they will go to great lengths to get this information. When bid managers in the audience were asked if they had ever gone around procurement’s rules if access was restricted, more than half sheepishly admitted they had. However, not one had ever been disqualified for such an audacious move.

So what’s going on? If they don’t enforce the rules, why do procurement managers insist on

blocking access?

The traditional answer is that threatening to disqualify suppliers creates a ‘level playing field’. But blockage to access may actually benefit certain competitors, especially those who pay no attention to it, those who exploit high-level executive relationships and those who have the benefit of incumbency. Restricting access does not often halt selling; it just forces it underground. It also has more serious implications as it forces suppliers to walk away.

Suppliers walk if they cannot get access

One panel member said: *“It would be interesting to understand why suppliers don’t bid.”*

There is one stage every potential deal passes through – ‘opportunity qualification’. Or in other words, using their bid versus no-bid criteria, the supplier decides: *“Can we do this? Can we win this deal? Is this a real opportunity? And even so, do we want it?”*

Getting access to decision makers is a critical part of any successful sales campaign. Indeed, it is so closely linked with success that one leading IT provider implemented a mandatory ‘no-bid’ decision across all global sales departments when it faced a particular sourcing consultancy that continually blocked client access.

Through a very steep and expensive learning curve, most suppliers now recognise that deals are not won on the information in the RFP document. They understand that when they have had no prior relationship and then access is blocked, the chance of success is close to

zero. So if they cannot create access with a well-reasoned argument – they walk.

The key message for buyers is for a competitive proposal, you need to start dialogue with suppliers earlier in the process.

With ever-tighter bid budgets, if you restrict supplier access, they are likely to deploy their resources on a deal with a higher chance of success.

Supply base segmentation improves outcomes

Bid managers at the panel session also reported increased pressure and ever-shorter timescales for proposal responses. A typical turnaround is one or two weeks, down from four weeks a few years ago. The impact of shorter times creates incredible pressure for bid and proposal managers.

One of the main issues discussed was the lack of time that this creates for clarifying questions on the buyer RFP. If buyers do not produce clarifications promptly within a shortened proposal cycle, then the time for creating the solution and writing the proposal is severely affected.

Procurement leaders on the panel agreed response times do not always reflect the complexity of the deal.

This leads to a more important issue – the lack of supply base segmentation. One audience member, from a leading IT services consultancy said: *“It doesn’t matter who we are, procurement treats us all the same. Like a commodity.”*

Many procurement leaders will disagree. They might say, *“we have a four-box model and treat strategic and business-critical suppliers differently from other vendors”*. However, the high-level mandate to be strategic is not always reflected in the behaviours of front-line purchasing managers.

In response, one panel member said: *“There is a huge amount of variation in capability and maturity of procurement across organisations; even sophisticated companies have low-level tactical teams. Traditional direct categories may have a well-informed approach, but procurement is generally uninformed in categories of indirect spend.”*

It’s important to find out if procurement managers are treating strategic and business-critical suppliers differently. The approach used with direct and indirect procurement categories is also a key area to investigate.

Increasing procurement's internal value

One bid director asked the panel: *“Our sellers try to get to know the business, but is it necessary to get to know procurement?”*

The best way for purchasers to garner internal respect is to deliver a truly valuable solution for business users.

With that in mind, panel members made a number of suggestions:

- Engage with your key suppliers before you start writing the RFP – this will create additional business value. It will also prevent key suppliers from walking away.
- Use key suppliers to help shape your requirements. This will uncover any pitfalls, create a better solution and reduce incidence of implementation failure
- Segment the supply base. Give large complex deals more resources. Increase supplier response times. Procurement managers will get a more valuable proposal that is easier to evaluate.



